



STRATFORD
CAPITAL GROUP

September 9, 2016

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Via U.S. Mail/Email

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Connie Donahue
Deputy Director, CHA
Executive Director
C.H.O.I.C.E., Inc.
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Re: Chelmsford Woods Residences

Dear David and Connie,

We are in receipt of your September 6th letter regarding concerns about Callahan, Inc. (Callahan) and the selection of a general contractor for Phase II of the Chelmsford Woods Residences (CWR). As we've discussed, I've been deeply involved and am aware of the problems encountered while Callahan has been the general contractor of Phase I of CWR. While Stratford had a successful relationship over many years with Callahan, Phase I has had multiple problems, as you mentioned in the letter, and I certainly agree with those concerns. I believe that the issues we've experienced on Phase I could have been avoided with proper attention and oversight by Callahan, and Stratford has been profoundly dissatisfied with Callahan's performance and administration of the job for CWR.

I was surprised to learn about the questions surrounding not just Callahan, but the subcontractors that Callahan has engaged on construction projects; for example, reportedly doing business with Force Corporation, a subcontractor sued by the US Dept. of Labor and, just this past July, held liable by the US District Court in Massachusetts for back compensation and damages to employees in excess of \$2,300,000. Although Force was not on the CWR project, I think Stratford and CHOICE can agree that we do not want any such problems or subcontractors on our projects. We are acutely aware of the problems experienced on Phase I caused by Callahan's hiring of subcontractor Kerrissey. I can understand CHOICE's position and certainly agree that Callahan is not suitable as the contractor for Phase II. As developer and owner of the controlling interest in the project, the selection of the contractor for Phase II will fall to Stratford. I can assure you now that we will not contract with Callahan for Phase II of CWR.

In addition, we do not want to learn again that subcontractors on our projects have been found by government entities to have violated construction, tax and/or labor laws so that our efforts for Phase II

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will include learning more about the selection of subcontractors and hold those subcontractors as well to standards of lawful, fair and reasonable labor and business practices. In this regard, the standard Stratford construction contract will provide terms as contained in the excerpt attached. As you can see, no contractor with a violation during the past three years will be permitted to work on a Stratford site, if we learn or the general contractor learns that any subcontractor has misrepresented its record of compliance, such subcontractor's contract to perform work on the project will be terminated. It has been our practice and will continue to be that, before the initiation of construction on a Stratford project, Stratford will obtain a list -- prepared and signed by the project's general contractor or construction manager -- of all the contractors scheduled to work on the project, such list to be updated if a subcontractor is retained after the initiation of construction.

Stratford is fortunate to have CHOICE playing a role in the CWR housing project and we appreciate and respect your input. We look forward to proceeding on Phase II soon and thank you for your consideration. I'm glad to further discuss any questions with you.

Sincerely,



Richard A. Hayden
Executive Vice President
SCG Development Partners, LLC

Excerpts and summaries from standard SCG construction contract and exhibits:

Contractor certifies monthly, in its Progress Payment Partial Release and Lien Waiver Form:

4. CERTIFIES to the Owner that all laborers, trade subcontractors, materialmen and others providing labor, materials, services, machinery, equipment, insurance and/or supplies and all taxes and contributions of any other descriptive title in connection with the work furnished for and through the undersigned have been paid in full all amounts due to them up to the date hereof, and that the sums received in payment for the Amount Requested shall be used to forthwith pay in full all amounts due to such subcontractors, suppliers and providers up to the date hereof, excluding only the value of any Pending Changes and Disputed Claims submitted in accordance with the General Conditions of the Contract; and further CERTIFIES that all laborers, mechanics and others providing labor or services by or through the undersigned have been paid all wages due them and that all taxes, insurances, fringe benefits, contributions and assessments required by law or by contract that are a function of wages have been paid in full up to the date hereof, and that the undersigned is in compliance with all federal, state, and local wage hour and tax laws, including but not limited to FICA, FUTA, SUTA and Worker's Compensation laws, up to the date hereof; and further CERTIFIES that all work covered by such Amount Requested has been incorporated into the Project and title thereto has passed to the Owner, or, in the case of materials and equipment stored at the site or at some other location previously agreed to by the Owner, title will pass to the Owner upon receipt of the Amount Owed by the undersigned, in each case free and clear of all chattel liens, claims, security, interests or encumbrances.

Subs also certify:

4. CERTIFIES to the Project owner and the Contractor that all laborers, trade subcontractors, materialmen and others providing services, machinery, equipment, insurance and/or supplies and all taxes and contributions of any other descriptive title in connection with the work furnished for and through the undersigned up to the date hereof have been paid in full.

A102 Section 10.2 says:

§ 10.2 The Contractor shall keep detailed records of all project bids and proposals received, and will provide to the Owner a report on or before the 15th working day of each month detailing the previous month's subcontract selection activities. This report will outline any and all responsive and responsible bid/proposals and amounts and provide a detailed explanation if the lowest bid/proposal was not selected for the subcontract.

A201 Art. 5 states:

§ 5.2 AWARD OF SUBCONTRACTS AND OTHER CONTRACTS FOR PORTIONS OF THE WORK

§ 5.2.1 Unless otherwise stated in the Contract Documents or the bidding requirements, the Contractor, as soon as practicable after award of the Contract, shall furnish in writing to the Owner through the Architect the names of persons or entities (including those who are to furnish materials or equipment fabricated to a special design) proposed for each principal portion of the Work. Submission of the name of a person or entity shall constitute a material representation to the Owner that the Contractor has performed reasonable due diligence and has confirmed that such person or entity has not been found to have violated construction, tax and/or labor laws within three (3) years prior to the Contractor's submission of that person's or entity's name. The Architect may reply within 14 days to the Contractor in writing stating (1) whether the Owner or the Architect has reasonable objection to any such proposed person or entity or (2) that the Architect requires additional time for review. Failure of the Owner or Architect to reply within the 14 day period shall constitute notice of no reasonable objection.

§ 5.2.1.1 Upon request of the Owner, Contractor, at no cost to Owner, shall provide to the Owner copies of all bids, proposals, or other information concerning the Subcontractors and materials suppliers, including financial statements if obtainable, which may be helpful to the Owner, or any person or entity providing financing on behalf of the Owner, in evaluating any of the Subcontractors proposed to perform any part of the Work. Contractor may also be required to make available to the Owner with respect to the proposed Subcontractors and materials suppliers such other proof of financial stability and experience, lists of completed Projects and letters of reference as may be required by the Owner. Submission of false information shall be grounds for termination of the Agreement and/or applicable Subcontract for cause.

§ 5.2.2 The Contractor shall not contract with a proposed person or entity to whom the Owner or Architect has made reasonable and timely objection or that has been found to have violated construction, tax and/or labor laws within three (3) years prior to the Contractor's submission of that person's or entity's name as a proposed Subcontractor. The Contractor shall not be required to contract with anyone to whom the Contractor has made reasonable objection and the Contractor shall have full responsibility for all Subcontractors and Sub-subcontractors, even if recommended by Owner.

§ 5.2.3 If the Owner or Architect has reasonable objection to a person or entity proposed by the Contractor, the Contractor shall propose another to whom the Owner or Architect has no reasonable objection. If the proposed but rejected Subcontractor was reasonably capable of performing the Work, the Contract Sum and Contract Time shall be increased or decreased by the difference, if any, occasioned by such change, and an appropriate Change Order shall be issued before commencement of the substitute Subcontractor's Work. However, no increase in the Contract Sum or Contract Time shall be allowed for such change unless the Contractor has acted promptly and responsively in submitting names as required.

§ 5.2.4 The Contractor shall not substitute a Subcontractor, person or entity previously selected if the Owner or Architect makes reasonable objection to such substitution.

§ 5.2.5 The form and content of each subcontract shall be submitted to the Owner for its approval, which shall not be unreasonably withheld or delayed. Each subcontract shall expressly provide for the contingent assignment referred to in Subparagraph 5.4.1.

§ 5.3 SUBCONTRACTUAL RELATIONS

By appropriate written agreement, the Contractor shall require each Subcontractor, to the extent of the Work to be performed by the Subcontractor, to be bound to the Contractor by terms of the Contract Documents, to represent and certify that the Subcontractor has not been found to have violated construction, tax and/or labor laws within three (3) years prior to the date of the Subcontract and to assume toward the Contractor all the obligations and responsibilities, including the responsibility for safety of the Subcontractor's Work, which the Contractor, by these Documents, assumes toward the Owner and Architect, including without limitation the obligations set forth in Paragraph 3.18. Each subcontract agreement shall preserve and protect the rights of the Owner and Architect under the Contract Documents with respect to the Work to be performed by the Subcontractor so that subcontracting thereof will not prejudice such rights, and shall allow to the Subcontractor, unless specifically provided otherwise in the subcontract agreement, the benefit of all rights, remedies and redress against the Contractor that the Contractor, by the Contract Documents, has against the Owner. Where appropriate, the Contractor shall require each Subcontractor to enter into similar agreements with Sub-subcontractors. The Contractor shall make available to each proposed Subcontractor, prior to the execution of the subcontract agreement, copies of the Contract Documents to which the Subcontractor will be bound, and, upon written request of the Subcontractor, identify to the Subcontractor terms and conditions of the proposed subcontract agreement that may be at variance with the Contract Documents. Subcontractors will similarly make copies of applicable portions of such documents available to their respective proposed Sub-subcontractors.

A201 Section 3.7.2 provides:

§ 3.7.2 The Contractor and all Subcontractors shall comply with and give notices required by applicable laws, statutes, ordinances, codes, rules, regulations, codes and lawful orders and all other requirements of governmental authorities applicable to performance and completion of the Work, and occupancy of the Work and/or Project, including but not limited to the Occupational Safety and Health Act, the Americans with Disabilities Act of 1990 (42 U.S.C. 12101, *et seq.*), the Americans with Disabilities Act Accessibility Guidelines (ADAAG) (36 CFR Part 36, App. A), and The Federal Fair Housing Act and applicable regulations except that Contractor shall not be held responsible if the project design does not comply with such laws. The Contractor and all Subcontractors shall properly classify its workers as employees or independent contractors consistent with federal and state laws, including but not limited to Mass. General Laws ch. 149, Section 148B. The Contractor shall comply with all laws and

regulations regarding the employment eligibility of all employees of the Contractor and of all employees of any subcontractor of any tier to the Contractor. The Contractor shall acquire, assess, and maintain I-9 forms of all such employees and take reasonable measures to ensure that such employees are eligible to work lawfully in the United States.

SCG's current standard contract form requires that the contractor include the following clause as part of all subcontracts on the Project:

The work to be performed under this contract is subject to the requirements of section 3 of the Housing and Urban Development Act of 1968, as amended, 12.S.C.701u (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.

B. The parties to this contract 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 contract certify that they are under no contractual or other impediment that would prevent them from complying with the part 135 regulations.

HUD Regulations, 24 CFR 135.72, provides:

The recipient shall refrain from entering into a contract with any contractor after notification to the recipient by HUD that the contractor has been found in violation of the regulations in this part. The provisions of 24 CFR part 24 apply to the employment, engagement of services, awarding of contracts or funding of any contractors or subcontractors during any period of debarment, suspension or otherwise ineligible status.