

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

\$214,565,000
Special Tax Revenue Refunding Bonds
(City of Philadelphia Funding Program)
Series of 2008

Closing Binder Item

H. 1. Opinion of Counsel to the Authority

May 15, 2008

RBC Capital Markets Corporation
One Logan Square
Philadelphia, PA 19103

Financial Security Assurance Inc.
31 West 52nd Street
New York, NY 10019

JPMorgan Chase Bank, National Association
New York, NY 10017

Ladies and Gentlemen:

We have acted as counsel to the Pennsylvania Intergovernmental Cooperation Authority (the "Authority"), a body corporate and politic constituting a public authority and instrumentality of the Commonwealth of Pennsylvania (the "Commonwealth") created pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the Act of June 5, 1991, P.L. 9, No. 6), as amended (the "Act"), in connection with the issuance and sale by the Authority on this date of \$133,740,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2008A and \$80,825,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2008B (collectively, the "2008 Bonds"). Pursuant to the power and authority vested in it by virtue of the Act, and to carry out the public purposes of the Act, the Authority is issuing the 2008 Bonds under an Amended and Restated Indenture of Trust, dated as of December 1, 1994 (the "1994 Indenture"), between the Authority and U.S. Bank National Association, as successor trustee (the "Trustee"), as amended and supplemented by a First Supplement to the Amended and Restated Indenture of Trust, dated as of May 15, 1996 (the "First Supplemental Indenture"), by a Second Supplement to the Amended and Restated Indenture of Trust, dated as of April 1, 1999 (the "Second Supplemental Indenture"), by the Third Supplement to the Amended and Restated Indenture of Trust, dated as of June 1, 2003 (the "Third Supplemental Indenture"), by the Fourth Supplement to the Amended and Restated Indenture of Trust dated as of June 1, 2006 (the "Fourth Supplemental Indenture") and by the Fifth Supplement to the Amended and Restated Indenture of Trust dated as of May 1, 2008 (the "Fifth Supplemental Indenture" and, together with the 1994 Indenture, the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, and the Fourth Supplemental Indenture, the "Indenture"), for the purpose of refunding certain outstanding bonds of the Authority, as more particularly described in the Indenture. The 2008 Bonds are secured under the Indenture by the Authority's pledge to the Trustee of, and the Authority's grant to the Trustee of a security interest in, the

proceeds of a 1.5% tax (the "Authority Income Tax") on salaries, wages, commissions and other compensation earned by residents of the City of Philadelphia, Pennsylvania (the "City") and on net profits earned in business, professions and other activities conducted by residents of the City, which has been enacted by the City exclusively for the purposes of the Authority pursuant to Section 601(a)(3) of the Act and pursuant to an ordinance (Bill No. 1437) of the City Council of the City, approved by the Mayor of the City on June 12, 1991 (the "Authority Income Tax Ordinance").

Pursuant to a Bond Purchase Contract dated May 14, 2008 (the "Bond Purchase Contract") between the Authority and RBC Capital Markets Corporation, as Underwriter (the "Underwriter"), the Authority is selling the 2008 Bonds to the Underwriter for offering by the Underwriter to the public. In connection with such public offering of the 2008 Bonds, the Authority has prepared an Official Statement, dated May 14, 2008 (the "Official Statement"), relating to the 2008 Bonds.

As contemplated by the Act, the Authority and the City have heretofore entered into an Intergovernmental Cooperation Agreement dated as of January 8, 1992 (the "Intergovernmental Cooperation Agreement").

In connection with the issuance of the 2008 Bonds, the Authority has executed and delivered a Tax Compliance Agreement dated May 15, 2008 (the "Tax Compliance Agreement"); the Authority, the Trustee and JPMorgan Chase Bank, National Association (the "Liquidity Bank") have entered into a Standby Bond Purchase Agreement, dated as of May 1, 2008 (the "Standby Bond Purchase Agreement"); and the Authority and RBC Capital Markets Corporation have entered into a Remarketing Agreement dated as of May 15, 2008 (the "Remarketing Agreement").

For the purpose of rendering this opinion letter, we have examined originals or copies, certified or otherwise identified to our satisfaction, of the Indenture, the Bond Purchase Contract, the Intergovernmental Cooperation Agreement, the Official Statement, the Authority Income Tax Ordinance, the Tax Compliance Agreement, the Standby Bond Purchase Agreement, the Remarketing Agreement, and such other instruments, documents, records and certificates, and have made such investigations as to matters of law, as we have deemed necessary and appropriate. We also have examined a specimen of the 2008 Bonds.

In rendering this opinion letter, we have assumed, with respect to all documents and instruments reviewed by us, the genuineness of all signatures (other than those of the Authority), the capacity of natural persons, the authenticity of all documents submitted to us as originals and the conformity to authentic original documents of all documents submitted to us as copies. We have further assumed as follows:

A. We have assumed that each party to the documents specified in paragraph 5 below other than the Authority (each such other party being referred to as an "Other Party") is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and has the lawful power and authority to enter into and perform its obligations under such documents; that such documents have been duly authorized, executed and delivered by each such Other Party; and that such documents constitute the legal, valid and binding obligation of each such Other Party, enforceable

against each such Other Party in accordance with their respective terms. We have further assumed that the 2008 Bonds have been duly authenticated by the Trustee in accordance with the requirements of the Indenture.

B. We have assumed that the City has duly and validly enacted the Authority Income Tax pursuant to the Authority Income Tax Ordinance in compliance with all procedural requirements of the City's Home Rule Charter, the Philadelphia Code of Ordinances and other applicable law, rules or regulations. We have further assumed that the Authority Income Tax Ordinance has not been amended, modified or repealed in whole or in part and is in full force and effect on the date hereof. We have further assumed that the City has duly authorized, executed and delivered the Intergovernmental Cooperation Agreement.

C. We have assumed that each Bond Insurer (as defined in the Indenture) and each Credit Facility Issuer (as defined in the Indenture) is duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and is duly licensed and authorized by all applicable regulatory bodies to issue the Bond Insurance Policy (as defined in the Indenture) or the Credit Facility (as defined in the Indenture) issued by such Bond Insurer or Credit Facility Issuer, as appropriate. We have further assumed that each Bond Insurance Policy has been duly authorized, executed and delivered by the relevant Bond Insurer and constitutes the legal, valid and binding obligation of such Bond Insurer, enforceable in accordance with its terms. We have further assumed that each Credit Facility has been duly authorized, executed and delivered by the relevant Credit Facility Issuer and constitutes the legal, valid and binding obligation of such Credit Facility Issuer, enforceable in accordance with its terms.

Based upon and subject to the foregoing, and subject to the further exceptions, qualifications and limitations hereinafter set forth, we are pleased to advise you that we are of the following opinions:

1. The Authority is a body corporate and politic, constituting a public authority and instrumentality of the Commonwealth, created pursuant to the Act.

2. The Authority has the power and the authority under the Act to enter into the Indenture and to issue the 2008 Bonds thereunder, and to enter into the Intergovernmental Cooperation Agreement, the Bond Purchase Contract, the Tax Compliance Agreement, the Remarketing Agreement and the Standby Bond Purchase Agreement.

3. The Indenture, the 2008 Bonds, the Intergovernmental Cooperation Agreement, the Bond Purchase Contract, the Tax Compliance Agreement, the Remarketing Agreement and the Standby Bond Purchase Agreement have each been duly authorized, executed and delivered by the Authority.

4. The Official Statement has been duly authorized and executed by the Authority.

5. The Indenture, the 2008 Bonds, the Intergovernmental Cooperation Agreement, the Bond Purchase Contract, the Tax Compliance Agreement, the Remarketing Agreement and the Standby Bond Purchase Agreement are each legal, valid and binding obligations of the Authority, enforceable against the Authority in accordance with their respective terms. We call to your attention, however, that the

2008 Bonds are not general obligations of the Authority but are limited obligations of the Authority, payable only out of the revenues from the Authority Income Tax and certain funds held by the Trustee under the Indenture, and that neither the credit nor the taxing power of the Commonwealth or any political subdivision (including the City) or agency thereof, other than the credit of the Authority to the limited extent described above, is pledged for the payment of the principal or redemption price of or interest on the 2008 Bonds. According to the Act, the 2008 Bonds do not constitute a debt or obligation of the Commonwealth or any political subdivision (including the City) or agency thereof. The Authority itself has no taxing power.

6. To our knowledge, there are no actions or proceedings pending, or overtly threatened in writing, against the Authority before any court, governmental agency or arbitrator, which seek to restrain or enjoin the issuance or delivery of the 2008 Bonds by the Authority or which in any way contest the validity or enforceability of the 2008 Bonds, the Indenture, the Bond Purchase Contract, the Intergovernmental Cooperation Agreement, the Tax Compliance Agreement, the Remarketing Agreement, the Standby Bond Purchase Agreement or the pledge of the revenues from the Authority Income Tax under the Indenture.

7. As provided in the Act, the proceeds of the Authority Income Tax are at all times the revenues and property of the Authority, are not property or revenues of the City and are not subject to appropriation by either the Commonwealth or the City.

8. The Indenture creates a valid lien on, and a valid and binding security interest in, the Pledged Revenues (as defined in the Indenture) for the security of the 2008 Bonds.

Although we have not undertaken to determine independently the accuracy, completeness or fairness of the information contained in the Official Statement, nothing has come to our attention during the course of the performance of our duties as counsel to the Authority that would lead us to believe that the information contained in the Official Statement (except for the information contained in any of the Appendices to the Official Statement, any other information in the Official Statement concerning the City, Financial Security Assurance Inc. (or any of its affiliates) or Financial Guaranty Insurance Company (or any of its affiliates), any information under the headings "THE 2008 BONDS – Book-Entry-Only System", "BOND INSURANCE", "CERTAIN INFORMATION CONCERNING THE BANK", "TAX MATTERS" and "UNDERWRITING" and any financial or statistical data or projections contained or required to be contained in any portion of the Official Statement, as to which we express no opinion or belief) contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

We express no opinion concerning the exempt status of interest on the 2008 Bonds under any Federal or state tax laws or regulations or concerning any other Federal or state tax law consequences of owning or disposing of the 2008 Bonds. We express no opinion concerning the status of the Indenture, the 2008 Bonds or the offering or sale of the 2008 Bonds under any registration or qualification requirements of the Federal or state securities laws or regulations. We express no opinion concerning the status of the 2008 Bonds as legal investments for any person or entity under any Federal or state

laws or regulations. In addition, our opinions expressed herein are subject to, and limited by, (a) applicable bankruptcy, insolvency, reorganization, moratorium, arrangement, liquidation or other similar laws affecting the rights and remedies of creditors and secured parties generally, and (b) general principles of equity, public policy considerations, judicial discretion and general requirements of good faith, fair dealing and reasonableness (regardless of whether considered in a proceeding at law or in equity).

Without limiting the generality of the preceding paragraph, we express no opinion as to the validity or enforceability of (1) any provision in any document granting or creating rights not available under Pennsylvania law, relating to self-help, imposing penalties, forfeitures, increased rates or late payment charges (to the extent they are found to be penalties or forfeitures or to be unreasonable or to the extent they are applied after the cure of the default or other triggering event), (2) any provision purporting to release persons from liability for acts or omissions resulting from negligence, bad faith or willful misconduct, (3) any provision providing for a right of indemnification or right of contribution (to the extent it is found to be a penalty or forfeiture or to be unreasonable in amount or to the extent that it provides for indemnification for the negligence or willful misconduct of, or a violation of law or public policy by, the person being indemnified), (4) any set-off rights set forth in any documents, (5) any provision with respect to payment of costs and expenses of enforcement, including, without limitation, attorneys' fees, to the extent that the same is determined to be contrary to public policy, (6) any provision relating to choice of law, consent to jurisdiction for bringing suit or the waiver of jury trial, (7) any provision modifying or waiving any requirement of good faith, fair dealing, diligence, commercial reasonableness or prior notice or the right of redemption arising under any law, waiving any rights afforded to any party thereto under any constitutional provision or waiving the rights afforded to any party under any statute, or by which any party thereto waives any rights afforded to such party by applicable law, except to the extent such waiver is expressly permitted by statute, (8) any provision which waives broadly or vaguely stated rights or future rights, or waives certain rights or defenses to obligations where such waivers are against statutes, laws or public policy, (9) any provision that provides that rights or remedies are not exclusive, that every right or remedy is cumulative and may be exercised in addition to or with any other right or remedy, or that the election of some remedy or remedies does not preclude recourse to one or more other remedies, (10) any provision that purports to prevent oral modification or waivers or purports to preclude the modification of the documents through conduct, custom or the course of performance, action or dealing, (11) any provision the breach of which a court concludes is not material or does not adversely affect any relevant party, (12) any provision purporting to make discretionary determinations of a person conclusive, (13) any provision imposing penalties, forfeitures, legal costs, late payment charges or an increase in interest rate upon delinquency in payment or the occurrence of a default, including any provisions relating to the accrual of interest on unpaid interest or "Deferred Interest" or the "Deferred Interest Fee Amount" as defined in the Standby Bond Purchase Agreement, (14) any provision purporting to characterize damages which may be claimed in the event of a breach or termination as liquidated damages, (15) any provision relating to amounts payable upon a breach or termination to the extent such amounts are found to be penalties or forfeitures or to be unreasonable in amount or to the extent that such provisions provide for indemnification for the negligence or willful misconduct of, or a violation of law or public policy by, the person to whom such amounts are payable, and (16) any provision relating to subrogation rights, payment of legal fees and other costs of indemnity.

We call your attention to the provisions of Section 911(b) of the Pennsylvania Crimes Code (the "Crimes Code"), 18 Pa.C.S. § 911(b), which makes it unlawful to use or invest income derived from a pattern of "racketeering activity" in the establishment or operation of any enterprise. "Racketeering activity", as defined in the Crimes Code, includes the collection of money or other property in full or partial satisfaction of a debt which arose as the result of the lending of money or other property at a rate of interest exceeding 25% per annum where not otherwise authorized by law. Accordingly, our opinions in this letter are qualified to the extent, if any, that the statute referenced in this paragraph may be applicable to this transaction.

This opinion letter is limited to the present law of the Commonwealth and the present Federal law of the United States of America. We note that the Standby Bond Purchase Agreement provides that it is to be governed by and construed in accordance with the substantive law of the State of New York, and for purposes of paragraph 5 of this opinion letter with respect to the Standby Bond Purchase Agreement, we have assumed, without verifying the same in any manner, that the laws of the State of New York are the same as the laws of the Commonwealth. This opinion letter is limited to the matters expressly stated herein, no opinion may be inferred or is implied beyond the matters expressly stated herein to be our opinion, and our opinions and other statements herein must be read in conjunction with the assumptions, limitations, exceptions and qualifications set forth in this letter.

The opinions and other statements herein are expressed as of the date hereof only, and not as of some future date. We undertake no responsibility to advise you of any change in law or any new laws, regulations, judicial decisions or other developments which may be promulgated or which may otherwise occur in the future. The phrase "to our knowledge" as used in this opinion letter means the conscious awareness, without independent investigation, of those attorneys in our firm who have devoted substantive attention to matters involving our representation of the Authority in this transaction.

This opinion letter is being rendered solely for your benefit in connection with the issuance of the 2008 Bonds by the Authority. You may not rely on this opinion letter for any other purpose and no other person or entity may rely on this opinion letter for any purpose. This opinion letter may not be referred to or quoted in whole or in part in any document, report or financial statement of, or filed with or delivered to, any person or entity, without the express written consent of the undersigned, but this opinion letter may be included as part of the transcript of closing documents relating to the 2008 Bonds.

Very truly yours,

A handwritten signature in black ink that reads "Reed Smith LLP". The signature is written in a cursive, flowing style.

REED SMITH LLP

May 15, 2008

WolfBlock LLP
Philadelphia, Pennsylvania

**Re: *Pennsylvania Intergovernmental Cooperation Authority
Special Tax Revenue Refunding Bonds
(City of Philadelphia Funding Program) Series of 2008A and Series of 2008B***

Ladies and Gentlemen:

We have rendered an opinion as counsel to Pennsylvania Intergovernmental Cooperation Authority, dated this date and addressed to, among other addressees, RBC Capital Markets Corporation, in connection with the issuance and sale of the above-referenced Bonds. A copy of our said opinion is attached hereto. You are hereby authorized to rely on paragraphs 1 and 3 of our said opinion as though it were expressly addressed to you.

Very truly yours,



REED SMITH LLP

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