



State of West Virginia
 Department of Administration
 Purchasing Division
 2019 Washington Street East
 Post Office Box 50130
 Charleston, WV 25305-0130

Request for Quotation

RFQ NUMBER
 LOT463

PAGE
 1

ADDRESS CORRESPONDENCE TO ATTENTION OF
 SHELLY MURRAY
 304-558-8801

VENDOR

RFQ COPY
 TYPE NAME/ADDRESS HERE

SHIP TO

LOTTERY COMMISSION

 312 MACCORKLE AVENUE, SE
 CHARLESTON, WV
 25314-1143 558-0500

DATE PRINTED	TERMS OF SALE	SHIP VIA	F.O.B.	FREIGHT TERMS
09/29/2010				

BID OPENING DATE: 10/13/2010 BID OPENING TIME 01:30PM

LINE	QUANTITY	UOP	CAT NO	ITEM NUMBER	UNIT PRICE	AMOUNT
0001	1	LS		946-20		
<p>----- ADDENDUM NO. 1 -----</p> <p>THIS ADDENDUM IS ISSUED TO ADDRESS THE QUESTIONS SUBMITTED PRIOR TO THE QUESTION SUBMISSION DEADLINE OF 09/22/2010.</p> <p>THE BID OPENING IS EXTENDED:</p> <p>FROM: 10/07/2010 TO : 10/13/2010</p> <p>FINANCIAL REVIEW ANALYSIS AND CONSULTING</p> <p>EXHIBIT 10</p> <p>REQUISITION NO.: LOT463</p> <p>ADDENDUM ACKNOWLEDGEMENT</p> <p>I HEREBY ACKNOWLEDGE RECEIPT OF THE FOLLOWING CHECKED ADDENDUM(S) AND HAVE MADE THE NECESSARY REVISIONS TO MY PROPOSAL, PLANS AND/OR SPECIFICATION, ETC.</p> <p>ADDENDUM NO.'S:</p>						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE	TELEPHONE	DATE
TITLE	FEIN	ADDRESS CHANGES TO BE NOTED ABOVE

WHEN RESPONDING TO RFQ, INSERT NAME AND ADDRESS IN SPACE ABOVE LABELED 'VENDOR'

GENERAL TERMS & CONDITIONS

REQUEST FOR QUOTATION (RFQ) AND REQUEST FOR PROPOSAL (RFP)

1. Awards will be made in the best interest of the State of West Virginia.
2. The State may accept or reject in part, or in whole, any bid.
3. Prior to any award, the apparent successful vendor must be properly registered with the Purchasing Division and have paid the required \$125 fee.
4. All services performed or goods delivered under State Purchase Order/Contracts are to be continued for the term of the Purchase Order/Contracts, contingent upon funds being appropriated by the Legislature or otherwise being made available. In the event funds are not appropriated or otherwise available for these services or goods this Purchase Order/Contract becomes void and of no effect after June 30.
5. Payment may only be made after the delivery and acceptance of goods or services.
6. Interest may be paid for late payment in accordance with the *West Virginia Code*.
7. Vendor preference will be granted upon written request in accordance with the *West Virginia Code*.
8. The State of West Virginia is exempt from federal and state taxes and will not pay or reimburse such taxes.
9. The Director of Purchasing may cancel any Purchase Order/Contract upon 30 days written notice to the seller.
10. The laws of the State of West Virginia and the *Legislative Rules* of the Purchasing Division shall govern the purchasing process.
11. Any reference to automatic renewal is hereby deleted. The Contract may be renewed only upon mutual written agreement of the parties.
12. **BANKRUPTCY:** In the event the vendor/contractor files for bankruptcy protection, the State may deem this contract null and void, and terminate such contract without further order.
13. **HIPAA BUSINESS ASSOCIATE ADDENDUM:** The West Virginia State Government HIPAA Business Associate Addendum (BAA), approved by the Attorney General, is available online at www.state.wv.us/admin/purchase/vrc/hipaa.htm and is hereby made part of the agreement. Provided that the Agency meets the definition of a Cover Entity (45 CFR §160.103) and will be disclosing Protected Health Information (45 CFR §160.103) to the vendor.
14. **CONFIDENTIALITY:** The vendor agrees that he or she will not disclose to anyone, directly or indirectly, any such personally identifiable information or other confidential information gained from the agency, unless the individual who is the subject of the information consents to the disclosure in writing or the disclosure is made pursuant to the agency's policies, procedures, and rules. Vendor further agrees to comply with the Confidentiality Policies and Information Security Accountability Requirements, set forth in <http://www.state.wv.us/admin/purchase/privacy/noticeConfidentiality.pdf>.
15. **LICENSING:** Vendors must be licensed and in good standing in accordance with any and all state and local laws and requirements by any state or local agency of West Virginia, including, but not limited to, the West Virginia Secretary of State's Office, the West Virginia Tax Department, and the West Virginia Insurance Commission. The vendor must provide all necessary releases to obtain information to enable the director or spending unit to verify that the vendor is licensed and in good standing with the above entities.
16. **ANTITRUST:** In submitting a bid to any agency for the State of West Virginia, the bidder offers and agrees that if the bid is accepted the bidder will convey, sell, assign or transfer to the State of West Virginia all rights, title and interest in and to all causes of action it may now or hereafter acquire under the antitrust laws of the United States and the State of West Virginia for price fixing and/or unreasonable restraints of trade relating to the particular commodities or services purchased or acquired by the State of West Virginia. Such assignment shall be made and become effective at the time the purchasing agency tenders the initial payment to the bidder.

I certify that this bid is made without prior understanding, agreement, or connection with any corporation, firm, limited liability company, partnership, or person or entity submitting a bid for the same material, supplies, equipment or services and is in all respects fair and without collusion or fraud. I further certify that I am authorized to sign the certification on behalf of the bidder or this bid.

INSTRUCTIONS TO BIDDERS

1. Use the quotation forms provided by the Purchasing Division. Complete all sections of the quotation form.
2. Items offered must be in compliance with the specifications. Any deviation from the specifications must be clearly indicated by the bidder. Alternates offered by the bidder as **EQUAL** to the specifications must be clearly defined. A bidder offering an alternate should attach complete specifications and literature to the bid. The Purchasing Division may waive minor deviations to specifications.
3. Unit prices shall prevail in case of discrepancy. All quotations are considered F.O.B. destination unless alternate shipping terms are clearly identified in the quotation.
4. All quotations must be delivered by the bidder to the office listed below prior to the date and time of the bid opening. Failure of the bidder to deliver the quotations on time will result in bid disqualifications: Department of Administration, Purchasing Division, 2019 Washington Street East, P.O. Box 50130, Charleston, WV 25305-0130
5. Communication during the solicitation, bid, evaluation or award periods, except through the Purchasing Division, is strictly prohibited (W.Va. C.S.R. §148-1-6.6).



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NO. 1					
NO. 2					
NO. 3					
NO. 4					
NO. 5					
<p>I UNDERSTAND THAT FAILURE TO CONFIRM THE RECEIPT OF THE ADDENDUM(S) MAY BE CAUSE FOR REJECTION OF BIDS.</p> <p>VENDOR MUST CLEARLY UNDERSTAND THAT ANY VERBAL REPRESENTATION MADE OR ASSUMED TO BE MADE DURING ANY ORAL DISCUSSION HELD BETWEEN VENDOR'S REPRESENTATIVES AND ANY STATE PERSONNEL IS NOT BINDING. ONLY THE INFORMATION ISSUED IN WRITING AND ADDED TO THE SPECIFICATIONS BY AN OFFICIAL ADDENDUM IS BINDING.</p> <p>..... SIGNATURE</p> <p>..... COMPANY</p> <p>..... DATE</p> <p>NOTE: THIS ADDENDUM ACKNOWLEDGEMENT SHOULD BE SUBMITTED WITH THE BID.</p> <p>----- END OF ADDENDUM NO. 1 -----</p>						

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ADDENDUM # 1

QUESTION

On page 6 of the RFQ under the section titled "Qualified Certified Public Accounting Firm" defined, the first indented box states... "Except for the engagement being procured by this Request for Quotation, the firm has no accountant-client relationship with the State of West Virginia Department of Revenue and the West Virginia Lottery." We question why an accountant-client relationship with the Lottery would eliminate a firm from consideration under this RFQ. Under professional independence standards, which auditors are required to evaluate before accepting an engagement, performing financial review analysis services and advisory services for the Lottery Commission concerning the Lottery's vendors, licensees, and permit applicants is not incompatible with performing auditing services over the Lottery's financial statements and observing live drawings. Under this RFQ, the firm would be providing services related to financial information of vendors and others outside of the Lottery, while the auditing services relate to financial data of the Lottery and live drawings. The information related to the Lottery's vendors and licensees is external to the Lottery and had no effect on and does not interact with the Lottery's internal financial data or the live drawings. It would seem more likely that the experience and knowledge of the Lottery operations and applicable West Virginia Code sections gained from providing audit services to the Lottery would enhance the ability of the firm to perform the services required under this RFQ. We also note that the Certified Public Accounting firm currently providing these financial review analysis and advisory services requested under this RFQ was allowed to submit a proposal on the original bid for financial audit services for the Lottery on February 9, 2010 and the rebid for the financial audit services on June 8, 2010. The firm was not disqualified from bidding on these audit services even though it was performing the financial review analysis and advisory services at that time. Under generally accepting

auditing standards and Government Auditing Standards, the performance of the service required under this RFQ and providing auditing services to the Lottery by the same firm do not appear to create an independence issue. The firm currently performing the financial review analysis and advisory services to the Lottery submitted multiple bids to perform auditing services for the Lottery and would not likely have done so if the firm could not have complied with professional standards.

RESPONSE

Delete this requirement.

QUESTION

Are there any formal written reports issued to report the results of the financial review analysis and advisory service? If yes, please provide an example of such a report. If not in writing, what is the typical content of the information provided to the Commission?

RESPONSE

Yes. See attached example.

West Virginia Lottery Commission

Re: Mountaineer Park, Inc. License Renewal

At your request, we have performed the procedures enumerated below with respect to the documents reviewed related to Mountaineer Park, Inc. Our review was made solely to assist you in your considerations regarding your video lottery licensing and oversight responsibilities, and our report should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Lottery Commission, will be a matter of public record. The documents reviewed, procedures performed and observations are summarized below:

Documents Reviewed

Mountaineer Park, Inc.

- Audited financial statements for the years ended December 31, 2008 and 2007.

MTR Gaming Group, Inc.

- SEC Form 10K for the year ended December 31, 2008.
- SEC Form 10Q for the quarter ended March 31, 2009.
- Proxy statement for the July 29, 2008 Annual Meeting.
- SEC Form 8K announcing appointment of Robert Griffin as President and CEO.
- SEC Form 8K announcing appointment of Robert Norton as COO.
- SEC Form 13G filed by Private Management Group, Inc.
- SEC Form 13G filed by Brigade Capital Management, LLC.
- SEC Form 13D filed by Jacobs Entertainment, Inc.
- SEC Form 13D filed by Arbiter Partners, LP.
- SEC Form 13D filed by Andover Capital Advisors, LP.
- SEC Form 13D filed by Edson Arneault.
- Data form, personal financial statement and tax returns of officers.

Procedures

We reviewed the above documents to summarize financial position, operations information and to identify matters, which we believe are worthy of your consideration with respect to your licensing and oversight responsibilities. It is understood that the documents reviewed and the extent of such review, and the matters identified as worthy of your consideration are based on the combination of your requirements, and the application of our business judgment and experience as accountants and auditors to the circumstances. The results of these procedures are summarized on Schedules I and II.

Because the above procedures do not constitute an audit conducted in accordance with generally accepted auditing standards, we do not express an opinion on any of the items referred to above or summarized on the attached schedules. Had we reviewed other documents or performed additional procedures, other matters, which may have significance regarding your licensing and oversight responsibilities, might have come to our attention that would have been reported to you. This report relates only to the documents specified above and does not extend to any other documents related to Mountaineer Park, Inc.

June 6, 2009

SCHEDULE I

Review of Mountaineer Park, Inc. Information

Significant Facts and/or Issues

Mountaineer Park Inc.

- ◆ Mountaineer Park, Inc. (Mountaineer) is owned 100% by MTR Gaming Group.
- ◆ The Company commenced table gaming and poker operations during October 2007 with 40 poker tables and 55 table games.
- ◆ Mountaineer has approval for 3500 gaming machines. During the year ended December 31, 2008, the Company's average daily net win per machine decreased to \$175 from \$194 the year before.
- ◆ Poker and Table games generated 488 million in revenues, during 2008. The average daily poker rake per table was \$507 and the daily net win per tablegame was \$2,104.

MTR Gaming Group, Inc.

- ◆ In addition to Mountaineer Park, Inc., MTR Gaming Group, Inc. (MTR) owns Scioto Downs in Columbus, Ohio; Presque Isle Downs and Casino in Erie, Pennsylvania. They also own 90% of a harness racetrack in Jackson, Michigan and a 50% interest in North Metro Harness Initiative, LLC, which is constructing a harness racetrack and card room in Anoka County, Minnesota.
- ◆ On April 3, 2009, the Company received notification that North Metro's lender was seeking foreclosure of the Company's equity interest, therefore North Metro has been reflected as discontinued operations.
- ◆ In December 2008 the Company ceased operations at Jackson Harness Raceway.
- ◆ The Company had losses per share for 2008 of \$.56 compared to \$.21 in the prior year.
- ◆ During 2008, the Company recorded impairment losses in the amount of \$8.7 million to reduce the investment in North Metro Harness.
- ◆ On September 19, 2008, the Company appointed Robert Griffin as the new President and Chief Executive Officer.
- ◆ On March 31, 2008, the Company entered into the Second Amended and Restated Revolving Credit Agreement to decrease the line of credit with Wells Fargo Bank from \$155 million to \$125 million.
- ◆ In March, 2008 the Company sold Binion's Horseshoe Hotel for \$28.5 million in cash.
- ◆ On February 28, 2007, the Company opened Presque Isle Downs clubhouse with 2000 slot machines. In September, 2007 the Company commenced live thoroughbred horse racing.

SCHEDULE I

Review of Mountaineer Park, Inc. Information

Significant Facts and/or Issues (continued)

- ◆ On February 9, 2007, the Company agreed to sell the Ramada Inn and Speedway Casino in North Las Vegas for \$18,175,000 in cash.
- ◆ During 2007, the Company repurchased and retired 85,000 shares of its common stock in the open market for \$654,000 pursuant to its approved \$18 million stock repurchase program.
- ◆ On May 25, 2006, the Company consummated the private sale of \$125 million of 9% Senior Subordinated Notes through a private placement.
- ◆ MTR beneficial ownership greater than 5% and management holdings at March 31, 2009:

Jeffrey Jacobs	18.44%
Edson R. Arneault	6.03%
Arbitrator Partners	7.03%
Brigade Capital Management, LLC	5.45%
Private Management Group, Inc.	5.33%
Andover Capital Advisors, LP	5.02%

SCHEDULE II

Review of Mountaineer Park, Inc. Information

Mountaineer Park Inc.

Summarized balance sheet information is as follows (dollars in 000's):

	December 31,			
	2008	2007	2006	2005
Cash	\$ 12,634	\$ 10,772	\$ 14,500	\$ 16,883
Accounts Receivable	2,697	2,303	2,656	1,776
Other Current Assets	6,498	6,884	5,237	4,559
Total Current Assets	21,829	19,959	22,393	23,218
Property and Equipment, Net	144,922	154,622	146,611	154,395
Advances to Parent	151,805	135,387	117,203	87,451
Other Assets	186	814	1,303	2,129
Total Assets	\$ 318,742	\$ 310,782	\$ 287,510	\$ 267,193
Current Portion – LTD	\$ 2,495	\$ 1,077	\$ -	\$ 22
Other Current Liabilities	11,777	17,057	10,755	12,421
Long-term Debt	84,791	87,427	82,078	82,078
Other Liabilities	2,980	4,116	5,324	8,181
Stockholders' Equity	216,699	201,105	189,353	164,491
Total Liabilities and Equity	\$ 318,742	\$ 310,782	\$ 287,510	\$ 267,193

Summarized results of operations are as follows (dollars in 000's):

	Years Ended December 31,			
	2008	2007	2006	2005
Gaming Revenue	\$ 253,490	\$ 229,429	\$ 259,098	\$ 251,935
Other Revenue	42,209	36,279	37,648	36,465
Cost of Sales – Gaming	(163,781)	(144,523)	(160,904)	(158,564)
Cost of Sales – Other	(33,581)	(29,619)	(29,396)	(29,490)
Interest Expense	(8,981)	(8,875)	(8,675)	(8,041)
Depreciation	(14,781)	(15,773)	(18,958)	(19,599)
Other Expenses	(50,290)	(48,527)	(40,329)	(40,219)
Income Taxes	(8,691)	(6,639)	(13,622)	(11,530)
Net Income	\$ 15,594	\$ 11,752	\$ 24,862	\$ 20,957

Review of Mountaineer Park, Inc. Information (continued)

MTR Gaming Group, Inc.

Summarized balance sheet information is as follows (dollars in 000's):

	March 31,		December 31,		
	2009	2008	2007	2006	2005
Cash, including restricted cash	\$ 40,579	\$ 29,940	\$ 32,605	\$ 34,986	\$ 23,497
Accounts Receivable	6,714	7,717	10,062	7,738	7,558
Other Current Assets	32,071	33,438	17,273	11,677	11,351
Total Current Assets	79,364	71,095	59,940	54,401	42,406
Property and Equipment, Net	363,166	367,769	399,288	377,926	256,167
Intangibles	70,804	70,804	73,972	23,758	19,075
Other Assets	16,885	18,042	77,762	23,122	17,029
Total Assets	<u>\$ 530,219</u>	<u>\$ 527,710</u>	<u>\$ 610,962</u>	<u>\$ 479,207</u>	<u>\$ 334,677</u>
Current Portion – LTD	\$ 115,162	\$ 20,498	\$ 11,108	\$ 6,133	\$ 477
Other Current Liabilities	55,347	50,190	50,483	54,248	35,427
Long-term Debt	259,338	357,112	420,520	271,969	152,966
Other Liabilities	3,982	4,307	16,399	18,493	24,831
Stockholders' Equity	96,390	95,603	112,452	128,364	120,976
Total Liabilities and Equity	<u>\$ 530,219</u>	<u>\$ 527,710</u>	<u>\$ 610,962</u>	<u>\$ 479,207</u>	<u>\$ 334,677</u>

Summarized results of operations are as follows (dollars in 000's):

	Years Ended December 31,			
	2008	2007	2006	2005
Gaming Revenue	\$ 478,772	\$ 429,892	\$ 313,051	\$ 301,011
Cost of Sales – Gaming	(273,036)	(235,496)	(159,654)	(157,554)
Cost of Sales – Other	(51,736)	(49,697)	(38,459)	(36,290)
Depreciation	(29,839)	(28,640)	(20,986)	(21,018)
Interest Expenses	(40,764)	(35,171)	(17,462)	(13,869)
Other Expenses	(101,108)	(92,247)	(72,027)	(64,511)
Net Income (Loss)	<u>\$ (17,711)</u>	<u>\$ (11,359)</u>	<u>\$ 4,463</u>	<u>\$ 7,769</u>

	Three Months Ended March 31,			
	2009	2008	2007	2006
Gaming Revenue	\$ 100,566	\$ 103,159	\$ 80,900	\$ 79,078
Other Revenue	11,271	13,165	11,090	16,369
Cost of Sales – Gaming	(64,919)	(65,507)	(49,322)	(47,531)
Cost of Sales – Other	(9,457)	(12,531)	(9,613)	(13,772)
Depreciation	(7,274)	(7,658)	(5,731)	(6,383)
Interest Expense	(9,936)	(10,352)	(6,328)	(2,914)
Other Expenses	(19,499)	(22,902)	(20,437)	(21,494)
Net Income (Loss)	<u>\$ 752</u>	<u>\$ (2,626)</u>	<u>\$ 559</u>	<u>\$ 3,353</u>