

June 18, 2007

Cove Homeowners:

The Cove recently had a liability audit from our insurance provider, Penn National. Subsequent to the audit, we were notified by them that we must take immediate corrective action to change our unit-rental recordkeeping procedures. Penn National is now requiring us to keep copies of lease agreements on file, for all units that rent. **Please note that this is a required change in procedure for all rentals, regardless of who the renter is (family, friends, etc.) or how the rental was obtained (real estate agent, internet, etc.).** The procedural change, required by Penn National as shown below takes effect immediately:

07.02 Homeowners leasing their respective units should be required to provide a copy of the lease agreement to the Association. The lease agreement should contain a hold harmless clause in event of loss as a result of the action or inaction of the tenant.

As we currently do not have leases on file for Cove rentals, we ask that you please forward them to us immediately. Please include the following paragraph in future leases: ***The user/tenant releases all claims and holds harmless the Cove Condominium from any and all liabilities, damages, expenses, cost, claims and causes of action that such Cove Condominium member may have or claim to have now or in the future against the Cove Condominium Association.***

If you use a realtor, lease copies may be obtained from the agent but assure that the hold harmless statement is included. Copies of Internet rental-agreements must be furnished as well. There is no need to include fees on the form. All lease agreements should be sent to:

The Cove
800 The Cove
Dewey Beach DE 19971

Thank you in advance for your cooperation in this matter. As the insurance company stated in their letter to us... ***failure to provide this information could jeopardize coverage at The Cove.*** If you read the front page of Sunday's News Journal, you know that this is serious business.

We were also required to address two other issues. The required changes are:

- The pool gate between the Cove and the DBC restaurant must remain permanently padlocked.
- All subcontractors working on the premises must furnish certificates of insurance for our records.

Again, thank you for your prompt attention to this matter!

Cove Association Board