

EXHIBIT 3

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July 3, 2019

Via Certified Mail, Return Receipt Requested

K. Hovnanian at Gallery, LLC
c/o Corporation Service Company
8825 N 23rd Avenue, Suite 100
Phoenix, AZ 85021

K. Hovnanian Developments of Arizona, Inc.
c/o Corporation Service Company
8825 N 23rd Avenue, Suite 100
Phoenix, AZ 85021

**Re: The Gallery
c/o The Management Trust
15010 N 78th Way, Suite 206
Scottsdale, AZ 85260**

Dear K. Hovnanian at Gallery, LLC; K. Hovnanian Developments of Arizona, Inc.:

We represent the Gallery Condominium Association ("Association") regarding the defective original construction of The Gallery condominium project located in Scottsdale, Arizona. The purpose of this letter is to provide you with formal notice of the defective work and the Association's claim pursuant to the Homeowners' Association Dwelling Actions (A.R.S. § 33-2002, et seq.), the Purchaser Dwelling Act (A.R.S. § 12-1361, et seq.), and the Association's governing documents.

The Association has retained a forensic expert, SBSA, Inc. ("SBSA") to investigate the defective construction of the common elements at The Gallery. The following defects and deficiencies in the common elements at The Gallery have been identified by SBSA:

A. STRUCTURAL

- LATERAL FORCE RESISTING SYSTEM (LFRS)
 - Non-Compliant LFRS

B. CIVIL

- GRADING AND DRAINAGE
 - Non-Compliant Slope of Grade Away from Foundation

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- Drainage Bound by Concrete Flatwork
- CONCRETE FLATWORK
 - Non-Compliant Isolation of Concrete Flatwork
- SITE STRUCTURES
 - Differential Movement of CMU Walls and Stairs

C. BUILDING ENVELOPE

- FAÇADE (EXTERIOR CLADDING AND SEALANTS) TYPE 1 – STUCCO
 - Missing Control/Movement Joints
 - Non-Compliant EPS Insulation Board for Stucco System
 - Non-Compliant WRB for Stucco System
 - Non-Compliant Slope at Parapet Caps
- MOISTURE-MANAGEMENT SYSTEM (BARRIERS, FLASHINGS, DRAINAGE, ETC.)
 - Non-Compliant Expansion Joints at Dissimilar Materials
 - No Weep Mechanism at Soffits
 - No Head Flashing
 - Non-Compliant Flashing to Stucco Interface
- ROOFING SYSTEM TYPE 1 – SPRAY POLYURETHANE FOAM (SPF)
 - Non-Compliant Slope to Roof Drains
 - Inadequate Support of Roof Air Conditioners
- ROOFING SYSTEM TYPE 2 – STUCCO OVER SELF-ADHERED MEMBRANE
 - Evidence of Water Entrapment
- ELEVATED DECKS, BALCONIES, OR WALKWAYS
 - Non-Compliant Slope of Balcony

These defective conditions are described in detail in the attached Notice of Claim Summary report dated July 2, 2019¹. The SBSA report includes photographs of the defective conditions, which were observed project-wide. The defects impair the structural integrity, functionality or appearance of the dwelling and will continue to do so in the future if not repaired or replaced.

In addition, the Association has experienced the following defective conditions to the common elements for which it has incurred, or will incur, expenses to repair:

- Deviation from the landscaping plan, including the use of three different types of crushed granite;
- Pool canopy drywall cracking;
- CMU blocks showing through stucco in pool canopy walls;
- Defective pool lights;
- Defective pool fireplace;

¹ Attachments to the SBSA Notice of Claim Summary can be accessed using the following link:
<https://www.dropbox.com/sh/fy1ic7bjm7m4dso/AAC179uVE5zkDutQ1yIT9dmLa?dl=0>

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- Defective pedestrian gate;
- Defective entrance gate;
- Dead trees and plants;
- Defective irrigation;
- Missing bulbs in coach lights;
- Standing water at monument sign and rear of project; and
- Spray painting on pavement left by original contractors.

The Association anticipates that additional defects may be discovered during further investigation of the building systems. The Association reserves the right to supplement this notice pursuant to the Purchaser Dwelling Act.

The Association's claims against K. Hovnanian at Gallery, LLC, include but are not limited to, breach of implied warranty of workmanship and habitability and negligence, as well as breach of contract and misrepresentation, in its capacity as developer and declarant of the Association.

The Association looks forward to your timely response. The Association is willing to meet at a mutually acceptable place within The Gallery to discuss potential resolution of the claims. If you have any questions or would like to discuss this matter, please feel free to contact us.

Very truly yours,

BURG SIMPSON
ELDREDGE HERSH & JARDINE PC



Craig S. Nuss, Esq.
Penny J. Manship, Esq.

Enclosure

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