LPKCF 12.8.1

2004-002967-0

Recording Dist: 102 - Ketchikan
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A L A S K A

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ENVIRONMENTAL EASEMENT AND DECLARATION OF COVENANTS

This Environmental Easement and Declaration of Covenants ("Easement"), made and entered into this 14th day of July, 2004, by and between KETCHIKAN GATEWAY BOROUGH, a municipal corporation, 344 Front Street, Ketchikan, Alaska 99501 and KETCHIKAN PULP COMPANY, a Washington corporation, Post Office Box 6600, Ketchikan, Alaska 99901, WITNESSETH:

RECITALS

WHEREAS, all real property referred to in this Easement is located in, and all documents and plats referred as filed or recorded, are filed or recorded in the Ketchikan Recording District, First Judicial District, State of Alaska;

WHEREAS, on November 3, 1999, Ketchikan Pulp Company and Gateway Forest Products, Inc. entered into certain agreements including the Allocation of Environmental Responsibilities Agreement ("Environmental Allocation Agreement"), more commonly known as Exhibit "F," and the Easement and Declaration of Covenants Regarding Allocation of Environmental Responsibilities ("Environmental Allocation Easement"), more commonly known as Exhibit "F-1," which incorporated by reference Exhibit "F," governing certain properties;

WHEREAS, The Environmental Allocation Easement was specifically incorporated into that certain Quitclaim Deed executed by Ketchikan Pulp Company in favor of Gateway Forest Products, Inc., which was recorded on November 5, 1999 at Book 306, Page 72;

WHEREAS, the parties now desire to remove the Environmental Allocation Easement and the Environmental Allocation Agreement from certain parcels of real property located at Ward Cove, formerly owned by Ketchikan Pulp Company and to replace it with this Easement;

WHEREAS, the Ketchikan Gateway Borough and Ketchikan Pulp Company have ongoing interests, including but not limited to,

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operational and regulatory considerations, in the Ward Cove real property and desire to impose on the those properties certain terms and conditions as covenants that will run with the land for the purpose of making such terms and conditions applicable to the Ketchikan Gateway Borough and Ketchikan Pulp Company, as well as any of their successors and assigns holding an interest in the properties;

WHEREAS, the Ketchikan Gateway Borough, Ketchikan Pulp Company and Gateway Forest Products, Inc. entered into an Agreement dated July 14, 2003 governing the parties' respective rights and responsibilities ("Agreement"); and

WHEREAS, Ketchikan Pulp Company has an ongoing interest in ensuring that it has access to the Ward Cove properties to accommodate the satisfaction of its continuing environmental obligations at the Ward Cove facility;

NOW, THEREFORE, In consideration of the promises and of the mutual agreements and covenants hereinafter set forth, the Ketchikan Gateway Borough and Ketchikan Pulp Company hereby agree as follows:

I. DEFINITIONS.

The terms used in this Easement shall have the following meanings, which shall be equally applicable to both the singular and plural forms of the terms defined:

A. "Borough" means and refers to the Ketchikan Gateway Borough, a municipal corporation organized pursuant to the laws of the State of Alaska, and the Borough's successors, heirs, and assigns.

B. "Costs" means, with respect to Remediation and Investigation activities, actual reasonable expenditures, including but not limited to, reasonable attorneys' fees and defense costs, contractor costs, consultant costs, governmental oversight costs and other necessary expenditures.

C. "Environmental Laws" means all State of Alaska, local, and federal laws, statutes, regulations, and ordinances of any kind relating to environmental protection or compliance as they currently exist and as they may come to be amended, including but not limited to, the federal Clean Water Act; Clean Air Act; Toxic Substances Control Act; Comprehensive Environmental Response, Compensation and Liability Act; Resource Conservation and Recovery

Act; Federal Insecticide, Fungicide, and Rodenticide Act; Safe Drinking Water Act; Hazardous Materials Transportation Act; laws designated in Alaska Statutes Title 46; and common law, including causes of action arising in tort.

D. "Gateway" means and refers to both Gateway Forest Products, Inc., an Alaska corporation, and Gateway's successors, heirs, and assigns.

E. "Hazardous Substances" means substances which constitute hazardous substances under the Comprehensive Environmental Response, Compensation Liability Act or under AS 46.03.822.

F. "Institutional Controls" means the Environmental Protection Easement and Declaration of Restrictive Covenants in favor of the State of Alaska, Department of Natural Resources, recorded on October 28, 1999, at Book 305, page 772 in the Ketchikan Recording District and such other measures, controls, limitations, prohibitions, procedures, or protocols that the United States Environmental Protection Agency ("EPA"), the Alaska Department of Environmental Conservation ("DEC") or the Alaska Department of Natural Resources ("DNR") requires in order to maintain the integrity of a remedial or removal action or prevent a release or threatened release of a Hazardous Substance.

G. "Investigation or Investigatory" means actions to assess the nature and extent of Hazardous Substances contamination, including sampling and other necessary activities.

H. "KPC" means and refers broadly to both Ketchikan Pulp Company, a Washington corporation, and KPC's successors, heirs, and assigns.

I. "Remediation" means actions to remove, clean up, treat, or dispose of Hazardous Substances from the environment, including but not limited to, actions which may be necessary to prevent, minimize, or mitigate damage to the public health or welfare or to the environment from a release or threatened release of a Hazardous Substance.

J. "Ward Cove Area" means the water body commonly known as Ward Cove including marine waters to the ordinary high water mark and sediments underlying such waters, and also means the surface and subsurface areas of those portions of U.S. Surveys 1056, 1208, 1508, 1653, 1656, 1659, 1706, 1754, and 1862 lying seaward of the North Tongass Highway, and the filled portions of ATS-1, including any structures or other improvements located thereon.

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K. "Ward Cove Consent Decree" means the consent decree with the EPA and the U.S. Department of Justice entered in the U.S. District Court for the District of Alaska: CERCLA Remedial Design/Remedial Action Consent Decree, *United States vs. Gateway Forest Products, Inc., Ketchikan Pulp Company, & Louisiana-Pacific Corporation,* Case No. A00-225 CV (JKS).

L. "Ward Cove Landfills" means the industrial landfill which KPC owns and operates upon Tract 3004, Lot 2, Dawson Point Subdivision, according to the plat thereof field November 28, 2000 as Plat 2000-73.

II. PARCELS TO WHICH THE COVENANTS SHALL APPLY.

The covenants contained in this Easement shall apply to the following parcels of real property ("Ward Cove Property"):

PARCEL NO. 1:

All of ALASKA TIDELANDS SURVEY NO. 1 (CR 74S 90E), according to the unrecorded plat thereof, (mistakenly recorded in the Juneau Recording District as Plat No. 292), except Exhibit "C-2" thereto, the parcel so excepted being more particularly described as follows:

From U.S.L.M. No. 2 measure South 71°56′ East 896.28 feet to Corner M. C. 2 of U. S. Survey #1508 identical with Corner M. C. 1 of U. S. Survey #1659 and the point of beginning, thence following the meander lines established by and fronting U. S. Survey #1508: South 51°15′ West 83.16 feet; South 7°00′ East 66.66 feet; South 24°15′ East 65.34 feet; South 70°00′ East 139.26 feet; North 60°45′ East 58.08 feet; South 45°00′ East 45.54 feet; South 21°45′ West 223.74 feet; South 23°45′ East 29.70 feet; North 75°15′ East 28.38 feet; North 41°30′ East 203.28 feet; South 73°45′ East 82.50 feet; South 84°30′ East 88.44 feet; South 6°45′ East 66.66 feet; South 19°00′ West 93.72 feet; South 35°15′ West 91.08 feet; South 53°15′ West 68.64 feet; South 41°30′ West 121.44 feet; South 64°00′ West 84.48 feet; South 49°15′ West 106.92 feet; South 11°30′ West 138.60 feet to Corner M. C. 1 of U. S. Survey #1508 identical with Corner M. C. 1 of U. S. Survey #1208; thence following the meander lines established by and fronting U. S. Survey #1208: South 14°00′ West 158.40 feet; South 34°30′ West 19.80 feet; South 17°30′ West 105.60 feet; South 53°45′ West 46.20 feet; South 4°30′ East 39.60 feet; South 23°45′ West

85.80 feet; South 71°45′ West 39.60 feet; South 6°15′ West 46.20 feet; North 85°45′ West 59.40 feet; North 52°45′ West 66.00 feet; South 64°45′ West 39.60 feet; South 45°00′ West 39.60 feet; South 85°30′ West 39.60 feet; North 55°15′ West 26.40 feet; South 58°00′ West 39.60 feet; South 8°45′ West 144.54 feet; South 16°45′ West 72.60 feet; South 3°30′ West 59.40 feet; South 36°15′ West 66.00 feet; South 16°45′ West 39.60 feet; South 7°00′ East 69.30 feet to Corner M. C. 4 of U. S. Survey #1208 identical with Corner M. C. 2 of U. S. Survey #1655; thence following the meander lines established by and fronting U.S. Survey #1655: South 24°00′ West 29.70 feet; South 30°15′ West 130.02 feet South 23°15′ West 136.62 feet; South 9°00′ West 89.10 feet; South 8°00′ East 36.30 feet to Corner M. C. 1 of U. S. Survey #1655 identical with Corner M. C. 1 of U. S. Survey #1653; thence following the meander lines established by and fronting U. S. Survey #1653: South 10°00′ West 132.00 feet; South 30°15′ West 36.96 feet; North 79°45′ West 64.02 feet; South 55°45′ West 62.04 feet; South 18°30′ West 38.94 feet; South 41°45′ West 44.88 feet; South 32°45′ West 96.36 feet; South 15°15′ East 48.18 feet; South 64°30′ West 60.72 feet; South 0°45′ West 44.88 feet; South 25°00′ West 120.78 feet; South 72°00′ West 21.78 feet; North 51°15′ West 44.22 feet; South 81°15′ West 46.86 feet; South 74°15′ West 165.66 feet; South 30°45′ West 211.86 feet to Corner M. C. 2 of U. S. Survey #1653 identical with Corner M.C. 1 of U. S. Survey #1656; thence North 42°55′ West 712.99 feet to a point identified as PT-1; thence North 50°00′ East 1,011.33 feet to a point identified as PT-2; thence North 22°00′ East 1,674.54 feet to a point identified as PT-3; thence North 50°00′ East 580.76 feet to intersect with the R.O.W. line on the North Tongass Highway; thence South 2°27′ West 76.51 feet to the point of beginning.

PARCEL NO. 2:

Lot 3, Gateway Subdivision, within U.S. Survey 1056 (H.E.S.) according to the plat thereof filed August 14, 2000 as Plat No. 2000-41.

PARCEL NO. 3:

That portion of U.S. Survey 1056, lying northerly of the northerly boundary of North Tongass Highway, being adjacent to U.S. Survey 2923 and comprised of 5.16 acres.

PARCEL NO. 4:

That portion of U.S. Survey 1862, more particularly described as follows:

Beginning at U.S. Land Mark No. 2; thence North 32°27′ West a distance of 155.5 feet to Corner No. 1 of U.S. Survey 1862 and the true point of beginning of the portion herein described; thence North 0°25′ West a distance of 515 feet, more or less, to a point on the South Right of Way line of North Tongass Highway, which point is 50 feet from the center line of said highway and at right angles to Engineers Station 299+50; thence along that portion of a spiral curve to the left whose chord bears South 24°30′ East a distance of 114.65 feet; thence along the arc of a 527.46 foot radius curve the long chord of which bears South 36°35′ East a distance of 126.14 feet; thence along a spiral curve whose chord bears South 51°21′ East a distance of 210.05 feet; thence South 55°27′ East a distance of 316.97 feet; thence South 34°33′ West a distance of 50 feet; thence South 55°27′ East a distance of 137.00 feet; thence South 88°00′ West a distance of 535 feet more or less along Meander Line No. 11 of U.S. Survey 1862; thence North 29°30′ West a distance of 155.50 feet along Meander Line No. 12 of U.S. Survey 1862 to Corner No. 1, which is the point of beginning.

ALSO: That portion of U.S. Survey 1862 lying within the North Tongass Highway Right of Way as created by a deed dated April 1, 1949 and recorded in Volume "W" of Deeds at Page 362, Ketchikan Recording District, First Judicial District, State of Alaska, and as conveyed to Ketchikan Pulp Company by Quitclaim Deed recorded July 27, 1988 in Book 158 at Page 588.

PARCEL NO. 5:

U.S. Survey 2090.

PARCEL NO. 6:

That certain portion of U.S. Survey 2923, more particularly described as follows: Beginning at the northerly corner of the Crawford Tract, otherwise known as Corner No. 2 of U.S. Survey 2923; thence South 55°45′ East along the northeasterly

boundary of the Crawford Tract a distance of 863.37 feet; thence South 89°33′ West a distance of 709.81 feet, more or less, to a point on the westerly boundary of the Crawford Tract; thence North 0°27′ West along the westerly boundary of the Crawford Tract a distance of 491.50 feet, more or less, to the point of beginning.

III. COVENANTS.

The Borough and KPC, for good and sufficient consideration received, do hereby covenant and declare that, with respect to the properties listed in Section II. hereof, the following provisions shall be covenants that run with and bind the Ward Cove Property and the parties, and each parties' respective personal representatives, heirs, successors and assigns as to the Ward Cove Property or any interest therein obtained through any mechanism, including but not limited to, conveyances, assignments, or foreclosures:

A. Touch and Concern.

The Ward Cove Covenants touch and concern the Ward Cove Property, in that each and all of the Covenants directly benefit the property, resolve regulatory issues which have limited development and thereby increase its market value. The Ward Cove Covenants are fully enforceable by the parties with respect to the Ward Cove Property or any interest therein. If a party refuses to acknowledge the applicability of the Ward Cove Covenants to such party, any other party shall be entitled to enforce the terms of this instrument in law and in equity.

B. Ward Cove Area.

1. The Borough covenants and agrees that it shall comply with any Institutional Controls which are or may become applicable to the Ward Cove Property, including those imposed through, or under the Ward Cove Consent Decree, or otherwise.

2. The Borough covenants and agrees that it shall not, through any activities or operations at or in the Ward Cove Area, materially damage any cap or capping materials that may be applied to sediments in the Ward Cove Area under the Ward Cove Consent Decree. The Borough further covenants and agrees that if it damages such cap, it will immediately report the relevant circumstances to EPA and KPC and restore the cap to a condition and to specifications as directed by the EPA or by any governmental body having primary regulatory jurisdiction over the work undertaken by KPC under the Ward Cove Consent Decree, but the Borough and KPC will be under no obligation to restore the cap until directed to do so by the EPA or other governmental body having jurisdiction.

3. The Borough's obligations, pursuant to Section 2 hereof, extend to the activities and operations of its employees, agents, contractors, invitees, licensees, representatives, permittees, joint venturers, instrumentalities, port authorities, and any third party contractually related, whether directly or indirectly.

4. Nothing in this Easement shall be interpreted to prohibit KPC from exercising any legal rights it may have with respect to matters arising under the Ward Cove Consent Decree.

5. KPC and the Borough agree to give the other party advance written notice of any material excavation, digging or other similar activities relating to the Ward Cove Property.

6. The Ward Cove Landfills are located within Lot 2, Tract 3004 ("Landfill Parcel") and are operated pursuant to a permit issued by the State of Alaska, Department of Environmental Conservation ("DEC"). Lot 1 of Tract 3004 surrounds the Landfill Parcel, which KPC agreed to donate to the Borough only upon the condition that use restrictions and other conditions would be implemented in order to ensure that neither the Borough nor its successors in interest would unreasonably interfere with the operation and maintenance of the Ward Cove Landfills. To accomplish those objectives, KPC and the Borough covenant and agree as follows:

a. The future use of Lot 1, Tract 3004 by the Borough and its successors in interest shall be limited to commercial activities of an industrial nature which are compatible with operation in close proximity to an industrial landfill;

b. The Borough and its successors in interest shall take all reasonable measures to protect against any interference with operation of the Ward Cove Landfills, including appropriate terracing of any rock extraction to preserve subjacent support; and

c. The Borough hereby fully and finally releases KPC from all liability arising from or in any way related to operation and maintenance of the Ward Cove Landfills, excepting only to the extent damages may occur from a violation of, or failure to obtain, the DEC permit for the landfills. This release extends to any and all claims and liabilities, whether arising from negligence, or other fault, or otherwise. The Borough shall require each of its successors in interest, whether by lease, deed, or otherwise, as a condition to acquisition of any interest in or to Lot 1, Tract 3004, to execute the same release in favor of KPC.

C. Future Subdivision.

These Covenants shall not preclude subdivision of any parcel of the Ward Cove Property; provided, however, that upon any subdivision, replat, plat modification or other similar action, all portions of the Ward Cove Property which previously were subject to these Covenants, shall remain subject thereto; provided, however, that the obligations imposed by these covenants shall be limited to the parcel, area, or portion held by a party and shall not be interpreted to create liability for other parcels or areas not held by such party.

D. Further Assurances.

1. The parties covenant and agree both to adhere to and comply with current Institutional Controls and to cooperate with respect to the development and implementation of additional Institutional Controls, which shall include the development of an instrument or instruments to ensure that Institutional Controls arising under the Ward Cove Consent Decree, or otherwise, will run with the property and be enforceable against bona fide purchasers.

2. The parties covenant and agree that this Easement shall govern and be binding with respect to, the acts and omissions of each respective party's employees, agents, contractors, and any third party contractually related, whether directly or indirectly, to the respective party.

E. Term of Ward Cove Covenants.

Each and all of the Ward Cove Covenants, and all the burdens and benefits thereof, shall run with the Ward Cove Property and shall be binding on any person having any ownership interest in the Ward Cove Property under the terms and conditions set forth in the Ward Cove Covenants for a period of twenty (20) years from the Effective Date, after which time the Ward Cove Covenants shall be automatically extended for successive periods of ten (10) years each, unless an instrument properly signed by KPC, has been recorded in the Ketchikan Recording District, First Judicial District, State of Alaska, agreeing to terminate the Ward Cove Covenants in whole or in part.

F. Termination of Rights and Obligations of Covenants Through Transfer of Ownership Interest.

A party is relieved of its obligations to comply with the Ward Cove Covenants imposed on the Ward Cove Property upon, and to the extent, that a party transfers or no longer holds an interest in the Ward Cove Property, except that liability or responsibility for acts or omissions occurring prior to transfer shall survive such

transfer; provided, however, that nothing in this Easement shall diminish or relieve the parties, or any successor or assign of the parties from their respective obligations under the Agreement.

The Borough and KPC, together with each parties' respective successors and assigns, are hereinafter referred to as the "Parties."

IV. EASEMENT.

A. Reservation of Easement.

1. The Parties acknowledge and agree that, upon the terms and conditions set forth in this Easement, the Borough grants to KPC an easement interest (the "Easement") in and to the following properties (the "Easement Property") to allow KPC and its successors and assigns to undertake any activity contemplated by the Agreement and by subsection III.B. hereof. It is the express intent of Grantor and Grantee that the burden and benefit of this Easement shall run with the land upon any conveyance of the Ward Cove Property, during the term of this Easement, including any extension thereof:

PARCEL NO. 1:

All of ALASKA TIDELANDS SURVEY NO. 1 (CR 74s 90E), according to the unrecorded plat thereof (mistakenly recorded in the Juneau Recording District as Plat No. 292), except Exhibit "C-2" thereto, the parcel so excepted being more particularly described as follows:

From U.S.L.M. No. 2 measure South 71°56′ East 896.28 feet to Corner M. C. 2 of U. S. Survey #1508 identical with Corner M. C. 1 of U. S. Survey #1659 and the point of beginning, thence following the meander lines established by and fronting U. S. Survey #1508: South 51° 15′ West 83.16 feet; South 7°00′ East 66.66 feet; South 24° 15′ East 65.34 feet; South 70°00′ East 139.26 feet; North 60°45′ East 58.08 feet; South 45°00′ East 45.54 feet; South 21°45′ West 223.74 feet; South 23°45′ East 29.70 feet; North 75°15′ East 28.38 feet; North 41°30′ East 203.28 feet; South 73°45′ East 82.50 feet; South 84°30′ East 88.44 feet; South 6°45′ East 66.66 feet; South 19°00′ West 93.72 feet; South 35°15′ West 91.08 feet; South 53°15′ West 68.64 feet; South 41°30′ West 121.44 feet; South 64°00′ West 84.48 feet; South 49°15′ West 106.92 feet; South 11°30′ West 138.60 feet to Corner M.

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PARCEL NO. 2:

Lot 3, Gateway Subdivision, within U.S. Survey 1056 (H.E.S.) according to the plat thereof filed August 14, 2000 as Plat No. 2000-41.

PARCEL NO. 3:

That portion of U.S. Survey 1056, lying northerly of the northerly boundary of North Tongass Highway, being adjacent to U.S. Survey 2923 and comprised of 5.16 acres.

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That portion of U.S. Survey 1862, more particularly described as follows: Beginning at U.S. Land Mark No. 2; thence North 32°27′ West a distance of 155.5 feet to Corner No. 1 of U.S. Survey 1862 and the true point of beginning of the portion herein described; thence North 0°25′ West a distance of 515 feet, more or less, to a point on the South Right of Way line of North Tongass Highway, which point is 50 feet from the center line of said highway and at right angles to Engineers Station 299+50; thence along that portion of a spiral curve to the left whose chord bears South 24°30′ East a distance of 114.65 feet; thence along the arc of a 527.46 foot radius curve the long chord of which bears South 36°35′ East a distance of 126.14 feet; thence along a spiral curve whose chord bears South 51°21′ East a distance of 210.05 feet; thence South 55°27′ East a distance of 316.97 feet; thence South 34°33′ West a distance of 50 feet; thence South 55°27′ East a distance of 137.00 feet; thence South 88°00′ West a distance of 535 feet more or less along Meander Line No. 11 of U.S. Survey 1862; thence North 29°30′ West a distance of 155.50 feet along Meander Line No. 12 of U.S. Survey 1862 to Corner No. 1, which is the point of beginning;

ALSO: That portion of U.S. Survey 1862 lying with the North Tongass Highway Right of Way as created by a deed dated April 1, 1949 and recorded in Volume "W" of Deeds at Page 362, Ketchikan Recording District, First Judicial District, State of Alaska, and as conveyed to Ketchikan Pulp Company by Quitclaim Deed recorded July 27, 1988 in Book 158 at Page 588.

PARCEL NO. 5:

U.S. Survey 2090.

PARCEL NO. 6:

That certain portion of U.S. Survey 2923, more particularly described as follows: Beginning at the northerly corner of the Crawford Tract, otherwise known as Corner No. 2 of U.S. Survey

2923; thence South 55°45′ East along the northeasterly boundary of the Crawford Tract a distance of 863.37 feet; thence South 89°33′ West a distance of 709.81 feet, more or less, to a point on the westerly boundary of the Crawford Tract; thence North 0°27′ West along the westerly boundary of the Crawford Tract a distance of 491.50 feet, more or less, to the point of beginning.

2. The Parties covenant and agree that KPC hereby is granted an easement interest in and to the Easement Property set forth in subsection A.1. hereof, consisting of a right of free access to and across the Easement Property to allow KPC to undertake or observe any sampling and Investigatory activities, Remediation activities, and any reasonable actions necessary to support or implement Investigatory and Remediation activities at the Easement Property. KPC's right of access shall also include, without limitation, the right to use the Easement Property to the extent reasonably necessary for a staging area or otherwise to comply with Environmental Laws and the directives or orders of governmental agencies relating to the Easement Property.

3. KPC's right of access shall also include access through and across all access easements which have been or hereafter are established by, or reflected in, any plats of U.S. Survey 1056 or ATS-1, whether those access easements are designated as private access easements or otherwise.

4. KPC's access rights, as described herein, shall not prevent the Borough Entities from constructing any buildings or other improvements on the Borough Property. In that event, KPC will exercise its access and staging rights in a manner which will not unreasonably interfere with the Borough Entities' uses or development of the properties.

B. Term.

The Easement shall become effective on the Effective Date and shall have an initial term of twenty (20) years from the Effective Date, after which time the Easement shall be automatically extended for successive periods of ten (10) years each, unless an instrument properly signed by KPC, has been recorded in the Ketchikan Recording District, First Judicial District, State of Alaska, agreeing to terminate the Easement in whole or in part.

C. Subdivision.

This Easement shall not preclude the subdivision of any parcels of the Ward Cove Property, but upon any subdivision, replat, plat modification, or other similar action, all portions of the Ward Cove Property which previously were subject to this Easement shall remain subject thereto.

V. EFFECTIVE DATE.

This Easement shall become effective ("Effective Date") on the date of recordation, simultaneous with recordation of the Vacation of Covenants and Easement releasing the same parcels

VI. LIBERAL CONSTRUCTION.

Any general rule of construction to the contrary, this Easement shall be liberally construed in favor of effectuating the Parties' desire to establish the Easement in favor of KPC and to make the Ward Cove Covenants run with, and apply to, the Ward Cove Property and to make the Ward Cove Covenants binding upon any and all successors and assigns of the Parties. If any provision of this instrument is found to be ambiguous, an interpretation consistent with the purpose of this instrument that would render the provision valid shall be favored over any interpretation that would render it invalid or unenforceable.

VII. DISPUTES.

The parties each irrevocably consent to the exclusive venue and jurisdiction of any state or federal court located in the First or Third Judicial Districts, State of Alaska, for the purposes of any suit, action, or other proceeding of any type whatsoever arising out of this Agreement or the subject matter hereof; provided, however, that if jury trial is sought by any party, the proceeding will instituted in a locale other than Ketchikan. To the maximum extent permitted by applicable law, each party waives and agrees not to assert, by way of motion, as a defense, or otherwise, in any such suit, action or proceeding any claim that it is not personally subject to the jurisdiction of the above named courts; that the suit, action, or proceeding is brought in an inconvenient forum; that the venue of the suit, action, or proceeding is improper; or that this Agreement or the subject matter hereof may not be enforced in or by such court. Each party agrees that service of process may be made upon it wherever it can be located or by certified mail directed to its address for notices under this Agreement.

VIII. MISCELLANEOUS.

A. Notices.

All notices, requests, claims, demands and other communications given or made pursuant hereto shall be in writing (and shall be deemed to have been duly given or made upon receipt) by delivery in person, by telecopy (with confirmation copy of such telecopied material delivered in person or by registered or certified mail, postage prepaid, return receipt requested) or by registered or certified mail (postage prepaid, return receipt requested) to the respective party at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section VIII.A.):

1. if to KPC:

Ketchikan Pulp Company
c/o Louisiana-Pacific Corporation
Legal Department
805 S.W. Broadway, Suite 700
Portland, Oregon 97205
Attention: Christopher M. (Kit) Keyes, Esq.
Facsimile: (503) 821-5323

and:

Ketchikan Pulp Company
c/o Louisiana-Pacific Corporation
P.O. Box 4000-98
Hayden Lake, Idaho 83835-9460
Attention: Chris Paulson
Facsimile: (208) 762-1667

Physical Address: 13403 N. Government Way

with a copy to:

Ziegler Law Firm
307 Bawden Street
Ketchikan, Alaska 99901
Attention: John Peterson, Esq.
Facsimile: (907) 225-5513

2. if to the Borough:

Ketchikan Gateway Borough
344 Front Street
Ketchikan, Alaska 99901
Attention: Borough Manager
Facsimile: (907) 247-6625

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2004-002967-0

with a copy to:

Ketchikan Gateway Borough
344 Front Street
Ketchikan, Alaska 99901
Attention: Borough Clerk
Facsimile: (907) 247-8439

B. Headings.

The descriptive headings contained in this Easement are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Easement.

C. Severability.

If any provision of this Easement, or the application of any provision to a person or circumstance, is found to be invalid, illegal, or incapable of being enforced by any rule of law or public policy, the remainder of the provisions of this Easement, or the application of such provisions to persons or circumstances other than those to which it is found to be invalid or unenforceable, as the case may be, shall not be affected thereby.

D. No Third-Party Beneficiaries.

This Easement is for the sole benefit of the Parties and their respective successors and permitted assigns, and nothing herein, express or implied, is intended to or shall confer upon any other person or entity any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Easement.

E. Amendment; Waiver.

This Easement may not be amended or modified except by an instrument in writing duly executed and recorded by the Parties. Waiver of any term or condition of this Agreement shall only be effective if in writing, duly executed by the Party to be bound thereby, and shall not be construed as a waiver of any subsequent breach or waiver of the same term or condition, or a waiver of any other term or condition of this Easement.

F. Governing Law.

This Easement shall be governed by, and construed in accordance with, the laws of the State of Alaska, applicable to covenants and agreements affecting real property executed and to be performed in that State.

NOTICE: THE INTERESTS CONVEYED HEREBY ARE SUBJECT TO AN ENVIRONMENTAL PROTECTION EASEMENT AND DECLARATION OF

RESTRICTIVE COVENANTS DATED OCTOBER 28, 1999, RECORDED IN THE KETCHIKAN RECORDING DISTRICT, FIRST JUDICIAL DISTRICT, STATE OF ALASKA, ON OCTOBER 28, 1999 AT BOOK 305, PAGE 772.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed as of the date first written above.

KETCHIKAN PULP COMPANY

By _____
Chris Paulson
President

_____
Douglas P. Anderson
Assistant Secretary

KETCHIKAN GATEWAY BOROUGH

By _____
Roy A. Eckert
Manager

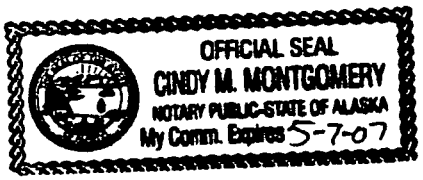
_____
Harriet Edwards
Clerk

STATE OF ALASKA)
: ss.
FIRST JUDICIAL DISTRICT)

THIS IS TO CERTIFY that on this 14th day of July, 2004, before me, the undersigned, a Notary Public in and for the State of Alaska, duly commissioned and sworn as such, personally appeared **Roy A. Eckert** and **Harriet Edwards**, to me known to be the Manager and the Clerk of the Ketchikan Gateway Borough, a municipal corporation established pursuant to the laws of the State of Alaska which executed the above and foregoing instrument; who on oath stated that they were duly authorized to execute said instrument and affix the Borough seal thereto on behalf of the Borough and that the seal affixed thereto is the Borough seal thereof; and who

acknowledged to me that the same was signed freely and voluntarily on behalf of the Borough for the uses and purposes therein mentioned.

WITNESS my hand and seal the day and year last above written.



Cindy M. Montgomery
Notary Public in and for Alaska
My Commission Expires: 5/7/07

STATE OF Idaho)
: ss.
COUNTY OF Kootenai)

THIS IS TO CERTIFY that on this 16th day of June, 2004, before me, the undersigned, a notary public in and for the State of Idaho, duly commissioned and sworn, personally appeared **Chris Paulson** and Douglas P. Anderson, to me known to be the President and Assistant Secretary respectively of Ketchikan Pulp Company, a Washington corporation, the corporation which executed the above and foregoing instrument; who on oath stated that they were duly authorized to execute said instrument on behalf of said corporation and who acknowledged to me that they signed and sealed the same freely and voluntarily on behalf of said corporation for the uses and purposes therein mentioned.

WITNESS my hand and official seal the day and year in this certificate above written.

Jodi Buttrey
Notary Public in and for Idaho, Hayden Lake
My Commission expires: 6/19/08

WHEN RECORDED, RETURN TO:

The Ziegler Law Firm
307 Bawden Street
Ketchikan, Alaska 99901