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ADAM GARDINER  
Recorder, Salt Lake County, UT  
RICHARDS LAW PC  
BY: eCASH, DEPUTY - EF 6 P.

After recording mail to:

Richards Law, PC  
2040 Murray-Holladay Rd., #106  
Salt Lake City, UT 84117

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**AMENDMENT  
TO THE  
DECLARATION OF COVENANTS, CONDITIONS,  
AND RESTRICTIONS  
COMPASS COVE CONDOMINIUMS**

This Amendment to the Declaration of Covenants, Conditions and Restrictions of Compass Cove Condominiums, is made on the date evidenced below by the Compass Cove Owners Association, Inc. (hereinafter "**Association**").

**RECITALS**

A. Certain real property in Salt Lake County, Utah, known as the Compass Cove Condominiums was subjected to certain covenants, conditions, and restrictions pursuant to a Declaration of Covenants, Conditions, Restrictions of Compass Cove Condominiums ("Declaration") recorded on July 28, 1998, as Entry Number 7036622 in the Recorder's Office for Salt Lake County, State of Utah, and any amendment, annexation or supplement thereto.

B. This amendment shall be binding against the property described in the Declaration and any annexation or supplement thereto, as described in **Exhibit A**.

C. Pursuant to the Declaration, and other governing documents for the Association, the Board of Trustees is the authorized representative of the Owners of the real property known as Compass Cove Condominiums.

D. It is in the best interest of the Association that the Declaration shall be updated to reflect the current insurance law requirements that are consistent with the provisions of the Utah Condominium Ownership Act.

E. This Amendment is intended to clarify the requirements for obtaining insurance for the community, Management Committee and Owners of the Association.

F. Pursuant to Article XXIII, Section 3 of the Declaration, the undersigned officer(s) hereby certifies that the voting requirements to amend the Declaration have been satisfied to adopt this Amendment.

**NOW THEREFORE**, that Article VI, Section 4 of the Declaration is hereby deleted and replaced in its entirety as follows:

#### 4. INSURANCE

##### *4.1 Association Insurance.*

A. Property and Liability Insurance. The Association shall maintain a master insurance policy which includes: (1) blanket property insurance with not less than 100% of the full replacement cost for the physical structures in the condominium project, including common areas and facilities, limited common areas and facilities, and Units, and including fixtures, improvements and betterments to a Unit made by a Unit Owner, insuring against all risks of direct physical loss commonly insured against, including fire and extended coverage perils; and (2) liability insurance having at least a One Million Dollar (\$1,000,000.00) limit per total claims that arise from the same occurrence, including medical payments insurance covering all occurrences commonly insured against for death, bodily injury, and property damage arising out of or in connection with the use, ownership, or maintenance of the common areas and facilities.

(i) The Association's property insurance shall include coverage for any fixture, improvement, or betterment installed by a Unit Owner to a Unit or to a Limited Common Area, including a floor covering, cabinet, light fixture, electrical fixture, heating or plumbing fixture, paint, wall covering, window, and any other item permanently part of or affixed to a Unit or to a Limited Common Area element associated with a Unit.

(ii) Each Unit Owner is an insured person under the Association's property insurance policy. Each Unit Owner is an insured person under a liability insurance policy that the Association obtains, but only for liability arising from: (1) the Unit Owner's ownership interest in the common areas and facilities, (2) maintenance, repair, or replacement of common areas and facilities, and (3) the Unit Owner's membership in the Association.

B. Fidelity Insurance or Bond. The Association shall obtain and maintain adequate fidelity coverage to protect against dishonest acts by its officers, members of the Committee, employees, and all others who are responsible for handling funds of the Association, including any property manager. Such fidelity coverage shall: (i) name the Association as an obligee; (ii) not be less than the estimated maximum of funds, including reserve funds, in the custody of the Association or managing agent, as the case may be, at any given time, and shall in no event be in an amount less than three months assessments on all Units plus reserves; (iii) contain an appropriate endorsement(s) to the policy to cover any persons who serve without compensation if the policy would not otherwise cover volunteers, and to cover the Association's management agent, if the Association has delegated some or all of the responsibility for the handling of funds to a management agent; (iv) provide that coverage may not be canceled or substantially modified (including cancellation for nonpayment of premiums) without at least ten days prior written notice to the Association or any insurance trustee.

C. Flood Insurance. If any portion of the Project is deemed to be located within an area which has been officially identified by the Secretary of Housing and Urban Development as having special flood hazards and for which flood insurance has been made available under the National Flood Insurance Program, the Association shall be required to obtain and pay the premiums upon a "master" or "blanket" policy of flood insurance on the buildings and any other property covered by the required form of policy in an amount deemed appropriate by the Association but not less than the lesser of: (1) the maximum coverage available under the NFIP for all buildings and other insurable property within the condominium to the extent that such buildings and other insurable property are within an area having special flood hazards; or (2) 100% of current replacement cost of all such buildings and other insurable property within such area. The maximum deductible amount for any

such policy shall be the lesser of Five Thousand Dollars (\$5,000.00) or one percent (1%) of the policy fact amount.

D. Directors and Officers (D&O) Insurance. The Association shall purchase and maintain insurance on behalf of any person who was or is a Committee member or officer of the Association, and any other person the Association is required by law or contract to indemnify, against any liability asserted against him or her or incurred by him or her in any such capacity or arising out of his or her status as such, whether or not the Association would have the power to indemnify him or her against such liability under the laws of the State of Utah, as the same may hereafter be amended or modified.

E. Other Insurance. The Association shall obtain such other insurance if and to the extent required by law or as the Committee deems necessary from time to time, such as workers' compensation insurance.

F. Loss Not Exceeding Deductible. If, in the exercise of the business judgment rule, the Management Committee determines that a covered loss is likely not to exceed the policy deductible of the Association and until the covered loss exceeds the deductible of the property insurance of the Association and a claim is submitted to the property insurance insurer of the Association: (i) for a Unit to which a loss occurs, the Unit Owner's policy is considered the policy for primary coverage for the damage to that Unit; (ii) the Association shall pay for any loss for any common areas and facilities for which a loss occurs; (iii) a Unit Owner who does not have a policy to cover the damage to that Unit Owner's Unit is responsible for that Unit damage and the Association may, as provided herein, recover any payments the Association makes to remediate that Unit, and (iv) the Association need not tender the claim to the Association's insurer.

i. The Association shall set aside an amount equal to the amount of the association's property insurance policy deductible or \$10,000, whichever is less.

ii. An insurer under a property insurance policy issued to the Association shall adjust with the Association a loss covered under the Association's policy.

iii. Loss Due to Fault of Another. This Declaration does not prevent a person suffering a loss as a result of damage to property from asserting a claim, either directly or through subrogation, for the loss against a person at fault for the loss, except that, notwithstanding the foregoing, an insurer under a property insurance policy or liability insurance policy obtained by the Association waives the insurer's right to subrogation under the policy against: (1) any person residing with the Unit Owner, if the Unit Owner resides in the Unit, and (2) the Unit Owner.

iv. Power of Attorney, Insurance Trustee. The Association may enter into an insurance trust agreement with a trustee (the "Insurance Trustee") who shall thereafter have exclusive authority to negotiate losses under any policy providing property or liability insurance and to perform such other functions as are necessary to accomplish this purpose. By purchasing a Unit, all Owners appoint the Association or any Insurance Trustee designated by the Association as attorney-in-fact for the purpose of purchasing and maintaining the insurance specified in this section, including: (1) the collection and appropriate disposition of the proceeds thereof; (2) the negotiation of losses and execution of releases of liability; (3) the execution of all documents; and (4) the performance of all other acts necessary to accomplish such purpose. By purchasing a Unit, all Owners appoint the Association or any trustee designated by the Association as attorney-in-fact for the purpose of representing the Owners in condemnation proceedings or negotiations, settlements, and agreements with the condemning authority for acquisition of the Common Areas, or part thereof, by the

condemning authority.

v. The Association, or insurance trustee if any, shall hold any proceeds of insurance in trust for Unit Owners and their first mortgage holders as their interests may appear. The policies required herein for the Association must provide that they may not be cancelled or substantially modified without at least ten (10) days prior written notice to the Association and to each holder of a first mortgage listed as a scheduled holder of a first mortgage in the policies. No policies shall require that contributions or assessments may be made against borrowers, FNMA, FHLMC, or the designee of FNMA or FHLMC. Loss payments shall not be contingent upon action by the carrier's board of directors, policyholders, or members. The policies shall include: (1) a waiver of the right of subrogation against Unit Owners individually, (2) that the insurance is not prejudiced by any act or neglect of individual Unit Owners which is not in the control of such Owners collectively.

vi. The Association shall use generally acceptable insurance carriers. Specific requirements for qualifications of insurance carriers may be found in the FNMA Conventional Home Mortgage Selling Contract Supplement and the FHLMC Sellers Guide.

vii. All insurance policies of the Association shall be reviewed at least annually by the Board in order to ascertain whether the coverage contained in the policies is sufficient, in its best judgment, to cover the required insurance stated herein.

**4.2 Unit Owner Insurance Responsibility.** For Units, the Association's policy is primary but the Unit Owner is responsible for the deductible as follows:

A. If a loss occurs that is covered by the Association's policy and by a Unit Owner's policy, the Association's policy provides primary insurance coverage, but the Unit Owner is responsible for the deductible of the association of Unit Owners, and Coverage A of the Unit Owner's policy applies to that portion of the loss attributable to the policy deductible of the Association.

B. If a Unit, or limited common area element appurtenant to a Unit, suffers damage as part of a covered loss, the Unit Owner is responsible for an amount calculated by applying the percentage of total damage resulting in a covered loss that is attributable to Unit damage for that Unit to the amount of the deductible under the Association's policy. If a Unit Owner does not pay the amount required within 30 days after substantial completion of the repairs to, as applicable, the Unit or the limited common area appurtenant to the Unit, the Association may levy an assessment against a Unit Owner for that amount.

C. The deductible under the Association's policy is subject to change from time to time by the Management Committee. The Association shall provide notice to the Owners of any change in the amount of the deductible.

D. The Association's policy does not cover the contents of a Unit or an Owner's personal property. Each Owner is strongly encouraged to obtain insurance coverage for contents of their Unit, as well as for coverage in the event the Owner has to pay the Association's deductible as provided above.

[END OF AMENDMENT]



**EXHIBIT A**

Legal Description

All Lots and Common Area COMPASS COVE PH 1 CONDO, COMPASS COVE PH 2 & 3 CONDO according to the plat(s) thereof as recorded in the office of the Salt Lake County Recorder.

COMPASS COVE PH 1 CONDO

43 total lots

Including Parcel: 21272020180000

COMPASS COVE PH 2 CONDO

36 total lots

Including Parcel: 21272020740000