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Vol M01 Page 29863

RELEASE AND SATISFACTION OF MORTGAGES

RELEASE AND SATISFACTION OF MORTGAGES
dated as of June 18, 2001, made by UNITED STATES OF
AMERICA (hereinafter called the "Government"), acting
through the Administrator of the Rural Utilities Service,
successor to the Administrator of the Rural Electrification
Administration (hereinafter called the "Administrator"), to
Midstate Electric Cooperative, Inc., an Oregon cooperative
corporation (hereinafter called the "Company").

WHEREAS, pursuant to Public Law No. 103-354, the Rural Utilities
Service (hereinafter called "RUS" is the successor to the Rural Electrification
Administration (hereinafter called "REA") and the Administrator of RUS is the successor
to the Administrator of REA, and RUS succeeds to all of REA's rights, privileges,
benefits, and obligations under all documents executed by REA, including, but not
limited to, Notes, Security Instruments, Loan Contracts and any amendments thereto;
and

WHEREAS, the Company, to evidence loans made to the Company by
the Government, acting through the Administrator pursuant to the Rural Electrification
Act of 1936, as amended (hereinafter called the "Act"), has executed certain mortgage
notes (hereinafter collectively called the "Notes"), all payable to the order of the
Government, of which the certain Notes more specifically identified in Appendix A
attached hereto are outstanding on the date hereof (such Notes being hereinafter
collectively called the "Outstanding Notes"); and

WHEREAS, the Company, to secure the Notes, has executed and
delivered to the Government certain security instruments (hereinafter collectively called
the "Mortgages" more specifically identified in Appendix B attached hereto; and

WHEREAS, the Mortgages have been recorded as real estate mortgages
or chattel mortgages, as the case may be, or filed as financing statements in certain
public offices of the State of Oregon as more specifically set forth in Appendix C
attached hereto; and

Satisfaction of
MORTGAGEUNITED STATES OF AMERICA, RURAL
UTILITIES SERVICE

VS

MIDSTATE ELECTRIC COOPERATIVE, INC.

AFTER RECORDING RETURN TO

et. Wm. G. Sheridan, Jr.
1099 SW Columbia St., Suite 425
Portland, OR 97201

(DON'T USE THIS
SPACE; RESERVED
FOR RECORDING
LABEL IN COUNTIES
WHERE USED.)

STATE OF OREGON

County of } ss.

I certify that the within instru-
ment was received for record on the
..... day of, 19....., at
..... o'clockM., and recorded in
book/reel/volume No....., on page
....., or as fee/file/instrument/
microfilm/reception No.....,
Record of Mortgages of said County.

Witness my hand and seal of
County affixed.

By Deputy

WHEREAS, the Mortgages have created liens upon, or otherwise affected, certain tracts or parcels of real estate (hereinafter collectively called the "Mortgaged Property") more specifically described in Appendix D attached hereto; and

WHEREAS, pursuant to Section 306B(a) of the Act and the regulations issued thereunder, the Company has prepaid to the Government the discounted present value of the outstanding indebtedness evidenced by the Outstanding Notes and the Government has accepted such prepayment in full satisfaction of the outstanding indebtedness evidenced by the Outstanding Notes, which constitutes all outstanding amounts loaned by the Government, acting through the Administrator pursuant to the Act, to the Company; and

WHEREAS, the Company has requested that the Government release and discharge of record any and all rights, title, liens and interest of the Government in the Mortgages.

NOW, THEREFORE, THESE PRESENTS WITNESSETH that, in consideration of the sum of one dollar in hand paid by the Company to the Government at the time of delivery of these presents and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Government does hereby RELEASE AND DISCHARGE OF RECORD any and all rights, title, liens and interests of the Government in the Mortgages.

The effect of this Release shall be that any and all rights, title, liens and interests of the Government securing the payment of the Outstanding Notes, whether recorded or filed or not, are hereby released, and it is the intention of the Government that all such rights, title, liens and interests of the Government shall be discharged of record.

Any liens created by the Mortgages securing indebtedness to the National Rural Utilities Cooperative Finance Corporation are not intended to be affected hereby.

This Release is made by the Government and accepted by the Company without covenant or warranty, express or implied, at law or in equity, and without recourse to the Government, in any event or in any contingency.

IN WITNESS THEREOF, the Government has caused this instrument to be duly executed in its behalf, all as of the day and year first above written.

UNITED STATES OF AMERICA
acting through the Director,
Northern Region Division
Rural Utilities Service


For

By

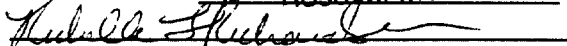


Print Name: Charles M. Philpott

Executed by the United States
of America in the
presence of:



Print Name: Rose M. Moerman



Print Name: Richelle L. Richardson

Witnesses

UNITED STATES OF AMERICA)
) SS
DISTRICT OF COLUMBIA)

I, William A. Frost, a
Notary Public withing and for the District of Columbia, hereby certify that
Charles M. Philpott, personally known to me to be
the Director Northern Region Division of the Rural
Utilities Service, an agency of the UNITED STATES OF AMERICA, and to me known to
be the identical person whose name is subscribed to the foregoing instrument as such
Director, appeared before me this day in person and acknowledged
and, being by me duly sworn, did depose and say that, as such Director
and pursuant to authority duly given and evidenced according to law, and presently in
effect, he signed, executed and delivered the foregoing instrument as his free and
voluntary act and deed as such Director and as the free and voluntary
deed of the UNITED STATES OF AMERICA for the use and purposes therein set forth.

IN TESTIMONY WHEREOF, given under my hand and seal of office this
18 day of June, 2001.

William A. Frost
Notary Public

(Notarial Seal)

William A. Frost
Notary Public, District of Columbia
My Commission Expires 04/14/2006

My commission expires _____

OREGON 39 KLAMATH

APPENDIX A

OUTSTANDING NOTES

<u>Note Designation</u>	<u>Note Date</u>	<u>Original Face Amount</u>
Y61	September 25, 1995	\$4,171,000.00

OREGON 39 KLAMATH

APPENDIX B

MORTGAGES

<u>Instrument</u>	<u>Dated as of</u>	<u>Trustee of Mortgagee</u>
1. Mortgage	December 1, 1950	United States of America (REA)
2. Supplemental Mortgage	July 18, 1958	United States of America (REA)
3. Supplemental Mortgage	March 5, 1963	United States of America (REA)
4. Supplemental Mortgage	August 25, 1965	United States of America (REA)
5. Mortgage	February 3, 1968	United States of America (REA)
6. Supplemental Mortgage and Securities Agreement	August 9, 1972	United States of America (REA) (CFC)
7. Supplement to Supplemental Mortgage and Securities Agreement	July 23, 1973	United States of America (REA) (CFC)
8. Restated Mortgage and Securities Agreement	July 23, 1990	United States of America (REA) (CFC)
9. Supplement to Restated Mortgage and Securities Agreement	September 25, 1995	United States of America (REA) (CFC)

REA -- Rural Electrification Administration

CFC -- National Rural Utilities Cooperative Financial Corporation

OREGON 39 KLAMATH

APPENDIX C

RECORDING INFORMATION FOR MORTGAGES

1. Mortgage dated December 1, 1950, recorded December 28, 1950, Volume 136, Page 664, Deed Records of Klamath County, Oregon; \$525,000.00; Mortgagor: Midstate Electric Cooperative, Inc.; Mortgagee: United States of America
2. Supplemental Mortgage dated July 18, 1958, recorded August 28, 1958, Volume 184, Page 570, Deed Records of Klamath County, Oregon; \$2,468,000.00; Mortgagor: Midstate Electric Cooperative, Inc.; Mortgagee: United States of America
3. Supplemental Mortgage dated March 5, 1963, recorded April 4, 1963, Volume 216, Page 619, Deed Records of Klamath County, Oregon; \$3,252,000.00; Mortgagor: Midstate Electric Cooperative, Inc.; Mortgagee: United States of America
4. Supplemental Mortgage dated August 25, 1965, recorded December 17, 1965, Volume M65, Page 4771, Microfilm Records of Klamath County, Oregon; \$3,978,000.00; Mortgagor: Midstate Electric Cooperative, Inc.; Mortgagee: United States of America
5. Mortgage dated February 3, 1968, recorded February 29, 1968, Volume M68, Page 1685, Microfilm Records of Klamath County, Oregon; \$3,978,000.00; Mortgagor: Midstate Electric Cooperative, Inc.; Mortgagee: United States of America
6. Supplemental Mortgage and Securities Agreement dated August 9, 1972, recorded August 14, 1972, Volume M72, Page 9038, Microfilm Records of Klamath County, Oregon; \$692,000.00; Mortgagor: Midstate Electric Cooperative, Inc.; Mortgagee: United States of America and National Rural Utilities Cooperative Finance Corporation
7. Supplement to Supplemental Mortgage and Securities Agreement dated July 23, 1973, recorded July 25, 1973, Volume M73, Page 9573, Microfilm Records of Klamath County, Oregon; \$400,000.00; Mortgagor: Midstate Electric Cooperative, Inc.; Mortgagee: United States of America and National Rural Utilities Cooperative Finance Corporation
8. Restated Mortgage and Securities Agreement dated July 23, 1990, recorded September 27, 1990, Volume M90, Page 19506, Document No. 20741, Microfilm Records of Klamath County, Oregon; \$1,527,000.00; Mortgagor: Midstate Electric Cooperative, Inc.; Mortgagee: United States of America and National Rural Utilities Cooperative Finance Corporation

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APPENDIX C

RECORDING INFORMATION FOR MORTGAGES

(cont.)

9. Supplement to Restated Mortgage and Securities Agreement dated September 25, 1995, recorded October 18, 1995, Volume M95, Page 28464, Microfilm Records of Klamath County, Oregon; \$1,788,000.00; Mortgagor: Midstate Electric Cooperative, Inc.; Mortgagee: United States of America and National Rural Utilities Cooperative Finance Corporation

OREGON 39 KLAMATH

APPENDIX D

MORTGAGED PROPERTYKlamath County:Parcel 1:

The following described tract of land located within the NW¼ of the SW¼ of Section 6, Township 29 South, Range 8 East of the Willamette Meridian, Klamath County, Oregon:

Beginning at a point on the easterly right of way boundary of Highway U.S. 97 opposite Highway Station 1202+65; thence South 23°4'30" East along the northeasterly boundary of an existing logging road a distance of 544.5 feet; thence North 16°55'30" East a distance of 471.3 feet; thence North 73°4'30" West a distance of 294.7 feet to a point on said easterly boundary of U.S. Highway 97; thence South 16°55'30" West along said easterly boundary a distance of 120 feet, to the point of beginning, containing 2 acres, more or less.

Parcel 2:

Beginning at a point 2013 feet North 89°18' East and 103.5 feet North 4°28' West of the Section corner common to Sections 19 and 30, Township 24 South, Range 9 East, and Sections 24 and 25, Township 24 South, Range 8 East, being the true point of beginning of the land herein described; thence North 4°28' West 95 feet; thence North 85°32' East 100 feet; thence South 4°28' East 95 feet; thence South 85°32' West 100 feet to the point of beginning, all begin in SE¼ SE¼ SW¼ of Section 19, Township 24 South, Range 9 E., W.M., containing .22 acre, more or less.

State of Oregon, County of Klamath
Recorded 06/21/01, at 12:19 p.m.
In Vol. M01 Page 29863
Linda Smith,
County Clerk Fee \$ 85⁰⁰