

CONTRACT NO. C000419

**THE NEW YORK STATE DIVISION OF THE BUDGET
MANAGEMENT CONSULTING SERVICES AGREEMENT
WITH MCKINSEY & COMPANY, INC. WASHINGTON D.C.
FOR THE PERIOD
September 1, 2012 – August 31, 2015**

THIS IS AN AGREEMENT ("AGREEMENT") dated as of September 1, 2012 by and among the NEW YORK STATE DIVISION OF THE BUDGET (hereinafter referred to as "DIVISION"), and McKinsey & Company, Inc. Washington D.C. (hereinafter referred to as "McKinsey" "CONTRACTOR", or "Secondary Management Consultant"), with offices located at 1200 19th Street, NW, Suite 1100, Washington, DC 20036.

WITNESSETH

WHEREAS, the DIVISION works to promote the best use of State resources and is responsible for ensuring that fiscal and program priorities are properly carried out and in establishing financial and budgetary policies/programs for New York State; and

WHEREAS, the DIVISION requires the services of a management consulting firm to advise the DIVISION on an as-needed basis in short-term engagements that focus on the review of management and fiscal issues relating to State programs, practices and initiatives.

WHEREAS, the DIVISION issued a Request for Proposals (RFP) for Management Consulting Services, dated June 5, 2012, a copy of which is attached hereto as, Appendix B, for management consulting services; and

WHEREAS, after an evaluation of the Proposals submitted for the performance of such work, the DIVISION determined that the Contractor is the most responsible, technically qualified, and competent to serve as Secondary Management Consultant based upon its Proposal; and

WHEREAS, the Contractor is willing to serve as a management consultant to the DIVISION, as outlined in the RFP and herein;

NOW, THEREFORE, in consideration of the terms and conditions of this AGREEMENT, it is hereby mutually agreed by and between the DIVISION and the CONTRACTOR (each individually a "Party" and collectively "Parties"), as follows:

I. SERVICES

- A. The DIVISION does hereby engage McKinsey to provide management consulting services consistent with Section 3 of the RFP. Upon request, the Management

Consultant will be asked to provide assistance, guidance or analysis on, but not limited to, the following:

Program-Related Matters

- Assist DIVISION staff in reviewing and evaluating programs and initiatives in one or more State entities (i.e., agencies, public authorities, boards, commissions, etc.). Identify best practices, analytical techniques, change management, or strategy development for State programs or proposed initiatives.
- Review the success, return on State investment, and productivity and cost-effectiveness of programs and initiatives.
- Provide technical assistance to the DIVISION in program issues and the valuation of assets held by State entities.

Financial Plan-Related Matters

- Analyze the fiscal impact of changes in proposed or existing State and local programs which have impact on the State Financial Plan.
- Evaluate and advise the DIVISION on general or specific budgetary and management issues that may arise. This may include Consultant's interpretation of proposed management policies and its relation to State financing and the State's structure

State Operations and Management

- Analyze State entity operations, policies and processes to measure performance, identify opportunities to improve service, and increase efficiency. This may include, but not be limited to:
 - Analyzing and documenting current policies and processes;
 - Performing best practice research and benchmarking to other approaches at comparable entities;
 - Conducting workflow analyses; and
 - Designing accountability programs.
- Assess the functions performed by a State entity or group of entities to address operational improvement opportunities. This may include, but not be limited to, examining statutory responsibilities, organizational structures, resources (budget, personnel, equipment, technology, facilities, and other assets), and workload.

- Assist in developing implementation plans, generating project cost estimates and providing implementation and support services that may include, but not be limited to, program management support to facilitate project completion, including implementation steps, resource allocation, quality assurance, review of project schedules, monitor and manage issues and risks, create key performance indicators and management performance reports, and develop detailed baseline analytics;
- Perform quality assurance reviews of existing operations, including the review of transactions between the DIVISION and agencies, authorities and other parties the DIVISION may work with.

Management Issues, Changes and Federal Mandates/Statutes, Local Issues

- Advise the DIVISION on public management matters, as appropriate, including modifications or conditions for which New York State would be affected. Identify ways to meet new mandates, changes or requirements.
 - Assist in analyzing the cash flow and financial position of municipalities, public authorities and other State entities.
- B. The CONTRACTOR agrees to perform and furnish the services and labor required in connection herewith in accordance with all conditions, covenants and representations contained in this AGREEMENT.
- C. At the onset of each project, the CONTRACTOR and DIVISION will mutually agree on a statement of work (SOW), which shall define the services to be provided and the total cost for the project..

II. TERM

McKinsey agrees to perform the aforesaid services for a three year period beginning September 1, 2012 and ending August 31, 2015, with two optional one-year extensions.

III. COMPENSATION

A. McKinsey's rates for services rendered under this AGREEMENT shall not exceed the hourly rates as shown below:

Title	Hourly Rate				
	Contract Year 1 2012-2013	Contract Year 2 2013-2014	Contract Year 3 2014-2015	Contract Year 4 2015-2016	Contract Year 5 2016-2017
Engagement Partner	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Project Manager	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Senior Management Analyst					
Management Analyst					

The above rates shall apply to all hourly compensation paid under this AGREEMENT. The not-to-exceed hourly rates are inclusive of any reproduction, travel, postage or other expenses related to the engagement.

- B. Total payment under this AGREEMENT shall not exceed [REDACTED]
- C. CONTRACTOR will only be compensated for services that are performed in accordance with a mutually agreed upon SOW as described in Section I.C.
- D. Billings for services rendered shall be submitted to the DIVISION after the first day of the month following the month in which the work was performed.
- E. As stated in Section 7.3.4 of the RFP, the CONTRACTOR acknowledges that it will not receive payment on any invoices submitted under this AGREEMENT unless or until it complies with the State Comptroller's electronic payment procedures.
- F. Fees shall become payable by the STATE upon receipt of an approvable invoice in accordance with this section. Properly invoiced fees not paid within 30 days of receipt of the invoice will be paid with interest in accordance with the New York State Prompt Payment Law. Any and all such invoices shall contain a detailed itemization of requested compensation which shall at the minimum include:
 1. The number assigned to this AGREEMENT and the CONTRACTOR's taxpayer identification number;
 2. Name(s), and title(s) as identified in this section, of the CONTRACTOR staff providing services;
 3. Name(s) of DIVISION employees, or their designee(s), requesting the services and directly involved;
 4. Specific identification of the deliverable(s) provided; and
 5. Time period in which the services were performed and date deliverable was accepted by the DIVISION.

All invoices should be submitted electronically to contracts@budget.ny.gov.

- G. The CONTRACTOR shall not be reimbursed for the preparation of invoices or billing statements or for the correction of any error in previously submitted invoices or billing statements.

IV. RESERVATIONS

- A. The DIVISION reserves the right to utilize the secondary management consultant under the provisions delineated in the RFP.

- B. The DIVISION reserves the right to employ other consultants and contractors in connection with its responsibilities and functions. In that event, the CONTRACTOR will, as directed by the DIVISION, cooperate and work in harmony with such consultants and contractors.

V. RELATIONSHIP OF PARTIES

The relationship of the CONTRACTOR to the DIVISION shall be that of an independent contractor. In accordance with such status as an independent contractor, the CONTRACTOR covenants and agrees to act consistent with such status: to neither hold itself out as, nor claim to be, an officer or employee of the DIVISION or the State by reason hereof; and not to, by reason hereof, make any claim, demand, or application to or for any right or privilege applicable to an officer or employee of the DIVISION or the State, including but not limited to workers' compensation coverage, unemployment insurance benefits, social security coverage, or retirement membership credit.

VI. STAFF

- A. The CONTRACTOR shall assign [REDACTED] as the lead engagement partner and the personnel referenced in its Proposal, but is not limited in its utilization of other personnel for its duties hereunder.
- B. The CONTRACTOR specifically represents and agrees that its members, officers, employees, agents, servants, consultants, shareholders and subcontractors have and shall possess the experience, knowledge and character necessary to qualify them individually for the particular duties performed hereunder.
- C. This AGREEMENT is intended to secure the professional services of the CONTRACTOR because of its ability and shall not be assigned, conveyed, transferred, or disposed of by the CONTRACTOR.
- D. The DIVISION has an absolute right and discretion to approve or disapprove any proposed staff and changes in staff. The CONTRACTOR shall notify the DIVISION of any proposed changes in staff immediately. The DIVISION, in each instance, will be provided with a summary of experience of the proposed substitute and an opportunity to interview that person, prior to giving its approval or disapproval; approval shall not be unreasonably withheld.
- E. The CONTRACTOR shall be fully responsible for performance of work by its staff and by its subcontractor's staff and the DIVISION reserves the right to request removal of any CONTRACTOR staff or subcontractor staff if, in the DIVISION's discretion, such staff is not performing in accordance with this AGREEMENT.
- F. The CONTRACTOR agrees not to subcontract any of its services, unless as indicated in its proposal, without the prior written approval of the DIVISION.

Approval shall not be unreasonably withheld upon receipt of written request to subcontract.

VII. DIVISION REPRESENTATIVES

- A. The DIVISION, with the commencement of this AGREEMENT, designates as its representatives, [REDACTED] or designee(s).
- B. Such representatives shall request, oversee, supervise and accept performance of services provided by the CONTRACTOR and shall receive any required submissions. Whenever an AGREEMENT action is to be taken or approval for services given by the DIVISION, such action or approval may be given only by the representatives designated pursuant to this Section.
- C. All Notices under this AGREEMENT shall be directed to the representatives identified in this Section, or their designees.
- D. The DIVISION may on written notice designate other individuals as its representatives.

VIII. MINORITY- AND WOMEN-OWNED BUSINESS ENTERPRISES PARTICIPATION AND COMPLIANCE

A. General Provisions

- 1. The DIVISION is required to implement the provisions of New York State Executive Law Article 15-A and 5 NYCRR Parts 142-144 ("MWBE Regulations") for all State contracts as defined therein, with a value (1) in excess of \$25,000 for labor, services, equipment, materials, or any combination of the foregoing or (2) in excess of \$100,000 for real property renovations and construction.
- 2. The CONTRACTOR agrees, in addition to any other nondiscrimination provision of the AGREEMENT and at no additional cost to the DIVISION, to fully comply and cooperate with the DIVISION in the implementation of New York State Executive Law Article 15-A. These requirements include equal employment opportunities for minority group members and women ("EEO") and contracting opportunities for certified minority and women-owned business enterprises ("MWBEs"). The CONTRACTOR's demonstration of "good faith efforts" pursuant to 5 NYCRR §142.8 shall be a part of these requirements. These provisions shall be deemed supplementary to, and not in lieu of, the nondiscrimination provisions required by New York State Executive Law Article 15 (the "Human Rights Law") or other applicable federal, state or local laws.
- 3. Failure to comply with all of the requirements herein may result in a finding of non-responsiveness, non-responsibility and/or a breach of contract, leading to

the withholding of funds or such other actions, liquidated damages pursuant to this Section or enforcement proceedings as allowed by the AGREEMENT

4. The CONTRACTOR will not discriminate against employees or applicants for employment because of race, creed, color, national origin, sex, age, disability, or marital status, and will undertake or continue existing programs of affirmative action to ensure that minority group members and women are afforded equal employment opportunities without discrimination.

For purposes of the Article, affirmative action shall mean recruitment, employment, job assignment, promotion, upgrading, demotion, transfer, layoff or termination, and rates of pay or other forms of compensation.

5. The CONTRACTOR shall request each employment agency, labor union, or authorized representative of workers with which it has a collective bargaining or other agreement or understanding, to furnish a written statement that such employment agency, labor union or representative will not discriminate on the basis of race, creed, color, national origin, sex, age, disability, or marital status and that such union or representative will affirmatively cooperate in the implementation of the CONTRACTOR's obligations herein.
6. The CONTRACTOR shall state in all solicitations or advertisements for employees, that, in the performance of the State contract, all qualified applicants will be afforded equal employment opportunities without discrimination because of race, creed, color, national origin, sex, age, disability, or marital status.
7. The CONTRACTOR shall comply with the provisions of the Human Rights Law, all other State and Federal statutory and constitutional non-discrimination provisions. The CONTRACTOR and subcontractors shall not discriminate against any employee or applicant for employment because of race, creed (religion), color, sex, national origin, sexual orientation, military status, age, disability, predisposing genetic characteristic, marital status or domestic violence victim status, and shall also follow the requirements of the Human Rights Law with regard to non-discrimination on the basis of prior criminal conviction and prior arrest.

B. Contract Goals

The DIVISION and CONTRACTOR have agreed to a goal of at minimum ten percent participation for New York State certified Minority-Owned Business Enterprises (MBE) and minimum ten percent participation for New York State certified Woman-Owned Business Enterprises (WBE). Over the term of the contract, the CONTRACTOR will allocate at least ten percent of funds paid under this AGREEMENT to one or more certified MBE firms and at least ten percent of funds paid under this AGREEMENT to one or more certified WBE firms. The CONTRACTOR agrees to use the MWBE Utilization Plan set forth in the Proposal

for the performance of MWBEs on the AGREEMENT pursuant to the prescribed MWBE goals set forth above. The CONTRACTOR further agrees that a failure to submit and/or use such MWBE Utilization Plan shall constitute a material breach of the terms of the AGREEMENT. Upon the occurrence of such a material breach, the DIVISION shall be entitled to any remedy provided herein, including but not limited to, a finding of CONTRACTOR non-responsiveness

Where MWBE goals have been established herein, pursuant to 5 NYCRR §142.8, CONTRACTOR must document "good faith efforts" to provide meaningful participation by MWBEs as subcontractors or suppliers in the performance of the AGREEMENT. In accordance with Section 316-a of Article 15-A and 5 NYCRR §142.13, the CONTRACTOR acknowledges that if the CONTRACTOR is found to have willfully and intentionally failed to comply with the MWBE participation goals set forth in the AGREEMENT, such a finding constitutes a breach of contract and the CONTRACTOR shall be liable to the DIVISION for liquidated or other appropriate damages, as set forth herein and in the RFP.

C. Equal Employment Opportunity (EEO)

1. The CONTRACTOR agrees to be bound by the provisions of Article 15-A and the MWBE Regulations promulgated by the Division of Minority and Women's Business Development of the Department of Economic Development (the "Division"). If any of these terms or provisions conflict with applicable law or regulations, such laws and regulations shall supersede these requirements.
2. The CONTRACTOR and subcontractors shall undertake or continue existing EEO programs to ensure that minority group members and women are afforded equal employment opportunities without discrimination because of race, creed, color, national origin, sex, age, disability or marital status. For these purposes, EEO shall apply in the areas of recruitment, employment, job assignment, promotion, upgrading, demotion, transfer, layoff, or termination and rates of pay or other forms of compensation.

D. Penalties for Willful and Intentional Failure to Comply

1. Any contractor who willfully and intentionally fails to comply with the minority and women-owned participation requirements as set forth in the AGREEMENT shall be liable to the State for liquidated or other damages, as specified in the resulting contract, and shall provide for other appropriate remedies on account of such breach. Damages shall be calculated based on the actual cost incurred by the State agency related to the State agency's expenses for personnel, supplies, and overhead related to establishing, monitoring, and reviewing certified minority- and women-owned business enterprise programmatic goals and Affirmative Action and Equal Opportunity compliance.
2. In the event a determination has been made which requires the payment of liquidated damages and such identified sums have not been withheld by the

DIVISION, the CONTRACTOR shall pay such liquidated damages to the DIVISION within sixty (60) days after they are assessed by the DIVISION unless prior to the expiration of such sixtieth day, the CONTRACTOR has filed a complaint with the Director of the Division of Minority and Woman Business Development pursuant to Subdivision 8 of Section 313 of the Executive Law in which event the liquidated damages shall be payable if Director renders a decision in favor of the DIVISION.

E. Deficiency and Disqualification

Vendors will receive a notice of deficiency when the STATE's specified requirements have not been met. Failure to fully address the RFP's administrative requirements may result in disqualification of a Bidder from the procurement. Procedures for Disqualification of a vendor are described in Section 142.9 of the New York Code, Rules and Regulations.

F. Contractor Compliance Reports

CONTRACTOR shall submit to the State Quarterly M/WBE Compliance Reports for Workforce Composition and M/WBE subcontractor participation for the previous quarter by the 5th day of each new State fiscal quarter (January, April, July, and October).

G. Noncompliance and Dispute Resolution

Where there is a dispute that cannot be resolved between an agency and a Vendor on noncompliance in M/WBE Utilization or Workforce Diversity, the issue will be elevated to the DMWBD for resolution. If a resolution of the dispute recommended by the Executive Director of DMWBD is satisfactory to the parties, the parties shall so indicate by signing a dispute resolution memorandum indicating that the matter has been resolved and stating the terms of the resolution.

If a resolution cannot be agreed upon, the Executive Director of DMWBD will refer the complaint, within 30 calendar days of the receipt of the complaint, to DMWBD's hearing officer for a hearing. The decision of DMWBD's hearing officer shall be final and may only be vacated or modified as provided in Article 78 of the Civil Practice Law and Rules.

IX. GENERAL TERMS

A. Conflicts of Interest

Pursuant to Request for Proposals Section 4.3, the CONTRACTOR has provided a letter in the CONTRACTOR's proposal (incorporated as Appendix C), signed by an authorized executive or legal representative, attesting that the CONTRACTOR's performance of the services does not and will not create a conflict of interest with,

nor position the firm to breach any other contract currently in force with the State of New York, that the CONTRACTOR will not act in any manner that is detrimental to any STATE project on which the CONTRACTOR is rendering services.

The CONTRACTOR hereby covenants and represents that there is and shall be no actual or potential conflict of interest that could prevent the firm's satisfactory or ethical performance of duties required to be performed pursuant to the terms of this AGREEMENT. The CONTRACTOR shall have a duty to notify the DIVISION immediately of any such actual or potential conflicts of interest.

The DIVISION and the CONTRACTOR recognize that conflicts may occur in the future because the CONTRACTOR may have existing, or establish new, relationships. The DIVISION will review the nature of any relationships and reserves the right to terminate this AGREEMENT for any reason, or for cause, if, in the judgment of the DIVISION, a real or potential conflict of interest cannot be cured.

B. Warranties

The CONTRACTOR warrants that it will perform Services in good faith and in a professional manner and that the Services will conform in all material respects to the description of such Services set forth herein. The warranties expressly set forth in this AGREEMENT are in lieu of all other warranties, expressed or implied including, but not limited to, the implied warranties of merchantability and fitness for a particular purpose. The CONTRACTOR shall perform Services in a workmanlike manner in accordance with industry standards.

C. Performance Monitoring

The CONTRACTOR's performance will be assessed by the State according to the achievement of CONTRACTOR's contractual obligations in a timely and professional manner, as set forth herein. The DIVISION will utilize progress reports and periodic meetings to ensure that the project is carried out on a timely basis and results in effective recommendations and work products.

D. Indemnification and Liability

The CONTRACTOR shall be fully liable for any act or omission of the CONTRACTOR, its employees, subcontractors and agents, and shall fully indemnify and hold harmless the State from suits, actions, damages and costs of every name and description relating to personal injury and damage to real or tangible personal property or intellectual property caused by fault or negligence of CONTRACTOR, its employees, subcontractors or agents arising from the CONTRACTOR's performance of the Contract, without limitation; provided, however, that the CONTRACTOR shall not be obligated to indemnify the State for that portion of any claim, loss or damage arising hereunder due to the negligent act or failure to act by the State or the acts of third parties, other than those provided by the

CONTRACTOR to perform under the Agreement. In connection with the foregoing, the State shall give CONTRACTOR, (i) prompt written notice of any action, claim or threat of suit, (ii) the opportunity to take over, settle or defend such action, claim or suit at CONTRACTOR's sole expense, and (iii) assistance in the defense of any such action at the expense of CONTRACTOR.

Except as otherwise set forth as being without limitation in the indemnification paragraph above, the limit of liability shall be as follows: CONTRACTOR's liability for any damages arising out of, or related to the AGREEMENT, whether in contract, tort or otherwise, shall in no case exceed direct damages in: (i) an amount equal to two (2) times the amount paid to the CONTRACTOR for work performed under this AGREEMENT, or (ii) one million dollars (\$1,000,000), whichever is greater.

Notwithstanding the above, the CONTRACTOR and the State shall not be liable for any consequential, indirect or special damages of any kind which may result from such performance, including, without limitation, damages resulting from loss of use or loss of profit by the State, the CONTRACTOR, or by others. The CONTRACTOR shall be fully responsible for performance of work by and conduct of its staff and subcontractor's staff and that the DIVISION reserves the right to request removal of any CONTRACTOR staff or subcontractor staff if, in the DIVISION's discretion, such staff is not performing in accordance with the AGREEMENT.

The CONTRACTOR warrants that its services shall be performed in accordance with applicable professional standards and that the CONTRACTOR shall correct, at no charge to the DIVISION or the STATE, services which fail to meet applicable professional standards and which result in obvious or patent errors in the progression of its work.

E. Reports and Findings

Any and all reports and findings rendered to the DIVISION by the CONTRACTOR shall be the exclusive property of the DIVISION and subject to its exclusive use and control. The CONTRACTOR hereby waives any and all rights to such reports and findings and the control thereof.

The CONTRACTOR shall take all appropriate action to protect the confidentiality of all information supplied to it or developed by it during the course of its performance under the terms of the AGREEMENT.

F. Ownership

CONTRACTOR will retain all right, title and interest in and to all materials developed by it prior to the Effective Date of this AGREEMENT and/or developed outside of CONTRACTOR's obligations hereunder.

G. Records Access

DIVISION staff, others authorized by the DIVISION such as representatives of the Federal government, or other STATE agencies authorized by STATE law, shall have access to and the right to examine the books, documents, work papers, documentation of charges, or other records of the CONTRACTOR involved in transactions relating to this AGREEMENT during the contract period and for a period of six years after final payment for said services. The CONTRACTOR will make all records, including related documents of any and all subcontractors, available to New York State.

H. Work Paper Retention and Availability

The work papers to be prepared by the CONTRACTOR during the AGREEMENT will be the CONTRACTOR'S property although copies thereof and access to them will be made available, upon request, to the DIVISION, representatives of the Federal government and STATE agencies when authorized by the DIVISION, and other STATE agencies authorized by existing law, for a period of six (6) years following the date of the final payment under the contract. All such requests, and their disposition, shall be authorized by the DIVISION.

The CONTRACTOR agrees to make personnel available to explain fully all data, materials, and work papers developed during the engagement for a period of six (6) years following the date of the final payment under the contract.

X. DISPUTES AND DISSATISFACTION/CONFLICT RESOLUTION

In the event the DIVISION is dissatisfied with the CONTRACTOR's performance of the Services provided under the Agreement, including but not limited to a breach of the Agreement on the part of the CONTRACTOR, the DIVISION shall notify the CONTRACTOR of the dispute in writing. In the event the CONTRACTOR has any disputes with the DIVISION, the CONTRACTOR shall notify the DIVISION in writing. Such notification in both cases shall hereinafter be referred to as "Notice of Conflict", or in the case of contract breach, "Notice of Default".

If either the DIVISION or the CONTRACTOR notifies the other of such dispute or dissatisfaction, the Party receiving the notification shall then make good faith efforts to amicably resolve the problem or settle the dispute, including meeting with the notifying Party's representatives to diligently attempt to reach a mutually satisfactory result.

In the event of a dispute, both Parties will continue to fulfill their performance obligations under the Agreement.

Nothing shall limit either Party's ability to pursue all legal remedies. If the Parties are unable to amicably resolve the dispute after the steps described above, then either Party may seek legal or equitable relief in a court of competent jurisdiction.

XI. TERMINATION

- A. The DIVISION reserves the right to terminate the services of the CONTRACTOR, in whole or in part, upon thirty (30) days written notice for any reason, or immediately for cause. Upon notice of termination, the CONTRACTOR shall stop work immediately and complete only those specific assignments, if any, subsequently approved by the DIVISION. In the event of termination other than for cause, the CONTRACTOR shall be entitled to compensation for services performed through the date of termination that are accepted by the STATE, and for any subsequent services that are accepted by the STATE, rendered in connection with any successor consultants and contractors, including transfer of records, briefing and any other services deemed necessary or desirable by the DIVISION. The CONTRACTOR agrees to cooperate to the fullest respect with any successor consultants and contractors.
- B. After receipt of the Notice of Termination, the Contractor shall exercise all reasonable diligence to accomplish the cancellation or diversion of its outstanding commitments covering personal services and extending beyond the date of such termination to the extent that they relate to the performance of any work terminated by the Notice.
- C. The CONTRACTOR shall submit its termination claim to the DIVISION promptly after receipt of a Notice of Termination, but in no event later than 30 days from the effective date thereof, unless one or more extensions in writing are granted by the DIVISION upon written request of the CONTRACTOR within such 30-day period or authorized extension thereof. Upon failure of the CONTRACTOR to submit its termination claim within the time allowed, the DIVISION may determine, on the basis of available information, the amount, if any, due to the CONTRACTOR by reason of termination, and shall thereupon pay to the CONTRACTOR the amount so determined.
- D. The CONTRACTOR agrees to transfer title to the DIVISION, and to deliver in the manner, at the time, and to the extent, if any, directed by the DIVISION, such information and work products for which the CONTRACTOR produced and received compensation by the DIVISION.
- E. In addition, non-compliance with the procurement laws as noted in Section XIII of this AGREEMENT will lead to contract termination.

XII. FORCE MAJEURE

Neither party will be liable for losses, defaults, or damages under this AGREEMENT which result from delays in performing, or inability to perform, all or any of the obligations or responsibilities imposed upon it pursuant to the terms and conditions of this AGREEMENT, due to or because of acts of God, the public enemy, acts of government, earthquakes, floods, civil strife, fire or any other cause beyond the

reasonable control of the party that was so delayed or so unable to perform, provided that such party was not negligent and shall have used reasonable efforts to avoid and overcome such cause. Such party will resume full performance of such obligations and responsibilities promptly upon removal of any such cause.

XIII. COMPLIANCE WITH PROCUREMENT LAWS

- A. By execution of this AGREEMENT, the CONTRACTOR certifies that information provided to the State of New York with respect to the Vendor Responsibility Questionnaire, Procurement Lobbying Certifications, Contractor Disclosure Forms (A and B) and Section 5-a of the Tax Law (Forms ST-220-TD and ST-220-CA) is complete, true and accurate.
- B. The CONTRACTOR hereby acknowledges that the Vendor Responsibility Questionnaire and certification are made part of this AGREEMENT by reference hereto and that any misrepresentation of fact in the Questionnaire and attachments, or in any CONTRACTOR responsibility information that may be requested by the DIVISION, may result in termination of this AGREEMENT. During the term of this AGREEMENT, any changes in the provided Questionnaire shall be disclosed to the DIVISION, in writing, in a timely manner. Failure to make such disclosure may result in a determination of non-responsibility and termination of the AGREEMENT.

Should it be determined at any time that the CONTRACTOR is not responsible, the DIVISION will notify the CONTRACTOR in writing setting forth the basis for the determination and affording the CONTRACTOR reasonable time in which to refute the determination, justify why the basis for the determination is not relevant to this AGREEMENT or to take corrective action to eliminate the responsibility impediment. If the responsibility condition cannot be reconciled to the satisfaction of the DIVISION and the State of New York, the AGREEMENT will be terminated by written notification.

- C. CONTRACTOR hereby acknowledges that State Finance Law Section 163(4)(g) imposes certain reporting requirements on the contractor doing business with New York State, In furtherance of these reporting requirements, the CONTRACTOR agrees to complete and submit an initial planned employment data report and an annual employment report (Forms A and B respectively). Complete instructions and forms may also be accessed at: <http://www.osc.state.ny.us/agencies/gbull/g-226.htm>.

D. IRAN DIVESTMENT ACT

By entering into this Contract, Contractor certifies that it is not on the "Entities Determined To Be Non-Responsive Bidders/Offerers Pursuant to The New York State Iran Divestment Act of 2012" list ("Prohibited Entities List") posted on the OGS website at: <http://www.ogs.ny.gov/about/regs/docs/ListofEntities.pdf> and further certifies that it will not utilize on such Contract any subcontractor that is identified on

the Prohibited Entities List. Contractor agrees that should it seek to renew or extend this Contract, it must provide the same certification at the time the Contract is renewed or extended. Contractor also agrees that any proposed Assignee of the Contract will be required to certify that it is not on the Prohibited Entities List before the DIVISION may approve a request for Assignment of Contract.

During the term of the Contract, should the DIVISION receive information that a person (as defined in State Finance Law §165-a) is in violation of the above-referenced certifications, the DIVISION will review such information and offer the person an opportunity to respond. If the person fails to demonstrate that it has ceased its engagement in the investment activity which is in violation of the Act within 90 days after the determination of such violation, then the DIVISION shall take such action as may be appropriate and provided for by law, rule, or contract, including, but not limited to, seeking compliance, recovering damages, or declaring the Contractor in default.

The DIVISION reserves the right to reject any request for renewal, extension, or assignment for an entity that appears on the Prohibited Entities List prior to the renewal, extension, or assignment of the Contract, and to pursue a responsibility review with Contractor should it appear on the Prohibited Entities List hereafter.

XIV. ENTIRE AGREEMENT

This AGREEMENT and its Appendices constitute the entire AGREEMENT between the parties hereto and no statement, promise, condition, understanding, inducement or representation, oral or written, expressed or implied, which is not contained herein shall be binding or valid. This AGREEMENT shall not be changed, modified or altered in any manner except by an instrument in writing executed by the parties hereto. Appendix A, Standard Clauses for New York State Contracts, Appendix B, the Request for Proposals dated June 5, 2012, and Appendix C, the Proposal submitted by the CONTRACTOR dated July 9, 2012, are hereby made a part of this AGREEMENT as if fully set forth at length herein.

XV. CONDITIONS PRECEDENT

This AGREEMENT and any subsequent amendments to this AGREEMENT shall not be deemed executed, valid or binding unless and until approved in writing by the Offices of the Attorney General and State Comptroller.

XVI. USE BY OTHER STATE AGENCIES

The DIVISION shall have the option to extend the terms and conditions related to the scope of services covered by this AGREEMENT to any New York State agency.

XVII. ADDITIONAL SERVICES

The DIVISION may, at any time, by written notice, request changes or additions to work or services within the general scope of this AGREEMENT (not to include professional services requiring licenses or specialized expertise such as engineering, architectural, and environmental consulting, abatement, treatment, and testing work) for unanticipated needs. If any such change or addition causes an increase or decrease in the cost of, or in the time required for, performance of this AGREEMENT, an equitable adjustment shall be agreed upon by the Parties and made in the price using the billing rates set forth in the AGREEMENT, and the CONTRACTOR shall be notified in writing accordingly. A change to the scope of the AGREEMENT would be subject to the approval of OSC. Nothing in this clause shall excuse the CONTRACTOR from proceeding with this AGREEMENT as modified.

XVIII. INTERPRETATION

In the event of any discrepancy, disagreement or ambiguity among the following documents - this AGREEMENT, Appendix A (Standard Clauses for New York State Contracts), Appendix B (Request for Proposal) and Appendix C (Proposal) - they shall be given preference in the following order to interpret and to resolve such discrepancy, disagreement or ambiguity:

- A. Appendix A – Standard Clauses for New York State Contracts
- B. This AGREEMENT as it appears prior to the signature page incorporated herein
- C. Appendix B – Request for Proposal dated June 5, 2012
- D. Appendix C – Proposal dated July 9, 2012

XIX. ADDITIONAL PROVISIONS

This AGREEMENT shall be deemed executory only to the extent of moneys annually appropriated and available for this purpose, and no liability on account thereof shall be incurred by the DIVISION beyond the amount appropriated. It is understood that neither this assignment nor any representation by any public employee or officer creates any legal or moral obligation to request to appropriate, or make available, moneys for the purpose of the AGREEMENT.

XX. GOVERNING LAW/STANDARD CLAUSES

This AGREEMENT shall be governed by the laws of the State of New York Appendix A, Standard Clauses for NYS Contracts, attached hereto is expressly made a part of the AGREEMENT as fully as if set forth at length herein.

C000419

IN WITNESS WHEREOF, each of the Parties hereto has caused this AGREEMENT to be executed by its duly authorized officers on the day and year stated below.

Agency Certification

In addition to the acceptance of this contract, I also certify that original copies of this signature page will be attached to all other exact copies of this contract.

Approved by:

McKinsey & Company, Inc. Washington D.C.

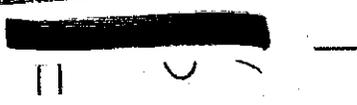
By: 

Name: 

Title: Director

Date: 9/25/12

NEW YORK STATE DIVISION OF THE BUDGET

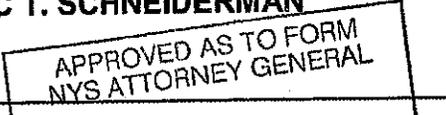
By: 

Name: 

Title: Administrative Officer

Date: 10/2/12

**Attorney General:
ERIC T. SCHNEIDERMAN**

By: 

Date: OCT 04 2012

APPROVED AS TO FORM
NYS ATTORNEY GENERAL


**State Comptroller:
THOMAS P. DINAPOLI**

By: 

Date: OCT 30 2012

APPROVED
DEPT. OF AUDIT & CONTROL


APPENDIX A: STANDARD CLAUSES FOR NEW YORK STATE CONTRACTS

TABLE OF CONTENTS

- 1. Executory Clause**
- 2. Non-Assignment Clause**
- 3. Comptroller's Approval**
- 4. Workers' Compensation Benefits**
- 5. Non-Discrimination Requirements**
- 6. Wage and Hours Provisions**
- 7. Non-Collusive Bidding Certification**
- 8. International Boycott Prohibition**
- 9. Set-Off Rights**
- 10. Records**
- 11. Identifying Information and Privacy Notification**
- 12. Equal Employment Opportunities For Minorities and Women**
- 13. Conflicting Terms**
- 14. Governing Law**
- 15. Late Payment**
- 16. No Arbitration**
- 17. Service of Process**
- 18. Prohibition on Purchase of Tropical Hardwoods**
- 19. MacBride Fair Employment Principles**
- 20. Omnibus Procurement Act of 1992**
- 21. Reciprocity and Sanctions Provisions**
- 22. Compliance with New York State Information Security Breach and Notification Act**
- 23. Compliance with Consultant Disclosure Law**
- 24. Procurement Lobbying**
- 25. Certification of Registration to Collect Sales and Compensating Use Tax by Certain State Contractors, Affiliates and Subcontractors**

APPENDIX A: STANDARD CLAUSES FOR NEW YORK STATE CONTRACTS
(December 2011)

The parties to the attached contract, license, lease, amendment or other agreement of any kind (hereinafter, "the contract" or "this contract") agree to be bound by the following clauses which are hereby made a part of the contract (the word "Contractor" herein refers to any party other than the State, whether a contractor, licensor, licensee, lessor, lessee or any other party):

1. EXECUTORY CLAUSE. In accordance with Section 41 of the State Finance Law, the State shall have no liability under this contract to the Contractor or to anyone else beyond funds appropriated and available for this contract.

2. NON-ASSIGNMENT CLAUSE. In accordance with Section 138 of the State Finance Law, this contract may not be assigned by the Contractor or its right, title or interest therein assigned, transferred, conveyed, sublet or otherwise disposed of without the State's previous written consent, and attempts to do so are null and void. Notwithstanding the foregoing, such prior written consent of an assignment of a contract let pursuant to Article XI of the State Finance Law may be waived at the discretion of the contracting agency and with the concurrence of the State Comptroller where the original contract was subject to the State Comptroller's approval, where the assignment is due to a reorganization, merger or consolidation of the Contractor's business entity or enterprise. The State retains its right to approve an assignment and to require that any Contractor demonstrate its responsibility to do business with the State. The Contractor may, however, assign its right to receive payments without the State's prior written consent unless this contract concerns Certificates of Participation pursuant to Article 5-A of the State Finance Law.

3. COMPTROLLER'S APPROVAL. In accordance with Section 112 of the State Finance Law (or, if this contract is with the State University or City University of New York, Section 355 or Section 6218 of the Education Law), if this contract exceeds \$50,000 (or the minimum thresholds agreed to by the Office of the State Comptroller for certain S.U.N.Y. and C.U.N.Y. contracts), or if this is an amendment

for any amount to a contract which, as so amended, exceeds said statutory amount, or if, by this contract, the State agrees to give something other than money when the value or reasonably estimated value of such consideration exceeds \$10,000, it shall not be valid, effective or binding upon the State until it has been approved by the State Comptroller and filed in his office. Comptroller's approval of contracts let by the Office of General Services is required when such contracts exceed \$85,000 (State Finance Law Section 163.6.a).

4. WORKERS' COMPENSATION BENEFITS. In accordance with Section 142 of the State Finance Law, this contract shall be void and of no force and effect unless the Contractor shall provide and maintain coverage during the life of this contract for the benefit of such employees as are required to be covered by the provisions of the Workers' Compensation Law.

5. NON-DISCRIMINATION REQUIREMENTS. To the extent required by Article 15 of the Executive Law (also known as the Human Rights Law) and all other State and Federal statutory and constitutional non-discrimination provisions, the Contractor will not discriminate against any employee or applicant for employment because of race, creed, color, sex, national origin, sexual orientation, age, disability, genetic predisposition or carrier status, or marital status. Furthermore, in accordance with Section 220-e of the Labor Law, if this is a contract for the construction, alteration or repair of any public building or public work or for the manufacture, sale or distribution of materials, equipment or supplies, and to the extent that this contract shall be performed within the State of New York, Contractor agrees that neither it nor its subcontractors shall, by reason of race, creed, color, disability, sex, or national origin: (a) discriminate in hiring against any New York State citizen who is qualified and available to perform the work; or (b) discriminate against or intimidate any employee hired for the performance of work under this contract. If this is a building service contract as defined in Section 230 of the Labor Law, then, in accordance with Section 239 thereof, Contractor agrees that neither it nor its subcontractors shall

by reason of race, creed, color, national origin, age, sex or disability: (a) discriminate in hiring against any New York State citizen who is qualified and available to perform the work; or (b) discriminate against or intimidate any employee hired for the performance of work under this contract. Contractor is subject to fines of \$50.00 per person per day for any violation of Section 220-e or Section 239 as well as possible termination of this contract and forfeiture of all moneys due hereunder for a second or subsequent violation.

6. WAGE AND HOURS PROVISIONS. If this is a public work contract covered by Article 8 of the Labor Law or a building service contract covered by Article 9 thereof, neither Contractor's employees nor the employees of its subcontractors may be required or permitted to work more than the number of hours or days stated in said statutes, except as otherwise provided in the Labor Law and as set forth in prevailing wage and supplement schedules issued by the State Labor Department. Furthermore, Contractor and its subcontractors must pay at least the prevailing wage rate and pay or provide the prevailing supplements, including the premium rates for overtime pay, as determined by the State Labor Department in accordance with the Labor Law. Additionally, effective April 28, 2008, if this is a public work contract covered by Article 8 of the Labor Law, the Contractor understands and agrees that the filing of payrolls in a manner consistent with Subdivision 3-a of Section 220 of the Labor Law shall be a condition precedent to payment by the State of any State approved sums due and owing for work done upon the project.

7. NON-COLLUSIVE BIDDING CERTIFICATION. In accordance with Section 139-d of the State Finance Law, if this contract was awarded based upon the submission of bids, Contractor affirms, under penalty of perjury, that its bid was arrived at independently and without collusion aimed at restricting competition. Contractor further affirms that, at the time Contractor submitted its bid, an authorized and responsible person executed and delivered to the State a non-collusive bidding certification on Contractor's behalf.

8. INTERNATIONAL BOYCOTT PROHIBITION. In accordance with Section 220-f of the Labor Law and Section 139-h of the State Finance Law, if this contract exceeds \$5,000, the

Contractor agrees, as a material condition of the contract, that neither the Contractor nor any substantially owned or affiliated person, firm, partnership or corporation has participated, is participating, or shall participate in an international boycott in violation of the federal Export Administration Act of 1979 (50 USC App. Sections 2401 et seq.) or regulations thereunder. If such Contractor, or any of the aforesaid affiliates of Contractor, is convicted or is otherwise found to have violated said laws or regulations upon the final determination of the United States Commerce Department or any other appropriate agency of the United States subsequent to the contract's execution, such contract, amendment or modification thereto shall be rendered forfeit and void. The Contractor shall so notify the State Comptroller within five (5) business days of such conviction, determination or disposition of appeal (2NYCRR 105.4).

9. SET-OFF RIGHTS. The State shall have all of its common law, equitable and statutory rights of set-off. These rights shall include, but not be limited to, the State's option to withhold for the purposes of set-off any moneys due to the Contractor under this contract up to any amounts due and owing to the State with regard to this contract, any other contract with any State department or agency, including any contract for a term commencing prior to the term of this contract, plus any amounts due and owing to the State for any other reason including, without limitation, tax delinquencies, fee delinquencies or monetary penalties relative thereto. The State shall exercise its set-off rights in accordance with normal State practices including, in cases of set-off pursuant to an audit, the finalization of such audit by the State agency, its representatives, or the State Comptroller.

10. RECORDS. The Contractor shall establish and maintain complete and accurate books, records, documents, accounts and other evidence directly pertinent to performance under this contract (hereinafter, collectively, "the Records"). The Records must be kept for the balance of the calendar year in which they were made and for six (6) additional years thereafter. The State Comptroller, the Attorney General and any other person or entity authorized to conduct an examination, as well as the agency or agencies involved in this contract, shall have access to the Records during normal business

hours at an office of the Contractor within the State of New York or, if no such office is available, at a mutually agreeable and reasonable venue within the State, for the term specified above for the purposes of inspection, auditing and copying. The State shall take reasonable steps to protect from public disclosure any of the Records which are exempt from disclosure under Section 87 of the Public Officers Law (the "Statute") provided that: (i) the Contractor shall timely inform an appropriate State official, in writing, that said records should not be disclosed; and (ii) said records shall be sufficiently identified; and (iii) designation of said records as exempt under the Statute is reasonable. Nothing contained herein shall diminish, or in any way adversely affect, the State's right to discovery in any pending or future litigation.

11. IDENTIFYING INFORMATION AND PRIVACY NOTIFICATION.

(a) Identification Number(s). Every invoice or New York State Claim for Payment submitted to a New York State agency by a payee, for payment for the sale of goods or services or for transactions (e.g., leases, easements, licenses, etc.) related to real or personal property must include the payee's identification number. The number is any or all of the following: (i) the payee's Federal employer identification number, (ii) the payee's Federal social security number, and/or (iii) the payee's Vendor Identification Number assigned by the Statewide Financial System. Failure to include such number or numbers may delay payment. Where the payee does not have such number or numbers, the payee, on its invoice or Claim for Payment, must give the reason or reasons why the payee does not have such number or numbers.

(b) Privacy Notification. (1) The authority to request the above personal information from a seller of goods or services or a lessor of real or personal property, and the authority to maintain such information, is found in Section 5 of the State Tax Law. Disclosure of this information by the seller or lessor to the State is mandatory. The principal purpose for which the information is collected is to enable the State to identify individuals, businesses and others who have been delinquent in filing tax returns or may have understated their tax liabilities and to generally identify persons affected by the taxes administered by the Commissioner of Taxation and Finance. The information will be used for

tax administration purposes and for any other purpose authorized by law. (2) The personal information is requested by the purchasing unit of the agency contracting to purchase the goods or services or lease the real or personal property covered by this contract or lease. The information is maintained in the Statewide Financial System by the Vendor Management Unit within the Bureau of State Expenditures, Office of the State Comptroller, 110 State Street, Albany, New York 12236.

12. EQUAL EMPLOYMENT OPPORTUNITIES FOR MINORITIES AND WOMEN.

In accordance with Section 312 of the Executive Law and 5 NYCRR 143, if this contract is: (i) a written agreement or purchase order instrument, providing for a total expenditure in excess of \$25,000.00, whereby a contracting agency is committed to expend or does expend funds in return for labor, services, supplies, equipment, materials or any combination of the foregoing, to be performed for, or rendered or furnished to the contracting agency; or (ii) a written agreement in excess of \$100,000.00 whereby a contracting agency is committed to expend or does expend funds for the acquisition, construction, demolition, replacement, major repair or renovation of real property and improvements thereon; or (iii) a written agreement in excess of \$100,000.00 whereby the owner of a State assisted housing project is committed to expend or does expend funds for the acquisition, construction, demolition, replacement, major repair or renovation of real property and improvements thereon for such project, then the following shall apply and by signing this agreement the Contractor certifies and affirms that it is Contractor's equal employment opportunity policy that:

(a) The Contractor will not discriminate against employees or applicants for employment because of race, creed, color, national origin, sex, age, disability or marital status, shall make and document its conscientious and active efforts to employ and utilize minority group members and women in its work force on State contracts and will undertake or continue existing programs of affirmative action to ensure that minority group members and women are afforded equal employment opportunities without discrimination. Affirmative action shall mean recruitment, employment, job assignment, promotion, upgradings, demotion, transfer,

layoff, or termination and rates of pay or other forms of compensation;

(b) at the request of the contracting agency, the Contractor shall request each employment agency, labor union, or authorized representative of workers with which it has a collective bargaining or other agreement or understanding, to furnish a written statement that such employment agency, labor union or representative will not discriminate on the basis of race, creed, color, national origin, sex, age, disability or marital status and that such union or representative will affirmatively cooperate in the implementation of the Contractor's obligations herein; and

(c) the Contractor shall state, in all solicitations or advertisements for employees, that, in the performance of the State contract, all qualified applicants will be afforded equal employment opportunities without discrimination because of race, creed, color, national origin, sex, age, disability or marital status.

Contractor will include the provisions of "a", "b", and "c" above, in every subcontract over \$25,000.00 for the construction, demolition, replacement, major repair, renovation, planning or design of real property and improvements thereon (the "Work") except where the Work is for the beneficial use of the Contractor. Section 312 does not apply to: (i) work, goods or services unrelated to this contract; or (ii) employment outside New York State. The State shall consider compliance by a contractor or subcontractor with the requirements of any federal law concerning equal employment opportunity which effectuates the purpose of this section. The contracting agency shall determine whether the imposition of the requirements of the provisions hereof duplicate or conflict with any such federal law and if such duplication or conflict exists, the contracting agency shall waive the applicability of Section 312 to the extent of such duplication or conflict. Contractor will comply with all duly promulgated and lawful rules and regulations of the Department of Economic Development's Division of Minority and Women's Business Development pertaining hereto.

13. CONFLICTING TERMS. In the event of a conflict between the terms of the contract (including any and all attachments thereto and amendments thereof) and the terms of this

Appendix A, the terms of this Appendix A shall control.

14. GOVERNING LAW. This contract shall be governed by the laws of the State of New York except where the Federal supremacy clause requires otherwise.

15. LATE PAYMENT. Timeliness of payment and any interest to be paid to Contractor for late payment shall be governed by Article 11-A of the State Finance Law to the extent required by law.

16. NO ARBITRATION. Disputes involving this contract, including the breach or alleged breach thereof, may not be submitted to binding arbitration (except where statutorily authorized), but must, instead, be heard in a court of competent jurisdiction of the State of New York.

17. SERVICE OF PROCESS. In addition to the methods of service allowed by the State Civil Practice Law & Rules ("CPLR"), Contractor hereby consents to service of process upon it by registered or certified mail, return receipt requested. Service hereunder shall be complete upon Contractor's actual receipt of process or upon the State's receipt of the return thereof by the United States Postal Service as refused or undeliverable. Contractor must promptly notify the State, in writing, of each and every change of address to which service of process can be made. Service by the State to the last known address shall be sufficient. Contractor will have thirty (30) calendar days after service hereunder is complete in which to respond.

18. PROHIBITION ON PURCHASE OF TROPICAL HARDWOODS. The Contractor certifies and warrants that all wood products to be used under this contract award will be in accordance with, but not limited to, the specifications and provisions of Section 165 of the State Finance Law, (Use of Tropical Hardwoods) which prohibits purchase and use of tropical hardwoods, unless specifically exempted, by the State or any governmental agency or political subdivision or public benefit corporation. Qualification for an exemption under this law will be the responsibility of the contractor to establish to meet with the approval of the State.

In addition, when any portion of this contract involving the use of woods, whether supply or installation, is to be performed by any subcontractor, the prime Contractor will indicate

and certify in the submitted bid proposal that the subcontractor has been informed and is in compliance with specifications and provisions regarding use of tropical hardwoods as detailed in §165 State Finance Law. Any such use must meet with the approval of the State; otherwise, the bid may not be considered responsive. Under bidder certifications, proof of qualification for exemption will be the responsibility of the Contractor to meet with the approval of the State.

19. MACBRIDE FAIR EMPLOYMENT PRINCIPLES. In accordance with the MacBride Fair Employment Principles (Chapter 807 of the Laws of 1992), the Contractor hereby stipulates that the Contractor either (a) has no business operations in Northern Ireland, or (b) shall take lawful steps in good faith to conduct any business operations in Northern Ireland in accordance with the MacBride Fair Employment Principles (as described in Section 165 of the New York State Finance Law), and shall permit independent monitoring of compliance with such principles.

20. OMNIBUS PROCUREMENT ACT OF 1992. It is the policy of New York State to maximize opportunities for the participation of New York State business enterprises, including minority and women-owned business enterprises as bidders, subcontractors and suppliers on its procurement contracts.

Information on the availability of New York State subcontractors and suppliers is available from:

NYS Department of Economic Development
Division for Small Business
30 South Pearl St -- 7th Floor
Albany, New York 12245
Telephone: 518-292-5220
Fax: 518-292-5884
<http://www.empire.state.ny.us>

A directory of certified minority and women-owned business enterprises is available from:

NYS Department of Economic Development
Division of Minority and Women's Business Development
30 South Pearl St -- 2nd Floor
Albany, New York 12245
Telephone: 518-292-5250
Fax: 518-292-5803
<http://www.empire.state.ny.us>

The Omnibus Procurement Act of 1992 requires that by signing this bid proposal or contract, as applicable, Contractors certify that whenever the total bid amount is greater than \$1 million:

(a) The Contractor has made reasonable efforts to encourage the participation of New York State Business Enterprises as suppliers and subcontractors, including certified minority and women-owned business enterprises, on this project, and has retained the documentation of these efforts to be provided upon request to the State;

(b) The Contractor has complied with the Federal Equal Opportunity Act of 1972 (P.L. 92-261), as amended;

(c) The Contractor agrees to make reasonable efforts to provide notification to New York State residents of employment opportunities on this project through listing any such positions with the Job Service Division of the New York State Department of Labor, or providing such notification in such manner as is consistent with existing collective bargaining contracts or agreements. The Contractor agrees to document these efforts and to provide said documentation to the State upon request; and

(d) The Contractor acknowledges notice that the State may seek to obtain offset credits from foreign countries as a result of this contract and agrees to cooperate with the State in these efforts.

21. RECIPROCITY AND SANCTIONS PROVISIONS. Bidders are hereby notified that if their principal place of business is located in a country, nation, province, state or political subdivision that penalizes New York State vendors, and if the goods or services they offer will be substantially produced or performed outside New York State, the Omnibus Procurement Act 1994 and 2000 amendments (Chapter 684 and Chapter 383, respectively) require that they be denied contracts which they would otherwise obtain. NOTE: As of May 15, 2002, the list of discriminatory jurisdictions subject to this provision includes the states of South Carolina, Alaska, West Virginia, Wyoming, Louisiana and Hawaii. Contact NYS Department of Economic Development for a current list of jurisdictions subject to this provision.

22. COMPLIANCE WITH NEW YORK STATE INFORMATION SECURITY BREACH AND NOTIFICATION ACT. Contractor shall comply with the provisions of the New York State Information Security Breach and Notification Act (General Business Law Section 899-aa; State Technology Law Section 208).

23. COMPLIANCE WITH CONSULTANT DISCLOSURE LAW. If this is a contract for consulting services, defined for purposes of this requirement to include analysis, evaluation, research, training, data processing, computer programming, engineering, environmental, health, and mental health services, accounting, auditing, paralegal, legal or similar services, then, in accordance with Section 163 (4-g) of the State Finance Law (as amended by Chapter 10 of the Laws of 2006), the Contractor shall timely, accurately and properly comply with the requirement to submit an annual employment report for the contract to the agency that awarded the contract, the Department of Civil Service and the State Comptroller.

24. PROCUREMENT LOBBYING. To the extent this agreement is a "procurement contract" as defined by State Finance Law Sections 139-j and 139-k, by signing this agreement the contractor certifies

and affirms that all disclosures made in accordance with State Finance Law Sections 139-j and 139-k are complete, true and accurate. In the event such certification is found to be intentionally false or intentionally incomplete, the State may terminate the agreement by providing written notification to the Contractor in accordance with the terms of the agreement.

25. CERTIFICATION OF REGISTRATION TO COLLECT SALES AND COMPENSATING USE TAX BY CERTAIN STATE CONTRACTORS, AFFILIATES AND SUBCONTRACTORS.

To the extent this agreement is a contract as defined by Tax Law Section 5-a, if the contractor fails to make the certification required by Tax Law Section 5-a or if during the term of the contract, the Department of Taxation and Finance or the covered agency, as defined by Tax Law 5-a, discovers that the certification, made under penalty of perjury, is false, then such failure to file or false certification shall be a material breach of this contract and this contract may be terminated, by providing written notification to the Contractor in accordance with the terms of the agreement, if the covered agency determines that such action is in the best interest of the State.

**C000419 – AMENDMENT 1
MANAGEMENT CONSULTING SERVICES AGREEMENT
BETWEEN
THE NEW YORK STATE DIVISION OF THE BUDGET
AND
MCKINSEY & COMPANY, INC. WASHINGTON, D.C.**

The Parties agree to amend Contract C000422 (hereinafter "CONTRACT" or "AGREEMENT") entered into on September 1, 2012, by and between the New York State Division of the Budget (hereinafter "DIVISION" or "DOB") whose main office and principal place of business is State Capitol, Room 128, Albany, New York, 12224, and McKinsey & Company, Inc. Washington, D.C. (hereinafter referred to as "McKinsey" "CONTRACTOR", or "Secondary Management Consultant"), with offices located at 1200 19th Street, NW, Suite 1100, Washington, DC 20036.

Contract C000419 is hereby amended as follows:

1. The second paragraph of Section III – Compensation, Subsection A is revised to read as follows:

The above rates shall apply to all hourly compensation paid under this AGREEMENT. The CONTRACTOR and the DIVISION may agree to establish and document in a mutually agreed-upon SOW a firm, fixed-price cost for completed individual services and/or deliverables accepted by the DIVISION. Such firm, fixed-price costs shall be established based on the hourly rates set forth herein. Payment for completed individual services and/or deliverables accepted by the DIVISION and established with agreed-upon firm, fixed-price costs shall be compensated at that total firm, fixed-price cost set forth in the SOW, regardless of the actual number of hours expended to provide said services and/or deliverables. The not-to-exceed hourly rates are inclusive of any reproduction, travel, postage or other expenses related to the engagement.

2. The contract ceiling is increased by [REDACTED] Section III – Compensation, Subsection B is revised to read as follows:

B. Total payment under this AGREEMENT shall not exceed [REDACTED]

3. Section VIII – Compliance with Procurement Laws, Subsection B is revised to read as follows:

B. The CONTRACTOR hereby acknowledges that the Vendor Responsibility Questionnaire and certification are made part of its proposal and thereby this AGREEMENT and that any misrepresentation of fact in the Questionnaire and attachments, or in any CONTRACTOR responsibility information that may be requested by the DIVISION, may result in termination of this AGREEMENT.

The CONTRACTOR shall at all times during the contract term remain responsible. During the term of this AGREEMENT, any changes in the provided Questionnaire shall be disclosed to the DIVISION, in writing, in a timely manner. Failure to make such disclosure may result in a determination of non-responsibility and termination of this AGREEMENT. Furthermore, the CONTRACTOR agrees, if requested by the DIVISION, to present evidence of its continuing legal authority to do business in New York State, integrity, experience, ability, prior performance, and organizational and financial capacity.

The DIVISION, in its sole discretion, reserves the right to suspend any or all activities under this AGREEMENT, at any time, when it discovers information that calls into question the responsibility of the CONTRACTOR. In the event of such suspension, the CONTRACTOR will be given written notice outlining the particulars of such suspension. Upon issuance of such notice, the CONTRACTOR must comply with the terms of the suspension order. Contract activity may resume at such time as the DIVISION issues a written notice authorizing a resumption of performance under this AGREEMENT.

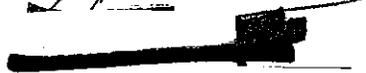
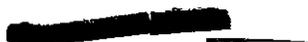
Upon written notice to the CONTRACTOR, and a reasonable opportunity to be heard with the appropriate DIVISION officials or staff, this AGREEMENT may be terminated by the DIVISION at the CONTRACTOR'S expense where the CONTRACTOR is determined by the DIVISION to be non-responsible. In such event, the DIVISION may complete contractual requirements in any manner it deems advisable and pursue available legal or equitable remedies for breach.

4. Appendix A: Standard Clauses for New York State Contracts (December 2011) to the AGREEMENT is replaced by Appendix A: Standard Clauses for New York State Contracts (December 2012) as attached.

Except as modified herein, all terms and conditions of the AGREEMENT shall remain in full force and effect through the extended expiration date.

Approved by:

MCKINSEY & COMPANY, INC.
WASHINGTON, D.C.

By: 
Name: 
Title: Principal
Date: 04/15/2013

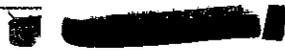
NEW YORK STATE
DIVISION OF THE BUDGET

By: 
Name: 
Title: Administrative Officer
Date: 4/16/13

Attorney General:

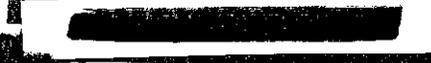
ERIC T. SCHNEIDERMAN

By: _____
Date: _____

APPROVED AS TO FORM
NYS ATTORNEY GENERAL
APR 16 2013


State Comptroller:

THOMAS P. DINAPOLI

By: 
Date: 4/19/13

APPENDIX A-1: STANDARD CLAUSES FOR NEW YORK STATE CONTRACTS

TABLE OF CONTENTS

	Page
1. Executory Clause	3
2. Non-Assignment Clause	3
3. Comptroller's Approval	3
4. Workers' Compensation Benefits	3
5. Non-Discrimination Requirements	3
6. Wage and Hours Provisions	3
7. Non-Collusive Bidding Certification	4
8. International Boycott Prohibition	4
9. Set-Off Rights	4
10. Records	4
11. Identifying Information and Privacy Notification	4
12. Equal Employment Opportunities For Minorities and Women	4-5
13. Conflicting Terms	5
14. Governing Law	5
15. Late Payment	5
16. No Arbitration	5
17. Service of Process	5
18. Prohibition on Purchase of Tropical Hardwoods	5-6
19. MacBride Fair Employment Principles	6
20. Omnibus Procurement Act of 1992	6
21. Reciprocity and Sanctions Provisions	6
22. Compliance with New York State Information Security Breach and Notification Act	6
23. Compliance with Consultant Disclosure Law	6
24. Procurement Lobbying	7
25. Certification of Registration to Collect Sales and Compensating Use Tax by Certain State Contractors, Affiliates and Subcontractors	7

STANDARD CLAUSES FOR NYS CONTRACTS, DECEMBER, 2012

The parties to the attached contract, license, lease, amendment or other agreement of any kind (hereinafter, "the contract" or "this contract") agree to be bound by the following clauses which are hereby made a part of the contract (the word "Contractor" herein refers to any party other than the State, whether a contractor, licenser, licensee, lessor, lessee or any other party):

1. **EXECUTORY CLAUSE.** In accordance with Section 41 of the State Finance Law, the State shall have no liability under this contract to the Contractor or to anyone else beyond funds appropriated and available for this contract.

2. **NON-ASSIGNMENT CLAUSE.** In accordance with Section 138 of the State Finance Law, this contract may not be assigned by the Contractor or its right, title or interest therein assigned, transferred, conveyed, sublet or otherwise disposed of without the State's previous written consent, and attempts to do so are null and void. Notwithstanding the foregoing, such prior written consent of an assignment of a contract let pursuant to Article XI of the State Finance Law may be waived at the discretion of the contracting agency and with the concurrence of the State Comptroller where the original contract was subject to the State Comptroller's approval, where the assignment is due to a reorganization, merger or consolidation of the Contractor's business entity or enterprise. The State retains its right to approve an assignment and to require that any Contractor demonstrate its responsibility to do business with the State. The Contractor may, however, assign its right to receive payments without the State's prior written consent unless this contract concerns Certificates of Participation pursuant to Article 5-A of the State Finance Law.

3. **COMPTROLLER'S APPROVAL.** In accordance with Section 112 of the State Finance Law (or, if this contract is with the State University or City University of New York, Section 355 or Section 6218 of the Education Law), if this contract exceeds \$50,000 (or the minimum thresholds agreed to by the Office of the State Comptroller for certain S.U.N.Y. and C.U.N.Y. contracts), or if this is an amendment for any amount to a contract which, as so amended, exceeds said statutory amount, or if, by this contract, the State agrees to give something other than money when the value or reasonably estimated value of such consideration exceeds \$10,000, it shall not be valid, effective or binding upon the State until it has been approved by the State Comptroller and filed in his office. Comptroller's approval of contracts let by the Office of General Services is required when such contracts exceed \$85,000 (State Finance Law Section 163.6-a). However, such pre-approval shall not be required for any contract

established as a centralized contract through the Office of General Services or for a purchase order or other transaction issued under such centralized contract.

4. **WORKERS' COMPENSATION BENEFITS.** In accordance with Section 142 of the State Finance Law, this contract shall be void and of no force and effect unless the Contractor shall provide and maintain coverage during the life of this contract for the benefit of such employees as are required to be covered by the provisions of the Workers' Compensation Law.

5. **NON-DISCRIMINATION REQUIREMENTS.** To the extent required by Article 15 of the Executive Law (also known as the Human Rights Law) and all other State and Federal statutory and constitutional non-discrimination provisions, the Contractor will not discriminate against any employee or applicant for employment because of race, creed, color, sex, national origin, sexual orientation, age, disability, genetic predisposition or carrier status, or marital status. Furthermore, in accordance with Section 220-e of the Labor Law, if this is a contract for the construction, alteration or repair of any public building or public work or for the manufacture, sale or distribution of materials, equipment or supplies, and to the extent that this contract shall be performed within the State of New York, Contractor agrees that neither it nor its subcontractors shall, by reason of race, creed, color, disability, sex, or national origin: (a) discriminate in hiring against any New York State citizen who is qualified and available to perform the work; or (b) discriminate against or intimidate any employee hired for the performance of work under this contract. If this is a building service contract as defined in Section 230 of the Labor Law, then, in accordance with Section 239 thereof, Contractor agrees that neither it nor its subcontractors shall by reason of race, creed, color, national origin, age, sex or disability: (a) discriminate in hiring against any New York State citizen who is qualified and available to perform the work; or (b) discriminate against or intimidate any employee hired for the performance of work under this contract. Contractor is subject to fines of \$50.00 per person per day for any violation of Section 220-e or Section 239 as well as possible termination of this contract and forfeiture

of all moneys due hereunder for a second or subsequent violation.

6. WAGE AND HOURS PROVISIONS. If this is a public work contract covered by Article 8 of the Labor Law or a building service contract covered by Article 9 thereof, neither Contractor's employees nor the employees of its subcontractors may be required or permitted to work more than the number of hours or days stated in said statutes, except as otherwise provided in the Labor Law and as set forth in prevailing wage and supplement schedules issued by the State Labor Department. Furthermore, Contractor and its subcontractors must pay at least the prevailing wage rate and pay or provide the prevailing supplements, including the premium rates for overtime pay, as determined by the State Labor Department in accordance with the Labor Law. Additionally, effective April 28, 2008, if this is a public work contract covered by Article 8 of the Labor Law, the Contractor understands and agrees that the filing of payrolls in a manner consistent with Subdivision 3-a of Section 220 of the Labor Law shall be a condition precedent to payment by the State of any State approved sums due and owing for work done upon the project.

7. NON-COLLUSIVE BIDDING CERTIFICATION. In accordance with Section 139-d of the State Finance Law, if this contract was awarded based upon the submission of bids, Contractor affirms, under penalty of perjury, that its bid was arrived at independently and without collusion aimed at restricting competition. Contractor further affirms that, at the time Contractor submitted its bid, an authorized and responsible person executed and delivered to the State a non-collusive bidding certification on Contractor's behalf.

8. INTERNATIONAL BOYCOTT PROHIBITION. In accordance with Section 220-f of the Labor Law and Section 139-h of the State Finance Law, if this contract exceeds \$5,000, the Contractor agrees, as a material condition of the contract, that neither the Contractor nor any substantially owned or affiliated person, firm, partnership or corporation has participated, is participating, or shall participate in an international boycott in violation of the federal Export Administration Act of 1979 (50 USC App. Sections 2401 et seq.) or regulations thereunder. If such Contractor, or any of the aforesaid affiliates of Contractor, is convicted or is otherwise found to have violated said laws or regulations upon the final determination of the United States Commerce Department or any other appropriate agency of the United States subsequent to the contract's execution,

such contract, amendment or modification thereto shall be rendered forfeit and void. The Contractor shall so notify the State Comptroller within five (5) business days of such conviction, determination or disposition of appeal (2NYCRR 105.4).

9. SET-OFF RIGHTS. The State shall have all of its common law, equitable and statutory rights of set-off. These rights shall include, but not be limited to, the State's option to withhold for the purposes of set-off any moneys due to the Contractor under this contract up to any amounts due and owing to the State with regard to this contract, any other contract with any State department or agency, including any contract for a term commencing prior to the term of this contract, plus any amounts due and owing to the State for any other reason including, without limitation, tax delinquencies, fee delinquencies or monetary penalties relative thereto. The State shall exercise its set-off rights in accordance with normal State practices including, in cases of set-off pursuant to an audit, the finalization of such audit by the State agency, its representatives, or the State Comptroller.

10. RECORDS. The Contractor shall establish and maintain complete and accurate books, records, documents, accounts and other evidence directly pertinent to performance under this contract (hereinafter, collectively, "the Records"). The Records must be kept for the balance of the calendar year in which they were made and for six (6) additional years thereafter. The State Comptroller, the Attorney General and any other person or entity authorized to conduct an examination, as well as the agency or agencies involved in this contract, shall have access to the Records during normal business hours at an office of the Contractor within the State of New York or, if no such office is available, at a mutually agreeable and reasonable venue within the State, for the term specified above for the purposes of inspection, auditing and copying. The State shall take reasonable steps to protect from public disclosure any of the Records which are exempt from disclosure under Section 87 of the Public Officers Law (the "Statute") provided that: (i) the Contractor shall timely inform an appropriate State official, in writing, that said records should not be disclosed; and (ii) said records shall be sufficiently identified; and (iii) designation of said records as exempt under the Statute is reasonable. Nothing contained herein shall diminish, or in any way adversely affect, the State's right to discovery in any pending or future litigation.

11. IDENTIFYING INFORMATION AND PRIVACY NOTIFICATION. (a) Identification Number(s). Every invoice or New York State Claim for Payment submitted to a New York State agency

by a payee, for payment for the sale of goods or services or for transactions (e.g., leases, easements, licenses, etc.) related to real or personal property must include the payee's identification number. The number is any or all of the following: (i) the payee's Federal employer identification number, (ii) the payee's Federal social security number, and/or (iii) the payee's Vendor Identification Number assigned by the Statewide Financial System. Failure to include such number or numbers may delay payment. Where the payee does not have such number or numbers, the payee, on its invoice or Claim for Payment, must give the reason or reasons why the payee does not have such number or numbers.

(b) Privacy Notification. (1) The authority to request the above personal information from a seller of goods or services or a lessor of real or personal property, and the authority to maintain such information, is found in Section 5 of the State Tax Law. Disclosure of this information by the seller or lessor to the State is mandatory. The principal purpose for which the information is collected is to enable the State to identify individuals, businesses and others who have been delinquent in filing tax returns or may have understated their tax liabilities and to generally identify persons affected by the taxes administered by the Commissioner of Taxation and Finance. The information will be used for tax administration purposes and for any other purpose authorized by law. (2) The personal information is requested by the purchasing unit of the agency contracting to purchase the goods or services or lease the real or personal property covered by this contract or lease. The information is maintained in the Statewide Financial System by the Vendor Management Unit within the Bureau of State Expenditures, Office of the State Comptroller, 110 State Street, Albany, New York 12236.

12. EQUAL EMPLOYMENT OPPORTUNITIES FOR MINORITIES AND WOMEN.

In accordance with Section 312 of the Executive Law and 5 NYCRR 143, if this contract is: (i) a written agreement or purchase order instrument, providing for a total expenditure in excess of \$25,000.00, whereby a contracting agency is committed to expend or does expend funds in return for labor, services, supplies, equipment, materials or any combination of the foregoing, to be performed for, or rendered or furnished to the contracting agency; or (ii) a written agreement in excess of \$100,000.00 whereby a contracting agency is committed to expend or does expend funds for the acquisition, construction, demolition, replacement, major repair or renovation of real property and improvements thereon; or (iii) a written agreement in excess of \$100,000.00 whereby

the owner of a State assisted housing project is committed to expend or does expend funds for the acquisition, construction, demolition, replacement, major repair or renovation of real property and improvements thereon for such project, then the following shall apply and by signing this agreement the Contractor certifies and affirms that it is Contractor's equal employment opportunity policy that:

(a) The Contractor will not discriminate against employees or applicants for employment because of race, creed, color, national origin, sex, age, disability or marital status, shall make and document its conscientious and active efforts to employ and utilize minority group members and women in its work force on State contracts and will undertake or continue existing programs of affirmative action to ensure that minority group members and women are afforded equal employment opportunities without discrimination. Affirmative action shall mean recruitment, employment, job assignment, promotion, upgradings, demotion, transfer, layoff, or termination and rates of pay or other forms of compensation;

(b) at the request of the contracting agency, the Contractor shall request each employment agency, labor union, or authorized representative of workers with which it has a collective bargaining or other agreement or understanding, to furnish a written statement that such employment agency, labor union or representative will not discriminate on the basis of race, creed, color, national origin, sex, age, disability or marital status and that such union or representative will affirmatively cooperate in the implementation of the Contractor's obligations herein; and

(c) the Contractor shall state, in all solicitations or advertisements for employees, that, in the performance of the State contract, all qualified applicants will be afforded equal employment opportunities without discrimination because of race, creed, color, national origin, sex, age, disability or marital status.

Contractor will include the provisions of "a", "b", and "c" above, in every subcontract over \$25,000.00 for the construction, demolition, replacement, major repair, renovation, planning or design of real property and improvements thereon (the "Work") except where the Work is for the beneficial use of the Contractor. Section 312 does not apply to: (i) work, goods or services unrelated to this contract; or (ii) employment outside New York State. The State shall consider compliance by a contractor or subcontractor with the requirements of any federal law concerning equal employment opportunity which effectuates the

purpose of this section. The contracting agency shall determine whether the imposition of the requirements of the provisions hereof duplicate or conflict with any such federal law and if such duplication or conflict exists, the contracting agency shall waive the applicability of Section 312 to the extent of such duplication or conflict. Contractor will comply with all duly promulgated and lawful rules and regulations of the Department of Economic Development's Division of Minority and Women's Business Development pertaining hereto.

13. **CONFLICTING TERMS.** In the event of a conflict between the terms of the contract (including any and all attachments thereto and amendments thereof) and the terms of this Appendix A, the terms of this Appendix A shall control.

14. **GOVERNING LAW.** This contract shall be governed by the laws of the State of New York except where the Federal supremacy clause requires otherwise.

15. **LATE PAYMENT.** Timeliness of payment and any interest to be paid to Contractor for late payment shall be governed by Article 11-A of the State Finance Law to the extent required by law.

16. **NO ARBITRATION.** Disputes involving this contract, including the breach or alleged breach thereof, may not be submitted to binding arbitration (except where statutorily authorized), but must, instead, be heard in a court of competent jurisdiction of the State of New York.

17. **SERVICE OF PROCESS.** In addition to the methods of service allowed by the State Civil Practice Law & Rules ("CPLR"), Contractor hereby consents to service of process upon it by registered or certified mail, return receipt requested. Service hereunder shall be complete upon Contractor's actual receipt of process or upon the State's receipt of the return thereof by the United States Postal Service as refused or undeliverable. Contractor must promptly notify the State, in writing, of each and every change of address to which service of process can be made. Service by the State to the last known address shall be sufficient. Contractor will have thirty (30) calendar days after service hereunder is complete in which to respond.

18. **PROHIBITION ON PURCHASE OF TROPICAL HARDWOODS.** The Contractor certifies and warrants that all wood products to be used under this contract award will be in accordance with, but not limited to, the specifications and provisions of Section 165 of the State Finance Law,

(Use of Tropical Hardwoods) which prohibits purchase and use of tropical hardwoods, unless specifically exempted, by the State or any governmental agency or political subdivision or public benefit corporation. Qualification for an exemption under this law will be the responsibility of the contractor to establish to meet with the approval of the State.

In addition, when any portion of this contract involving the use of woods, whether supply or installation, is to be performed by any subcontractor, the prime Contractor will indicate and certify in the submitted bid proposal that the subcontractor has been informed and is in compliance with specifications and provisions regarding use of tropical hardwoods as detailed in §165 State Finance Law. Any such use must meet with the approval of the State; otherwise, the bid may not be considered responsive. Under bidder certifications, proof of qualification for exemption will be the responsibility of the Contractor to meet with the approval of the State.

19. **MACBRIDE FAIR EMPLOYMENT PRINCIPLES.** In accordance with the MacBride Fair Employment Principles (Chapter 807 of the Laws of 1992), the Contractor hereby stipulates that the Contractor either (a) has no business operations in Northern Ireland, or (b) shall take lawful steps in good faith to conduct any business operations in Northern Ireland in accordance with the MacBride Fair Employment Principles (as described in Section 165 of the New York State Finance Law), and shall permit independent monitoring of compliance with such principles.

20. **OMNIBUS PROCUREMENT ACT OF 1992.** It is the policy of New York State to maximize opportunities for the participation of New York State business enterprises, including minority and women-owned business enterprises as bidders, subcontractors and suppliers on its procurement contracts.

Information on the availability of New York State subcontractors and suppliers is available from:

NYS Department of Economic Development
Division for Small Business
Albany, New York 12245
Telephone: 518-292-5100
Fax: 518-292-5884
email: opa@esd.ny.gov

A directory of certified minority and women-owned business enterprises is available from:

NYS Department of Economic Development
Division of Minority and Women's Business
Development
633 Third Avenue
New York, NY 10017
212-803-2414
email: mwb certification@esd.ny.gov
<http://esd.ny.gov/MWBE/directorySearch.html>

The Omnibus Procurement Act of 1992 requires that by signing this bid proposal or contract, as applicable, Contractors certify that whenever the total bid amount is greater than \$1 million:

(a) The Contractor has made reasonable efforts to encourage the participation of New York State Business Enterprises as suppliers and subcontractors, including certified minority and women-owned business enterprises, on this project, and has retained the documentation of these efforts to be provided upon request to the State;

(b) The Contractor has complied with the Federal Equal Opportunity Act of 1972 (P.L. 92-261), as amended;

(c) The Contractor agrees to make reasonable efforts to provide notification to New York State residents of employment opportunities on this project through listing any such positions with the Job Service Division of the New York State Department of Labor, or providing such notification in such manner as is consistent with existing collective bargaining contracts or agreements. The Contractor agrees to document these efforts and to provide said documentation to the State upon request; and

(d) The Contractor acknowledges notice that the State may seek to obtain offset credits from foreign countries as a result of this contract and agrees to cooperate with the State in these efforts.

21. RECIPROCITY AND SANCTIONS PROVISIONS. Bidders are hereby notified that if their principal place of business is located in a country, nation, province, state or political subdivision that penalizes New York State vendors, and if the goods or services they offer will be substantially produced or performed outside New York State, the Omnibus Procurement Act 1994 and 2000 amendments (Chapter 684 and Chapter 383, respectively) require that they be denied contracts which they would otherwise obtain. NOTE: As of May 15, 2002, the list of discriminatory jurisdictions subject to this provision includes the states of South Carolina, Alaska, West Virginia, Wyoming, Louisiana and Hawaii. Contact NYS Department of

Economic Development for a current list of jurisdictions subject to this provision.

22. COMPLIANCE WITH NEW YORK STATE INFORMATION SECURITY BREACH AND NOTIFICATION ACT. Contractor shall comply with the provisions of the New York State Information Security Breach and Notification Act (General Business Law Section 899-aa; State Technology Law Section 208).

23. COMPLIANCE WITH CONSULTANT DISCLOSURE LAW. If this is a contract for consulting services, defined for purposes of this requirement to include analysis, evaluation, research, training, data processing, computer programming, engineering, environmental, health, and mental health services, accounting, auditing, paralegal, legal or similar services, then, in accordance with Section 163 (4-g) of the State Finance Law (as amended by Chapter 10 of the Laws of 2006), the Contractor shall timely, accurately and properly comply with the requirement to submit an annual employment report for the contract to the agency that awarded the contract, the Department of Civil Service and the State Comptroller.

24. PROCUREMENT LOBBYING. To the extent this agreement is a "procurement contract" as defined by State Finance Law Sections 139-j and 139-k, by signing this agreement the contractor certifies and affirms that all disclosures made in accordance with State Finance Law Sections 139-j and 139-k are complete, true and accurate. In the event such certification is found to be intentionally false or intentionally incomplete, the State may terminate the agreement by providing written notification to the Contractor in accordance with the terms of the agreement.

25. CERTIFICATION OF REGISTRATION TO COLLECT SALES AND COMPENSATING USE TAX BY CERTAIN STATE CONTRACTORS, AFFILIATES AND SUBCONTRACTORS.

To the extent this agreement is a contract as defined by Tax Law Section 5-a, if the contractor fails to make the certification required by Tax Law Section 5-a or if during the term of the contract, the Department of Taxation and Finance or the covered agency, as defined by Tax Law 5-a, discovers that the certification, made under penalty of perjury, is false, then such failure to file or false certification shall be a material breach of this contract and this contract may be terminated, by providing written notification to the Contractor in accordance with the terms of the agreement, if the covered agency determines that such action is in the best interest of the State.

**C000419 – AMENDMENT 2
MANAGEMENT CONSULTING SERVICES AGREEMENT
BETWEEN
THE NEW YORK STATE DIVISION OF THE BUDGET
AND
MCKINSEY & COMPANY, INC. WASHINGTON, D.C.**

The Parties agree to amend Contract C000419 (hereinafter "CONTRACT" or "AGREEMENT") entered into on September 1, 2012, and previously amended on April 19, 2013 to increase the contract value and update AGREEMENT terms, by and between the New York State Division of the Budget (hereinafter "DIVISION" or "DOB") whose main office and principal place of business is State Capitol, Room 128, Albany, New York, 12224, and McKinsey & Company, Inc. Washington, D.C. (hereinafter referred to as "McKinsey" "CONTRACTOR", or "Secondary Management Consultant"), with offices located at 1200 19th Street, NW, Suite 1100, Washington, DC 20036.

The DIVISION and the CONTRACTOR wish to further amend Contract C000419 as follows:

- 1. Appendix D: Community Development Block Grant Disaster Recovery Contractual Rider is wholly incorporated into the AGREEMENT as attached.**
- 2. Section XVIII Interpretation is deleted and replaced with the following:**

In the event of any discrepancy, disagreement or ambiguity among the following documents - this AGREEMENT, Appendix A (Standard Clauses for New York State Contracts), Appendix B (Request for Proposal), Appendix C (Proposal) and Appendix D (Community Development Block Grant Disaster Recovery Contractual Rider) - they shall be given preference in the following order to interpret and to resolve such discrepancy, disagreement or ambiguity:

- A. Appendix A – Standard Clauses for New York State Contracts
- B. This AGREEMENT as it appears prior to the signature page incorporated herein
- C. Appendix D – Community Development Block Grant Disaster Recovery Contractual Rider
- D. Appendix B – Request for Proposal dated June 5, 2012
- E. Appendix C – Proposal dated July 9, 2012

To the extent that the AGREEMENT is funded in whole or in part with Federal funds, the provisions of the AGREEMENT or any part thereof that conflict with Appendix D attached hereto shall not apply. However, enforcement of a more stringent provision of the AGREEMENT or any part thereof will not be a conflict with Appendix D unless provided by Federal law.

3. Appendix A: Standard Clauses for New York State Contracts (December 2012) to the AGREEMENT is replaced by Appendix A: Standard Clauses for New York State Contracts (November 2013) as attached.

C000419 – AMENDMENT 2

Except as modified herein, all terms and conditions of the AGREEMENT shall remain in full force and effect through the extended expiration date.

Approved by:

MCKINSEY & COMPANY, INC.
WASHINGTON, DC

By: 

Name: 

Title: Principal

Date: January 16, 2014

NEW YORK STATE
DIVISION OF THE BUDGET

By: 

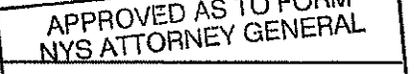
Name: 

Title: Administrative Officer

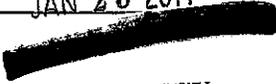
Date: 1/27/14

Attorney General:

ERIC T. SCHNEIDERMAN

By: 

Date: JAN 28 2014

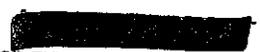
APPROVED AS TO FORM
NYS ATTORNEY GENERAL

PRINCIPAL ATTORNEY

State Comptroller:

THOMAS P. DINAPOLI

By: _____

Date: _____

APPROVED
DEPT. OF AUDIT & CONTROL
FEB 11 2014

FOR THE STATE COMPTROLLER

CORPORATE ACKNOWLEDGMENT FORM

The acknowledgment must be fully and properly executed by an authorized person. By signing you certify your express authority to sign on behalf of yourself, your company, or other entity and that all information provided is complete, true and accurate.

INDIVIDUAL, CORPORATION, PARTNERSHIP, OR LLC ACKNOWLEDGMENT

STATE OF District of Columbia }
: SS.
COUNTY OF }

On the 16th day of January in the year 20 14, before me personally appeared [redacted], known to me to be the person who executed the foregoing instrument who, being duly sworn by me did depose and say that he resides at [redacted] Town of [redacted], County of [none], State of [redacted]; and further that:

[Check One]

[] If an individual): he executed the foregoing instrument in his/her name and on his/her own behalf.

[X] If a corporation): he is the Principal of McKinsey & Company, Inc. Washington D.C., the corporation described in said instrument; that, by authority of the Board of Directors of said corporation, he is authorized to execute the foregoing instrument on behalf of the corporation for purposes set forth therein; and that, pursuant to that authority, he executed the foregoing instrument in the name of and on behalf of said corporation as the act and deed of said corporation.

[] If a partnership): he is the [redacted] of [redacted] partnership, he is authorized to execute the foregoing instrument on behalf of the partnership for purposes set forth therein; and that, pursuant to that authority, he executed the foregoing instrument in the name of and on behalf of said partnership as the act and deed of said partnership.

[] If a limited liability company): he is a duly authorized member of [redacted] LLC, the limited liability company described in said instrument; that he is authorized to execute the foregoing instrument on behalf of the limited liability company for purposes set forth therein; and that, pursuant to that authority, he executed the foregoing instrument in the name of and on behalf of said limited liability company as the act and deed of said limited liability company.

Notary Public
Registration No. [redacted]

State of: Washington, DC

**APPENDIX A: STANDARD CLAUSES FOR
NEW YORK STATE CONTRACTS
November 2013**

The parties to the attached contract, license, lease, amendment, or other agreement of any kind (hereinafter, "the contract" or "this contract") agree to be bound by the following clauses which are hereby made a part of the contract (the word "Contractor" herein refers to any party other than the State, whether a contractor, licensor, licensee, lessor, lessee or any other party):

1. EXECUTORY CLAUSE. In accordance with Section 41 of the State Finance Law, the State shall have no liability under this contract to the Contractor or to anyone else beyond funds appropriated and available for this contract.

2. NON-ASSIGNMENT CLAUSE. In accordance with Section 138 of the State Finance Law, this contract may not be assigned by the Contractor or its right, title or interest therein assigned, transferred, conveyed, sublet or otherwise disposed of without the State's previous written consent, and attempts to do so are null and void. Notwithstanding the foregoing, such prior written consent of an assignment of a contract let pursuant to Article XI of the State Finance Law may be waived at the discretion of the contracting agency and with the concurrence of the State Comptroller where the original contract was subject to the State Comptroller's approval, where the assignment is due to a reorganization, merger or consolidation of the Contractor's business entity or enterprise. The State retains its right to approve an assignment and to require that any Contractor demonstrate its responsibility to do business with the State. The Contractor may, however, assign its right to receive payments without the State's prior written consent unless this contract concerns Certificates of Participation pursuant to Article 5-A of the State Finance Law.

3. COMPTROLLER'S APPROVAL. In accordance with Section 112 of the State Finance Law (or, if this contract is with the State University or City University of New York, Section 355 or Section 6218 of the Education Law), if this contract exceeds \$50,000 (or the minimum thresholds agreed to by the Office of the State Comptroller for certain S.U.N.Y. and C.U.N.Y. contracts), or if this is an amendment for any amount to a contract which, as so amended, exceeds said statutory amount; or if, by this contract, the State agrees to give something other

than money when the value or reasonably estimated value of such consideration exceeds \$10,000, it shall not be valid, effective or binding upon the State until it has been approved by the State Comptroller and filed in his office. Comptroller's approval of contracts let by the Office of General Services is required when such contracts exceed \$85,000 (State Finance Law Section 163.6-a). However, such pre-approval shall not be required for any contract established as a centralized contract through the Office of General Services or for a purchase order or other transaction issued under such centralized contract.

4. WORKERS' COMPENSATION BENEFITS. In accordance with Section 142 of the State Finance Law, this contract shall be void and of no force and effect unless the Contractor shall provide and maintain coverage during the life of this contract for the benefit of such employees as are required to be covered by the provisions of the Workers' Compensation Law.

5. NON-DISCRIMINATION REQUIREMENTS. To the extent required by Article 15 of the Executive Law (also known as the Human Rights Law) and all other State and Federal statutory and constitutional non-discrimination provisions, the Contractor will not discriminate against any employee or applicant for employment because of race, creed, color, sex (including gender identity or expression), national origin, sexual orientation, military status, age, disability, predisposing genetic characteristics, marital status or domestic violence victim status. Furthermore, in accordance with Section 220-e of the Labor Law, if this is a contract for the construction, alteration or repair of any public building or public work or for the manufacture, sale or distribution of materials, equipment or supplies, and to the extent that this contract shall be performed within the State of New York, Contractor agrees that neither it nor its subcontractors shall, by reason of race, creed, color, disability, sex, or national origin: (a) discriminate in hiring against any New York State citizen who is qualified and available to perform the work; or (b) discriminate against or intimidate any employee hired for the performance of work under this contract. If this is a building service contract as defined in Section 230 of the Labor Law, then, in accordance with Section 239 thereof, Contractor agrees that neither it nor its subcontractors shall by reason of race, creed, color, national origin, age, sex or disability: (a) discriminate in hiring against any New York State citizen who is qualified and available to

perform the work; or (b) discriminate against or intimidate any employee hired for the performance of work under this contract. Contractor is subject to fines of \$50.00 per person per day for any violation of Section 220-e or Section 239 as well as possible termination of this contract and forfeiture of all moneys due hereunder for a second or subsequent violation.

6. WAGE AND HOURS PROVISIONS. If this is a public work contract covered by Article 8 of the Labor Law or a building service contract covered by Article 9 thereof, neither Contractor's employees nor the employees of its subcontractors may be required or permitted to work more than the number of hours or days stated in said statutes, except as otherwise provided in the Labor Law and as set forth in prevailing wage and supplement schedules issued by the State Labor Department. Furthermore, Contractor and its subcontractors must pay at least the prevailing wage rate and pay or provide the prevailing supplements, including the premium rates for overtime pay, as determined by the State Labor Department in accordance with the Labor Law. Additionally, effective April 28, 2008, if this is a public work contract covered by Article 8 of the Labor Law, the Contractor understands and agrees that the filing of payrolls in a manner consistent with Subdivision 3-a of Section 220 of the Labor Law shall be a condition precedent to payment by the State of any State approved sums due and owing for work done upon the project.

7. NON-COLLUSIVE BIDDING CERTIFICATION. In accordance with Section 139-d of the State Finance Law, if this contract was awarded based upon the submission of bids, Contractor affirms, under penalty of perjury, that its bid was arrived at independently and without collusion aimed at restricting competition. Contractor further affirms that, at the time Contractor submitted its bid, an authorized and responsible person executed and delivered to the State a non-collusive bidding certification on Contractor's behalf.

8. INTERNATIONAL BOYCOTT PROHIBITION. In accordance with Section 220-f of the Labor Law and Section 139-h of the State Finance Law, if this contract exceeds \$5,000, the Contractor agrees, as a material condition of the contract, that neither the Contractor nor any substantially owned or affiliated person, firm, partnership or corporation has participated, is participating, or shall participate in an international

boycott in violation of the federal Export Administration Act of 1979 (50 USC App. Sections 2401 et seq.) or regulations thereunder. If such Contractor, or any of the aforesaid affiliates of Contractor, is convicted or is otherwise found to have violated said laws or regulations upon the final determination of the United States Commerce Department or any other appropriate agency of the United States subsequent to the contract's execution, such contract, amendment or modification thereto shall be rendered forfeit and void. The Contractor shall so notify the State Comptroller within five (5) business days of such conviction, determination or disposition of appeal (2NYCRR 105.4).

9. SET-OFF RIGHTS. The State shall have all of its common law, equitable and statutory rights of set-off. These rights shall include, but not be limited to, the State's option to withhold for the purposes of set-off any moneys due to the Contractor under this contract up to any amounts due and owing to the State with regard to this contract, any other contract with any State department or agency, including any contract for a term commencing prior to the term of this contract, plus any amounts due and owing to the State for any other reason including, without limitation, tax delinquencies, fee delinquencies or monetary penalties relative thereto. The State shall exercise its set-off rights in accordance with normal State practices including, in cases of set-off pursuant to an audit, the finalization of such audit by the State agency, its representatives, or the State Comptroller.

10. RECORDS. The Contractor shall establish and maintain complete and accurate books, records, documents, accounts and other evidence directly pertinent to performance under this contract (hereinafter, collectively, "the Records"). The Records must be kept for the balance of the calendar year in which they were made and for six (6) additional years thereafter. The State Comptroller, the Attorney General and any other person or entity authorized to conduct an examination, as well as the agency or agencies involved in this contract, shall have access to the Records during normal business hours at an office of the Contractor within the State of New York or, if no such office is available, at a mutually agreeable and reasonable venue within the State, for the term specified above for the purposes of inspection, auditing and copying. The State shall take reasonable steps to protect from public disclosure any of the Records which are exempt from disclosure under Section 87 of the Public Officers Law (the "Statute") provided that: (i) the Contractor

shall timely inform an appropriate State official, in writing, that said records should not be disclosed; and (ii) said records shall be sufficiently identified; and (iii) designation of said records as exempt under the Statute is reasonable. Nothing contained herein shall diminish, or in any way adversely affect, the State's right to discovery in any pending or future litigation.

11. IDENTIFYING INFORMATION AND PRIVACY NOTIFICATION.

(a) Identification Number(s). Every invoice or New York State Claim for Payment submitted to a New York State agency by a payee, for payment for the sale of goods or services or for transactions (e.g., leases, easements, licenses, etc.) related to real or personal property must include the payee's identification number. The number is any or all of the following: (i) the payee's Federal employer identification number, (ii) the payee's Federal social security number, and/or (iii) the payee's Vendor Identification Number assigned by the Statewide Financial System. Failure to include such number or numbers may delay payment. Where the payee does not have such number or numbers, the payee, on its invoice or Claim for Payment, must give the reason or reasons why the payee does not have such number or numbers.

(b) Privacy Notification. (1) The authority to request the above personal information from a seller of goods or services or a lessor of real or personal property, and the authority to maintain such information, is found in Section 5 of the State Tax Law. Disclosure of this information by the seller or lessor to the State is mandatory. The principal purpose for which the information is collected is to enable the State to identify individuals, businesses and others who have been delinquent in filing tax returns or may have understated their tax liabilities and to generally identify persons affected by the taxes administered by the Commissioner of Taxation and Finance. The information will be used for tax administration purposes and for any other purpose authorized by law. (2) The personal information is requested by the purchasing unit of the agency contracting to purchase the goods or services or lease the real or personal property covered by this contract or lease. The information is maintained in the Statewide Financial System by the Vendor Management Unit within the Bureau of State Expenditures, Office of the State Comptroller, 110 State Street, Albany, New York 12236.

12. EQUAL EMPLOYMENT OPPORTUNITIES FOR MINORITIES AND WOMEN. In

accordance with Section 312 of the Executive Law and 5 NYCRR 143, if this contract is: (i) a written agreement or purchase order instrument, providing for a total expenditure in excess of \$25,000.00, whereby a contracting agency is committed to expend or does expend funds in return for labor, services, supplies, equipment, materials or any combination of the foregoing, to be performed for, or rendered or furnished to the contracting agency; or (ii) a written agreement in excess of \$100,000.00 whereby a contracting agency is committed to expend or does expend funds for the acquisition, construction, demolition, replacement, major repair or renovation of real property and improvements thereon; or (iii) a written agreement in excess of \$100,000.00 whereby the owner of a State assisted housing project is committed to expend or does expend funds for the acquisition, construction, demolition, replacement, major repair or renovation of real property and improvements thereon for such project, then the following shall apply and by signing this agreement the Contractor certifies and affirms that it is Contractor's equal employment opportunity policy that:

(a) The Contractor will not discriminate against employees or applicants for employment because of race, creed, color, national origin, sex, age, disability or marital status, shall make and document its conscientious and active efforts to employ and utilize minority group members and women in its work force on State contracts and will undertake or continue existing programs of affirmative action to ensure that minority group members and women are afforded equal employment opportunities without discrimination. Affirmative action shall mean recruitment, employment, job assignment, promotion, upgradings, demotion, transfer, layoff, or termination and rates of pay or other forms of compensation;

(b) at the request of the contracting agency, the Contractor shall request each employment agency, labor union, or authorized representative of workers with which it has a collective bargaining or other agreement or understanding, to furnish a written statement that such employment agency, labor union or representative will not discriminate on the basis of race, creed, color, national origin, sex, age, disability or marital status and that such union or representative will affirmatively cooperate in the implementation of the Contractor's obligations herein; and

(c) the Contractor shall state, in all solicitations or advertisements for employees, that, in the

performance of the State contract, all qualified applicants will be afforded equal employment opportunities without discrimination because of race, creed, color, national origin, sex, age, disability or marital status.

Contractor will include the provisions of "a", "b", and "c" above, in every subcontract over \$25,000.00 for the construction, demolition, replacement, major repair, renovation, planning or design of real property and improvements thereon (the "Work") except where the Work is for the beneficial use of the Contractor. Section 312 does not apply to: (i) work, goods or services unrelated to this contract; or (ii) employment outside New York State. The State shall consider compliance by a contractor or subcontractor with the requirements of any federal law concerning equal employment opportunity which effectuates the purpose of this section. The contracting agency shall determine whether the imposition of the requirements of the provisions hereof duplicate or conflict with any such federal law and if such duplication or conflict exists, the contracting agency shall waive the applicability of Section 312 to the extent of such duplication or conflict. Contractor will comply with all duly promulgated and lawful rules and regulations of the Department of Economic Development's Division of Minority and Women's Business Development pertaining hereto.

13. CONFLICTING TERMS. In the event of a conflict between the terms of the contract (including any and all attachments thereto and amendments thereof) and the terms of this Appendix A, the terms of this Appendix A shall control.

14. GOVERNING LAW. This contract shall be governed by the laws of the State of New York except where the Federal supremacy clause requires otherwise.

15. LATE PAYMENT. Timeliness of payment and any interest to be paid to Contractor for late payment shall be governed by Article 11-A of the State Finance Law to the extent required by law.

16. NO ARBITRATION. Disputes involving this contract, including the breach or alleged breach thereof, may not be submitted to binding arbitration (except where statutorily authorized), but must, instead, be heard in a court of competent jurisdiction of the State of New York.

17. SERVICE OF PROCESS. In addition to the methods of service allowed by the State Civil Practice Law & Rules ("CPLR"), Contractor hereby consents to service of process upon it by registered or certified mail, return receipt requested. Service hereunder shall be complete upon Contractor's actual receipt of process or upon the State's receipt of the return thereof by the United States Postal Service as refused or undeliverable. Contractor must promptly notify the State, in writing, of each and every change of address to which service of process can be made. Service by the State to the last known address shall be sufficient. Contractor will have thirty (30) calendar days after service hereunder is complete in which to respond.

18. PROHIBITION ON PURCHASE OF TROPICAL HARDWOODS. The Contractor certifies and warrants that all wood products to be used under this contract award will be in accordance with, but not limited to, the specifications and provisions of Section 165 of the State Finance Law, (Use of Tropical Hardwoods) which prohibits purchase and use of tropical hardwoods, unless specifically exempted, by the State or any governmental agency or political subdivision or public benefit corporation. Qualification for an exemption under this law will be the responsibility of the contractor to establish to meet with the approval of the State.

In addition, when any portion of this contract involving the use of woods, whether supply or installation, is to be performed by any subcontractor, the prime Contractor will indicate and certify in the submitted bid proposal that the subcontractor has been informed and is in compliance with specifications and provisions regarding use of tropical hardwoods as detailed in §165 State Finance Law. Any such use must meet with the approval of the State; otherwise, the bid may not be considered responsive. Under bidder certifications, proof of qualification for exemption will be the responsibility of the Contractor to meet with the approval of the State.

19. MACBRIDE FAIR EMPLOYMENT PRINCIPLES. In accordance with the MacBride Fair Employment Principles (Chapter 807 of the Laws of 1992), the Contractor hereby stipulates that the Contractor either (a) has no business operations in Northern Ireland, or (b) shall take lawful steps in good faith to conduct any business operations in Northern Ireland in accordance with the MacBride

Fair Employment Principles (as described in Section 165 of the New York State Finance Law), and shall permit independent monitoring of compliance with such principles.

20. OMNIBUS PROCUREMENT ACT OF 1992.

It is the policy of New York State to maximize opportunities for the participation of New York State business enterprises, including minority and women-owned business enterprises as bidders, subcontractors and suppliers on its procurement contracts.

Information on the availability of New York State subcontractors and suppliers is available from:

NYS Department of Economic Development
Division for Small Business
Albany, New York 12245
Telephone: 518-292-5100
Fax: 518-292-5884
email: opa@esd.ny.gov

A directory of certified minority and women-owned business enterprises is available from:

NYS Department of Economic Development
Division of Minority and Women's Business
Development
633 Third Avenue
New York, NY 10017
212-803-2414
email: mwbecertification@esd.ny.gov
<http://esd.ny.gov/MWBE/directorySearch.html>

The Omnibus Procurement Act of 1992 requires that by signing this bid proposal or contract, as applicable, Contractors certify that whenever the total bid amount is greater than \$1 million:

(a) The Contractor has made reasonable efforts to encourage the participation of New York State Business Enterprises as suppliers and subcontractors, including certified minority and women-owned business enterprises, on this project, and has retained the documentation of these efforts to be provided upon request to the State;

(b) The Contractor has complied with the Federal Equal Opportunity Act of 1972 (P.L. 92-261), as amended;

(c) The Contractor agrees to make reasonable efforts to provide notification to New York State residents of employment opportunities on this project through

listing any such positions with the Job Service Division of the New York State Department of Labor, or providing such notification in such manner as is consistent with existing collective bargaining contracts or agreements. The Contractor agrees to document these efforts and to provide said documentation to the State upon request; and

(d) The Contractor acknowledges notice that the State may seek to obtain offset credits from foreign countries as a result of this contract and agrees to cooperate with the State in these efforts.

21. RECIPROCITY AND SANCTIONS PROVISIONS.

Bidders are hereby notified that if their principal place of business is located in a country, nation, province, state or political subdivision that penalizes New York State vendors, and if the goods or services they offer will be substantially produced or performed outside New York State, the Omnibus Procurement Act 1994 and 2000 amendments (Chapter 684 and Chapter 383, respectively) require that they be denied contracts which they would otherwise obtain. NOTE: As of May 15, 2002, the list of discriminatory jurisdictions subject to this provision includes the states of South Carolina, Alaska, West Virginia, Wyoming, Louisiana and Hawaii. Contact NYS Department of Economic Development for a current list of jurisdictions subject to this provision.

22. COMPLIANCE WITH NEW YORK STATE INFORMATION SECURITY BREACH AND NOTIFICATION ACT.

Contractor shall comply with the provisions of the New York State Information Security Breach and Notification Act (General Business Law Section 899-aa; State Technology Law Section 208).

23. COMPLIANCE WITH CONSULTANT DISCLOSURE LAW.

If this is a contract for consulting services, defined for purposes of this requirement to include analysis, evaluation, research, training, data processing, computer programming, engineering, environmental, health, and mental health services, accounting, auditing, paralegal, legal or similar services, then, in accordance with Section 163 (4-g) of the State Finance Law (as amended by Chapter 10 of the Laws of 2006), the Contractor shall timely, accurately and properly comply with the requirement to submit an annual employment report for the contract to the agency that awarded the contract, the Department of Civil Service and the State Comptroller.

24. PROCUREMENT LOBBYING. To the extent this agreement is a "procurement contract" as defined by State Finance Law Sections 139-j and 139-k, by signing this agreement the contractor certifies and affirms that all disclosures made in accordance with State Finance Law Sections 139-j and 139-k are complete, true and accurate. In the event such certification is found to be intentionally false or intentionally incomplete, the State may terminate the agreement by providing written notification to the Contractor in accordance with the terms of the agreement.

25. CERTIFICATION OF REGISTRATION TO COLLECT SALES AND COMPENSATING USE TAX BY CERTAIN STATE CONTRACTORS, AFFILIATES AND SUBCONTRACTORS. To the extent this agreement is a contract as defined by Tax Law Section 5-a, if the contractor fails to make the certification required by Tax Law Section 5-a or if during the term of the contract, the Department of Taxation and Finance or the covered agency, as defined by Tax Law 5-a, discovers that the certification, made under penalty of perjury, is false, then such failure to file or false certification shall be a material breach of this contract and this contract may be terminated, by providing written notification to the Contractor in accordance with the terms of the agreement, if the covered agency determines that such action is in the best interest of the State.

Appendix D
Community Development Block Grant Disaster Recovery
Contractual Rider

1. BREACH OF CONTRACT TERMS

Any violation or breach of terms of this AGREEMENT on the part of the CONTRACTOR or the CONTRACTOR's subcontractors may result in the suspension or termination of this AGREEMENT or such other action that may be necessary to enforce the rights of the parties to this AGREEMENT. The duties and obligations imposed by the AGREEMENT documents and the rights and remedies available thereunder shall be in addition to, and not a limitation of, any duties, obligations, rights and remedies otherwise imposed or available by law.

2. TERMINATION FOR CAUSE

If, through any cause, the CONTRACTOR shall fail to fulfill in a timely and proper manner any of its obligations under this AGREEMENT, or if the CONTRACTOR shall violate any of the covenants, agreements, or stipulations of this AGREEMENT, the DIVISION shall thereupon have the right to terminate this AGREEMENT immediately by giving written notice to the CONTRACTOR of such termination and specifying the effective date thereof. In such event, all finished or unfinished documents, data, studies, surveys, drawings, maps, models, photographs, and reports prepared by the CONTRACTOR under this AGREEMENT shall, unless otherwise stated in writing by the DIVISION become the DIVISION's property and the CONTRACTOR shall be entitled to receive just and equitable compensation for any work which in the DIVISION's reasonable determination has been satisfactorily completed hereunder. Notwithstanding the above, the CONTRACTOR shall not be relieved of liability to the DIVISION for damages sustained by the DIVISION by virtue of any breach of the AGREEMENT by the CONTRACTOR, and the DIVISION may withhold any payments to the CONTRACTOR for the purpose of set-off until such time as the exact amount of damages due the DIVISION from the CONTRACTOR is determined.

3. TERMINATION FOR CONVENIENCE

The DIVISION may terminate this AGREEMENT at any time by giving at least thirty calendar days' notice in writing to the CONTRACTOR. If the AGREEMENT is terminated by the DIVISION as provided herein, the CONTRACTOR will be compensated for services performed through the date of termination that are accepted by the DIVISION.

4. REPORTING REQUIREMENTS

The CONTRACTOR shall complete and submit all reports, in such form and according to such schedule, as may be required by the DIVISION.

5. ACCESS TO RECORDS

The DIVISION, NYS OSC, the State of New York, the U.S. Department of Housing and Urban Development, the Comptroller General of the United States, or any of their duly authorized representatives, shall be permitted, at any time and from time to time during normal business hours, access to any work product, books, documents, papers and records of the CONTRACTOR which are related to this contract, for the purpose of inspection, audits, examinations, and making excerpts, copies and transcriptions.

6. MAINTENANCE/RETENTION OF RECORDS

All records produced or collected in connection with, or otherwise related to, this AGREEMENT will be maintained in a central location for no less than six (6) years following the date of final payment and close-out of all pending matters related to this AGREEMENT.

7. COPYRIGHTS AND PATENTS

No materials, including, but not limited to, reports, maps, or documents produced as a result of this contract, in whole or in part, shall be the subject of any application for a copyright by or on behalf of the CONTRACTOR. The DIVISION, the State of New York and the Federal government reserve a royalty free, non-exclusive and irrevocable license to reproduce, publish or otherwise use and to authorize others to use, for government purposes: (a) the copyright to any work developed with CDBG-DR funds and (b) any rights of copyright purchased with CDBG-DR support. The DIVISION, the State of New York, and the Federal government shall possess all rights to invention or discovery, as well as rights in data, which may arise as a result of or in connection with CONTRACTOR's services. All royalty or license fees applicable to the services provided hereunder shall be paid by the CONTRACTOR.

8. CERTIFICATION OF COMPLIANCE WITH CLEAN AIR AND WATER ACTS

The CONTRACTOR and all subcontractors shall comply with all applicable standards, orders and requirements of Section 306 of the Clean Air Act, as amended, 42 USC 1857 (h), the Federal Water Pollution Control Act, as amended, 33 USC 1251 et seq., and the regulations of the Environmental Protection Agency with respect thereto, at 40 CFR Parts 15 and 32, as amended, Section 508 of the Clean Water Act (33 USC 1368) and federal Executive Order 11738.

In addition to the foregoing requirements, all nonexempt CONTRACTORS and subcontractors shall furnish to the owner, the following:

- i. A stipulation by the CONTRACTOR or subcontractors, that any facility to be utilized in the performance of any nonexempt contract or subcontract, is not listed on the Excluded Party Listing System pursuant to 40 CFR 32 or on the List of

Violating Facilities issued by the Environmental Protection Agency (EPA) pursuant to 40 CFR Part 15, as amended.

- ii. Agreement by the CONTRACTOR to comply with all the requirements of Section 114 of the Clean Air Act, as amended, (42 USC 1857 c-8) and Section 308 of the Federal Water Pollution Control Act, as amended, (33 USC 1318) relating to inspection, monitoring, entry, reports and information, as well as all other requirements specified in said Section 114 and Section 308, and all regulations and guidelines issued thereunder.
- iii. A stipulation that as a condition for the award of the contract, prompt notice will be given of any notification received from the Director, Office of Federal Activities, EPA, indicating that a facility utilized, or to be utilized for the contract, is under consideration to be listed on the Excluded Party Listing System or the EPA List of Violating Facilities.
- iv. Agreement by the CONTRACTOR that they will include, or cause to be included, the criteria and requirements in paragraph (i) through (iii) of this section in every nonexempt subcontract and requiring that the CONTRACTOR will take such action as the government may direct as a means of enforcing such provisions.

9. ENERGY EFFICIENCY

The CONTRACTOR shall comply with all mandatory standards and policies relating to energy efficiency which are contained in the New York State energy conservation plan issued in compliance with the Energy Policy and Conservation Act (Public Law 94-163).

10. Equal Employment Opportunity EXECUTIVE ORDER 11246 of September 24, 1965, as amended by Executive Order 11375 of October 13, 1967, and as supplemented in Department of Labor Regulations (41 CFR 60)

During the performance of this contract, the CONTRACTOR agrees as follows:

- i. The CONTRACTOR shall not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. The CONTRACTOR shall take affirmative action to ensure that applicants for employment are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, or national origin. Such action shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship.
- ii. The CONTRACTOR shall post in conspicuous places, available to employees and applicants for employment, notices to be provided by contracting officer

setting forth the provisions of this non-discrimination clause. The CONTRACTOR shall state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

- iii. The CONTRACTOR will, in all solicitations or advertisements for employees placed by or on behalf of the CONTRACTOR, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex or national origin.
- iv. The CONTRACTOR will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the agency contracting officer, advising the labor union or workers representative of the CONTRACTOR's commitments under Section 202 of Executive Order 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.
- v. The CONTRACTOR will comply with all provisions of Executive Order 11246 of September 24, 1965, and of the rules, regulations and relevant orders of the Secretary of Labor.
- vi. The CONTRACTOR will furnish all information and reports required by Executive Order 11246 of September 24, 1965, and by the rules, regulations and orders of the Secretary of Labor, or pursuant thereto, and will permit access to books, records and accounts by the contracting agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations and orders.
- vii. In the event of the CONTRACTOR's non-compliance with the non-discrimination clause of this AGREEMENT or with any of such rules, regulations or orders, this AGREEMENT may be cancelled, terminated or suspended in whole or in part and the CONTRACTOR may be declared ineligible for further government contracts in accordance with procedures authorized in Executive Order 11246 and such other sanctions as may be imposed and remedies invoked as provided in Executive Order 11246 of September 24, 1965, or by rule, regulation or order of the Secretary of Labor, or as otherwise provided by law.
- viii. CONTRACTOR shall incorporate the provisions of i through vii above in every subcontract or purchase order exceeding \$10,000 unless exempted by rules, regulations or orders of the Secretary of Labor so that such provisions shall be binding on such subcontractor. The CONTRACTOR will take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing such provisions including sanctions for non-compliance, provided, however, that in the event the CONTRACTOR becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the contracting agency, the CONTRACTOR may

request the United States to enter into such litigation to protect the interests of the United States.

11. ANTI-KICKBACK RULES

Salaries of personnel performing work under this AGREEMENT shall be paid unconditionally and not less often than once a month without payroll deduction or rebate on any account except only such payroll deductions as are mandatory by law or permitted by the applicable regulations issued by the Secretary of Labor pursuant to the "Anti-Kickback Act" of June 13, 1934, as amended 18 U.S.C. 874; and 40 U.S.C. 3145). The CONTRACTOR shall comply with all applicable "Anti-Kickback" regulations and shall insert appropriate provisions in all subcontracts covering work under this AGREEMENT to insure compliance by the subcontractors with such regulations, and shall be responsible for the submission of affidavits required of subcontractors thereunder except as the Secretary of Labor may specifically provide for variations of or exemptions from the requirements thereof.

12. DAVIS-BACON ACT Prevailing Wage Requirements (40 U.S.C.276a to 276a-7) as supplemented by U.S. Department of Labor regulations (29 CFR part 5)

All laborers and mechanics employed by CONTRACTORS or subcontractors, including employees of other governments, on construction work assisted under this contract, and subject to the provisions of the federal acts and regulations listed in this paragraph, shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act.

13. CONTRACT WORK HOURS AND SAFETY STANDARDS ACT (40 U.S.C. 327-330) as supplemented by Department of Labor regulations (29 CFR part 5)

All laborers and mechanics employed by CONTRACTORS or subcontractors shall receive overtime compensation in accordance with and subject to the provisions of the Contract Work Hours and Safety Standards Act, and the CONTRACTORS and subcontractors shall comply with all regulations issued pursuant to these acts and with other applicable Federal laws and regulations pertaining to labor standards.

14. TITLE VI OF THE CIVIL RIGHTS ACT OF 1964

The CONTRACTOR shall comply with the provisions of Title VI of the Civil Rights Act of 1964. No person shall, on the grounds of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance.

15. SECTION 109 OF THE HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974

The CONTRACTOR shall comply with the provisions of Section 109 of the Housing and Community Development Act of 1974. No person in the United States shall on the grounds of race, color, national origin, or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with funds made available under this title. Section 109 further provides that discrimination on the basis of age under the Age Discrimination Act of 1975 or with respect to an otherwise qualified handicapped individual as provided in Section 504 of the Rehabilitation Act of 1973, as amended, is prohibited.

16. SECTION 3 OF THE HOUSING AND URBAN DEVELOPMENT ACT OF 1968 - COMPLIANCE IN THE PROVISION OF TRAINING, EMPLOYMENT AND BUSINESS OPPORTUNITIES

- i. The work to be performed under this AGREEMENT is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u (section 3). The purpose of Section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD-assisted projects covered by Section 3, shall, to the greatest extent feasible, be directed to low- and very low-income persons, particularly persons who are recipients of HUD assistance for housing.
- ii. The parties to this AGREEMENT agree to comply with HUD's regulations in 24 CFR Part 135, which implement Section 3. As evidenced by their execution of this contract, the parties to this AGREEMENT certify that they are under no contractual or other impediment that would prevent them from complying with the part 135 regulations.
- iii. The CONTRACTOR agrees to send to each labor organization or representative of workers with which the CONTRACTOR has a collective bargaining agreement or other understanding, if any, a notice advising the labor organization or workers' representative of the CONTRACTOR's commitments under this Section 3 clause, and will post copies of the notice in conspicuous places at the work site where both employees and applicants for training and employment positions can see the notice. The notice shall describe the Section 3 preference, shall set forth minimum number and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each, and the name and location of the person(s) taking applications for each of the positions, and the anticipated date the work shall begin.
- iv. The CONTRACTOR agrees to include this Section 3 clause in every subcontract subject to compliance with regulations in 24 CFR part 135, and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in

this Section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 CFR part 135. The CONTRACTOR will not subcontract with any subcontractor where the CONTRACTOR has notice or knowledge that the subcontractor has been found in violation of the regulations in 24 CFR part 135.

- v. The CONTRACTOR will certify that any vacant employment positions, including training positions, that are filled (1) after the CONTRACTOR is selected but before the AGREEMENT is executed, and (2) with persons other than those to whom the regulations of 24 CFR part 135 require employment opportunities to be directed, were not filled to circumvent the CONTRACTOR's obligations under 24 CFR part 135.
- vi. Noncompliance with HUD's regulations in 24 CFR part 135 may result in sanctions, termination of this AGREEMENT for default, and debarment or suspension from future HUD assisted contracts.
- vii. With respect to work performed in connection with Section 3 covered Indian housing assistance, Section 7(b) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450e) also applies to the work to be performed under this AGREEMENT. Section 7(b) requires that to the greatest extent feasible (i) preference and opportunities for training and employment shall be given to Indians, and (ii) preference in the award of contracts and subcontracts shall be given to Indian organizations and Indian-owned Economic Enterprises. Parties to this AGREEMENT that are subject to the provisions of Section 3 and section 7(b) agree to comply with Section 3 to the maximum extent feasible, but not in derogation of compliance with Section 7(b).

17. SECTION 503 OF THE REHABILITATION ACT OF 1973 (29 U.S.C. 793)

- i. The CONTRACTOR will not discriminate against any employee or applicant for employment because of physical or mental handicap in regard to any position for which the employee or applicant for employment is otherwise qualified. The CONTRACTOR agrees to take affirmative action to employ, advance in employment and otherwise treat qualified handicapped individuals without discrimination based upon their physical or mental handicap in all employment practices such as the following: employment upgrading, demotion or transfer, recruitment, advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship.
- ii. The CONTRACTOR agrees to comply with the rules, regulations, and relevant orders of the Secretary of Labor issued pursuant to the Act.
- iii. In the event of the CONTRACTOR's noncompliance with the requirements of this clause, actions for noncompliance may be taken in accordance with the rules, regulations, and relevant orders of the Secretary of Labor issued pursuant to the Act.

- iv. The CONTRACTOR agrees to post in conspicuous places, available to employees and applicants for employment, notices in a form to be prescribed by the Director, provided by or through the contracting officer. Such notices shall state the CONTRACTOR's obligation under the law to take affirmative action to employ and advance in employment qualified handicapped employees and applicants for employment, and the rights of applicants and employees.
- v. The CONTRACTOR will notify each labor union or representative of workers with which it has a collective bargaining agreement or other contract understanding, that the CONTRACTOR is bound by the terms of Section 503 of the Rehabilitation Act of 1973, and is committed to take affirmative action to employ and advance in employment physically and mentally handicapped individuals.
- vi. The CONTRACTOR will include the provisions of this clause in every subcontract or purchase order of \$10,000 or more unless exempted by rules, regulations, or orders of the Secretary issued pursuant to Section 503 of the Act, so that such provisions will be binding upon each subcontractor or vendor. The CONTRACTOR will take such action with respect to any subcontract or purchase order as the Director of the Office of Federal Contract Compliance Programs may direct to enforce such provisions, including action for noncompliance.

18. SECTION 504 OF THE REHABILITATION ACT OF 1973, AS AMENDED

The CONTRACTOR agrees that no otherwise qualified individual with disabilities shall, solely by reason of his disability, be denied the benefits, or be subjected to discrimination including discrimination in employment, any program or activity that receives the benefits from the federal financial assistance.

19. AGE DISCRIMINATION ACT OF 1975

The CONTRACTOR shall comply with the provisions of the Age Discrimination Act of 1975. No person in the United States shall, on the basis of age, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under, any program or activity receiving federal financial assistance.

20. DEBARMENT, SUSPENSION, AND INELIGIBILITY

The CONTRACTOR represents and warrants that it has not been debarred, suspended, or placed in ineligibility status under the provisions of 24 CFR 24 (government debarment and suspension regulations) and further, that it will not enter into any contracts or subcontracts with any individual or entity which has been debarred, suspended or deemed ineligible under those same provisions.

21. ASSIGNABILITY

The CONTRACTOR shall not assign any interest in this Contract, and shall not transfer any interest in the same (whether by assignment or novation) without prior written approval of the DIVISION.

22. LOBBYING

The CONTRACTOR certifies, to the best of his or her knowledge and belief that:

- i. No federally appropriated funds have been paid or will be paid, by or on behalf of the CONTRACTOR, to any person for influencing or attempting to influence an officer or employee of any agency, a member of Congress, an officer or employee of Congress, or an employee of a member of Congress in connection with the awarding of any federal contract, the making of any federal grant, the making of any federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any federal contract, grant, loan, or cooperative agreement.
- ii. If any funds other than federally appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a member of Congress, an officer or employee of Congress, or an employee of a member of Congress in connection with this federal contract, grant, loan, or cooperative agreement, the CONTRACTOR shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.
- iii. The CONTRACTOR shall require that the language of this certification be included in any subcontract.
- iv. This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for entering into this transaction imposed by Section 1352, Title 31, of the US Code. Any person who fails to file the required certification shall be subject to civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

23. CERTIFICATION OF NONSEGREGATED FACILITIES

CONTRACTOR certifies that he/she does not maintain or provide for his/her establishments, and that he/she does not permit employees to perform their services at any location, under his/her control, where segregated facilities are maintained. He/she certifies further that he/she will not maintain or provide for employees any segregated facilities at any of his/her establishments, and he/she will not permit employees to perform their services at any location under his/her control where

segregated facilities are maintained. The CONTRACTOR agrees that a breach of this certification is a violation of the equal opportunity clause of this AGREEMENT.

As used in this certification, the term "segregated facilities" means any waiting rooms, work areas, rest rooms and wash rooms, restaurants and other eating areas, time clocks, locker rooms, and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation and housing facilities provided for employees which are segregated by explicit directive or are, in fact, segregated on the basis of race, color, religion, or national origin because of habit, local custom, or any other reason.

He/she further agrees that (except where he/she has obtained for specific time periods) he/she will obtain identical certification from proposed subcontractors prior to the award of subcontracts exceeding \$10,000 which are not exempt from the provisions of the equal opportunity clause; that he/she will retain such certifications in his/her files; and that he/she will forward the following notice to such proposed subcontractors (except where proposed subcontractors have submitted identical certifications for specific time periods).

24. INDEMNIFICATION

The CONTRACTOR shall indemnify, defend and hold harmless the DIVISION and the Housing Trust Fund Corporation, their agents and employees, from and against any and all claims, actions, suits, charges and judgments arising from or related to the negligence or willful misconduct of the CONTRACTOR in the performance of the services called for in this AGREEMENT.

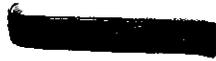
**C000419 - Statement of Work
Between New York State Division of the Budget and
McKinsey & Company, Inc. Washington, D.C.**

State Superstorm Sandy Recovery Phase I

All work in this Statement of Work ("SOW") will be in accordance with the terms of Contract C000419 (Contract) dated September 1, 2012 between McKinsey & Company, Inc. Washington, D.C. (McKinsey) and the New York State Division of the Budget (Division), as approved by the State Attorney General and the State Comptroller. The following information is provided to detail the scope of work for management consultant services related to New York State's (the "State") Superstorm Sandy recovery efforts.

1. State Staff:

Engagement Manager:



2. McKinsey Staff:

Engagement Partner:

Project Manager:

Sr. Management Analyst:
Management Analyst:



Subject Matter Experts shall provide support as needed, and in accordance with the Contractor Staff provisions of the Contract.

3. Project Name: Superstorm Sandy Recovery Phase I

4. Term: Services to be rendered by McKinsey under this SOW shall be comprised of the Tasks and provision of the Deliverables accepted by the State set forth in more detail in Paragraphs 5.a-f and 6.a-f below (collectively the "Services"). Such Services shall be rendered during the period from January 14, 2013 through April 30, 2013, subject to adjustment by the State (the "Term").

5. Project Scope: McKinsey shall perform six essential activities during the term to support New York State:

- a) Analysis to support the drafting of the recovery spending plan: The State's recovery spending plan will guide how it supports affected regions in the recovery process. McKinsey will provide analytical support to develop this overall plan,

**C000419 - Statement of Work
Between New York State Division of the Budget and
McKinsey & Company, Inc. Washington, D.C.**

State Superstorm Sandy Recovery Phase I

including researching and advising on most effective use of various types of funds separately and in combination, on eligibility rules, available waivers, etc.

- b) Analysis to support the design of housing recovery programs: A crucial success factor for the recovery effort will be how housing programs are designed to deliver aid to affected communities and households. To ensure robust program design, McKinsey will help the State analyze potential options, looking in particular to learnings from past disaster recovery programs.
- c) Support for designing an infrastructure funding institution: A new institution, designed to create and implement a strategic framework for public investment, will allow the State to leverage private dollars, get the maximum invested benefit from public dollars, and align efforts at repair and mitigation across stakeholders and systems. McKinsey will identify what is needed to launch such an organization successfully.
- d) Support for the stand-up of the New York State Recovery Management Office: A key enabler of the success of the recovery will be the New York State Recovery Management Office, which will have responsibility for delivering recovery-related programs. As such, McKinsey will help ensure the Taskforce is assembled, launched, and set up for success.
- e) Analytical and project management support for the New York State Recovery Taskforce: As the Taskforce undertakes its mission, it will require both analytical and project support to track progress and course correct where necessary. McKinsey will draw on its capabilities and experience in supporting high profile initiatives to assist the Taskforce in its activities.
- f) Support for designing the Community Reconstruction Zones program: To successfully manage a Statewide community-led reconstruction effort that reflects best practices from previous disasters, New York State will require both analytical and project support. McKinsey will help New York State identify and determine funding levels for 35+ Community Reconstruction Zones, and help design the operational model by which the State will manage this complex and sensitive process.

**C000419 - Statement of Work
Between New York State Division of the Budget and
McKinsey & Company, Inc. Washington, D.C.**

State Superstorm Sandy Recovery Phase I

6. Key Activities and Deliverables

a. Analysis to Support the Drafting of the Recovery Spending Plan

Task a Activities - McKinsey shall:

- Collect, validate and organize the recovery projects and programs identified by State agencies and regions affected by Superstorm Sandy
- Quantify the cost and estimate the reach/impact of various potential recovery program options based on lessons from programs developed after other disasters. Develop a robust database that rolls up the costs and geographic distribution associated with recovery projects and programs across major sectors
- Assess the sources of recovery and mitigation funding available by their amount, source, timing, eligible uses and other relevant characteristics
- Create an integrated view of funding allocation by type (e.g., by project or program; by geography; and by each sector)
- Produce charts, tables and other supporting materials to describe the recovery projects and programs financing plan based on guidance from New York State on preferred program designs
- Draft various sections of the New York State Sandy financing plan (not to include any sections that discuss areas where support from 3rd party consultants might be required in either program design/implementation, or in overall program management design/implementation)
- Support prioritization of projects included in the financing plan by analyzing the implications of prioritization alternatives and framing options for New York State

Task a Deliverables – McKinsey shall provide the following deliverables:

- Detailed document outlining the New York State Sandy recovery project financing plan (with summary section and appendices), including:
 - Comprehensive project database that includes projects and programs to be covered by New York State recovery project funding
 - Associated high-level summary communication materials

b. Analysis to Support Design of Housing Recovery Programs

Task b Activities - McKinsey shall:

- Research precedents and develop case studies for disaster housing recovery programs

**C000419 - Statement of Work
Between New York State Division of the Budget and
McKinsey & Company, Inc. Washington, D.C.**

State Superstorm Sandy Recovery Phase I

- Develop options for housing program design based on best practices and learnings from prior disaster recovery programs
- Support drafting of Community Development Block Grant Disaster Recovery (CDBG-DR) Action Plan prior to public comment period, and assist New York State in responding to public comments; including but not limited to drafting of Housing Needs Assessment
- Develop preliminary cost estimates for Housing programs by aggregating data across New York State, federal agencies (including FEMA, SBA), and use estimates to assess cost implications of policy alternatives for Housing recovery programs
- Conduct targeted analyses to support decision-making on policy details (e.g., boundaries of Enhanced Buyout Areas)
- Collect feedback from agencies and other experts and refine housing program design options
- Present program design options to New York State to decide on preferred approach
- Develop options and tools for preliminary operational design of Housing recovery programs, and support prioritization and sequencing decisions in early-stage implementation with best practice
- Analyze information technology needs for Housing recovery programs to support selection of front-end and back-end technology platforms
- Provide ad-hoc support for development of Small Business recovery programs, including program design options and high-level needs assessment

Task b Deliverables – McKinsey shall provide the following deliverables:

- Master plan for housing recovery program, including
 - Draft policies for housing program applicants
 - Initial estimated program costs
 - Design of performance management system and metrics for tracking and managing progress
 - Estimates of required resource levels based on estimate transaction volume
 - Preliminary implementation plan, including roles and responsibilities and stakeholder interaction model
 - Housing needs assessment section of CDBG-DR Action Plan

**C000419 - Statement of Work
Between New York State Division of the Budget and
McKinsey & Company, Inc. Washington, D.C.**

State Superstorm Sandy Recovery Phase I

c. Support for Designing an Infrastructure Funding Institution

Task c Activities – McKinsey shall:

- Perform high-level assessment of funding and financing needs across infrastructure repair and mitigation
- Develop high-level estimate of organizational structure, processes, capabilities and resources required to consolidate and provide strategic framework for public sector investment
- Lay out high-level options for an infrastructure funding institution

Task c Deliverables – McKinsey shall provide the following deliverables:

- Master plan for infrastructure funding institution, including
 - Estimate of potential impact based on expected eligible projects and funding sources
 - High-level assessment of organizational structure, processes, capabilities and resources required
 - Roadmap to develop and stand up new institution

d. Support For The Stand-Up Of The Recovery Management Office

Task d Activities – McKinsey shall:

- Design the overall internal organizational approach for overseeing and delivering recovery programs, including roles and responsibilities for the New York State Recovery Management Office (RMO) and other relevant organizations
- Design a project management function within the RMO to provide support to the New York State leadership in monitoring progress
- For major recovery programs:
 - Prepare implementation plan(s) including milestones and responsibilities
 - Develop key metrics by which to judge implementation progress
- Prepare a master implementation plan for the RMO
- Prepare materials to support the launch of the RMO
- Facilitate initial meetings of the RMO
- Develop processes and routines for the RMO, including tracking dashboards
- Create preliminary job descriptions for roles needed to staff RMO

**C000419 - Statement of Work
Between New York State Division of the Budget and
McKinsey & Company, Inc. Washington, D.C.**

State Superstorm Sandy Recovery Phase I

Task d Deliverables – McKinsey shall provide the following deliverables:

- Playbook for the stand-up of the RMO, including:
 - Governance structure for the RMO (including members, roles and responsibilities)
 - Version 1.0 of the Implementation Plan (including a master plan and implementation plans for major programs)
 - Version 1.0 of the RMO routines and processes
 - Version 1.0 of role descriptions for RMO staff
 - Design of program management function

e. Analytical and Project Management Support for the Recovery Management Office

Task e Activities - McKinsey shall:

- Prepare materials for RMO meetings
- Design and prepare metrics and dashboards for managing and reporting on the overall recovery program
- Conduct regular analyses of funds distribution, staff onboarding, project progress and reimbursement rates and other measures of progress against leadership objectives to support the RMO in identifying key roadblocks and proposed solutions to expedite progress
- Meet regularly with implementing organizations and agencies to track progress, jointly develop solutions to key barriers, and build capabilities
- Facilitate workshops as necessary for implementing organizations and agencies on relevant topics (e.g., progress updates, capability building, knowledge sharing)
- Design processes to enable agencies to seamlessly and regularly update centralized project list and funding model
- Support process to identify specific business requirements and present options for in house and third party development of information technology needed to manage the overall recovery effort, including public facing websites

Task e Deliverables – McKinsey shall provide the following deliverables:

- Regular analytical and project management support for the RMO, including:
 - Metrics and dashboard tools
 - Analyses to support specific RMO decisions
 - Materials to support select RMO workshops
 - Agendas and minutes for RMO

**C000419 - Statement of Work
Between New York State Division of the Budget and
McKinsey & Company, Inc. Washington, D.C.**

State Superstorm Sandy Recovery Phase I

- Weekly report of risks and roadblocks, and action items
- Codified processes to update project list

f. Support for Designing the Community Reconstruction Zones Program

Task f Activities - McKinsey shall:

- Support prioritization of communities and determination of funding distribution through community-level analysis (e.g., geospatial damage and demographic assessment)
- Create options for initial program design and operational model, and support decision-making process
- Analyze resource requirements and support vendor identification, scoping and selection

Task f Deliverables – McKinsey shall provide the following deliverables:

- High-level plan for Community Reconstruction Zones, including:
 - List of prioritized communities
 - Initial funding allocation model
 - Best practice guidance on procurement strategy for vendor support for tactical implementation
 - Illustrative potential vendor list

7. Services Acceptance: The State's designated Engagement Manager will be responsible for review and acceptance of the Services on behalf of the State. Acceptance of the Services shall be in accordance with the following:

1. McKinsey will submit to the State's Engagement Manager written notification indicating the Services that were completed, a summary of each of the completed Tasks, and a copy of the completed Deliverable(s), which shall be the exclusive property of the State and subject to its exclusive use, consideration, deliberation and control ("Notification").
2. Acceptance Criteria: The acceptance criteria for the Services shall be its substantial conformance to the requirements and descriptions set forth in Paragraphs 5.a-f and 6.a-f and any additional specifications mutually agreed upon by the Parties and documented by the State Engagement Manager and McKinsey Project Managers in writing ("Acceptance Criteria").
3. Acceptance: The State's Engagement Manager shall have a twenty (20) business day acceptance period, unless otherwise mutually agreed to by the State Engagement Manager and McKinsey Project Managers, to approve

**C000419 - Statement of Work
Between New York State Division of the Budget and
McKinsey & Company, Inc. Washington, D.C.**

State Superstorm Sandy Recovery Phase I

Services that conform in all material respects to the Acceptance Criteria. The acceptance period shall begin upon transmittal by McKinsey Project Managers to the State Engagement Manager of a written Notification that the Services have been completed and ready for approval, and shall be counted from and include the first working day following the delivery of the Notification to the State. The State shall provide McKinsey (i) with written approval of the Services or (ii) with a written statement which identifies in reasonable detail, with references to the applicable Acceptance Criteria, all of the deficiencies preventing approval ("Deficiencies"). All Services shall require the written approval by the State Engagement Manager that such Services conform in all material respects with the Acceptance Criteria.

McKinsey shall have ten (10) business days (or such other period mutually agreed to by the State Engagement Manager and McKinsey Project Managers) to complete all such corrective actions or changes in order for such Services to conform in all material respects with the Acceptance Criteria. The count of such business days shall begin on the first business day following McKinsey's receipt of the written statement of deficiencies and/or required corrective actions identified by the State.

The State's Engagement Manager shall have twenty (20) business days (or such other period mutually agreed to by the State Engagement Manager and McKinsey Project Managers) to notify McKinsey in writing of acceptance or rejections in accordance with the foregoing provisions of this Section to review the revised Services. If the State's Engagement Manager has not approved the Services after correction by McKinsey, the McKinsey's Project Manager and the State Engagement Manager may mutually agree to further steps to correct outstanding material deficiencies. However, in no event shall the total time allocated for review, correction and re-review of material deficiencies in Services, exceed ninety (90) days.

The State's Engagement Manager shall have final sign-off responsibility on all Services. Services may be provided concurrently to the State for review and acceptance in accordance with this Section.

**C000419 - Statement of Work
Between New York State Division of the Budget and
McKinsey & Company, Inc. Washington, D.C.**

State Superstorm Sandy Recovery Phase I

8. Project Timeline:

Project schedule for Phase 1

Activity	Jan			Feb			Mar			Apr				
	14.	21.	28.	04.	11.	18.	25.	04.	11.	18.	25.	01.	08.	15.
1. Analysis to support the drafting of the recovery spending plan														
2. Analysis to support the design of housing recovery programs														
3. Support for designing an infrastructure funding institution														
4. Support for the stand-up of the Recovery Management Office														
5. Analytical and project management support for the Recovery Management Office														
5. Support for designing the Community Reconstruction Zones program														

9. Project Fees:

The rates provided in this section are discounted from the rates set forth in McKinsey's Contract No. C000419. As stated in the Contract, hourly rates are inclusive of travel therefore, travel expenses for McKinsey staff will not be reimbursed by the State in addition to the fees.

Title		Estimated Hours	Hourly Rate	Total Cost by Title
Engagement Partner		696		
Project Manager		1,131		
Senior Management Analyst		845		
Management Analyst		4,551		
Total Fixed Price for Superstorm Sandy Recovery				

**C000419 - Statement of Work
Between New York State Division of the Budget and
McKinsey & Company, Inc. Washington, D.C.**

State Superstorm Sandy Recovery Phase I

McKinsey shall be compensated for completed Tasks and accepted Deliverables based on the firm fixed prices below regardless of the actual number of hours expended by McKinsey to perform said Tasks and provide said Deliverables. McKinsey's fees are inclusive of all expenses. Services will be billable upon the completion and the State's acceptance of the deliverable(s).

Deliverables	Estimated Hours	Firm-Fixed Price
Completion of Task a activities and Deliverable a: Detailed document outlining the New York State Sandy recovery project financing plan	2,638	[REDACTED]
Completion of Task b activities and Deliverable b: Master plan for housing recovery program	1,344	[REDACTED]
Completion of Task c activities and Deliverable c: Master plan for infrastructure funding institution	896	[REDACTED]
Completion of Task d activities and Deliverable d: Playbook for the stand-up of the New York State Recovery Taskforce	896	[REDACTED]
Completion of Task e activities and Deliverable e: Regular analytical and project management support for New York State Recovery Taskforce including metrics and dashboard tools and other analyses and materials for Taskforce meetings	896	[REDACTED]
Completion of Task f activities and Deliverable f: High-level plan for Community Reconstruction Zones	553	[REDACTED]
Project Total		[REDACTED]

10. 15A Requirements: The Contract establishes ten percent MBE and ten percent WBE participation goals for work conducted under the Contract. McKinsey agrees to meet these goals.

11. Payment Schedule: Payments to McKinsey will be made upon completion of the Tasks and acceptance of final Deliverables by the State. Invoices shall be prepared in the format prescribed by the Contract, and submitted to the Division via e-mail: contracts@budget.ny.gov. If necessary, hardcopy correspondence should be sent to the following address:

[REDACTED]
NYS Division of the Budget
State Capitol, Room 128
Albany, NY 12224

**C000419 - Statement of Work
Between New York State Division of the Budget and
McKinsey & Company, Inc. Washington, D.C.**

State Superstorm Sandy Recovery Phase I

AGREED AND ACCEPTED:

**McKinsey & Company, Inc.
Washington, D.C. (McKinsey)**

By: _____

Name: _____

Title: Principal

Date: 6/21/13

AGREED AND ACCEPTED:

Division of the Budget

By: _____

Name: _____

Title: Administrative Officer

Date: 7/9/13

**C000419 - Statement of Work
Between New York State Division of the Budget and
McKinsey & Company, Inc. Washington D.C.**

State Superstorm Sandy Recovery Phase II

All work in this Statement of Work ("SOW") will be in accordance with the terms of Contract C000419 (Contract) dated September 1, 2012 between McKinsey & Company, Inc. Washington D.C. (McKinsey) and the New York State Division of the Budget (Division), as approved by the State Attorney General and the State Comptroller. The following information is provided to detail the scope of work for management consultant services related to New York State's (the "State") Superstorm Sandy recovery efforts.

1. State Staff:

Engagement Manager:

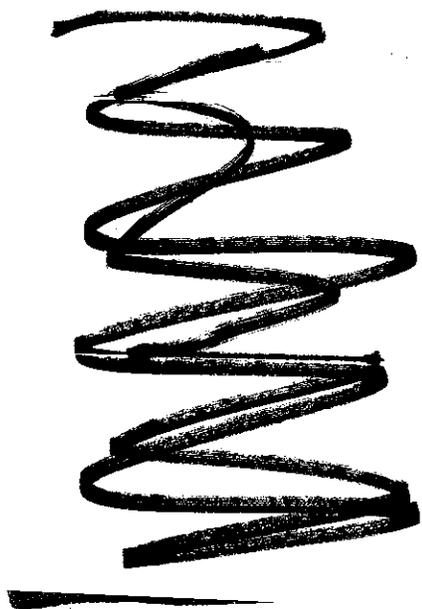
2. McKinsey Staff:

Engagement Partner:

Project Manager:

Sr. Management Analyst:

Management Analyst:



Subject Matter Experts shall provide support as needed, and in accordance with the Contractor Staff provisions of the Contract.

3. Project Name: Superstorm Sandy Recovery Phases II

4. Term: Services to be rendered by McKinsey under this SOW shall be comprised of the Tasks and provision of the Deliverables accepted by the State set forth in more detail in Paragraphs 5.a-f and 6.a-f below (collectively the "Services"). Such Services shall be rendered during the period from April 29, 2013 through August 30, 2013, subject to adjustment by the State (the "Term").

5. Project Scope: McKinsey shall perform six essential activities under Phase II:

a.) Support for the New York State Recovery Management Office (RMO): A key enabler of the success of the recovery is the New York State Recovery Management Office (RMO), which has the responsibility for coordinating recovery related

**C000419 - Statement of Work
Between New York State Division of the Budget and
McKinsey & Company, Inc. Washington D.C.**

State Superstorm Sandy Recovery Phase II

programs. To ensure the RMO fulfills its mandate, we will need to: design the RMO organization and its roles and responsibilities, design and build information management systems for accurate reporting and progress tracking, support the strategic planning of select federal fund source uses, and onboard new team members as they are hired.

b. & c.) Housing and Small Business analysis and project management support:

The storms damaged thousands of homes and small businesses across the region and delivering aid to these individuals will be a critical success factor for the overall recovery effort. To ensure that the State's Housing and Small Business programs can meet the needs of affected home and business owners as quickly as possible, we will work with the State to design and optimize the operations of the Single Family Homeowner and Exempt Small Business program operations, provide analysis to support open policy questions and the management of the programs (especially organizational structure, roles and responsibilities, operational metrics and estimates of expected program costs).

d.) Community Reconstruction Zones (CRZ) analysis and project management support:

The Community Reconstruction Zones (CRZ) program is a signature initiative of the recovery effort to meet the State's goal of engaging and empowering affected communities. Through this program, affected communities will receive grants to fund self-identified recovery priorities after a community planning process. We will work with the State to develop the program management operating model for the planning phase; the operating model for the funding and implementation phase, including modeling the estimated resources needed to implement. We will also help draft the scope of work for third-party service providers and identify potential sources of funding for CRZ projects. Finally, we will develop a performance management process and an implementation plan.

e.) Support for infrastructure and mitigation programs: We will also continue to support the State in designing a creative infrastructure financing entity; analyzing specific project opportunities that could benefit from the creation of this entity and developing an overall program strategy for the Hazard Mitigation Grant Program. The purpose of these solutions will be to promote maximum effectiveness and leverage of federal storm recovery funding.

f.) Program management and implementation support for the Office of

Community Renewal: The design and structure of numerous sub-programs within the overall housing and small business recovery program structure are progressing. To operationalize programs and begin distributing grants as quickly as possible, we will launch the program management office (PMO), inclusive of an activity-level project plan and tracking systems for the programs currently in process. We will initially staff critical aspects the Program Management Office as we work with OCR

**C000419 - Statement of Work
Between New York State Division of the Budget and
McKinsey & Company, Inc. Washington D.C.**

State Superstorm Sandy Recovery Phase II

management to begin tracking the programs and then transition our activities to OCR's new recovery leadership as they join the department.

6. Key Activities and Deliverables

a. Support for the New York State Recovery Management Office (RMO)

Task a Activities - McKinsey shall:

- Develop organizational chart and role descriptions for Recovery Management Office staff and proposed RMO weekly meeting schedule
- Develop on-boarding materials for RMO Director and staff (i.e., RMO mission, current state of NYS Sandy Recovery, overview of Sandy funding sources and uses)
- Compile and analyze health and social service agencies' potential uses for SSBG Superstorm Sandy Supplemental Funds, review and provide feedback on drafts of SSBG Superstorm Sandy Supplemental State Plan to be incorporated into State's final Plan, and analyze and assimilate NYS procurement requirements, applicant information collection needs and web form information to be included in the online SSBG solicitation
- Design and manage the process to document HUD CDBG-DR funding needs including pre-populating agency templates and sizing non-federal match needs
- Analyze Sandy spending needs vs. budget (as of July 2013) to inform prioritization decisions by RMO
- Facilitate the translation of the initial program spend database into an online, multi-user platform and develop business requirements for IT data monitoring tool

Task a Deliverables – McKinsey shall provide the following deliverables:

- Organizational structure for the RMO
- On-boarding materials for RMO Director and staff
- Analysis and support for NYS SSBG State Plan
- Analysis to assist in the development of the CDBG-DR HUD priority projects list for next tranche of funding
- Analysis of NYS storm recovery spending needs vs. available funds (as of July 2013)
- Interagency Sharepoint database allowing users to update data related to disaster recovery spend priorities

**C000419 - Statement of Work
Between New York State Division of the Budget and
McKinsey & Company, Inc. Washington D.C.**

State Superstorm Sandy Recovery Phase II

b. Housing Analysis and project Management support

Task b Activities - McKinsey shall:

- Analyze Rental applicant and pre-registrant data and precedent disaster programs for Rental coverage
- Analyze options for three open Single Family Homeowner policy decisions: DOB escrow requirements, elevation coverage and reimbursement coverage
- Design process maps for Single Family Homeowner program, including involved parties, estimated throughput times for each process stage of the program, and outputs at each stage
- Identify and analyze high priority improvements to case management operations in Single Family Homeowner program
- Identify and analyze specific high priority improvements to construction-related operations in Single Family Homeowner program
- Gather fact base about case manager and construction capacity constraints for Single Family Homeowner program and develop remediation options for highest priority constraints
- Develop Housing program organizational structure and develop role descriptions for key front-line roles
- Size Housing program costs for Homeowner, Rental and Buyout programs, incorporating actual data for program applicants through July 2013
- Develop operational metrics options for Single Family Homeowner program

Task b Deliverables – McKinsey shall provide the following deliverables:

- Analysis to support open Housing policy decisions, specifically:
 - Analysis of rental data and precedent disaster programs for rental coverage (i.e., scope of coverage, coverage caps)
 - Analysis to support three major Single Family Homeowner (SFH) policy framework decisions regarding: DOB escrow requirements, elevation coverage and reimbursement coverage
- Analysis to support Single Family Homeowner (SFH) program operations, specifically:
 - Process map and throughput time estimates for case and construction management components of SFH
 - Documentation of potential improvements to case management operations in SFH
 - Documentation of potential improvements to construction-related operations in SFH
 - Summary of case worker and construction capacity constraints for SFH with abatement options

**C000419 - Statement of Work
Between New York State Division of the Budget and
McKinsey & Company, Inc. Washington D.C.**

State Superstorm Sandy Recovery Phase II

- Analysis to support management of Housing programs, specifically:
 - Housing program organizational structure, including key roles and responsibilities
 - Estimates of range of Housing program costs for Homeowner, Rental and Buyout programs, incorporating actual data for program applicants through July 2013
 - Proposed operational metrics to monitor and manage the Single Family Homeowner program

c. Small Business Analysis and project management support

Task c Activities – McKinsey shall:

- Analyze Small Business program applicant and pre-registrant data and comparable disaster programs to inform New York State's policy framework for the Small Business program
- Structure and support policy manual for the Exempt Small Business program
- Draft process maps, including involved parties and outputs, for each process stage of the Exempt Small Business program
- Identify and analyze opportunities to improve productivity in Exempt Small Business program (i.e., accelerate application processing time)
- Develop design for Small Business program organizational structure (including third parties) and draft role descriptions for key OCR roles
- Develop training materials for SBDC case workers
- Size estimated program costs for Small Business program based on available data through July 2013
- Develop proposed operational metrics to allow for monitoring development and implementation of Small Business program

Task c Deliverables – McKinsey shall provide the following deliverables:

- Analysis to inform Small Business policy decisions, specifically:
 - Analysis to inform key Small Business policy framework decisions for Exempt program
 - Draft policy manual for the Exempt Small Business program
- Analysis to support Exempt Small Business program operations, specifically:
 - Process map and throughput time estimates for Exempt Small Business program
 - Analysis of potential improvements to Exempt Small Business program processes based on deadline-based commitment letter pilots
- Analysis to support management of Small Business programs, specifically:

**C000419 - Statement of Work
Between New York State Division of the Budget and
McKinsey & Company, Inc. Washington D.C.**

State Superstorm Sandy Recovery Phase II

- Design for Small Business program organizational structure, including key roles and responsibilities
- Small Business program training materials for SBDC case workers
- Estimates of Small Business program costs
- Proposed operational metrics to monitor and manage the Small Business program

d. Community Reconstruction Zones Analysis and Project Management Support

Task d Activities – McKinsey shall:

- Develop program management operating model for the CRZ planning phase including organizational charts, roles and responsibilities, and tracking and approval processes
- Develop operating model for CRZ funding and implementation phase, including organizational design, transition considerations, project funding process and roles
- Model the estimated resource levels to implement the CRZ operating model
- Draft scope of work requirements for the State to procure third-party service providers to support operation of CRZ program, and provide analytical support to the State to assist in third-party service provider selection
- Identify potential sources of funding for CRZ projects
- Develop a performance management process, metrics, and template dashboards for tracking and measuring CRZ program progress
- Develop an implementation plan including an execution roadmap, key meetings, events and deliverables

Task d Deliverables – McKinsey shall provide the following deliverables:

- CRZ program management operating model for the planning phase
- Operating model for CRZ program funding and implementation phase
- Estimate of required resource levels to implement operating model
- Scope of Work for third-party vendor support and evaluation methodology for third-party vendor selection and matching
- Framework for allocating funding sources to CRZ projects
- Performance management process for tracking and managing progress
- CRZ program implementation plan

**C000419 - Statement of Work
Between New York State Division of the Budget and
McKinsey & Company, Inc. Washington D.C.**

State Superstorm Sandy Recovery Phase II

e. Support for Infrastructure and Mitigation Programs

Task e Activities - McKinsey shall:

- Conduct analysis to support the development of a strategic approach to FEMA Hazard Mitigation Grant Program (HMGP)
- Design a "blueprint" for the NYS Infrastructure Fund, i.e.,
 - Develop the Fund's mission and mandate
 - Articulate the financial assistance it provides
 - Develop Fund capitalization options
 - Articulate the non-financial assistance the Fund could provide
 - Design the project application, selection and transaction process
 - Develop project selection criteria and portfolio structuring
 - Design the high level organization structure and governance model
- Develop project overviews for seven potential Fund-assisted projects
- Conduct specific project-level analyses to support project evaluation for four priority projects

Task e Deliverables – McKinsey shall provide the following deliverables:

- HMGP program support:
 - HMGP strategy and funding priorities
 - Project scoring procedures for priority sectors
- Infrastructure Fund "blueprint" including:
 - Mission and mandate
 - Financial assistance
 - Capitalization
 - Non-financial assistance
 - Project application, selection and transaction process
 - Project selection criteria and portfolio structuring
 - High level organization structure and governance model
- Project overviews for seven potential Fund-assisted projects: (Staten Island Bus Rapid Transit, Nassau County Wastewater, Kosciuszko Bridge, Wynandanch TOD parking, Sea Beach line renewal, MNR Penn Station Access, and Suffolk County Wastewater) i.e., project illustration, scope, estimated cost, rationale, timeline, and current status
- Project profiles for four priority projects (Staten Island Bus Rapid Transit, Nassau County Wastewater, Kosciuszko Bridge, and Wynandanch TOD parking), i.e.,
 - Cost analysis
 - Strategic case and/or benefit analysis
 - Open project issues
 - Schedule and/or timeline

**C000419 - Statement of Work
Between New York State Division of the Budget and
McKinsey & Company, Inc. Washington D.C.**

State Superstorm Sandy Recovery Phase II

– Financing scenarios

f. Program Management and Implementation Support for New York State Office of Community Renewal

Task f Activities - McKinsey shall:

- Create a high level “Master Project Plan” for the following programs and CDBG-DR-related activities administered by OCR: Housing Buyout, Housing Rehabilitation and Reconstruction, and Small Business (Exempt and Non-Exempt), administered by OCR and performed by OCR, related agencies and/or contractors
- Develop detailed, activity-level project plans for the following programs: Housing Buyout, Housing Rehabilitation and Reconstruction, Small Business (Exempt and Non-Exempt), and Environmental Review
- Create and initially lead a Program Management Office (PMO) to track status of all activities within the major ongoing CDBG-DR-related Housing and Small Business programs
- Provide structure, expert input, and project support to the Housing Trust Fund Corporation (HTFC) in the development of a Request for Proposals for Home Design Services for NYS CDBG-DR Recovery Programs

Task f Deliverables – McKinsey shall provide the following deliverables:

- “Master Project Plan” summarizing activities, targets and forecasts of achievement metrics for the following programs: Housing Buyout, Housing Rehabilitation and Reconstruction, and Small Business (Exempt and Non-Exempt)
- Activity-level project plans for the Housing Buyout, Housing Rehabilitation and Reconstruction, and Small Business (Exempt and Non-Exempt) programs and Environmental Review
- Design for and temporary management of the Program Management Office function (PMO) for Housing and Small Business programs, i.e., meeting notes, Smartsheet overview and PMO transition plan
- Supporting documentation for the HTFC Home Design Services RFP

7. Services Acceptance: The State’s designated Engagement Manager will be responsible for review and acceptance of the Services on behalf of the State. Acceptance of the Services shall be in accordance with the following:

1. McKinsey will submit to the State’s Engagement Manager written notification indicating the Services that were completed, a summary of each of the completed Tasks, and a copy of the completed Deliverable(s), which shall be the

**C000419 - Statement of Work
Between New York State Division of the Budget and
McKinsey & Company, Inc. Washington D.C.**

State Superstorm Sandy Recovery Phase II

exclusive property of the State and subject to its exclusive use, consideration, deliberation and control ("Notification").

2. **Acceptance Criteria:** The acceptance criteria for the Services shall be its substantial conformance to the requirements and descriptions set forth in Paragraphs 5.a-g and 6.a-g and any additional specifications mutually agreed upon by the Parties and documented by the State Engagement Manager and McKinsey Project Managers in writing ("Acceptance Criteria").
3. **Acceptance:** The State's Engagement Manager shall have a twenty (20) business day acceptance period, unless otherwise mutually agreed to by the State Engagement Manager and McKinsey Project Managers, to approve Services that conform in all material respects to the Acceptance Criteria. The acceptance period shall begin upon transmittal by McKinsey Project Managers to the State Engagement Manager of a written Notification that the Services have been completed and ready for approval, and shall be counted from and include the first working day following the delivery of the Notification to the State. The State shall provide McKinsey (i) with written approval of the Services or (ii) with a written statement which identifies in reasonable detail, with references to the applicable Acceptance Criteria, all of the deficiencies preventing approval ("Deficiencies"). All Services shall require the written approval by the State Engagement Manager that such Services conform in all material respects with the Acceptance Criteria.

McKinsey shall have ten (10) business days (or such other period mutually agreed to by the State Engagement Manager and McKinsey Project Managers) to complete all such corrective actions or changes in order for such Services to conform in all material respects with the Acceptance Criteria. The count of such business days shall begin on the first business day following McKinsey's receipt of the written statement of deficiencies and/or required corrective actions identified by the State.

The State's Engagement Manager shall have twenty (20) business days (or such other period mutually agreed to by the State Engagement Manager and McKinsey Project Managers) to notify McKinsey in writing of acceptance or rejections in accordance with the foregoing provisions of this Section to review the revised Services. If the State's Engagement Manager has not approved the Services after correction by McKinsey, the McKinsey's Project Manager and the State Engagement Manager may mutually agree to further steps to correct outstanding material deficiencies. However, in no event shall the total time allocated for review, correction and re-review of material deficiencies in Services, exceed ninety (90) days.

**C000419 - Statement of Work
Between New York State Division of the Budget and
McKinsey & Company, Inc. Washington D.C.**

State Superstorm Sandy Recovery Phase II

The State's Engagement Manager shall have final sign-off responsibility on all Services. Services may be provided concurrently to the State for review and acceptance in accordance with this Section.

8. Project Fees:

The rates provided in this section are discounted from the rates set forth in McKinsey's Contract No. C000419. As stated in the Contract, hourly rates are inclusive of travel therefore, travel expenses for McKinsey staff will not be reimbursed by the State in addition to the fees.

McKinsey shall be compensated for completed Tasks and accepted Deliverables based on the firm fixed prices below regardless of the actual number of hours expended by McKinsey to perform said Tasks and provide said Deliverables. McKinsey's fees are inclusive of all expenses. Services will be billable upon the completion and the State's acceptance of the deliverable(s).

Estimated breakdown of Phase 2 work streams			
Phase 2.1: Support for the New York State Recovery Management Office			
Title	Estimated Hours	Hourly Rate	Total Cost by Title
Engagement Partner	526		
Project Manager	515		
Senior Management Analyst	1,250		
Management Analyst	2,500		
Subtotal for Superstorm Sandy Recovery - Phase 2.1			
Phase 2.2 & 2.3: Housing and Small Business analysis and project m			
Title	Estimated Hours	Hourly Rate	Total Cost I
Engagement Partner	630		
Project Manager	515		
Senior Management Analyst	1,250		
Management Analyst	4,997		
Subtotal for Superstorm Sandy Recovery - Phase 2.2 & 2.3			
Phase 2.4: Community Reconstruction Zones analysis and project m			
Title	Estimated Hours	Hourly Rate	Total Cost I
Engagement Partner	439		
Project Manager	429		
Senior Management Analyst	1,041		
Management Analyst	3,124		
Subtotal for Superstorm Sandy Recovery - Phase 2.4			

**C000419 - Statement of Work
Between New York State Division of the Budget and
McKinsey & Company, Inc. Washington D.C.**

State Superstorm Sandy Recovery Phase II

Phase 2.5: Support for infrastructure and mitigation programs			
Title	Estimated Hours	Hourly Rate	Total Cost by Title
Engagement Partner	549		
Project Manager	458		
Senior Management Analyst	1,098		
Management Analyst	3,295		
Subtotal for Superstorm Sandy Recovery – Phase 2.5			
Phase 2.6: Program management and implementation support for New York State Office of Community Renewal			
Title	Estimated Hours	Hourly Rate	Total Cost by Title
Engagement Partner	351		
Project Manager	343		
Senior Management Analyst	833		
Management Analyst	2,499		
Subtotal for Superstorm Sandy Recovery – Phase 2.6			
Fixed Price for Superstorm Sandy Recovery – Phase 2			\$

9. Payment Schedule: Payments to McKinsey will be made upon completion of the Tasks and acceptance of final Deliverables by the State. Invoices shall be prepared in the format prescribed by the Contract, and submitted to the Division via e-mail: contracts@budget.ny.gov. If necessary, hardcopy correspondence should be sent to the following address:

NYS Division of the Budget
State Capitol, Room 128
Albany, NY 12224

C000419 - Statement of Work
Between New York State Division of the Budget and
McKinsey & Company, Inc. Washington D.C.

State Superstorm Sandy Recovery Phase II

AGREED AND ACCEPTED:

McKinsey & Company, Inc.
Washington D.C. (McKinsey)

By: _____

Name: _____

Title: Principal

Date: August 30, 2013

AGREED AND ACCEPTED:

Division of the Budget

By: _____

Name: _____

Title: Administrative Officer

Date: 9/9/13

C000419

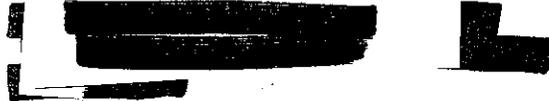
**Amendment No. 1 to Statement of Work entitled State Superstorm Sandy
Recovery Phase III
Between New York State Division of the Budget and
McKinsey & Company, Inc. Washington, D.C.**

The Parties agree to amend the Statement of Work ("SOW") entitled State Superstorm Sandy Recovery Phase III under Contract C000419 (Contract) dated September 1, 2012 between McKinsey & Company, Inc. Washington, D.C. (McKinsey) and the New York State Division of the Budget (Division), as approved by the State Attorney General and the State Comptroller. Changes to the SOW language resulting from this amendment are described below.

1. Section 2 (McKinsey Staff)

The paragraph listing of Management Analysts included in Section 2 is hereby deleted in full and replaced with the following:

Management Analyst:



2. Section 4 (Term)

Section 4 is hereby deleted in full and replaced with the following:

Term: Services to be rendered by McKinsey under this SOW shall be comprised of the Tasks and provision of the Deliverables accepted by the State set forth in more detail in Paragraphs 5.a-c and 6.a-c below (collectively the "Services"). Such Services shall be rendered during the period from September 3, 2013 through November 1, 2013, subject to adjustment by the State (the "Term").

3. Section 5 (Project Scope)

Section 5 is hereby deleted in full and replaced with the following:

Project Scope: McKinsey shall perform three essential activities under Phase III:

- a.) **Housing analysis and project management support:** Thousands of homes damaged in the storms are eligible for recovery grants to fill unmet needs. McKinsey shall provide analysis to create and optimize processes for timeliness and customer experience for the Single-Family Housing programs. McKinsey shall also help refine and track progress toward one-year anniversary targets, to ensure the State's goals for this critical program are met when that milestone arrives. Lastly, McKinsey shall provide analysis to update major program cost estimates based on actual inspection and applicant data.

C000419

**Amendment No. 1 to Statement of Work entitled State Superstorm Sandy
Recovery Phase III
Between New York State Division of the Budget and
McKinsey & Company, Inc. Washington, D.C.**

- b.) Small Business analysis and project management support:** Thousands of small businesses damaged in the storms are eligible for recovery grants to fill unmet needs. For the Exempt program, McKinsey shall support operational improvements and development of productivity targets. For the Non-Exempt program McKinsey shall help map processes, accelerate inspections, prepare for program launch, and refine the program policy manual. McKinsey shall also support tracking of program performance by partner agencies and regular updates against State program targets and milestones for the one-year anniversary. Lastly, McKinsey shall support accelerated distribution of recovery funds to eligible small businesses.
- c.) Housing Project Cost Analysis:** McKinsey shall provide services to assist the State in developing refined estimates of Housing program costs based on new data available in order to be able to commit funds to critical projects outside of Housing, and to make critical policy decisions in each recovery program (e.g., setting deadlines for application submission). McKinsey shall assist the State in building additional project management capabilities within the RMO in order to meet its aggressive Housing program performance targets for the one year anniversary of the storm.

4. Section 6 (Key Activities and Deliverables)

Section 6 is hereby deleted in full and replaced with the following:

Key Activities and Deliverables

a. Housing Analysis and Project Management Support

Task a Activities - McKinsey shall:

- Create optimized process maps and develop service levels for each step of the Single-Family housing program (rehab, reconstruction, mitigation and IMA), and for the major owners of process steps (e.g., case management vendor(s), construction management vendor(s)), drawing on operational and service delivery best practices
- Define customer service metrics to measure and monitor customer service across the Homeowner program, and propose customer service innovations to improve experience of Single-Family Housing program applicants

C000419

**Amendment No. 1 to Statement of Work entitled State Superstorm Sandy
Recovery Phase III
Between New York State Division of the Budget and
McKinsey & Company, Inc. Washington, D.C.**

- Create one-year anniversary targets across all Housing programs and create dashboard to track progress towards them, including regular updates and refinements to dashboard and support of regular decision meetings
- Create an updated cost model for the Homeowner, IMA and Buyout programs based on analysis of actual applicant data, and data from field inspections of damaged homes

Task a Deliverables – McKinsey shall provide the following deliverables:

- Optimized process maps with service levels for each step of Single-Family Housing program and for each major owner of a process step
- Documented customer service recommendations, and documented set of metrics to measure and monitor customer service for the Homeowner program
- Regular one-year anniversary Housing target dashboard updates, with identification of trends, challenges, opportunities and high-priority action items
- Updated Homeowner, IMA and Buyout program estimated cost ranges

b. Small Business Analysis and project management support

Task b Activities - McKinsey shall:

- Improve the operations and support development of high-level productivity targets of the Exempt program with work planning, project management support, targeted supporting analysis, and meeting facilitation
- Create high-level process maps for Non-Exempt program through workshops and other alignment meetings
- Support completion of accelerated inspections and prepare for Non-Exempt program launch with work planning, project management support, and meeting facilitation
- Support Non-Exempt program policy manual with work planning, project management support, targeted supporting analysis, and meeting facilitation
- Develop interim targets and milestones to facilitate the State's one-year anniversary goals, and create framework and spreadsheet for daily tracking of small business performance by partner agencies
- Conduct analysis to support development of policies for accelerated distribution of recovery funds to eligible small businesses in advance of the one-year anniversary
- Support standing up operations for accelerated distribution of recovery funds to eligible small businesses in advance of the one-year anniversary with work

C000419

**Amendment No. 1 to Statement of Work entitled State Superstorm Sandy
Recovery Phase III
Between New York State Division of the Budget and
McKinsey & Company, Inc. Washington, D.C.**

planning, project management support, targeted supporting analysis, and meeting facilitation

Task b Deliverables – McKinsey shall provide the following deliverables:

- For the Exempt program, analysis and work planning to support operational improvements and development of high-level productivity targets
- For Non-Exempt program, high-level process maps
- For the Non-Exempt program, work planning and project management support to accelerate inspections and prepare for program launch
- For the Non-Exempt program, analysis and work planning in support of the program policy manual
- Framework and spreadsheet for daily tracking of small business recovery program performance by partner agencies, and regular updates against the State's small business recovery targets and milestones for the one-year anniversary
- Analysis to support policy decisions for accelerated distribution of recovery funds to eligible small businesses in advance of the one-year anniversary
- Analysis and work planning in support of standing up operations to accelerate distribution of recovery funds to eligible small businesses

c. Housing Project Cost Analysis

Task c Activities - McKinsey shall:

- Analyze current and expected future Housing program costs and liabilities based on current applicant and award data (as available). Specifically, McKinsey shall:
 1. Estimate costs for Interim Mortgage Assistance program based on: current and potential future applicant pool, applicant interest in the program, and the latest policy decisions regarding coverage
 2. Develop refined program cost estimates for Homeowner Rehabilitation, Reconstruction and Mitigation program, based on: actual inspection and verification of benefits data from current applicants, and applicant uptake scenarios (derived from current mix by applicant segment)
 3. Develop refined Buyout and Acquisition program cost estimates based on: actual Buyout assessment and duplication of benefits data, for properties that have already applied to the program; applicant uptake scenarios that incorporate the latest policy decisions and program priorities; and second order costs to the State, such as expected property tax reimbursements and carrying costs for vacant parcels

C000419

**Amendment No. 1 to Statement of Work entitled State Superstorm Sandy
Recovery Phase III
Between New York State Division of the Budget and
McKinsey & Company, Inc. Washington, D.C.**

4. Develop refined Rental program costs based on new applicant data, as possible
 5. Develop estimates for case management and construction management program delivery costs by analyzing spend to date and estimating future program needs in these categories
 6. Analyze policy options and other areas of uncertainty with significant impact on budget estimate scenarios, and identify a set actions the State could take to influence Housing program cost
- Provide dedicated project management support to the Director of Housing Programs to ensure delivery against the State's one-year anniversary targets. Specifically, McKinsey shall:
 1. Create and update weekly project plans (by program)
 2. Document and communicate daily decisions
 3. Capture new activities, deliverables (with deadlines and owners) and incorporate into master project plan

Task c Deliverables – McKinsey shall provide the following deliverables:

- Revised Housing program budget, based on latest available applicant-specific data and/or other updated information as available, including major categories of program delivery (case management and construction management) and scenarios with analysis of drivers of scenario ranges (high versus low)
- Master project plan for Housing programs and minutes from program planning meetings reflecting decisions made, activities and deliverables assigned (with owners and deadlines)

6. Section 8 (Project Fees)

The table, Estimated breakdown of Phase III work streams, in Section 8 is hereby deleted in full and replaced with the following:

Estimated breakdown of Phase III work streams			
a. Housing Analysis and Project Management Support			
Title	Estimated Hours	Hourly Rate	Total Cost by Title
Engagement Partner	298		
Project Manager	293		
Senior Management Analyst	710		
Management Analyst	2,130		
Subtotal for Superstorm Sandy Recovery – Phase 3.1			
b. Small Business Analysis and Project Management Support			
Title	Estimated Hours	Hourly Rate	Total Cost by Title
Engagement Partner	300		

C000419
**Amendment No. 1 to Statement of Work entitled State Superstorm Sandy
 Recovery Phase III
 Between New York State Division of the Budget and
 McKinsey & Company, Inc. Washington, D.C.**

Project Manager	292		
Senior Management Analyst	710		
Management Analyst	1,420		
Subtotal for Superstorm Sandy Recovery – Phase 3.2			
c. Housing Project Cost Analysis			
Title	Estimated Hours	Hourly Rate	Total Cost by Title
Engagement Partner	50.5		
Project Manager	51		
Senior Management Analyst	0		
Management Analyst	240		
Subtotal for Superstorm Sandy Recovery – Phase 3.3			
Fixed Price for Superstorm Sandy Recovery – Phase 3			

Except as noted above all other terms and conditions of this SOW remain unchanged.

AGREED AND ACCEPTED:

**McKinsey & Company, Inc.
 Washington, D.C. (McKinsey)**

By: _____

Name: _____

Title: Principal

Date: January 14, 2014

AGREED AND ACCEPTED:

Division of the Budget

By: _____

Name: _____

Title: Administrative Officer

Date: 1/16/14

**C000419 - Statement of Work
Between New York State Division of the Budget and
McKinsey & Company, Inc. Washington, D.C.**

State Superstorm Sandy Recovery Phase IV

All work in this Statement of Work ("SOW") will be in accordance with the terms of Contract C000419 (Contract) dated September 1, 2012 between McKinsey & Company, Inc. Washington, D.C. (McKinsey) and the New York State Division of the Budget (Division), as approved by the State Attorney General and the State Comptroller. The following information is provided to detail the scope of work for management consultant services related to New York State's (the "State") Superstorm Sandy recovery efforts.

1. State Staff:

Engagement Manager: _____

2. McKinsey Staff:

Engagement Partner: _____

Project Manager: _____

Sr. Management Analyst: _____

Management Analyst: _____

Subject Matter Experts shall provide support as needed, and in accordance with the Contractor Staff provisions of the Contract.

3. Project Name: Superstorm Sandy Recovery Phase IV

4. Term: Services to be rendered by McKinsey under this SOW shall be comprised of the Tasks and provision of the Deliverables accepted by the State set forth in more detail in Paragraphs 5.a-c and 6.a-c below (collectively the "Services"). Such Services shall be rendered during the period from November 4, 2013 through December 20, 2013, subject to adjustment by the State (the "Term").

5. Project Scope: McKinsey shall perform the following essential activities under Phase IV:

a.) Housing recovery project management support: The State has made tremendous progress in advancing the which is a critical success factor for the overall recovery effort. To sustain the Single Family Housing Program's momentum and ensure applicants continue to receive rapid assistance, McKinsey will work with the State to conduct analysis to improve the operations of the program, identify and resolve performance and productivity challenges,

**C000419 - Statement of Work
Between New York State Division of the Budget and
McKinsey & Company, Inc. Washington, D.C.**

State Superstorm Sandy Recovery Phase IV

refine estimates of the program's program delivery costs and support preparation for a potential Master Program Management (MPM) procurement.

- b.) Housing customer experience improvement support:** Thousands of homeowners have applied to the program and are eligible for recovery grants to fill unmet needs. McKinsey will provide analysis to support the State's identification of the drivers of citizen satisfaction with the experience of the program, development of customer experience improvement and risk mitigation strategies, and support the State in implementation of operational changes to deliver these.
- c.) Analysis and project management support for Multi-Family Housing recovery program:** To ensure robust program design, McKinsey will help the State analyze potential options, looking in particular to learnings from past disaster recovery programs. McKinsey will also work with the State to design the operation of the program to deliver rapid and efficient assistance to applicants.

Key Activities and Deliverables

a. Housing Recovery Project Management Support:

Task a Activities - McKinsey shall:

- Identify and document performance challenges in housing program operations
- Develop operational improvements, to increase efficiency, productivity, and service levels in Single-Family Housing program
- Support implementation of operational improvements in Single-Family Housing program, where approved by the State
- Track impact of implemented improvements on efficiency, productivity, and service levels in Single-Family Housing program, where implementation is approved by the State
- Subject to available data provided in the appropriate format, quantify Single Family Housing program delivery costs (excluding professional services) incurred through November 2013, and forecast program delivery costs throughout life of Single Family Housing program. Identify high-level drivers of larger categories of spend.
- Write draft Scope of Services section of MPM Request for Proposal (RFP) document through understanding of State needs for scope of Master Program Management services and incorporation of procurement best practices
- Utilize procurement best practices to provide the State with draft scoring methodology options for assessing RFP responses

**C000419 - Statement of Work
Between New York State Division of the Budget and
McKinsey & Company, Inc. Washington, D.C.**

State Superstorm Sandy Recovery Phase IV

Task a Deliverables – McKinsey shall provide the following deliverables:

- Analysis of expected operational challenges in Single Family Housing program
- Options for operational improvements to increase efficiency, productivity, and service levels in Single-Family Housing program
- Work plans in support of implementation of operational improvements in Single Family Housing program, where approved by the State
- Measurements of impact on efficiency, productivity, and service levels in Single Family Housing program, where implementation is approved by the State
- Subject to available data, summary of costs incurred for program delivery (excluding professional services) in the Single Family Housing program through November 2013, including forecast for program delivery costs throughout life of Single Family Housing program, and high-level drivers of larger categories of spend.
- Draft Scope of Services section of MPM RFP document for approval and incorporation by the State into overall RFP document
- Draft scoring methodology options for the MPM RFP

b. Housing Customer Experience Improvement Support:

Task b Activities - McKinsey shall:

- Develop view of customer experience end-to-end and important drivers of that experience for Single Family Housing Program
- Identify potential customer experience risks and evaluate potential mitigation strategies for Single Family Housing Program
- Develop and support implementation of work plans to put highest-impact mitigation strategies in place for Single Family Housing Program

Task b Deliverables – McKinsey shall provide the following deliverables:

- Review of end-to-end customer experience assessment and important drivers of that experience for Single Family Housing Program
- Documentation of potential risks and mitigation strategies and evaluation of potential mitigation strategies for Single Family Housing Program
- Work plans for implementation of highest-impact mitigation strategies for Single Family Housing Program

**C000419 - Statement of Work
Between New York State Division of the Budget and
McKinsey & Company, Inc. Washington, D.C.**

State Superstorm Sandy Recovery Phase IV

c. Analysis and Project Management Support for Multifamily Housing Recovery Program:

Task c Activities - McKinsey shall:

- Analysis to support the State in designing the Multi-Family Housing program, including modeling reach/cost/impact based on available data
- Create an updated cost model for the Multi-Family Housing program based on analysis of actual applicant data (where available) and policy decisions made by the State (relating to coverage and eligibility)

Task c Deliverables – McKinsey shall provide the following deliverables:

- High-level policy frameworks and analysis to support policy decisions for finalizing Multi-Family Housing programs
- Multi-Family Housing program estimated cost ranges based on analysis of actual applicant data

7. Services Acceptance: The State's designated Engagement Manager will be responsible for review and acceptance of the Services on behalf of the State. Acceptance of the Services shall be in accordance with the following:

1. McKinsey will submit to the State's Engagement Manager written notification indicating the Services that were completed, a summary of each of the completed Tasks, and a copy of the completed Deliverable(s), which shall be the exclusive property of the State and subject to its exclusive use, consideration, deliberation and control ("Notification").
2. Acceptance Criteria: The acceptance criteria for the Services shall be its substantial conformance to the requirements and descriptions set forth in Paragraphs 5.a-c and 6.a-c and any additional specifications mutually agreed upon by the Parties and documented by the State Engagement Manager and McKinsey Project Managers in writing ("Acceptance Criteria").
3. Acceptance: The State's Engagement Manager shall have a twenty (20) business day acceptance period, unless otherwise mutually agreed to by the State Engagement Manager and McKinsey Project Managers, to approve Services that conform in all material respects to the Acceptance Criteria. The acceptance period shall begin upon transmittal by McKinsey Project Managers to the State Engagement Manager of a written Notification that the Services have been completed and ready for approval, and shall be counted from and include the first working day following the delivery of the Notification to the State. The State shall provide McKinsey (i) with written approval of the Services or (ii) with a

**C000419 - Statement of Work
Between New York State Division of the Budget and
McKinsey & Company, Inc. Washington, D.C.**

State Superstorm Sandy Recovery Phase IV

written statement which identifies in reasonable detail, with references to the applicable Acceptance Criteria, all of the deficiencies preventing approval ("Deficiencies"). All Services shall require the written approval by the State Engagement Manager that such Services conform in all material respects with the Acceptance Criteria.

McKinsey shall have ten (10) business days (or such other period mutually agreed to by the State Engagement Manager and McKinsey Project Managers) to complete all such corrective actions or changes in order for such Services to conform in all material respects with the Acceptance Criteria. The count of such business days shall begin on the first business day following McKinsey's receipt of the written statement of deficiencies and/or required corrective actions identified by the State.

The State's Engagement Manager shall have twenty (20) business days (or such other period mutually agreed to by the State Engagement Manager and McKinsey Project Managers) to notify McKinsey in writing of acceptance or rejections in accordance with the foregoing provisions of this Section to review the revised Services. If the State's Engagement Manager has not approved the Services after correction by McKinsey, the McKinsey's Project Manager and the State Engagement Manager may mutually agree to further steps to correct outstanding material deficiencies. However, in no event shall the total time allocated for review, correction and re-review of material deficiencies in Services, exceed ninety (90) days.

The State's Engagement Manager shall have final sign-off responsibility on all Services. Services may be provided concurrently to the State for review and acceptance in accordance with this Section.

8. Project Fees:

The rates provided in this section are discounted from the rates set forth in McKinsey's Contract No. C000419. As stated in the Contract, hourly rates are inclusive of travel therefore, travel expenses for McKinsey staff will not be reimbursed by the State in addition to the fees.

McKinsey shall be compensated for completed Tasks and accepted Deliverables based on the firm fixed prices below regardless of the actual number of hours expended by McKinsey to perform said Tasks and provide said Deliverables. McKinsey's fees are inclusive of all expenses. Services will be billable upon the completion and the State's acceptance of the deliverable(s).

**C000419 - Statement of Work
Between New York State Division of the Budget and
McKinsey & Company, Inc. Washington, D.C.**

State Superstorm Sandy Recovery Phase IV

Estimated breakdown of Phase IV work streams			
a. Housing Recovery Project Management Support			
Title	Estimated Hours	Hourly Rate	Total Cost by Title
Engagement Partner	154		
Project Manager	154		
Senior Management Analyst	369		
Management Analyst	1106		
Subtotal for Superstorm Sandy Recovery – Phase 4.1			
b. Housing Customer Experience Improvement Support			
Title	Estimated Hours	Hourly Rate	Total Cost by Title
Engagement Partner	77		
Project Manager	77		
Senior Management Analyst	184		
Management Analyst	553		
Subtotal for Superstorm Sandy Recovery – Phase 4.2			
c. Analysis and Project Management Support for Multifamily Housing Recovery Program			
Title	Estimated Hours	Hourly Rate	Total Cost by Title
Engagement Partner	231		
Project Manager	231		
Senior Management Analyst	553		
Management Analyst	553		
Subtotal for Superstorm Sandy Recovery – Phase 4.3			
Fixed Price for Superstorm Sandy Recovery – Phase 4			

9. Payment Schedule: Payments to McKinsey will be made upon completion of the Tasks and acceptance of final Deliverables by the State. Invoices shall be prepared in the format prescribed by the Contract, and submitted to the Division via e-mail: contracts@budget.ny.gov. If necessary, hardcopy correspondence should be sent to the following address:

NYS Division of the Budget
State Capitol, Room 128
Albany, NY 12224

**C000419 - Statement of Work
Between New York State Division of the Budget and
McKinsey & Company, Inc. Washington, D.C.**

State Superstorm Sandy Recovery Phase IV

AGREED AND ACCEPTED:

**McKinsey & Company, Inc.
Washington, D.C. (McKinsey)**

By: 

Name: 

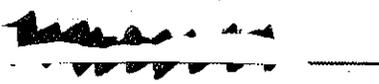
Title: Principal

Date: January 14, 2014

AGREED AND ACCEPTED:

Division of the Budget

By: 

Name: 

Title: Administrative Officer

Date: 1/16/14

**C000419 - Statement of Work
Between New York State Division of the Budget and
McKinsey & Company, Inc. Washington, D.C.**

State Superstorm Sandy Recovery Phase V

All work in this Statement of Work ("SOW") will be in accordance with the terms of Contract C000419 (Contract) dated September 1, 2012 between McKinsey & Company, Inc. Washington, D.C. (McKinsey) and the New York State Division of the Budget (Division), as approved by the State Attorney General and the State Comptroller. The following information is provided to detail the scope of work for management consultant services related to New York State's (the "State") Superstorm Sandy recovery efforts.

1. State Staff:

Engagement Manager: _____

2. McKinsey Staff:

Engagement Partner: _____

Project Manager: _____

Sr. Management Analyst: _____

Management Analyst: _____

Subject Matter Experts shall provide support as needed, and in accordance with the Contractor Staff provisions of the Contract.

- 3. Project Name:** Superstorm Sandy Recovery Phase V
- 4. Term:** Services to be rendered by McKinsey under this SOW shall be comprised of the Tasks and provision of the Deliverables accepted by the State set forth in more detail in Paragraphs 5.a-b and 6.a-b below (collectively the "Services"). Such Services shall be rendered during the period from February 3, 2014 through March 28, 2014, subject to adjustment by the State (the "Term").
- 5. Project Scope:** McKinsey shall perform the following essential activities under Phase V:
- a. Housing program cost containment support:** Estimate housing program costs based on updated program decisions; model housing program delivery costs and create a management tool; analyze and recommend potential options to manage housing program delivery costs.
 - b. Single Family Housing implementation support and operational improvement:** Provide analysis and project management to support resolution of

C000419 - Statement of Work
Between New York State Division of the Budget and
McKinsey & Company, Inc. Washington, D.C.

State Superstorm Sandy Recovery Phase V

open design and implementation questions, development of new processes, and operational improvements needed for finalizing Single Family Housing construction program design.

6. Key Activities and Deliverables

a. Housing Program Cost Containment Support:

Task a Activities - McKinsey shall:

- Estimate Single Family, Interim Mortgage Assistance (IMA), Rental and Buyout housing program costs based on the State's updated decisions to pursue reductions or containments in program costs
- Create a Single Family, IMA, Rental and Buyout housing program delivery cost management model based on updated actual spend data (subject to data availability from the State and excluding professional services), with ability to adjust major assumptions to allow analysis of potential scenarios and implications
- Analyze potential options to manage Single Family, IMA, Rental and Buyout housing program delivery costs (e.g., options for program design modifications, potential directives the State could consider providing to third-party vendors)

Task a Deliverables – McKinsey shall provide the following deliverables:

- Single Family, IMA, Rental and Buyout housing program cost estimates revised based on the State's updated decisions to pursue reductions or containments in program costs
- Single Family, IMA, Rental and Buyout housing program delivery cost management model based on updated actual spend data (subject to data availability from the State and excluding professional services), with ability to adjust major assumptions to allow analysis of potential scenarios and implications
- Analysis of potential options to manage Single Family, IMA, Rental and Buyout housing program delivery costs (e.g., options for program design modifications, potential directives the State could consider providing to third-party vendors)

**C000419 - Statement of Work
Between New York State Division of the Budget and
McKinsey & Company, Inc. Washington, D.C.**

State Superstorm Sandy Recovery Phase V

b. Single Family Housing Implementation Support and Operational Improvement:

Task b Activities - McKinsey shall:

- Conduct analysis to support resolution of open program questions (e.g., appeals process) required to finalize design of Single Family Housing construction program
- Analyze single family housing resource requirements for major steps in application processing that will be required going forward including appeals, change orders, and file completion/award closeout
- Assess processes to identify bottlenecks and associated operational improvements needed to accelerate the construction payments process
- Provide project management support to stand up new processes (e.g., appeals process) or to implement operational improvements prioritized by Housing Recovery Program Director related to processing of construction payments
- Review and analyze reporting in appeals processes, change order processes, and construction management processes to identify discrepancies
- Provide project management support to isolate source of reporting discrepancies and remediate reporting challenges prioritized by Housing Recovery Program Director

Task b Deliverables – McKinsey shall provide the following deliverables:

- Analysis to support resolution of open program questions (e.g., appeals process) required to finalize design of Single Family Housing construction program
- Analysis of single family housing resource requirements for major steps in application processing that will be required going forward including appeals, change orders, and file completion/award closeout.
- Identification of bottlenecks and associated operational improvements needed to accelerate the construction payments process
- Project management support to stand up new processes (e.g., appeals process) or to implement operational improvements prioritized by Housing Recovery Program Director related to processing of construction payments
- Analysis of reporting in appeals processes, change order processes, and construction management processes to identify discrepancies
- Project management support to isolate source of discrepancies and remediate reporting challenges prioritized by Housing Recovery Program Director

**C000419 - Statement of Work
Between New York State Division of the Budget and
McKinsey & Company, Inc. Washington, D.C.**

State Superstorm Sandy Recovery Phase V

- 7. Services Acceptance:** The State's designated Engagement Manager will be responsible for review and acceptance of the Services on behalf of the State. Acceptance of the Services shall be in accordance with the following:
1. McKinsey will submit to the State's Engagement Manager written notification indicating the Services that were completed, a summary of each of the completed Tasks, and a copy of the completed Deliverable(s), which shall be the exclusive property of the State and subject to its exclusive use, consideration, deliberation and control ("Notification").
 2. Acceptance Criteria: The acceptance criteria for the Services shall be its substantial conformance to the requirements and descriptions set forth in Paragraphs 5.a-b and 6.a-b and any additional specifications mutually agreed upon by the Parties and documented by the State Engagement Manager and McKinsey Project Managers in writing ("Acceptance Criteria").
 3. Acceptance: The State's Engagement Manager shall have a twenty (20) business day acceptance period, unless otherwise mutually agreed to by the State Engagement Manager and McKinsey Project Managers, to approve Services that conform in all material respects to the Acceptance Criteria. The acceptance period shall begin upon transmittal by McKinsey Project Managers to the State Engagement Manager of a written Notification that the Services have been completed and ready for approval, and shall be counted from and include the first working day following the delivery of the Notification to the State. The State shall provide McKinsey (i) with written approval of the Services or (ii) with a written statement which identifies in reasonable detail, with references to the applicable Acceptance Criteria, all of the deficiencies preventing approval ("Deficiencies"). All Services shall require the written approval by the State Engagement Manager that such Services conform in all material respects with the Acceptance Criteria.

McKinsey shall have ten (10) business days (or such other period mutually agreed to by the State Engagement Manager and McKinsey Project Managers) to complete all such corrective actions or changes in order for such Services to conform in all material respects with the Acceptance Criteria. The count of such business days shall begin on the first business day following McKinsey's receipt of the written statement of deficiencies and/or required corrective actions identified by the State.

The State's Engagement Manager shall have twenty (20) business days (or such other period mutually agreed to by the State Engagement Manager and McKinsey Project Managers) to notify McKinsey in writing of acceptance or rejections in accordance with the foregoing provisions of this Section to review

**C000419 - Statement of Work
Between New York State Division of the Budget and
McKinsey & Company, Inc. Washington, D.C.**

State Superstorm Sandy Recovery Phase V

the revised Services. If the State's Engagement Manager has not approved the Services after correction by McKinsey, the McKinsey's Project Manager and the State Engagement Manager may mutually agree to further steps to correct outstanding material deficiencies. However, in no event shall the total time allocated for review, correction and re-review of material deficiencies in Services, exceed ninety (90) days.

The State's Engagement Manager shall have final sign-off responsibility on all Services. Services may be provided concurrently to the State for review and acceptance in accordance with this Section.

8. Project Fees:

The rates provided in this section are discounted from the rates set forth in McKinsey's Contract No. C000419. As stated in the Contract, hourly rates are inclusive of travel therefore, travel expenses for McKinsey staff will not be reimbursed by the State in addition to the fees.

McKinsey shall be compensated for completed Tasks and accepted Deliverables based on the firm fixed prices below regardless of the actual number of hours expended by McKinsey to perform said Tasks and provide said Deliverables. McKinsey's fees are inclusive of all expenses. Services will be billable upon the completion and the State's acceptance of the deliverable(s).

Estimated breakdown of Phase V work streams			
a. Housing Program Cost Containment Support			
Title	Estimated Hours	Hourly Rate	Total Cost by Title
Engagement Partner	264		
Project Manager	264		
Senior Management Analyst	632		
Management Analyst	1896		
Subtotal for Superstorm Sandy Recovery – Phase V.a			
b. Single Family Housing Implementation Support and Operational Improvement			
Title	Estimated Hours	Hourly Rate	Total Cost by Title
Engagement Partner	264		
Project Manager	264		
Senior Management Analyst	632		
Management Analyst	632		
Subtotal for Superstorm Sandy Recovery – Phase V.b			
Fixed Price for Superstorm Sandy Recovery – Phase V			

**C000419 - Statement of Work
Between New York State Division of the Budget and
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State Superstorm Sandy Recovery Phase V

9. **Payment Schedule:** Payments to McKinsey will be made upon completion of the Tasks and acceptance of final Deliverables by the State. Invoices shall be prepared in the format prescribed by the Contract, and submitted to the Division via e-mail: contracts@budget.ny.gov. If necessary, hardcopy correspondence should be sent to the following address:

[REDACTED]
NYS Division of the Budget
State Capitol, Room 128
Albany, NY 12224

AGREED AND ACCEPTED:

**McKinsey & Company, Inc.
Washington, D.C. (McKinsey)**

By: [REDACTED]

Name: [REDACTED]

Title: Director

Date: 01/31/2014

AGREED AND ACCEPTED:

Division of the Budget

By: [REDACTED]

Name: [REDACTED]

Title: Administrative Officer

Date: 2/4/14

CONTRACTOR NON-DISCLOSURE AGREEMENT
between the
New York State Division of the Budget
and **McKinsey & Company, Inc. Washington D.C.**

THIS NON-DISCLOSURE AGREEMENT is between the New York State Division of the Budget (State or 'DOB' 'Division'), having its principal place of business at the State Capitol, Albany, New York 12224, and McKinsey & Company, Inc. Washington D.C. (Contractor).

WITNESSETH

WHEREAS, The Contractor has been engaged to perform services for the State under the terms and conditions of DOB Contract No. C000419 (Management Consulting Services); and

WHEREAS, it is in the interest of all parties that discussions and information disclosed or exchanged be carried on in a controlled environment and that confidential or proprietary information disclosed to Contractor in connection with the Services ("Confidential Information") should be protected from further disclosure unless and until DOB approves of its release and that any such confidential or proprietary information be protected from disclosure to third parties and/or commercial use;

NOW THEREFORE, Contractor agrees to the following:

- I. Contractor agrees that it will not use the Confidential Information of any purpose other than in connection with the Services. This Non-disclosure Agreement shall be considered to commence upon the start of Contractor engagement and shall survive in perpetuity.
- II. The Contractor is fully responsible for its staff, its subcontractor(s) and any subcontractor's staff with regard to this Non-disclosure Agreement.
- III. Information which falls into any of the following categories shall not be considered Confidential Information:
 - information that is previously rightfully known to the Contractor without restriction on disclosure;
 - information that becomes, from no breach of this Agreement on the part of the Contractor, generally known in the relevant industry or is otherwise publicly available; and
 - information that is independently developed by Contractor without use of the confidential information.
- IV. Except as specifically permitted in this Non-disclosure Agreement, Contractor shall not, at any time, in any fashion, form or manner, divulge, disclose, communicate or use, any Confidential Information other than in connection with the Services or as otherwise provided herein.
- V. Contractor may disclose Confidential Information if such information is required to be disclosed by Contractor by any law, rule, regulation, judicial or administrative process or applicable professional standards, provided that, to the extent permitted by applicable law or regulation, the Contractor notifies the State prior to any such required disclosure.
- VI. Contractor agrees not to issue any press releases, give or make any presentations, or give to any print, electronic or other news media information regarding the Services without the advance written approval of DOB.
- VII. Contractor agrees that, as between the parties, all Confidential Information in its possession is at all times the sole property of the State.
- VIII. Notwithstanding anything herein to the contrary, Contractor shall have the right to retain one copy of the Confidential Information and any summaries, analyses, notes or extracts

prepared by Contractor which are based on or contain portions of the Confidential Information evidencing its services for the State as required by law, regulation, professional standards or reasonable business practice.

Contractor shall retain all Confidential Information in confidence, exercising the same standard of care used by Contractor to protect its own confidential and proprietary information, to prevent the disclosure of Confidential Information to any third party. Contractor shall not use Confidential Information for any purpose other than in furtherance of its professional services for the DOB.

- IX. Contractor understands that if it breaches, or threatens to breach this Agreement the Division shall have the right to seek all equitable and legal rights (including the right to seek injunctive relief) to prevent such breach and/or to be fully compensated (including reasonable attorneys' fees) for losses or damages resulting from such breach. Contractor acknowledges that compensation for damages may not be sufficient and that injunctive relief to prevent or limit any breach of confidentiality may be the only viable remedy to fully protect the confidential or proprietary information identified in this Agreement.

IN WITNESS WHEREOF, Contractor has caused this Non-disclosure Agreement to be signed as of the date set forth below.

NYS Division of Budget

McKinsey & Company, Inc. Washington D.C.

Signature:



Signature:



Title:

Administrative Officer

Title:

PRINCIPAL

Date:

11/16/12

Date:

8/31/12