

UNITE HERE! Local 40

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Paragon Gaming promises a “world-class entertainment complex” for Vancouver with thousands of new jobs. Can a company with a shaky track record and no experience with projects of this size deliver?

UNITE HERE represents 100,000 gaming workers across North America. We work hard to ensure gaming jobs are good, stable jobs that support families. We know the industry. We know the players. We know what it takes to create good jobs.

Paragon Gaming’s promise to deliver thousands of jobs for Vancouver gives us a great deal of concern. Paragon plans to build a large “destination” casino complex in the heart of downtown Vancouver, yet the company has no track record with developments of the scale they’re proposing. In fact, Paragon has repeatedly struggled to get casino developments off the ground. As recently as late last year, Paragon tried to get a casino licence in Missouri for a \$400 million¹ “destination” casino and during the bidding process, significantly overstated the number of jobs that would be created by their project. Paragon’s bid was rejected after Missouri’s Department of Economic Development disagreed with the gaming company’s estimates on jobs creation and said the development would “cannibalize” other casino businesses. The Chairman of the Missouri Gaming Commission also expressed serious concerns about Paragon’s financing for the project.^{2,3} Missouri was the latest in a string of failed casino bids for Paragon that should raise questions about the company’s ability to develop a mega-casino in Vancouver.

Today, Paragon’s only gaming operation in the United States is a neighbourhood sports bar in west Las Vegas. The bar has 15 slot machines. While Paragon has managed to build two casinos in Alberta--joint ventures with First Nations--and Paragon acquired the Edgewater Casino in Vancouver out of bankruptcy in 2006, these are modest gaming projects that pale in comparison to the \$450 million casino development now being proposed for Vancouver.

With thousands of jobs at stake in the city of Vancouver, we’re forced to ask the question: is Paragon really the right company to take on this project? We think the answer is no. But let’s take a closer look at Paragon’s track record.

Missouri 2010: A Failed Bet

In late 2010, Paragon was one of 3 gaming companies bidding for the only available casino licence in the State of Missouri. In the period leading up to the state’s decision to award the

¹ Paragon’s casino proposal had 2 stages: a \$107 million initial casino plus an additional \$300 million expansion. “Report Favors Cape Girardeau over Sugar Creek,” Kansas City Star, 11/27/2010

² “Sugar Creek makes pitch to state gaming officials,” Kansas City Star, 10/21/2010

³ October 20, 2010 transcript of Missouri Gaming Commission hearing on casino proposals

licence, Paragon gave several figures on job creation in their proposed casino: 1000 jobs, 829 jobs, but then ended up giving the state of Missouri a figure of 573 jobs--for Phase 1 of the casino. So which was it? In the end, a study by Missouri's Department of Economic Development concluded it was 280 jobs,⁴ basing their information on data Paragon submitted for Phase 1 of the casino project.

Missouri's economic impact study had analyzed all 3 applicants' casino proposals and concluded that on all criteria, Paragon's proposal came in last among the 3 applicants. The number of new jobs created, the amount of new taxes that could be collected and the amount of net new casino revenue put Paragon last on all counts.

Another big concern in the economic analysis was that Paragon's casino would "cannibalize" business from other casinos.⁵

The Missouri Gaming Commission raised yet another concern about Paragon's casino proposal: financing. Commission Chairman, Jim Mathewson, wondered whether Paragon "could be trusted to secure funding and finish the project as planned."

"That point I've made when inquiring of the applicants is that you'd better make darn sure your financial house is in order, because we're going to look very carefully at that," Mathewson said."⁶

Mathewson made a number of comments about Paragon's financing during the Gaming Commission hearing, including during an exchange with Paragon President, Scott Menke, where Mathewson expressed concern when Menke said Paragon had an *unrestricted* commitment letter from a major financial company⁷ for the proposed Missouri casino. When asked about Paragon's financing in general, Menke said "our debt is held by a lot of different hedge funds and banks that are out there."

Paragon's \$407 million Missouri casino proposal⁸ was rejected by the Missouri Gaming Commission in November of 2010.

Augustine Casino: Paragon's "Partnership" with Tribe Raises National Scrutiny

Nearly all of Paragon's attempts to develop casinos in the U.S. have failed, with one exception.

Paragon's only foothold in casino development in the U.S. came in 2002 with the Augustine Indian Casino outside Palm Desert, California. Augustine Casino gained national notoriety because the Augustine Native American tribe consisted of only one adult member who relocated

⁴ Economic Analysis of Casino Applicants for Missouri's Gaming License, Missouri Department of Economic Development, 2010

⁵ Kansas City Star, 10/21/2010

⁶ Kansas City Star, 10/21/2010

⁷ Missouri Gaming Commission hearing transcript, October 20, 2010

⁸ Paragon's proposal was intended to be built in 2 stages: a \$107 million casino and an additional \$300 million expansion. "Report Favors Cape Girardeau over Sugar Creek," Kansas City Star, 11/27/2010

from Los Angeles to partner with Paragon and build a casino on an abandoned reservation in the Coachella desert. *Time Magazine's* 2002 investigative series, "Look who's cashing in at Indian casinos" singled out Paragon CEO, Diana Bennett, and the Augustine Casino in its scathing December 8 article, "Wheel of Misfortune." The report questioned who's really benefitting from Native American casinos and concluded the Augustine Casino "stands to make a lot of non-Indian investors--and one adult Indian--rich." The report goes on to say, "while most Indians continue to live in poverty, many non-Indian investors are extracting hundreds of millions of dollars--sometimes in violation of legal limits--from casinos they help to establish."

Paragon partnered with Indiana-based, Centaur Gaming to provide all of the financing for the \$16 million Augustine casino development. "Finding an investor with strong experience and understanding of the industry will be a great boost for the tribes we work with," Paragon CEO, Diana Bennett, said during the announcement that Centaur would provide \$35-40 million in financing for the Augustine Casino as well as for Paragon's tribal gaming projects in Alberta.⁹ Centaur Gaming declared bankruptcy in 2010 and sold its casinos.

Paragon's involvement with the Augustine Casino lasted from 2001 until 2006, when their management contract expired.

Ventura County: Gaming the Taxpayers

Paragon tried and failed several times to develop other Indian casinos in the U.S.

In 2001, Paragon tried twice to open an Indian casino in Ventura County, California. In the first casino proposal, Paragon promised gambling revenues of up to \$184 million in the first year of operation and perhaps more than \$600 million by the fifth year of casino operation¹⁰ with its "world class gaming facility" that would revitalize the local Ventura economy--even though there were no federally recognized Indian lands for a casino in Ventura County. Gaming is only legal in California on reservations. There was strong community resistance to Paragon's plan and Ventura County's Board of Supervisors rejected the proposal in February 2001.

Less than 2 weeks later, Paragon decided to ignore strong resistance in the community and came back with a second Indian casino proposal for Ventura County, this time locating the proposed casino in the city of Oxnard. For round two, Paragon had partnered with a landless Indian tribe from Northern California, the Greenville Rancheria of Maidu Indians, and based the casino proposal on the Maidu parachuting into Oxnard (in Southern California), and acquiring urban city land to turn into a reservation.

Paragon's second casino plan was strongly condemned by the Ventura County sheriff,¹¹ the District Attorney, the Mayor, the local Native American community and countless others. At a raucous Oxnard City Council hearing on the casino, Diana Bennett, Paragon's CEO, was "pelted with angry words" as she spoke to elected leaders and the public, people were yelling

⁹ "Centaur Partners with Paragon Gaming," *Inside Indiana Business*, 8/31/2001

¹⁰ "Company hopes for casino in county," *Ventura County Star*, 2/21/2001

¹¹ "Sheriff Blasts Indian Casino Proposed for Oxnard," *Los Angeles Times*, 5/2/2001

“get out of town,” “go away.”¹² Among the numerous people opposed to the casino, local Chumash [Indian] leaders turned out in large numbers and accused the Maidu of Northern California of coming to Oxnard to invade their ancestral lands.” Oxnard City Council voted unanimously against Paragon’s plan. Ventura County Supervisor for Oxnard, John Flynn, called the casino plan a “vacuum cleaner that would take money from our citizens and give it to Las Vegas.”¹³ Many people felt Paragon was making a mockery of the recent California initiative that had legalized casinos on Indian land, by trying to parachute a landless Northern California tribe into the middle of an urban area in Southern California. "This is a perversion of the ballot initiative you and I voted for," resident Mark Guagliardo shouted to Oxnard city council.

In 2001, Paragon also attempted to work with a Native American tribe in Eureka, Northern California, to build a casino on existing tribal land.¹⁴ The Bear River casino eventually got built but Paragon wasn’t part of the project. Its not clear why that didn’t work out.

Later, Paragon started looking at First Nations gaming opportunities in Alberta.

Is Vancouver Placing a Risky Bet on Paragon?

In 2006, Paragon opened a First Nations casino outside Edmonton, Alberta. In 2008, they opened a second First Nations casino, this time at a truck stop in Whitecourt, Alberta. While Paragon finally succeeded in developing these two casinos as joint ventures with First Nations groups, these projects did not involve developing and operating a casino on the scale of their proposed Vancouver project.

In 2008, Paragon tried again to develop a non-First Nations casino, this time in New Brunswick. New Brunswick was choosing a developer for the province’s first casino. Paragon and 3 other gaming companies submitted proposals for a destination casino in downtown Moncton.¹⁵ Paragon failed to win the bid.

Does this look like the profile of a company prepared to take on a \$450 million casino and entertainment complex in the heart of downtown Vancouver, and deliver thousands of jobs?

Here’s what Paragon’s existing casino portfolio looks like:

Project	Cost	Size	Market
Eagle River Casino Whitecourt, AB Alexis First Nation	\$60 million	250 slot machines 39,000 sq ft; 106 room motel	Long haul truckers.

¹² Indians withdraw casino plan in face of fierce opposition,” Ventura County Star, 5/9/2001

¹³ “Casino Project a Loser,” Los Angeles Times, 4/29/2001

¹⁴ “Oxnard Says No Dice to Casino Bid,” Los Angeles Times, 5/10/2001

¹⁵ Province of New Brunswick press release, 3/13/2008

Project	Cost	Size	Market
River Cree Casino Enoch, AB Enoch Cree Nation	Initial estimate: \$140 million At completion: \$182 million	362,600 sq ft 1000 slots 39 table games; 249 room hotel	West Edmonton Mall customers
Edgewater Casino Vancouver	Purchased from bankruptcy for \$42 million	a "slot-box," according to Paragon President, Scott Menke. 30,000 sq ft 500 slots	Locals

Paragon's Proposed Casino for Vancouver:

Project	Cost	Size	Market
New Vancouver Casino	Initial estimate: \$450 million	680,000 sq ft "world-class entertainment complex," including casino, 620 hotel rooms; 5-7 restaurants	Increased tourism to Vancouver; traffic from BC Place

Paragon's Other Casino Projects:

Project	Cost	Type of Casino	Project Status
Missouri - 2010	\$407 million	Destination casino and resort in Sugar Creek	FAILED BID
New Brunswick - 2008	approx. \$90 million	Casino in downtown Moncton 400-800 slots	FAILED BID
Eureka, California - 2001	details not available	Local: details not available	PARAGON VENTURE NEVER MATERIALIZED

Project	Cost	Type of Casino	Project Status
Oxnard, California - 2001	details not available	2000 slot machines; 150,000 sq ft casino	FAILED
Ventura County, California - 2001	details not available	2000 slot machines; 175 table games	FAILED
Augustine Casino, California 2002-2006	\$16 million	"Where Locals Eat, Play and Win!"	OPERATED FOR 4 YEARS
The Creek Bar and Grill, West Las Vegas	details not available	Neighbourhood Sports Bar with 15 slot machines	Operation allows Paragon to maintain gaming licence in Nevada

When there are so many professional gaming companies in North America successfully building and operating high-end casinos and creating good jobs, why is Paragon is the right choice for Vancouver's mega-casino?