

POWER AUTHORITY OF THE
STATE OF NEW YORK

RESOLUTION
AUTHORIZING SUBORDINATED NOTES, SERIES 2012 (FEDERALLY TAXABLE)

Adopted November 9, 2012

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**RESOLUTION
AUTHORIZING SUBORDINATED NOTES, SERIES 2012 (FEDERALLY TAXABLE)**

BE IT RESOLVED by the Trustees of the Power Authority of the State of New York (the “Authority”) as follows:

ARTICLE I

DEFINITIONS

SECTION 101. Definitions. (a) Except as provided in paragraph (b) of this Section 101, all terms which are defined in Section 101 of the General Resolution Authorizing Revenue Obligations adopted by the Authority on February 24, 1998, as heretofore and hereafter amended and supplemented in accordance with the terms thereof (the “General Resolution”), shall have the same meanings, respectively, in this Series 2012 Subordinated Notes Resolution as such terms are given in said Section 101 of the General Resolution.

(b) In this Resolution (hereinafter referred to as the “Subordinated Notes Resolution”), unless a different meaning clearly appears from the context:

(1) The terms “herein”, “hereunder”, “hereby”, “hereto”, “hereof”, “hereinafter”, and any similar terms, refer to this Subordinated Notes Resolution, and the term “hereafter” means after the date of adoption of this Subordinated Notes Resolution;

(2) Words importing the singular number include the plural number and vice versa and words importing persons include firms, associations and corporations. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders;

(3) Any headings preceding the texts of the several Articles and Sections of this Subordinated Notes Resolution, and any table of contents shall be solely for convenience of reference and shall not constitute a part of this Subordinated Notes Resolution, nor shall they affect its meaning, construction or effect;

(4) “Authorized Officer” means the Chairman, Vice Chairman, President and Chief Executive Officer, Executive Vice President and General Counsel, Executive Vice President and Chief Financial Officer or Treasurer of the Authority, or such other person or persons so designated by resolution of the Authority;

(5) “Business Day” means any day other than (i) a Saturday, Sunday or other day on which commercial banks located in the State of New York are authorized or

required by law or executive order to close or (ii) a day on which the New York Stock Exchange is closed;

(6) “Certificate of Determination” means a certificate or certificates of an Authorized Officer delivered pursuant to Section 303 of this Subordinated Notes Resolution setting forth certain terms and provisions of the Subordinated Notes, as such certificate(s) may be amended and supplemented.

(7) “Holder” or any similar term, when used with reference to the Subordinated Notes, shall mean any registered owner of Subordinated Notes as shown on the books of the Paying Agent;

(8) “Maturity Date” means, with respect to any Subordinated Note, the final date specified therefor in the Certificate of Determination.

(9) “Paying Agent” means an agent appointed by the Authority pursuant to Section 307 hereof, or any successor entity which may be appointed by an Authorized Officer as a Paying Agent hereunder;

(10) “Securities Depository” means The Depository Trust Company, or any other Holder of the Subordinated Notes acting as a central securities depository for the Subordinated Notes or a portion of the Subordinated Notes, as authorized pursuant to Section 309 of this Subordinated Notes Resolution, and its successors and assigns, or if any Securities Depository resigns from its function as depository of the Subordinated Notes, any other securities depository which agrees to follow the procedures required to be followed by the Securities Depository in connection with such Subordinated Notes or such portion of the Subordinated Notes, and which is selected by the Authority;

(11) “Settlement Agreement” shall mean the Relicensing Settlement Agreement Addressing New License Terms and Conditions, dated July 18, 2005, between the Authority, the New York State Office of Parks, Recreation and Historic Preservation, *et al.*

(12) “State Parks Greenway Fund” shall mean the fund created pursuant to Section 3, “State Parks Greenway Fund,” of Appendix E of the Settlement Agreement and held in the Operating Fund.

(13) “Subordinated Notes” means the Subordinated Notes, Series 2012 (Federally Taxable) authorized to be issued pursuant to Section 301 hereof.

(14) “Subordinated Notes Resolution” means this Resolution Authorizing Subordinated Notes, Series 2012 (Federally Taxable) of the Authority adopted November 9, 2012, as the same may be amended and supplemented from time to time in accordance herewith;

(15) “State” means the State of New York.

(16) “Supplemental Subordinated Notes Resolution” means any resolution supplemental to or amendatory of the Subordinated Notes Resolution, adopted by, or adopted pursuant to authorization granted by the Authority in accordance with Article VI or VII hereof.

ARTICLE II

OBLIGATION OF RESOLUTION AND SUBORDINATED NOTES

SECTION 201. Authority for the Subordinated Notes. This Subordinated Notes Resolution is adopted in accordance with and pursuant to the Act.

SECTION 202. Subordinated Notes Resolution to Constitute Contract. In consideration of the purchase and acceptance of any and all of the Subordinated Notes authorized to be issued hereunder by those who shall be a Holder of the same from time to time, this Subordinated Notes Resolution shall be deemed to be and shall constitute a contract between the Authority and each of the Holders from time to time of the Subordinated Notes and such provisions are covenants and agreements with such Holders which the Authority hereby determines to be necessary and desirable for the security and payment thereof. The covenants and agreements herein set forth to be performed by or on behalf of the Authority shall be for the equal benefit, protection and security of the Holders of any and all of the Subordinated Notes, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Subordinated Notes over any other except as expressly provided in or permitted by this Subordinated Notes Resolution.

SECTION 203. Obligation of the Subordinated Notes. The Subordinated Notes shall be Subordinated Indebtedness within the meaning of the General Resolution and shall be payable from the Trust Estate; provided that such payments shall be subject and subordinated to the payments to be made with respect to the Obligations and Parity Debt, as provided in Sections 503 and 604 of the General Resolution. The Trust Estate is hereby pledged for the payment of the Subordinated Notes, provided that such pledge shall be junior and inferior to the pledge of the Trust Estate created in the General Resolution for the payment of the Obligations and Parity Debt. The Subordinated Notes shall be on a parity with other Subordinated Indebtedness. The Authority shall at all times, to the extent permitted by law, defend, preserve and protect the pledge created by this Subordinated Notes Resolution to secure the Subordinated Notes and all the interests of the Holders of the Subordinated Notes under this Subordinated Notes Resolution against all claims and demands of all Persons whomsoever.

SECTION 204. Certain Findings and Determinations. The Trustees hereby find and determine:

(a) The Trust Estate is not encumbered by any lien or charge thereon or pledge thereof, other than the senior lien and charge thereon and pledge thereof created by the General Resolution in favor of Obligations and Parity Debt, and the subordinate liens and charges thereon and subordinated pledge thereof created by the existing Subordinated Indebtedness and Subordinated Contract Obligations, which Subordinated Indebtedness and Subordinated Contract Obligations are on a parity with the Subordinated Notes.

(b) There does not exist an “Event of Default” within the meaning of such quoted term as defined in Section 1001 of the General Resolution, nor does there exist any condition which, after the giving of notice or the passage of time, or both, would constitute such an “Event of Default.”

ARTICLE III

AUTHORIZATION, TERMS AND ISSUANCE OF SUBORDINATED NOTES

SECTION 301. Authorization of Issue of Subordinated Notes. Subordinated Notes in a principal amount not to exceed \$30,000,000 are hereby authorized to be issued for the purposes set forth in Section 401 hereof. The Subordinated Notes shall bear the designation Subordinated Notes, Series 2012. The Subordinated Notes shall otherwise be subject to the terms, conditions and limitations provided or referred to herein, the Certificate of Determination and in the Act.

SECTION 302. General Terms of the Subordinated Notes. The Subordinated Notes herein authorized shall be issued in the denomination of \$500,000 or any larger integral multiple of \$5,000 as determined by an Authorized Officer, shall be numbered consecutively from 1 upwards in order of their issuance, and may bear such other or alternative identification as an Authorized Officer may deem appropriate. The Subordinated Notes shall be issued in registered form, and may be issued through the book-entry system of a Securities Depository upon the determination of an Authorized Officer. The Subordinated Notes shall be dated their date of issuance and mature on the Maturity Date. The Subordinated Notes shall be payable in any coin or currency of the United States of America which shall then be legal tender for the payment of public and private debts, by wire transfer of immediately available funds on the date such payments are due.

SECTION 303. Delegation of Authority. There is hereby delegated to an Authorized Officer, subject to the limitations contained herein, the power with respect to the Subordinated Notes to determine and effectuate the following:

- (a) the principal amount of Subordinated Notes to be issued, provided that the aggregate principal amount of Subordinated Notes shall not exceed \$30,000,000;
- (b) the Maturity Date of each Note which in no event shall be later than twenty-six years from the date of issuance of the Notes, the interest payment dates of the Subordinated Notes, and the date or dates from which the Subordinated Notes shall bear interest;
- (c) the interest rate or rates on the Subordinated Notes, provided, however, that such interest rate(s) shall not exceed five and one-half percent (5.50%) per annum;
- (d) the amounts of the proceeds of the Subordinated Notes to be deposited and applied in accordance with Section 401 and Section 402 hereof;
- (e) the redemption provisions, if any, of the Subordinated Notes;

(f) the definitive form or forms of the Subordinated Notes; and

(g) any other provisions deemed advisable by an Authorized Officer of the Authority, not in conflict with the provisions of this Subordinated Notes Resolution.

An Authorized Officer shall execute one or more certificates evidencing determinations or other actions taken pursuant to the authority granted herein. Each such certificate shall be deemed a Certificate of Determination and shall be conclusive evidence of the action or determination of such Authorized Officer as to the matters stated therein. The provisions of each Certificate of Determination shall be deemed to be incorporated in Article III hereof.

SECTION 304. Form of the Subordinated Notes. Subject to the provisions of Section 303 hereof, the form of the Subordinated Notes shall be substantially of the tenor set forth in Exhibit A hereto.

SECTION 305. No Recourse on the Subordinated Notes. No recourse shall be had for the payment of the Subordinated Notes or for any claim based thereon or on this Subordinated Notes Resolution against any Trustee, officer or employee of the Authority or any person executing the Subordinated Notes and neither the Trustees of the Authority nor any other person executing the Subordinated Notes shall be subject to any personal liability or accountability by reason of the issuance thereof. The Subordinated Notes are not and shall not be in any way a debt or liability of the State, and the State shall not be liable on the Subordinated Notes, and the Subordinated Notes are not and shall not be payable out of any funds other than those of the Authority.

SECTION 306. Execution and Validation of Subordinated Notes. An Authorized Officer of the Authority is each hereby authorized and directed to execute by his or her manual or facsimile signature the Subordinated Notes in the name of the Authority and the corporate seal (or a facsimile thereof) shall be affixed, imprinted, engraved or otherwise reproduced thereon, if necessary. In case any such Authorized Officer who shall have signed Subordinated Notes, shall cease to be such Authorized Officer before the Subordinated Notes shall have been authenticated by the Paying Agent, the Subordinated Notes may nevertheless be issued as though the person who signed such notes had not ceased to be such Authorized Officer.

SECTION 307. Appointment of Paying Agent. The Bank of New York Mellon is hereby appointed as Paying Agent, and any Authorized Officer is hereby authorized to enter into a paying agency agreement with The Bank of New York Mellon or with any other Paying Agent appointed upon the direction of an Authorized Officer, to the extent such Authorized Officer shall determine the same to be necessary or advisable. Any such paying agency agreement may be approved by such Authorized Officer, subject to the approval of the form thereof by the Executive Vice President and General Counsel, including, but not limited to, terms and conditions as may be required in connection with the establishment of a book-entry-only

registration system in accordance with Section 309 hereof, the execution of the paying agency agreement to be conclusive evidence of such approval.

SECTION 308. Transfer of Subordinated Notes Registered Notes. (a) The Paying Agent shall act as registrar for the Subordinated Notes, which shall be transferable only upon the books of the Paying Agent, which shall be kept for that purpose at the office of the Paying Agent by the registered owner thereof in person or by his or her attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Paying Agent duly executed by the registered owner or his or her duly authorized attorney. Upon the transfer of any such Subordinated Note, the Paying Agent shall issue in the name of the transferee new Subordinated Notes of the same aggregate principal amount and maturity as the surrendered Subordinated Note.

(b) The Authority and the Paying Agent may deem and treat the person in whose name any Subordinated Notes shall be registered upon the books of the Paying Agent as the absolute owner of such Subordinated Notes, whether such Subordinated Notes shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such Subordinated Notes and for all other purposes, and all such payments so made to any such registered owner or upon his or her order shall be valid and effectual to satisfy and discharge the liability upon such Subordinated Notes to the extent of the sum or sums so paid, and neither the Authority nor the Paying Agent shall be affected by any notice to the contrary.

SECTION 309. Book-Entry-Only System of Subordinated Notes Registration.

(a) Notwithstanding any other provision of this Subordinated Notes Resolution, the Authority may employ a book-entry-only system of note registration with respect to all or any of the registered Subordinated Notes, all as more fully set forth in subparagraphs (a) and (b) of this Section. Any provisions of this Subordinated Notes Resolution inconsistent with book-entry-only Subordinated Notes shall not be applicable to such book-entry-only Subordinated Notes.

(b) Except as an Authorized Officer may specify by delivery of a certificate, a book-entry-only system of Subordinated Notes registration shall be employed by the Authority. Each Authorized Officer (i) is hereby authorized to execute and deliver on behalf of the Authority a letter of representation or other agreements, documents or instruments in connection with the implementation or operation of such a book-entry-only system and (ii) may prescribe changes to the form of Subordinated Notes to the extent necessary or convenient to make such Subordinated Notes eligible for deposit under such a book-entry-only system. The provisions of any letter of representation or other agreement with a Securities Depository shall be deemed to be incorporated in this Subordinated Notes Resolution and, in accordance with subparagraph (a) of this Section 309, any provision of this Subordinated Notes Resolution inconsistent with such letter or agreement shall be deemed amended with respect to Subordinated Notes thereafter issued in book-entry-only form.

(c) With respect to all book-entry Subordinated Notes, neither the Authority nor the Paying Agent shall have any responsibility or obligation to any Securities Depository participant or indirect participant, or any nominee of any thereof, any person claiming a beneficial ownership interest in book-entry Subordinated Notes under or through the Securities Depository or any Securities Depository participant or indirect participant, or any other person which is not shown on the books of the Paying Agent as being the Holder of any master note, with respect to: (1) sending transaction statements; (2) maintaining, supervising or reviewing, or the accuracy of, any records maintained by the Securities Depository or any Securities Depository participant or other nominees of such beneficial owners; (3) payment or the timeliness of payment by the Securities Depository to any Securities Depository participant, or by any Securities Depository participant or other nominees of beneficial owners to any beneficial owners, of any amount in respect of the principal of or interest on book-entry Subordinated Notes; (4) delivery or timely delivery by the Securities Depository to any Securities Depository participant, or by any Securities Depository participant or other nominees of beneficial owners to any beneficial owners, of any notice which is permitted or required to be given to Holders under this Subordinated Notes Resolution; or (5) any action taken by the Securities Depository or its nominee as Holder of book-entry Subordinated Notes.

(d) The Authority and the Paying Agent may treat the Securities Depository or its nominee as, and deem the Securities Depository or its nominee to be, the absolute owner of each of the Subordinated Notes issued as a book-entry-only Subordinated Notes for the purpose of payment of the principal of and interest on such Subordinated Notes, for other matters with respect to such Subordinated Notes, for the purpose of registering transfers with respect to such Subordinated Notes, and for all other purposes whatsoever.

(e) The Securities Depository may determine not to continue to act as securities depository for the Subordinated Notes, and the Authority may determine to discontinue the book-entry-only issuance of the Subordinated Notes through the Securities Depository and in such case shall deliver a certificate to the Paying Agent to that effect. In either case, if the Authority determines to replace the Securities Depository with another qualified Securities Depository, the Authority shall prepare or direct the preparation of new, separate, fully registered notes, registered in the name of such successor or substitute qualified Securities Depository or its nominee, or make such other arrangements acceptable to the Authority, the Paying Agent and the replacement Securities Depository as are not inconsistent with the terms of this Subordinated Notes Resolution. If the Authority fails to identify another Securities Depository to replace the Securities Depository, the Authority may amend this Subordinated Note Resolution pursuant to Section 601(7) and shall deliver to the Paying Agent for safekeeping, completion, authentication and delivery in accordance with the provisions of this Subordinated Notes Resolution, as so amended, Subordinated Notes executed on behalf of the Authority, with the date of issuance, principal amount, maturity date, owner and rate of interest left blank. Each of such Subordinated Notes instruments shall be held in safekeeping by the Paying Agent until authenticated and issued in accordance with the provisions of this Subordinated Notes Resolution.

SECTION 310. Subordinated Notes Mutilated, Lost, Destroyed or Stolen. If any Subordinated Notes shall become mutilated, the Authority, at the expense of the Holder of said Subordinated Notes, shall execute and deliver a new Subordinated Notes of like tenor, series and number in exchange and substitution for the Subordinated Notes so mutilated, but only upon surrender to the Authority of the Subordinated Notes so mutilated. If any Subordinated Notes shall be lost, destroyed or stolen, evidence of such loss, destruction or theft shall be submitted to the Authority and, if such evidence be satisfactory to it and indemnity satisfactory to it shall be given, the Authority, at the expense of the owner, shall execute and the Paying Agent shall countersign and deliver a new Subordinated Notes of like tenor, series and number in lieu of and in substitution for the Subordinated Notes so lost, destroyed or stolen. Neither the Authority nor the Paying Agent shall be required to treat both the original Subordinated Notes and any duplicate Subordinated Notes as being outstanding for the purpose of determining the amount of Subordinated Notes which may be issued hereunder, but both the original and the duplicate Subordinated Notes shall be treated as one and the same.

ARTICLE IV

APPLICATION OF SUBORDINATED NOTES PROCEEDS

SECTION 401. Application of Proceeds. The Subordinated Notes are being issued, and the proceeds of sale of the Subordinated Notes shall be applied: (i) to make payments to the State Parks Greenway Fund to finance projects for the construction and/or rehabilitation of parks, recreation and related facilities as set forth in Section 3, "State Parks Greenway Fund," of Appendix E of the Settlement Agreement, and (ii) to pay the costs of issuance of the Subordinated Notes.

SECTION 402. Application of Note Proceeds; Note Proceeds Accounts. The proceeds of the sale of the Subordinated Notes shall be deposited in the State Parks Greenway Fund. At the direction of an Authorized Officer, moneys in the State Parks Greenway Fund may be applied to pay costs incurred in connection with the issuance of Subordinated Notes, and the balance shall remain in the State Parks Greenway Fund and be made available to finance projects referred to in Section 401 hereof. Such balance shall be held or invested in Authorized Investments in accordance with the provisions of the General Resolution pertaining to amounts held in the Operating Fund. At the direction of an Authorized Officer, the Paying Agent is hereby authorized to create such other funds, accounts and sub-accounts in accordance with this Subordinated Notes Resolution as may be necessary for the administration of the Authority's Subordinated Notes program.

SECTION 403. Non-Presented Subordinated Notes. Anything in this Subordinated Notes Resolution to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of the principal or redemption price of or interest on any of the Subordinated Notes which remain unclaimed for 2 years after the date when such principal, redemption price, or interest, respectively, have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Paying Agent at such date, or for 2 years after the date of deposit of such moneys if deposited with the Paying Agent after the date when such principal, redemption price, or interest, respectively, became due and payable, shall, at the written request of the Authority, be repaid by the Fiduciary to the Authority, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Holders of Subordinated Notes shall look only to the Authority for the payment of such principal, redemption price, or interest, respectively. Notwithstanding the foregoing or anything in this Subordinated Notes Resolution to the contrary, any moneys held by the Paying Agent in trust for the payment and discharge of any Subordinated Notes which remain unclaimed after such moneys were to be applied to the payment of such Subordinated Notes in accordance with this Subordinated Notes Resolution may be applied in accordance with the provisions of the Abandoned Property Law of the State, being Chapter 1 of the Consolidated Laws of the State or any successor provision thereto, and upon such application, the Paying Agent shall thereupon be released and discharged with respect thereto and the Holders of Subordinated Notes shall look only to the Authority or

the Comptroller of the State for the payment of such Obligations. Before being required to make any such payment to the Authority or to apply such moneys in accordance with the Abandoned Property Law of the State, the Paying Agent shall, at the expense of the Authority, cause to be mailed to the Holders entitled to receive such moneys a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of the mailing, the balance of such moneys then unclaimed will be returned to the Authority or applied in accordance with the Abandoned Property Law of the State, as the case may be.

ARTICLE V

COVENANTS

SECTION 501. Covenants. The Authority hereby particularly covenants and agrees with the Holders of the Subordinated Notes, and makes provisions which shall be a part of the contract with such Holders, to the effect and with the purpose as follows:

(a) The Authority shall duly and punctually pay or cause to be paid the principal of and interest on Subordinated Notes at the place and in the manner mentioned in the Subordinated Notes, according to the true intent and meaning thereof.

(b) Upon each date of issuance of the Subordinated Notes, all conditions, acts and things required by the Constitution or statutes of the State or this Subordinated Notes Resolution to exist, to have happened and to have been performed precedent to or in the issuance of such Subordinated Notes shall exist, have happened and have been performed and such Subordinated Notes, together with all other indebtedness of the Authority, shall be within every debt and other limit prescribed by said Constitution or statutes.

(c) The Authority shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Authority under the provisions of this Subordinated Notes Resolution in accordance with the terms of such provisions.

(d) The Authority shall comply with the rate covenant of Section 606 of the General Resolution so long as any Subordinated Notes are Outstanding, notwithstanding whether any Obligations are then Outstanding.

(e) The Authority shall give prior written notice to each rating agency then rating the Subordinated Notes of (i) any amendments to this Subordinated Notes Resolution, or (ii) any defeasance of the Subordinated Notes.

SECTION 502. Additional Subordinated Indebtedness and Lien. Nothing contained herein shall prohibit the Authority from issuing additional Subordinated Indebtedness or incurring Subordinated Contract Obligations, in each case subject and subordinate in all respects to the pledge thereof and lien and charge thereon, or assignment thereof, as the case may be, created by the General Resolution in favor of Obligations and Parity Debt, but either of equal rank or priority with, or subject and subordinate to, the pledge and assignment made in the Subordinated Notes Resolution in favor of the Subordinated Notes authorized hereby.

ARTICLE VI

SUPPLEMENTAL SUBORDINATED NOTES RESOLUTIONS

SECTION 601. Supplemental Subordinated Resolutions. For any one or more of the following purposes and at any time or from time to time, a Supplemental Subordinated Notes Resolution may be adopted without the consent of or notice to any Holder, which, upon its adoption, shall be duly effective in accordance with its terms:

(1) To close the Subordinated Note Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Subordinated Notes Resolution on, the delivery on original issuance of Subordinated Notes or the issuance of other evidences of indebtedness;

(2) To add to the covenants and agreements of the Authority in the Subordinated Notes Resolution other covenants and agreements to be observed by the Authority which are not contrary to or inconsistent with the Subordinated Notes Resolution as theretofore in effect;

(3) To add to the limitations and restrictions in the Subordinated Notes Resolution other limitations and restrictions to be observed by the Authority which are not contrary to or inconsistent with the Subordinated Notes Resolution as theretofore in effect;

(4) To surrender any right, power or privilege reserved to or conferred upon the Authority by the Subordinated Notes Resolution;

(5) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Subordinated Notes Resolution, of any additional security other than that granted or pledged under the Subordinated Notes Resolution;

(6) To modify, amend or supplement the Subordinated Notes Resolution in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar Federal statute hereafter in effect or to permit the qualification of the Subordinated Notes for sale under the securities laws of any of the states of the United States of America, and, if the Authority so determines, to add hereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar Federal statute;

(7) To comply with such regulations and procedures as are from time to time in effect relating to establishing and maintaining a book-entry-only system;

(8) To modify any of the provisions of the Subordinated Notes Resolution in any other respect whatever, provided that (a) such modification is to be effective prior to the issuance of any Subordinated Notes;

(9) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Subordinated Notes Resolution; or

(10) To insert such provisions, or to make such other amendments to the Subordinated Notes Resolution, as are necessary or desirable which are not materially adverse to the rights under the Subordinated Notes Resolution of the Holders of Subordinated Notes. The determination of the Authority as to whether any modification or amendment materially and adversely affects the interests of the Holders shall be binding and conclusive on the Holders.

SECTION 602. Supplemental Subordinate Resolutions Effective with Consent of Holders of Subordinated Notes. At any time or from time to time, a Supplemental Subordinated Notes Resolution also may be adopted subject to consent by Holders of Subordinated Notes in accordance with and subject to the provisions of Article VII, which Supplemental Subordinated Notes Resolution shall become fully effective in accordance with its terms as provided in said Article VII.

SECTION 603. General Provisions. 1. The Subordinated Notes Resolution shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of this Article VI and Article VII. Nothing in this Article VI or in Article VII contained shall affect or limit the right or obligation of the Authority to execute and deliver to any Paying Agent any instrument which elsewhere in the Subordinated Notes Resolution it is provided shall be delivered to said Paying Agent.

2. Any Supplemental Subordinated Notes Resolution referred to and permitted or authorized by Sections 601 and 602 shall become effective only on the conditions, to the extent and at the time provided in said Sections, respectively. The copy of every Supplemental Subordinated Notes Resolution when filed with the Paying Agent shall be accompanied by a Counsel's Opinion stating that such Supplemental Subordinated Notes Resolution has been duly and lawfully adopted in accordance with the provisions of the Subordinated Notes Resolution, is authorized or permitted by the Subordinated Notes Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms.

ARTICLE VII

AMENDMENTS

SECTION 701. Mailing. Any provision in this Article for the mailing of a notice or other paper to Holders of Subordinated Notes shall be fully complied with if it is mailed postage prepaid only to each Holder of Subordinated Notes then Outstanding at his address, if any, appearing upon the registry books of the Authority.

SECTION 702. Powers of Amendment. Any modification or amendment of the Subordinated Notes Resolution and of the rights and obligations of the Authority and of the Holders, in any particular, may be made by a Supplemental Subordinated Notes Resolution, with the written consent given as provided in Section 703 (i) of the Holders of a majority in principal amount of the Subordinated Notes Outstanding at the time such consent is given, and (ii) in case less than all of the Subordinated Notes then Outstanding are affected by the modification or amendment, of the Holders of a majority in principal amount of the Subordinated Notes so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as particular Subordinated Notes remain outstanding shall not be required and such Subordinated Notes shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Subordinated Notes under this Section. No such modification or amendment shall (a) permit a change in the terms of redemption or maturity of the principal of any Outstanding Subordinated Notes or of any installment of interest thereon or a reduction in the principal amount or in the rate of interest thereon without the consent of the Holders of all of such Subordinated Notes, (b) reduce the percentage of Subordinated Notes owned or otherwise affect the interests of those Holders of Subordinated Notes whose consent is required to effect any such modification or amendment, (c) create a preference or priority of any Subordinated Notes over any other Subordinated Notes without the consent of the Holders of all such Subordinated Notes, (d) create a lien prior to or on parity with the lien of the Subordinated Notes Resolution, without the consent of the Holders of all of the Subordinated Notes then Outstanding, or (e) change or modify any of the rights or obligations of Paying Agent without its written assent thereto. Notwithstanding the foregoing, nothing in this Subordinated Notes Resolution shall be deemed to preclude, or restrict issuance of additional Obligations or Subordinated Indebtedness or incurring Subordinated Contract Obligations in accordance with the terms of the General Resolution. For the purposes of this Section, Subordinated Notes shall be deemed to be affected by a modification or amendment of the Subordinated Notes Resolution if the same materially and adversely affects the rights of the Holders of such Subordinated Notes.

SECTION 703. Consent of Holders of Subordinated Notes. The Authority may at any time adopt a Supplemental Subordinated Notes Resolution making a modification or amendment permitted by the provisions of Section 702, to take effect when and as provided in this Section. A copy of such Supplemental Subordinated Notes Resolution (or brief summary

thereof or reference thereto) together with a request to the Holders for their consent thereto, shall be mailed by the Authority to the Holders (but failure to mail such copy and request shall not affect the validity of the Supplemental Subordinated Notes Resolution when consented to as in this Section provided). Such Supplemental Subordinated Notes Resolution shall not be effective unless and until (a) (i) the written consents of Holders of the percentages of Outstanding Subordinated Notes specified in Section 702 have been obtained and (ii) a Counsel's Opinion stating that such Supplemental Subordinated Notes Resolution has been duly and lawfully adopted and filed by the Authority in accordance with the provisions of the Subordinated Notes Resolution, is authorized or permitted by the Subordinated Notes Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms, and (b) a notice shall have been mailed to Holders as hereinafter in this Section 703 provided. Any such consent shall be binding upon the Holders of the Subordinated Notes giving such consent and, anything herein to the contrary notwithstanding, upon any subsequent Holder of such Subordinated Notes issued in exchange thereof (whether or not such subsequent Holder thereof has notice thereof). At any time after the Holders of the required percentages of Subordinated Notes shall have filed their consents to the Supplemental Subordinated Notes Resolution, notice, stating in substance that the Supplemental Subordinated Notes Resolution has been consented to by the Holders of the required percentages of Subordinated Notes and will be effective as provided in this Section 703, may be given to Holders of Subordinated Notes by the Authority by mailing such notice to Holders of Subordinated Notes (but failure to mail such notice shall not prevent such Supplemental Subordinated Notes Resolution from becoming effective and binding as in this Section 703 provided). The Authority shall maintain proof of the mailing of such notice. A record, consisting of the papers required or permitted by this Section 703, shall be proof of the matters therein stated. Such Supplemental Subordinated Notes Resolution making such amendment or modification shall be deemed conclusively binding upon the Authority, the Paying Agent and the Holders of all Subordinated Notes at the expiration of 40 days after the execution of an Authorized Officer's certification of the proof of the mailing of such last-mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Subordinated Notes Resolution in a legal action or equitable proceeding for such purpose commenced within such 40-day period; provided, however, that the Paying Agent and the Authority during such 40-day period and any such further period during which any such action or proceeding may be pending shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Subordinated Notes Resolution as they may deem expedient.

SECTION 704. Modifications by Unanimous Consent. The terms and provisions of the Subordinated Notes Resolution and the rights and obligations of the Authority and of the Holders of Subordinated Notes may be modified or amended in any respect upon the adoption and filing by the Authority of a Supplemental Subordinated Notes Resolution and the consent of the Holders of all of the Subordinated Notes then Outstanding, such consent to be given as provided in Section 703 except that no notice to Holders of Subordinated Notes shall be required; provided, however, that no such modification or amendment shall change or modify

any of the rights or obligations of the Paying Agent without the written assent thereto of such Paying Agent in addition to the consent of the Holders of Subordinated Notes.

SECTION 705. Exclusion of Subordinated Notes Owned by the Authority. Subordinated Notes owned or held by or for the account of the Authority shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Subordinated Notes provided for in this Article, and the Authority shall not be entitled with respect to such Subordinated Notes to give any consent or take any other action provided for in this Article.

SECTION 706. Notation on Subordinated Notes. Subordinated Notes delivered after the effective date of any action taken as in Article VI or this Article VII may bear a notation by endorsement or otherwise in form approved by the Authority as to such action, and in that case upon demand of the Holder of any Subordinated Notes Outstanding at such effective date and presentation of his Subordinated Notes for the purpose at the principal office of the Authority suitable notation shall be made on such Subordinated Notes as to any such action. If the Authority shall so determine, new Subordinated Notes so modified as in the opinion of the Authority to conform to such action shall be prepared and delivered, and upon demand of the Holder of any Subordinated Notes then Outstanding shall be exchanged, without cost to such Holders of Subordinated Notes for Subordinated Notes of the same maturity and interest rate then Outstanding, upon surrender of such Subordinated Notes.

ARTICLE VIII

MISCELLANEOUS

SECTION 801. Defeasance. If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Subordinated Notes, all amounts due on the Subordinated Notes at the times and in the manner stipulated herein, then the pledge created under this Subordinated Notes Resolution and all covenants, agreements and other obligations of the Authority hereunder, shall thereupon cease, terminate and become void and be discharged and satisfied, and thereupon all of the moneys and securities of the Authority then subject to such pledge shall be forever free and clear of such pledge and the Subordinated Notes shall no longer be deemed to be outstanding hereunder. If (i) moneys or (ii) direct obligations of the United States of America, the principal of and interest on which if paid, when due, will provide moneys sufficient to pay any Subordinated Note or Notes on their Maturity Date shall have been set aside and shall be held by a bank or trust company in the State of New York having a capital and surplus of not less than \$25,000,000, in a separate account irrevocably in trust for and assigned to the Holder or Holders thereof (through deposit by the Authority of funds or obligations for such payment or otherwise), such Subordinated Note or Notes shall be deemed to have been paid within the meaning and with the effect expressed in this paragraph. Moneys so set aside and held may be invested in direct obligations of the United States of America, provided, however, that said obligations shall mature not later than the Maturity Date of the Subordinated Note or Notes to be paid therefrom and shall be scheduled to pay the principal of or interest on such obligations at such times and in such amounts as shall permit the payment of such Subordinated Note or Notes on the Maturity Date. All earnings from the investment of such moneys other than such amounts as are required to pay such Subordinated Note or Notes shall be paid over to the Authority, as received by such bank or trust company, free and clear of any trust, lien or pledge.

SECTION 802. Agreement of the State. Pursuant to Section 1011 of the Act, the Authority, as agent for the State, does hereby pledge to and agree with the Holders of the Subordinated Notes that the State will not limit or alter the rights vested in the Authority by the Act until the Subordinated Notes, together with the interest thereon, have been fully met and discharged or adequate provision shall have been made by law for the protection of the Holders of the Subordinated Notes.

SECTION 803. Authorized Officers. The Authorized Officers, the Deputy Treasurer, the Secretary, and any Assistant Secretary of the Authority are each hereby authorized to deliver and execute in the name and on behalf of the Authority any certificate, opinion, record, approval, agreement, amendment to an agreement, including any documents required by or authorized pursuant to this Subordinated Notes Resolution or which they may deem necessary or advisable in order to consummate the issuance, sale, delivery or transfer of the Subordinated Notes and otherwise to effectuate the purposes of this Subordinated Notes Resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.

SECTION 804. Severability of Invalid Provisions. If any one or more of the covenants, agreements or provisions or portions thereof contained herein shall be held by a court of competent jurisdiction contrary to any express provisions of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements or provisions and shall in no way affect the validity of any of the other provisions hereof or of the Subordinated Notes issued hereunder.

SECTION 805. Payment and Performance on Business Days. Whenever under the terms of this Subordinated Notes Resolution or the Subordinated Notes, the performance date of any provision hereof or thereof, including the payment of principal of or interest on the Subordinated Notes shall occur on a day other than a Business Day, then the performance thereof, including the payment of principal of and interest on the Subordinated Notes, need not be made on such day but may be performed or paid, as the case may be, on the next succeeding Business Day with the same force and effect as if made on the originally scheduled date of performance or payment, and, with respect to any payment, without additional interest accruing after the originally scheduled date of payment.

SECTION 806. Effective Date. This Subordinated Notes Resolution shall be in full force and effect immediately upon its adoption.

EXHIBIT A TO SUBORDINATED NOTES RESOLUTION
(FORM OF SUBORDINATED NOTES)

POWER AUTHORITY OF THE STATE OF NEW YORK

SUBORDINATED NOTES, SERIES 2012

ISSUE DATE: _____ No. _____ PRINCIPAL AMOUNT: _____

FOR VALUE RECEIVED THE AUTHORITY PROMISES TO PAY

ON _____ (THE "MATURITY DATE")

TO THE ORDER OF

THE SUM OF _____ THE PRINCIPAL AMOUNT PLUS INTEREST DETERMINED
IN ACCORDANCE WITH THE SUBORDINATED NOTES
RESOLUTION (THE "INTEREST")

PAYABLE AT

Power Authority of the State of New York ("Authority") acknowledges itself indebted to and for the value received, hereby promises to pay on the MATURITY DATE to the order of _____ or registered assigns, the PRINCIPAL AMOUNT plus INTEREST by wire transfer of immediately available funds on the date payments are due.

This Subordinated Note is one of a duly authorized issue of Subordinated Notes of the Authority, issued under and pursuant to the Power Authority Act, Title 1 of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York, as amended ("Act"), and under and pursuant to a resolution adopted by the Authority on November 9, 2012 entitled "Resolution Authorizing Subordinated Notes, Series 2012 (Federally Taxable)", as the same may be amended and supplemented from time to time (the "Subordinated Notes Resolution"), and is entitled to the benefits and subject to the terms and conditions of the Subordinated Notes Resolution. A copy of the Subordinated Notes Resolution is on file at the office of the Authority located at 123 Main Street, White Plains, New York. The principal amount of Subordinated Notes issued under the Subordinated Notes Resolution outstanding at any one time may not exceed \$[insert authorized amount].

Except as otherwise defined herein, all capitalized words and terms used herein have the same meanings as in the Subordinated Notes Resolution.

The Subordinated Notes are Subordinated Indebtedness within the meaning of the General Resolution Authorizing Revenue Obligations adopted by the Authority on February 24, 1998, as heretofore and hereafter amended and supplemented in accordance with the terms thereof (the "General Resolution") and shall be payable from the Trust Estate; provided that such payments shall be subject and subordinated to the payments to be made with respect to the Obligations and Parity Debt, as provided in Sections 503 and 604 of the General Resolution. The Trust Estate is pledged for the payment of the Subordinated Notes, provided that such pledge is junior and inferior to the pledge of the Trust Estate created in the General Resolution for the payment of the Obligations and Parity Debt.

This Subordinated Note is transferable, as provided in the Subordinated Notes Resolution, only upon the books of the Authority, kept for that purpose at the office of The Bank of New York Mellon, as Paying Agent, by the registered owner hereof in person, or by his or her duly authorized attorney, upon surrender of this Subordinated Note together with a written instrument of transfer satisfactory to such Paying Agent, duly executed by the registered owner or his or her duly authorized attorney, and thereupon a new registered Subordinated Note in the same aggregate principal amount shall be issued to the transferee in exchange therefor as provided in the Subordinated Notes Resolution, upon payment of the charges therein prescribed. The Authority and such Paying Agent may deem and treat the person in whose name this Subordinated Note is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal and interest due hereon and for all other purposes.

Pursuant to Section 1011 of the Act, the Authority, as agent for the State of New York, does hereby pledge to and agree with the holder of this Subordinated Note that the State of New York will not limit or alter the rights vested in the Authority by the Act, until this Subordinated Note and each of the other Subordinated Notes of like tenor issued under the Subordinated Notes Resolution, together with the interest hereon and thereon, have been fully met and discharged or adequate provision shall have been made by law for the protection of the holders of all such Subordinated Notes.

Pursuant to the Act, the Authority has no power to pledge the credit of the State of New York, nor shall any of its obligations, including this Subordinated Note, be deemed to be obligations of the State of New York.

Neither the Trustees of the Authority nor any other officer or employee of the Authority shall be subject to any personal liability or accountability by reason of the issuance hereof.

This Subordinated Note shall not be entitled to any security, right or benefit pursuant to the Resolution or be valid or obligatory for any purposes unless the Certificate of

Authentication hereon has been duly executed by The Bank of New York Mellon, the Paying Agent.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Constitution and statutes of the State and the Subordinated Notes Resolution to exist, to have happened and to have been performed precedent to and in the issuance of this Subordinated Note, exist, have happened and have been performed in due time, form and manner as required by law and that the issuance of the Subordinated Notes, together with all other indebtedness of the Authority, is within every debt and other limit prescribed by law.

IN WITNESS WHEREOF, the POWER AUTHORITY OF THE STATE OF NEW YORK has caused this Subordinated Note to be executed in its name by the manual or facsimile signature of its Chairman, Vice Chairman, President and Chief Executive Officer, Executive Vice President and General Counsel, or Executive Vice President and Chief Financial Officer, and its corporate seal (or a facsimile thereof) to be affixed, imprinted, engraved or otherwise reproduced hereon, all as of the ISSUE DATE.

POWER AUTHORITY OF THE
STATE OF NEW YORK

By _____
Authorized Officer

[FACSIMILE SEAL]

NOT VALID UNLESS AUTHENTICATED

Authenticated:

THE BANK OF NEW YORK MELLON

Paying Agent

By _____
Authorized Signature