

2003-004419-0

Recording Dist: 102 - Ketchikan
8/4/2003 3:46 PM Pages: 1 of 5

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**ACKNOWLEDGMENT THAT INTERESTS CONVEYED ARE SUBJECT TO
ENVIRONMENTAL PROTECTION EASEMENT
AND
DECLARATION OF RESTRICTIVE COVENANTS**

This Acknowledgment, made and entered into this 2nd day of August, 2003, by and between the **Ketchikan Gateway Borough**, an Alaska municipal corporation, 344 Front Street, Ketchikan, Alaska 99901 ("Borough"), and **Ketchikan Pulp Company**, a Washington corporation qualified to do business in Alaska, Post Office Box 6600, Ketchikan, Alaska 99901 ("KPC"), WITNESSETH:

Recitals

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

WHEREAS, on or about July 14, 2003, the Borough, KPC and Gateway Forest Products, Inc. ("Gateway") executed an Agreement which resolved various matters pending between and among those parties ("the Agreement");

WHEREAS, KPC, as grantor, previously executed and delivered the Environmental Protection Easement and Declaration of Restrictive Covenants ("the Environmental Covenants") which was recorded October 28, 1999, in Book 305 at Page 772;

WHEREAS, the Agreement references the Environmental Covenants and provides in part that the Agreement shall not be interpreted to diminish the rights of the State of Alaska or the United States under the Environmental Covenants;

WHEREAS, implementation of the Agreement required various conveyances including the following:

Quitclaim Deed executed on behalf of KPC, as Grantor, and the Borough, as Grantee, recorded July 18, 2003, as Document 2003-004125-0, by which KPC quitclaimed to the Borough, among other interests, all right, title and interest which KPC held under and pursuant to the following:

Plant Systems Easement by and between KPC, as Grantor, and Gateway, as Grantee, recorded on November 5, 1999, in Book 306 at Page 99, as modified by the **Amendment to Plant Systems Easement**, recorded on December 15, 2000, in Book 319 at Page 360 and as further modified by the **Second Amendment to Plant Systems Easement**, recorded on January 3, 2001, in Book 320 at Page 421 ("Plant Systems Interests").

Water Use Site Easement, by and between KPC, as Grantor, and Gateway, as Grantee, recorded on November 5, 1999, in Book 306 at Page 125, as modified by the **Amendment to Water Use Site Easement** recorded on December 12, 2000, in Book 319 at Page 250 ("Water Use Site Easement Interests").

Assignment, Assumption and Release executed on behalf of KPC, as Assignor, and the Borough, as Assignee, recorded July 18, 2003, as Document 2003-004126-0, by which KPC thereby assigned to the Borough, among other interests, all right, title and interest which KPC held under and pursuant to the following:

Option Agreement to Purchase Water Use Site by and between KPC, as Grantor, and Gateway, as Grantee, recorded on November 5, 1999, in Book 306 at Page 149, as modified by the



Amendment to Option recorded on December 12, 2000, in Book 319 at Page 258 ("Water Use Site Option Interests");

WHEREAS, the property which is subject to the Environmental Covenants includes some or all of the property which is the subject of the Plant Systems Interests, the Water Use Site Easement Interests, and the Water Use Site Option Interests;

WHEREAS, the Environmental Covenants require that there be included in any instrument conveying any interest in the property subject thereto, including but not limited to deeds, leases and mortgages, a notice which is in substantially the following form:

NOTICE: THE INTEREST CONVEYED HEREBY IS 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, IN BOOK 305, PAGE 772 THAT IS IN FAVOR OF, AND ENFORCEABLE BY, THE STATE OF ALASKA.

WHEREAS, the Borough, as a party to the Agreement and otherwise, was in fact on notice of the Environmental Covenants when it entered into the Agreement,

NOW, THEREFORE, the Borough and KPC expressly acknowledge that, to the extent the Environmental Covenants are applicable thereto, the Plant Systems Interests and the Water Use Site Easement Interests were quitclaimed to the Borough subject to the Environmental Covenants. The Borough and KPC further acknowledge that, to the extent that the Environmental Covenants are applicable thereto, the Water Use Site Option Interests were assigned to the Borough subject to the Environmental Covenants.



IN WITNESS WHEREOF, the parties have caused these presents to be executed at Ketchikan, Alaska, this 1st day of August, 2003.

KETCHIKAN GATEWAY BOROUGH

ATTEST:

Harriet Edwards
Harriet Edwards
Clerk

By Roy A. Eckert
Roy A. Eckert
Manager

KETCHIKAN PULP COMPANY

By Phillip Benning
Phillip Benning
Environmental Manager

STATE OF ALASKA)
: ss.
FIRST JUDICIAL DISTRICT)

The foregoing instruments was acknowledged before me this 1st day of August, 2003, by **Roy A. Eckert** and **Harriet Edwards**, Manager and Clerk respectively of the Ketchikan Gateway

Borough, an Alaska municipal corporation, on behalf of the corporation.

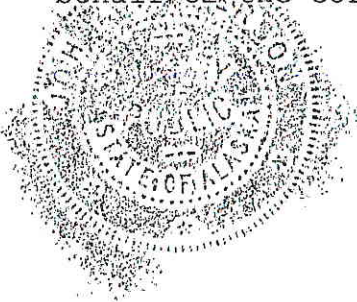


Cindy M. Montgomery
Notary Public for Alaska
My Commission expires 5/7/07



STATE OF ALASKA)
 : ss.
FIRST JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me this 2nd
day of August, 2003, by **Phillip Benning**, Environmental
Manager of Ketchikan Pulp Company, a Washington Corporation, on
behalf of the corporation.



John L. Pet
Notary Public for Alaska
My Commission expires: 11/27/04

WHEN RECORDED, RETURN TO:

Ziegler Law Firm
307 Bawden Street
Ketchikan, Alaska 99901

