



Executive Committee Meeting Booklet
for
March 23, 2010

Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601-3646
502-573-0260
502-573-0157 fax
<http://kia.ky.gov>



AGENDA

KENTUCKY INFRASTRUCTURE AUTHORITY
EXECUTIVE COMMITTEE MEETING
1024 CAPITAL CENTER DRIVE, SUITE 340
March 23, 2010 – 3:30 p.m.

Call to Order:

- Confirmation of Press Notice
- Confirmation of Quorum
- Recognition of Members/Guests

Chair Tony Wilder

I. BUSINESS (*Board Action Required*)

- A. A Resolution of the Executive Committee of the Kentucky Infrastructure Authority Directing and Authorizing the Issuance of \$[To Be Determined After Pricing] Kentucky Infrastructure Authority Wastewater and Drinking Water Revolving Fund Program Revenue Bonds, Series 2010A, by the Kentucky Infrastructure Authority and the Execution of a Purchase Contract Between the Kentucky Infrastructure Authority and Morgan Stanley & Co. Incorporated

Sandy Williams, KIA

II. ADJOURN

**A
T
T
A
C
H
M
E
N
T**

I.A.

RESOLUTION

A RESOLUTION OF THE EXECUTIVE COMMITTEE OF THE KENTUCKY INFRASTRUCTURE AUTHORITY DIRECTING AND AUTHORIZING THE ISSUANCE OF \$208,430,000 KENTUCKY INFRASTRUCTURE AUTHORITY WASTEWATER AND DRINKING WATER REVOLVING FUND PROGRAM REVENUE BONDS, SERIES 2010A, BY THE KENTUCKY INFRASTRUCTURE AUTHORITY AND THE EXECUTION OF A PURCHASE CONTRACT BETWEEN THE KENTUCKY INFRASTRUCTURE AUTHORITY AND MORGAN STANLEY & CO. INCORPORATED

WHEREAS, the Kentucky Infrastructure Authority (the "Authority") is authorized in Chapter 224A of the Kentucky Revised Statutes to issue revenue bonds for the acquisition, construction and installation of " infrastructure projects", as defined therein; and

WHEREAS, the Authority, at its February 4, 2010 meeting, approved a resolution (the "Preliminary Resolution") entitled:

A RESOLUTION (THE PRELIMINARY BOND RESOLUTION) OF THE BOARD OF THE KENTUCKY INFRASTRUCTURE AUTHORITY (AUTHORITY) AUTHORIZING THE EXECUTION OF A GENERAL TRUST INDENTURE DATED AS OF MARCH 1, 2010 BY AND BETWEEN THE KENTUCKY INFRASTRUCTURE AUTHORITY AND U.S. BANK NATIONAL ASSOCIATION, LOUISVILLE, KENTUCKY, IN CONNECTION WITH THE ISSUANCE FROM TIME TO TIME OF WASTEWATER AND DRINKING WATER REVOLVING FUND PROGRAM REVENUE BONDS; AUTHORIZING THE EXECUTION OF A SERIES TRUST INDENTURE BY AND BETWEEN THE AUTHORITY AND THE TRUSTEE; PROVIDING FOR THE ISSUANCE OF KENTUCKY INFRASTRUCTURE AUTHORITY WASTEWATER AND DRINKING WATER REVOLVING FUND PROGRAM REVENUE BONDS, SERIES 2010A IN A PRINCIPAL AMOUNT NOT TO EXCEED \$240,000,000 UNDER THE TERMS OF THE GENERAL TRUST INDENTURE AND THE SERIES TRUST INDENTURE; PROVIDING FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON SAID BONDS; AUTHORIZING THE SALE OF SAID BONDS; AND REPEALING ALL RESOLUTIONS OR PARTS THEREOF IN CONFLICT WITH THE PROVISIONS HEREOF.

agreeing to issue revenue bonds to finance its "Wastewater Revolving Fund Program" and "Drinking Water Revolving Fund Program" as provided by and permitted in KRS Chapter 224A; and

WHEREAS, pursuant to the Preliminary Bond Resolution adopted by the Authority, the Executive Committee was authorized to approve the execution of a bond purchase agreement (the "Purchase Contract") for the purchase of the Authority's "Wastewater and Drinking Water Revolving Fund Program Revenue Bonds (the "Series 2010A Bonds") with Morgan Stanley &

Co. Incorporated (the "Underwriter") and to establish the final principal amount of the Series 2010A Bonds to be issued; and

WHEREAS, this Executive Committee has determined that it is in the best interests of the Authority that the Authority proceed now with the execution of the Purchase Contract, issuance of the Bonds in the aggregate principal amount of \$208,430,000, and that the issuance of said Bonds be directed and authorized.

NOW, THEREFORE, it is hereby resolved and ordered by the Executive Committee of the Kentucky Infrastructure Authority as follows:

1. There are hereby directed and authorized to be issued Kentucky Infrastructure Authority Wastewater and Drinking Water Revolving Fund Program Revenue Bonds, Series 2010A in the principal amount of \$208,430,000.

2. That, as authorized by the Preliminary Bond Resolution, the appropriate officers execute the Purchase Contract for the Bonds between the Authority and the Underwriter, dated the date hereof, with the final terms of Bonds set forth in said Purchase Contract.

3. This resolution shall take effect immediately upon its adoption.

PASSED AND APPROVED this 23rd day of March, 2010.

**KENTUCKY INFRASTRUCTURE
AUTHORITY**

By: _____

Tony Wilder, Chair
Kentucky Infrastructure Authority

Attest:

Sandy Williams, Secretary
Kentucky Infrastructure Authority

CERTIFICATE

It is certified that the foregoing is a true and correct copy of a resolution duly adopted by the Executive Committee of the Kentucky Infrastructure Authority on the 23rd day of March, 2010, and such resolution has not been altered, amended or repealed.

IN WITNESS WHEREOF, the undersigned has executed this Certificate this ____ day of _____, 2010.

Secretary,
Kentucky Infrastructure Authority

46626_4.DOC

KENTUCKY INFRASTRUCTURE AUTHORITY
\$208,430,000
WASTEWATER AND DRINKING WATER REVOLVING FUND REVENUE BONDS
SERIES 2010A

BOND PURCHASE AGREEMENT

March 23, 2010

Kentucky Infrastructure Authority
1024 Capital Center Drive
Suite 340
Frankfurt, Kentucky 40601

Ladies and Gentlemen:

The undersigned representative of Morgan Stanley & Co. Incorporated (the “**Senior Manager**”), on behalf of itself, Citi, J.J.B. Hilliard, Lyons, LLC, Morgan Keegan & Company, Inc., PNC Capital Markets LLC, Edward D. Jones & Co., L.P., First Kentucky Securities Corp., Stifel, Nicolaus & Company, Incorporated, Ross, Sinclair & Associates, LLC, BofA Merrill Lynch, and Sterne, Agee & Leach, Inc. (together with the Senior Manager, the “**Underwriters**”), offers to enter into the following agreement with you (the “**Authority**”) for the sale by you and the purchase by the Underwriters of the Kentucky Infrastructure Authority Wastewater and Drinking Water Revolving Fund Revenue Bonds Series 2010A (the “**Bonds**”), described below. Upon your acceptance of this offer and your execution and delivery of this Agreement, this Agreement will be binding upon you and the Underwriters. This offer is made subject to your acceptance, evidenced by your execution and delivery of this Agreement to the Underwriters at or before 6:00 p.m., New York, New York time, on this date, and, if not so accepted, will be subject to withdrawal by the Underwriters upon written notice delivered to you at any time thereafter before acceptance by you. Unless otherwise indicated, the capitalized terms used in this Agreement have the meanings assigned to them in the Preliminary Official Statement dated March 12, 2010 (the “**Preliminary Official Statement**”) relating to the issuance of the Bonds.

1. Purchase and Sale.

1.1 Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth in this Agreement, the Underwriters agree to purchase from you, and you agree to sell to the Underwriters, when and if issued, all, but not less than all, of the Bonds in the aggregate principal amount and at the aggregate purchase price set forth in Section 1.3. The Bonds will mature on the dates and in the amounts, will bear interest at the rates and will be subject to optional and mandatory sinking fund redemption, all as set forth in Section 1.3.

The Bonds shall be substantially in the form described in, shall be issued and secured pursuant to the provisions of, and shall bear interest and shall be payable, all as provided in the General Trust Indenture between the Authority and U.S. Bank National Association (the “**Trustee**”), dated as of March 1, 2010 (the “**General Trust Indenture**”), as supplemented by the Series Trust Indenture dated as of March 1, 2010 (the “**Series 2010 Indenture**”), and together with the General Trust Indenture the “**Indenture**”). The Bonds shall in all other respects be the same Series 2010 Bonds that are defined as such and described in the Official Statement (as defined below).

1.2 The Authority acknowledges and agrees that (i) the purchase and sale of the Bonds pursuant to this Agreement is an arm's-length commercial transaction between the Authority and the Underwriters, (ii) in connection with such transaction, each Underwriter is acting solely as a principal and not as an agent or a fiduciary of the Authority, (iii) the Underwriters have not assumed (individually or collectively) a fiduciary responsibility in favor of the Authority with respect to the offering of the Bonds or the process leading thereto (whether or not any Underwriter, or any affiliate of an Underwriter, has advised or is currently advising the Authority on other matters) or any other obligation to the Authority except the obligations expressly set forth in this Agreement and (iv) the Authority has consulted with its own legal and financial advisors to the extent it deemed appropriate in connection with the offering of the Bonds.

1.3 The Purchase Price of the Bonds is \$230,342,614.32 (representing the principal amount of the Bonds, less Underwriters' discount of \$1,288,717.13, and plus net original issue premium of \$23,201,331.45), plus accrued interest, if any, to the Closing Date (as defined herein). The Purchase Price shall be payable on the Closing Date by the Underwriters to or as directed by the Authority by wire transfer in immediately available funds or as otherwise agreed by the Authority and the Senior Manager.

2. Concurrent Matters.

2.1 Upon your acceptance, execution and delivery of this Agreement, and no later than seven business days from the date hereof, and in any event in sufficient time to accompany customer confirmations requesting payment, you will deliver to the Underwriters a copy of the Official Statement marked as a final Official Statement, dated the same date as this Agreement (the "**Official Statement**"), signed by the Authority's Chair and Executive Director, which Official Statement will be substantially in the form of the Preliminary Official Statement, with only such amendments as are necessary to complete it as a final Official Statement or as have been approved in writing by the Senior Manager.

2.2 Your acceptance, execution and delivery of this Agreement will constitute your acknowledgment that the Underwriters (a) propose to make a bona fide public offering of the Bonds at the initial public offering prices or yields set forth in the Official Statement, (b) may effect transactions that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market and may discontinue the stabilization, if commenced, at any time, and (c) may change the offering prices of the Bonds from time to time and may offer the Bonds to certain dealers at prices lower than the public offering prices shown on the front of the Official Statement.

2.3 Your acceptance, execution and delivery of this Agreement will constitute (a) your consent and authorization to the use by the Underwriters, in connection with the public offering and sale of the Bonds, of copies of the Official Statement, including any supplements or amendments to it, and (b) your ratification of the use by the Underwriters in connection with the offering of the Bonds of the Preliminary Official Statement and the information contained in it.

2.4 On this date, concurrently with your acceptance of this Agreement, you will deliver or cause to be delivered to the Underwriters (i) a copy of the resolution adopted by the Board of Directors of the Authority (the "**Board**") on February 4, 2010, authorizing the execution of the General Trust Indenture and a Series Trust Indenture and the issuance and sale of the Bonds and the execution and delivery of this Agreement (the "**Preliminary Bond Resolution**"), certified by the Secretary of the Board to have been duly adopted by the Board and to be in full force and effect as of the date hereof; (ii) a copy of the resolution adopted by the Executive Committee of the Authority on March 23, 2010, authorizing terms of sale of the Bonds and the execution and delivery of this Agreement (the "**Bond Sale Resolution**") and, collectively with the Preliminary Bond Resolution, the "**Authorizing Resolutions**"), certified by the Secretary of the Board to have been duly adopted by the Executive Committee of the Board and to be in

full force and effect as of the date hereof; and (iii) a copy of the resolution adopted by the State Property and Buildings Commission of the Commonwealth of Kentucky (the “**Commission**”) on February 15, 2010, approving the issuance of the Bonds (the “**Commission Resolution**”), certified by the Executive Director of the Commission to have been duly adopted by the Commission and to be in full force and effect as of the date hereof.

3. **Closing; Delivery of Bonds.**

3.1 At 12:00 noon, Frankfort, Kentucky time, on April 15, 2010, or such other time and date as the Authority and the Senior Manager may agree in writing (the “**Closing**” or “**Closing Date**”), the Authority will cause the Bonds to be delivered to the Underwriters at the offices of The Depository Trust Company, New York, New York (“**DTC**”) or to the Trustee as the agent of DTC. The other documents mentioned in this Agreement will be delivered on the Closing Date at the offices of Peck, Shaffer & Williams LLP, Covington, Kentucky, or such other place as the Senior Manager and the Authority may agree. Notwithstanding the foregoing, if the Authority prepares an amendment or supplement to the Official Statement pursuant to paragraph 5.1(h), the Closing may be postponed by the Underwriters to the tenth business day after the preparation of the amendment or such other time as the Underwriters and the Authority determine. The Bonds will be delivered to DTC registered in the name of Cede & Co. or such other name as DTC may request at least two business days before the Closing. It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error in the numbers or the printing will constitute cause for a failure or refusal by the Underwriters to accept delivery and pay the purchase price of the Bonds.

4. **Representations and Warranties.**

4.1 The Authority makes the following representations and warranties to the Underwriters on this date and as of the Closing Date:

(a) The Authority is a body corporate and politic, constituting a public corporation and a governmental agency and instrumentality of the Commonwealth of Kentucky (the “**Commonwealth**”), and has all power and authority granted to provide for the financing described in the Official Statement under the Constitution and laws of the Commonwealth, including, in particular, Chapter 224A of the Kentucky Revised Statutes, as amended (the “**Act**”).

(b) The Authority has full power and authority (1) to execute and deliver this Agreement, the Continuing Disclosure Agreement dated the date of, and relating to, the Bonds (the “**Disclosure Agreement**”), the Bonds, the Indenture and the Official Statement, (2) to adopt the Authorizing Resolutions and approve and authorize the distribution of the Preliminary Official Statement and the Official Statement, (3) to issue the Bonds in the manner contemplated by the Authorizing Resolutions, the Indenture and this Agreement and described in the Official Statement, and (4) otherwise to carry out and consummate all of the actions of the Authority contemplated by this Agreement, the Disclosure Agreement, and the Indenture to be taken by the Authority. The Authority has taken or will take all action required by the Act, as appropriate, and other applicable laws in connection with the foregoing.

(c) The Authority has duly authorized (1) the execution and delivery of this Agreement, the Disclosure Agreement, the Indenture and the Official Statement, (2) the distribution of the Preliminary Official Statement and the Official Statement, and (3) the consummation of all of the transactions contemplated to be taken by the Authority under this Agreement, the Disclosure Agreement, and the Indenture.

(d) The execution and delivery of, and the performance of the obligations of the Authority under, this Agreement, the Disclosure Agreement and the Indenture, the execution and delivery of the Official Statement, and the issuance and sale of the Bonds are within the powers of the Authority and will not conflict with, or constitute a breach, or result in a violation of (1) the Act or any ordinance or

resolution of the Authority, (2) any federal or Commonwealth constitutional or statutory provision, (3) in any material respect, any agreement or other instrument to which the Authority is a party or by which it is bound, or (4) any order, rule, regulation, decree or ordinance of any court, government or governmental authority having jurisdiction over the Authority or its property.

(e) Other than the approval of the Commission given in the Commission Resolution and the approvals required under Section 45.810 of the Kentucky Revised Statutes, no further consent, approval, authorization or order of any governmental or regulatory authority is required to be obtained by the Authority as a condition precedent to the issuance of the Bonds or the execution and delivery by the Authority of this Agreement, the Disclosure Agreement, the Indenture or the Official Statement or the distribution of the Preliminary Official Statement (provided no representation or warranty is expressed as to any action required under federal or state securities or Blue Sky laws in connection with the purchase or distribution of the Bonds by the Underwriters).

(f) Except as described in the Preliminary Official Statement, there is no litigation at law or in equity or any proceeding before any governmental agency pending or, to the knowledge of the Authority, threatened with respect to (1) the existence of the Authority, (2) its authority under the Act or otherwise to execute and deliver this Agreement, the Disclosure Agreement, the Official Statement, the Indenture or the Bonds, (3) the validity or enforceability of any such instruments, including the Authorizing Resolutions, or the transactions contemplated thereby, (4) the title of the officers who executed or will execute such instruments, (5) any authority or proceedings relating to the execution and delivery of any such instruments by the Authority, (6) the ability of the Authority to pledge the revenues pledged under the Indenture as described in the Official Statement to provide for payment of principal of and premium, if any, and interest on the Bonds, (7) the completeness or accuracy of the Official Statement, or (8) the exclusion of interest on the Bonds from Commonwealth or federal income taxation.

(g) When authenticated by the Authority and delivered to and paid for by the Underwriters in accordance with the terms of this Agreement, the Bonds (1) will have been duly authenticated, executed and issued, (2) will constitute legal, valid and binding obligations of the Authority, enforceable in accordance with their terms, except as limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and similar laws and usual equity principles, and (3) will be secured by the revenues pledged under the Indenture.

(h) The Indenture creates a valid pledge of, first lien upon, a security interest in, and an assignment to the Trustee of the Pledged Receipts, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, and subject to liens, if any, imposed for taxes and other statutory liens which have a statutory priority over the lien of the Indenture.

(i) The Authority is not in default in the payment of the principal of or interest on any of its indebtedness for borrowed money and is not in default in any material respect under any document or instrument under and subject to which any indebtedness for borrowed money has been incurred which default would affect materially and adversely the transactions contemplated by this Agreement. No event has occurred or is continuing under the provisions of any such document or instrument that, with the lapse of time or the giving of notice, or both, would constitute an event of default thereunder, which event of default would affect materially and adversely the transactions contemplated by this Agreement.

(j) The Authority is not in violation of the Act or any existing law, rule or regulation applicable to it and is not in default in any material respect under any indenture, mortgage, deed of trust, lien, lease, contract, note, order, judgment, decree or other agreement, instrument or restriction of any kind to which the Authority is a party or by which it is bound or to which any of its assets are subject, which default would affect materially and adversely the execution, delivery and performance by the Authority of this Agreement or the transactions contemplated by it.

(k) The information, including all appendices and attachments to the Official Statement (except for information contained under the section headings “THE SERIES 2010 BONDS – Registration, Payment and Transfer -- Book Entry Method,” “TAX TREATMENT,” “UNDERWRITING,” and “FINANCIAL ADVISOR” and in Appendices E and F, as to which no representation is made), is as of its date and will be as of the date of Closing true and correct in all material respects and does not and will not contain any untrue statement of a material fact or omit to state a material fact that is necessary to make the statements made, in light of the circumstances under which they were made, not misleading.

(l) The Preliminary Official Statement heretofore delivered to the Underwriters was “deemed final” by the Authority as of its date, except for the omission of such information permitted to be omitted by Rule 15c2-12 (the “**Rule**”) of the Securities and Exchange Commission (the “**SEC**”).

(m) The financial statements of the Authority contained in the Official Statement present fairly the financial position of the Authority as of the dates indicated and the results of the operations and changes in net assets for the period specified, and such financial statements have been prepared in conformity with generally accepted accounting principles consistently applied to the periods indicated except as stated in the notes thereto.

(n) The Authority is not in default and has not been in default within the past five years with respect to any continuing disclosure obligation incurred pursuant to the Rule.

(o) Any certificate or copy of any certificate signed by the Chair, Secretary, Treasurer, Executive Director or other authorized officer of the Authority and delivered to the Underwriters pursuant hereto or in connection herewith shall be deemed an authorized representation by the Authority to the Underwriters as to the truth of the statements therein made.

(p) Except as permitted by the Indenture, from and after the time of Closing, the Authority will not create or permit the creation of, or issue any obligations or create any additional indebtedness secured by, a charge and lien on the Pledged Receipts and other moneys, securities, funds and property pledged in the Indenture.

4.2 (a) The Underwriters represent and warrant that they will make a bona fide public offering of the Bonds, that the Bonds will only be offered pursuant to the Official Statement and only in states where the offer is legal and that a copy of the Official Statement will be delivered to each purchaser of the Bonds. The Underwriters represent and warrant, in connection with the initial public sale of the Bonds, to deliver, or cause the delivery of, a copy of the Official Statement to each of its respective customers no later than the date of settlement of the transaction with such customer.

(b) The Underwriters agree to make a bona fide public offering of all the Bonds at prices not in excess of the initial public offering prices, or less than the yields, as set forth in **Exhibit A** hereto, and to be set forth on the inside cover page of the Official Statement. Subsequent to such initial public offering, the Underwriters reserve the right to change the public offering prices and yields as they deem necessary in connection with the marketing of the Bonds. The Bonds may be offered and sold to certain dealers and others (including Underwriters and other dealers depositing Bonds into investment trusts or mutual funds) at prices lower than such public offering prices.

4.3 Each of the representations and warranties set forth in this Section will survive the Closing.

5. Covenants.

5.1 The Authority covenants with the Underwriters that:

(a) The Authority will make available to the Underwriters such reasonable quantities of the Authorizing Resolutions as the Underwriters may request for use in connection with the offering and sale

of the Bonds and will make reasonable quantities of the final Official Statement available to the Underwriters within seven business days of the date hereof and in time to accompany any confirmation that requests payment from any customer of the Underwriters, and in sufficient quantities as the Underwriters may reasonably request to enable them to comply with the Rule and the rules of the Municipal Securities Rulemaking Board (the “MSRB”).

(b) The Authority will provide copies of its audited financial statements to the Underwriters and such other information as the Underwriters may reasonably request as long as any Bonds are outstanding. This covenant shall survive the execution and delivery of this Agreement and the issuance and delivery of the Bonds.

(c) The Authority will apply the proceeds from the sale of the Bonds as provided in and subject to all of the terms and provisions of the Authorizing Resolutions and the Indenture and as described in the Official Statement and will not take or omit to take any action which action or omission will adversely affect the exclusion from gross income for federal or Commonwealth income tax purposes of the interest on the Bonds.

(d) The Authority will furnish such information and execute such instruments and take such action in cooperation with the Underwriters as they may reasonably request (1) to (A) qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions in the United States as the Underwriters may designate and (B) determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions and (2) to continue such qualifications in effect so long as required for the distribution of the Bonds; provided, however, that the Authority will not be required to qualify as a “foreign corporation” or to file any general consents to service of process under the laws of any state or to comply with any other requirements deemed by the Authority to be unduly burdensome. The Authority consents to the use of the Preliminary Official Statement and Official Statement in connection with the foregoing.

(e) The Authority will advise the Underwriters immediately of receipt by the Authority of any notification with respect to the suspension of the qualification of the Bonds for sale in any jurisdiction or the initiation or threat of any proceeding for that purpose.

(f) Except as otherwise contemplated in the Official Statement, between the date of this Agreement and Closing, the Authority will not offer or issue any bonds, notes or other obligations for borrowed money or incur any material liabilities, direct or contingent, payable from or secured by the Pledged Receipts or the revenues or other assets of the Authority.

(g) Prior to the Closing, the Authority will not amend, terminate or rescind the Authorizing Resolutions or the Indenture without the prior written consent of the Underwriters.

(h) From the Closing Date until 25 days after the end of the underwriting period (as defined below), the Authority agrees to notify the Underwriters of any event of which it has actual knowledge which affects the Authority and which, in the judgment of the Authority after reasonable inquiry, might affect the correctness or completeness of any statement of a material fact contained in the Official Statement as it relates to the Authority. If, as a result of such event or any other event, it is necessary, in the reasonable opinion of the Underwriters, to amend or supplement the Official Statement to make the statements in it, in light of the circumstances under which they were made, not misleading, and the Underwriters have so advised the Authority, the Authority agrees that it will promptly prepare and furnish to the Underwriters (at the expense of the Authority) a reasonable number of copies of an amendment of or a supplement to the Official Statement that will amend or supplement the Official Statement in a form and manner as is reasonably acceptable to the Underwriters. For purposes of this Agreement the term “end of the underwriting period” shall be the later of the Closing or, if on or before the Closing, the Underwriters advise the Authority in writing that any Bonds remain for sale to the public, when the Underwriters no longer retain any Bonds for sale to the public. The Underwriters will use their best

efforts to end the underwriting period as soon as possible, and if the end of the underwriting period extends beyond the Closing, the Underwriters will give the Authority written notice of the date on which the end of the underwriting period occurs.

(i) If between the date hereof and the date of the Closing any event occurs which would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated, in light of the circumstances under which they were made, the Authority will notify the Underwriters of this event and if in the opinion of the Authority or the Underwriters this event requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority will furnish such information as may be necessary to correct this misstatement or omission and will cooperate to cause the Official Statement to be amended or supplemented in a form reasonably satisfactory to the Underwriters and approved by the Authority. All costs associated with any such supplements or amendments will be paid by the Authority.

(j) The Authority will (1) take all action necessary, including execution of a letter of representation to DTC, if necessary, to qualify the Bonds for book-entry registration and delivery through DTC, and (2) deliver authenticated Bonds to DTC or to the Trustee as DTC's agent at the time and place provided in Section 3 of this Agreement.

(k) The Authority will not take or omit to take any action which, under existing law, adversely affects the exemption from federal or Commonwealth income taxation of interest on the Bonds.

(l) In order to permit compliance by the Underwriters with the Rule promulgated by the SEC, the Authority will provide, while the Bonds are outstanding, the financial statements and operating data and the notices of the occurrence of certain material events with respect to the Bonds that the Authority agrees to provide in the Disclosure Agreement and at the times and in the manner specified therein. Such financial information, operating data and notices shall be provided to the MSRB through its Electronic Municipal Market Access system, as required under the Rule. This covenant shall survive issuance and delivery of the Bonds.

6. Conditions of Closing.

6.1 The Underwriters have entered into this Agreement in reliance upon the representations, warranties and agreements of the Authority contained in it, and in reliance on the documents and instruments to be delivered at the Closing and on the performance by the Authority of its obligations under this Agreement, both as of the date hereof and as of the date of the Closing. Accordingly, the obligation of the Underwriters to consummate the transactions contemplated in this Agreement at the Closing is conditioned upon the performance by the Authority of its obligations to be performed under this Agreement and under such documents and instruments at or before Closing, and is subject to the satisfaction (unless waived in writing) of the following conditions:

(a) The Underwriters will not have discovered any material error, misstatement or omission in the representations and warranties made by the Authority in this Agreement, which representations and warranties will be deemed to have been made again at and as of the time of the Closing.

(b) The Authorizing Resolutions, the Indenture and the Act will be in full force and effect and will not have been amended, modified or supplemented, and the Official Statement will not have been supplemented or amended, except as may have been agreed or consented to in writing by the Senior Manager.

(c) At the time of the Closing, all official action of the Authority and of the Commission relating to this Agreement and the Bonds will be in full force and effect and will not have been amended, modified or supplemented except as otherwise agreed to by the Senior Manager.

(d) The Underwriters will have received the Official Statement, and each supplement or amendment, if any, to it, executed on behalf of the Authority by the Chair and the Executive Director.

(e) The Underwriters will have received from Peck, Shaffer & Williams LLP (“**Bond Counsel**”) an approving opinion dated the Closing Date, in substantially the form as set forth in Appendix E to the Official Statement.

(f) The Underwriters will have received from Bond Counsel a supplemental opinion or opinions, dated the Closing Date, in substantially the form of **Exhibit B**.

(g) The Underwriters will have received from Squire, Sanders & Dempsey L.L.P., counsel to the Underwriters, an opinion dated the Closing Date in a form acceptable to the Underwriters.

(h) The Underwriters will have received a certificate regarding the Authority’s representations and warranties contained herein dated the Closing Date and signed by the Executive Director and the Treasurer in form and substance reasonably acceptable to the Underwriters.

(i) The Underwriters will have received a certificate of the Executive Director, setting forth facts, estimates and circumstances (including covenants of the Authority) in existence on the Closing Date sufficient to support the conclusion that it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, and applicable rules and regulations.

(j) The Underwriters will have received a certificate of the Authority as to the receipt of payment for the Bonds.

(k) The Underwriters will have received confirmation of the ratings from Moody’s Investors Service, Inc., Standard & Poor’s Ratings Services and Fitch Ratings indicating the Bonds have been rated “Aaa,” “AAA” and “AAA” respectively, which ratings will remain in effect through the Closing Date.

(l) The Underwriters will have received a certified copy of each of the Authorizing Resolutions, General Trust Indenture and Series 2010 Indenture.

(m) The Underwriters will have received an executed copy of Internal Revenue Service Form 8038-G prepared for the Bonds.

(n) The Underwriters will have received such additional legal opinions, certificates and other evidence as the Underwriters or Bond Counsel may reasonably deem necessary to evidence the truth and accuracy as of the Closing Date of the Authority’s representations and warranties contained in this Agreement and the Official Statement and the due performance and satisfaction by the Authority at or before the time of any agreements then to be performed and all conditions then to be satisfied by the Authority.

6.2 If any of the conditions set forth in Section 6.1 have not been met on the Closing Date, the Underwriters may, at their sole option, terminate this Agreement. If this Agreement is terminated pursuant to this Section, neither party will have any rights or obligations to the other, except as provided in Section 9.

7. Actions and Events at the Closing.

7.1 At the Closing, (a) the Authority: (1) will deliver the Bonds to DTC or the Trustee as DTC’s agent duly executed on the Authority’s behalf in accordance with Section 3 and (2) will deliver to the Underwriters at the place of Closing identified in Section 3, or at such other place or places as the

Authority and the Senior Manager agree, the items described in Section 6.1, and (b) the Underwriters will deliver to the Authority payment for the Bonds as provided in Section 3.

8. Termination of Agreement.

8.1 The Underwriters have the right to cancel their obligations under this Agreement, and terminate this Agreement, without liability by notifying the Authority at any time after the date of this Agreement and before Closing if in the Senior Manager's sole judgment any of the following events shall occur:

(a) The market price or the marketability of the Bonds or ability of the Underwriters to sell the Bonds, or to enforce contracts for the sale of the Bonds, at the contemplated offering price shall, in the reasonable opinion of the Underwriters, have been materially adversely affected by:

(i) an amendment to or proposal to amend the Constitution of the United States or of the Commonwealth or any Federal or state legislation or proposed legislation or any decision of any Federal or State court or any ruling or regulation (final, temporary or proposed) or official statement on behalf of the Treasury Department of the United States, the Internal Revenue Service or other Federal agency or agency of a state, or any other action or event affecting, directly or indirectly, the Federal or state tax-exempt status of bonds of the Authority (including the Bonds) or the interest thereon, or the Federal or state tax consequences of any of the transactions contemplated hereby and by the Official Statement; or

(ii) there shall have occurred any material outbreak or material escalation of hostilities, declaration by the United States of a national emergency or war or other calamity or crisis the effect of which on financial markets is such as to make it, in the reasonable judgment of the Underwriters, impractical or inadvisable to proceed with the offering or delivery of the Bonds as contemplated by the Official Statement (exclusive of any amendment or supplement thereto); or

(iii) the establishment of any new restrictions on transactions in securities materially affecting the free market for securities or the extension of credit by, or any change to the net capital requirements of the Underwriters established by the New York Stock Exchange or other national securities exchange, the Securities and Exchange Commission, any other Federal agency or any agency of any state that the Underwriters reasonably determine to be a material jurisdiction with respect to the offering and sale of the Bonds or the Congress of the United States of America, or by Executive Order; or

(iv) the withholding of any necessary registration, exemption, or clearance of the offering of the Bonds by the "blue sky" or securities commission or commissioner of any jurisdiction that the Underwriters reasonably determine to be material with respect to the offering and sale of the Bonds.

(b) (i) Trading generally shall have been suspended or materially limited on or by, as the case may be, any of the New York Stock Exchange, the American Stock Exchange, the National Association of Securities Dealers, Inc., the Chicago Board Options Exchange, the Chicago Mercantile Exchange or the Chicago Board of Trade, (ii) trading of any securities of the Authority shall have been suspended on any exchange or in any over-the-counter market, (iii) a general moratorium on commercial banking activities in New York shall have been declared by either Federal or New York State authorities, or (iv) there shall have occurred any outbreak or escalation of hostilities or any change in financial markets or any calamity or crisis that, in the judgment of the Underwriters, is material and adverse and in the case of any of the events specified in clauses (i) through (iv), such event singly or together with any other such event makes it, in the judgment of the Underwriters, impracticable to market the Bonds on the terms and in the manner contemplated in the Official Statement.

(c) Legislation shall be enacted or any Federal court shall render a decision, or the Securities and Exchange Commission or other governmental agency shall make or issue a ruling or regulation (final, temporary or proposed), in any event to the effect that (i) the Bonds or any securities of a type similar to

the Bonds of the Authority or any instrument pertaining thereto are subject to the registration requirements of the Securities Act, or (ii) the qualification or any other agreement in respect of the Bonds is required under the Trust Indenture Act of 1939, as amended (the “**Trust Indenture Act**”), or (iii) any action shall have been taken by any court or by any governmental entity suspending the use of the Official Statement or any amendment or supplement thereto, or any proceeding for that purpose shall have been initiated or threatened in any such court or by any such governmental entity.

(d) There shall exist any event or condition that, in the opinion of the Underwriters, either (i) makes untrue or incorrect in any material respect any statement or information contained in the Official Statement, or (ii) is not reflected in the Official Statement but should be reflected therein in order to make the statements and information contained therein not misleading in any material respect, unless the Official Statement is amended to reflect such event or condition in a manner satisfactory to the Underwriters.

(e) There shall have been any materially adverse change in the affairs (financial or otherwise) of the Authority.

(f) A supplement or amendment shall have been made to the Official Statement subsequent to the date hereof that, in the judgment of the Underwriters, materially and adversely affects the market price or the marketability of the Bonds or the ability of the Underwriters to sell the Bonds, or to enforce contracts for the sale of the Bonds, at the contemplated offering price.

(g) a decision by a court of the United States shall be rendered, or a stop order, release, regulation or no-action letter by or on behalf of the SEC or any other governmental agency having jurisdiction of the subject matter shall have been issued or made, to the effect that the issuance, offering or sale of the Bonds, including the underlying obligations as contemplated by this Agreement or by the Official Statement, or any document relating to the issuance, offering or sale of the Bonds, is or would be in violation of any provision of the federal securities laws at the Closing Date, including the Securities Act and the Trust Indenture Act.

If the Authority is unable to satisfy the conditions to the obligation of the Underwriters contained in this Agreement, or if the obligation of the Underwriters hereunder is terminated for any reason permitted by this Agreement, this Agreement may be canceled by the Underwriters, and, upon such cancellation, the Underwriters and the Authority shall be under no further obligation hereunder except as provided in paragraph 9.1 hereof.

9. Expenses.

9.1 The Underwriters shall be under no obligation to pay, and the Authority will cause to be paid all expenses incident to the performance of its obligations under this Agreement, including, but not limited to (a) the cost of the printing or other reproduction (for distribution before, on, or after the date of acceptance of this Agreement) of the Preliminary Official Statement and the Official Statement, in reasonable quantities for distribution, (b) all charges and expenses in connection with obtaining the rating of the Bonds, (c) the cost of preparing the definitive Bonds, (d) the fees and disbursements of the Bond Counsel, the Authority’s financial advisor and any other experts, advisors or consultants retained by the Authority, (e) the costs of paying all agents, transfer agents and bond registrars, including but not limited to the Trustee, (f) the fees and expenses, if any, of any wire or other transfers made pursuant to Section 3 of this Agreement, (g) the costs of qualifying the Bonds for sale in various states chosen by the Underwriters, and (h) the fees and expenses, including travel, meal, lodging, entertainment and deal memento expenses, incurred by the Authority or its officials or employees in connection with the issuance, sale and delivery of the Bonds.

10. [Reserved].

11. Miscellaneous.

11.1 All notices, demands and formal actions under this Agreement will be in writing and mailed, facsimile transmission, electronic communication or delivered (provided that delivery by facsimile transmission or electronic communication must be confirmed by the sender) to the following address or such other address as either of the parties shall specify:

(1) If to the Underwriters:

Morgan Stanley & Co. Incorporated
1221 Avenue of the Americas
30th Floor
New York, New York 10020
Attention: Richard Weiss
Telephone: (212) 762-8292

(2) If to the Authority:

Kentucky Infrastructure Authority
1024 Capital Center Drive
Suite 340
Frankfort, Kentucky 40601
Attention: Executive Director
Telephone: (502) 573-0260

11.2 This Agreement will inure to the benefit of and be binding upon its parties and their successors and assigns and does not confer any rights upon any other person. The terms “successor” and “assigns” do not include any purchaser of any of the Bonds from the Underwriters merely because of such purchase.

11.3 This Agreement may not be assigned by the Authority or the Underwriters.

11.4 If any provision of this Agreement is held or deemed to be or is, in fact, inoperative, invalid or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, this will not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstances or of rendering any other provision of this Agreement valid, inoperative or unenforceable to any extent whatsoever.

11.5 This Agreement will be governed by and construed in accordance with the laws of the Commonwealth of Kentucky.

11.6 This Agreement may be executed in several counterparts, each of which will be regarded as an original and all of which will constitute one and the same document.

MORGAN STANLEY & CO. INCORPORATED, on behalf of itself, Citi, J.J.B. Hilliard, Lyons, LLC, Morgan Keegan & Company, Inc., PNC Capital Markets LLC, Edward D. Jones & Co., L.P., First Kentucky Securities Corp., Stifel, Nicolaus & Company, Incorporated, Ross, Sinclair & Associates, LLC, BofA Merrill Lynch, and Sterne, Agee & Leach, Inc.

By: _____

Its: _____

By our acceptance of this Agreement, we agree to be bound by the provisions of this Agreement that relate to us.

**KENTUCKY INFRASTRUCTURE
AUTHORITY**

By: _____
Chair

\$208,430,000
Kentucky Infrastructure Authority
Wastewater and Drinking Water Revolving Fund Revenue Bonds
Series 2010A

Maturities, Amounts, Interest Rates and Yields

<u>Maturity Date</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Price</u>
2/1/2011	\$4,370,000	1.500%	0.350%	100.911
2/1/2012	6,945,000	3.000%	0.680%	104.130
2/1/2013	10,670,000	4.000%	0.950%	108.390
2/1/2013	550,000	2.000%	0.950%	102.888
2/1/2014	10,420,000	5.000%	1.240%	113.892
2/1/2014	1,475,000	2.500%	1.240%	104.655
2/1/2015	6,950,000	5.000%	1.600%	115.629
2/1/2015	4,555,000	3.000%	1.600%	106.435
2/1/2016	10,370,000	5.000%	2.080%	115.859
2/1/2016	1,340,000	3.500%	2.080%	107.711
2/1/2017	9,070,000	5.000%	2.400%	116.207
2/1/2017	2,825,000	4.000%	2.400%	109.973
2/1/2018	10,485,000	5.000%	2.700%	116.065
2/1/2018	1,335,000	4.000%	2.700%	109.079
2/1/2019	10,895,000	5.000%	2.900%	116.194
2/1/2019	665,000	4.000%	2.900%	108.481
2/1/2020	9,875,000	5.000%	3.080%	116.123
2/1/2020	1,545,000	3.000%	3.080%	99.325
2/1/2021	10,760,000	5.000%	3.190%	115.118*
2/1/2021	970,000	3.200%	3.190%	100.080 *
2/1/2022	9,970,000	5.000%	3.300%	114.124 *
2/1/2022	1,650,000	3.300%	3.300%	100.000
2/1/2023	11,575,000	5.000%	3.420%	113.051 *
2/1/2023	325,000	3.400%	3.420%	99.790
2/1/2024	10,580,000	5.000%	3.540%	111.990 *
2/1/2024	1,150,000	3.500%	3.540%	99.562
2/1/2025	11,275,000	5.000%	3.625%	111.245 *
2/1/2025	145,000	3.625%	3.640%	99.825
2/1/2026	11,535,000	5.000%	3.730%	110.334 *
2/1/2026	65,000	3.700%	3.730%	99.640
2/1/2027	11,655,000	5.000%	3.790%	109.817 *
2/1/2028	11,790,000	5.000%	3.860%	109.218 *
2/1/2029	10,645,000	4.000%	4.100%	98.693

* Priced to par call date of February 1, 2020

Optional Redemption

The Bonds maturing on or after February 1, 2021 are subject to prior redemption by and at the sole option of the Authority in whole multiples of \$5,000, either in whole or in part (as selected by the Authority) on any date on or after February 1, 2020, at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date.

Mandatory Sinking Fund Redemption

There are no Mandatory Sinking Fund Redemption Requirements.

Extraordinary Mandatory Redemption on June 20, 2013

To comply with the 2006 Tax Act, as described in the Official Statement, the Bonds are subject to extraordinary mandatory redemption by the Authority on June 20, 2013 in whole or in part, at a redemption price set forth below, plus accrued and unpaid interest to the redemption date. The particular Bonds to be redeemed will be selected from such maturities as shall be determined by the Authority, upon advice from Bond Counsel.

			6/20/2013
			Redemption
<u>Maturity Date</u>	<u>Amount</u>	<u>Coupon</u>	<u>Price @ 102%</u>
2/1/2011	4,370,000	1.500%	n/a
2/1/2012	6,945,000	3.000%	n/a
2/1/2013	10,670,000	4.000%	n/a
2/1/2013	550,000	2.000%	n/a
2/1/2014	10,420,000	5.000%	104.337
2/1/2014	1,475,000	2.500%	102.782
2/1/2015	6,950,000	5.000%	107.501
2/1/2015	4,555,000	3.000%	104.264
2/1/2016	10,370,000	5.000%	109.537
2/1/2016	1,340,000	3.500%	105.664
2/1/2017	9,070,000	5.000%	111.125
2/1/2017	2,825,000	4.000%	107.614
2/1/2018	10,485,000	5.000%	112.109
2/1/2018	1,335,000	4.000%	107.713
2/1/2019	10,895,000	5.000%	113.020
2/1/2019	665,000	4.000%	107.771
2/1/2020	9,875,000	5.000%	113.634
2/1/2020	1,545,000	3.000%	101.512
2/1/2021	10,760,000	5.000%	112.926
2/1/2021	970,000	3.200%	102.057
2/1/2022	9,970,000	5.000%	112.223
2/1/2022	1,650,000	3.300%	102.000
2/1/2023	11,575,000	5.000%	111.464
2/1/2023	325,000	3.400%	101.831
2/1/2024	10,580,000	5.000%	110.709
2/1/2024	1,150,000	3.500%	101.638
2/1/2025	11,275,000	5.000%	110.177
2/1/2025	145,000	3.625%	101.853
2/1/2026	11,535,000	5.000%	109.527
2/1/2026	65,000	3.700%	101.691
2/1/2027	11,655,000	5.000%	109.156
2/1/2028	11,790,000	5.000%	108.726
2/1/2029	10,645,000	4.000%	100.828

April 15, 2010

Kentucky Infrastructure Authority
Frankfort, Kentucky

Morgan Stanley & Co. Incorporated
New York, New York,
As Senior Manager of the Underwriters

U.S. Bank National Association
Louisville, Kentucky

Re: \$208,430,000 Kentucky Infrastructure Authority Wastewater and Drinking Water Revolving Fund Revenue Bonds, Series 2010A

Gentlemen:

This opinion is being rendered pursuant to the Bond Purchase Agreement dated March 23, 2010 (the "Purchase Agreement"), between the Kentucky Infrastructure Authority (the "Authority") and Morgan Stanley & Co. Incorporated, acting on behalf of a group of underwriters (the "Underwriters") relating to the issuance and sale of the referenced bonds (the "Bonds"). All terms in this opinion have the same meanings as are assigned to them in the Purchase Agreement.

We have acted as Bond Counsel and as special counsel to the Authority in connection with the issuance and sale of the Bonds. In rendering this opinion, we have examined and relied upon the matters contained, referred to and identified, and to the same extent stated, in our approving legal opinions relating to the Bonds (the "Approving Opinions"), and have examined the Official Statement (except for any financial or statistical data therein as to which no opinion has been requested from us and none is expressed by us). In addition, we have examined executed copies of the following documents:

- (1) The General Trust Indenture dated as of March 1, 2010 between the Authority and U.S. Bank National Association, as trustee (the "Trustee") and Series Trust Indenture dated as of March 1, 2010 between the Authority and the Trustee (collectively, the "Indenture");
- (2) The Assistance Agreements, as defined in the Indenture;
- (3) The Continuing Disclosure Agreement by and between the Authority and U.S. Bank National Association (the "Continuing Disclosure Agreement"); and
- (4) The Purchase Agreement.

Based upon our examination of law and the aforesaid examination, we are of the opinion that:

(1) The Authority is a public body corporate and politic and a governmental agency and instrumentality of the Commonwealth of Kentucky.

(2) The Indenture, the Assistance Agreements, the Continuing Disclosure Agreement, the Purchase Agreement, the Official Statement and the Bonds have been duly authorized, executed and delivered by the Authority in accordance with the Act, as defined in the Indenture, and all other governing law, and have not been modified, amended, supplemented or rescinded and are in full force and effect and valid, binding upon, and enforceable against the Authority.

(3) To the best of our knowledge, after due inquiry, the execution and delivery by the Authority of the Indenture, the Assistance Agreements, the Continuing Disclosure Agreement, the Purchase Agreement, the Official Statement and the Bonds have not and will not violate any provision of law of the Commonwealth or any applicable judgment, order or regulation of any court or any public or governmental agency or authority of the Commonwealth and will not materially conflict with or result in any material breach of any of the provisions of, or constitute a material default under, any agreement or instrument to which the Authority is a party or by which it or any of its properties is or may be bound, nor will such action result in any violation of any of the provisions of the Constitution or laws of the Commonwealth relating to the establishment of the Authority or its affairs or any statute, order, rule or regulation applicable to the Authority or of any court or of any state regulatory or other governmental body having jurisdiction over the Authority. The Authority has, pursuant to the Act, all requisite of power to execute and deliver the Indenture, the Assistance Agreements, the Continuing Disclosure Agreement and the Purchase Agreement and to issue the Bonds (as described in the Official Statement).

(4) To the best of our knowledge, after due inquiry, no litigation before or by any court, public board or body, is pending or, to the best of our knowledge, threatened against the Authority which would affect the creation, organization, corporate existence, or operations of the Authority or the title of its present members or officers to their respective offices, seeking to prohibit, restrain or enjoin the issuance or delivery of the Bonds, or the collection of revenues of the Authority or the pledge of assets and revenues under the Indenture, in any way contesting or affecting the validity or enforceability of the Bonds, the Indenture, the Assistance Agreements, the Continuing Disclosure Agreement or the Purchase Agreement, or contesting in any material respect the completeness or accuracy of the Official Statement.

(5) To the best of our knowledge, after due inquiry, there exists no event of default which is continuing under any of the Assistance Agreements pledged as security for the Bonds.

(6) The Bonds are exempt securities within the meaning of § 3(a)(2) of the Securities Act of 1933, as amended (the "1933 Act"), and § 304(a)(4)(A) of the Trust Indenture Act of 1939, as amended (the "TIA"), to the extent provided in the 1933 Act and the TIA, respectively.

(7) It is not necessary in connection with the sale of the Bonds to the public to register the Bonds under the 1933 Act or to qualify the Indenture or the Resolution under the TIA.

(8) The Purchase Agreement, assuming due authorization, execution and delivery by the Underwriters, has been duly authorized, executed and delivered and constitutes a valid and binding agreement of the Authority, in accordance with its terms, except to the extent that the enforceability of such instrument may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally and by the application of general principles of equity.

(9) The Official Statement has been duly executed and delivered by the Authority.

(10) The Authority has approved the preparation and distribution of the Preliminary Official Statement and the Official Statement.

(11) We have participated in the preparation of the Official Statement as Bond Counsel to the Authority and, based upon such participation, are of the opinion that the information contained in the Official Statement on the cover page and under the captions "PLAN OF FINANCE," "THE SERIES 2010 BONDS," "THE AUTHORITY," "REVOLVING FUNDS," "PLEDGED ASSISTANCE AGREEMENTS SECURING THE SEREIS 2010 BONDS," "SUMMARY OF FORM OF ASSISTANCE AGREEMENTS", "ADDITIONAL BONDS," "ABSENCE OF MATERIAL LITIGATION," and "APPROVAL OF ISSUANCE" and in Appendices C, D and E, insofar as such statements purport to summarize certain provisions of the Bonds, the Resolution, the General Indenture, the Series Indenture, the Continuing Disclosure Agreement and the Assistance Agreements, present fair and accurate descriptions of such provisions, and the statements contained in the Official Statement under the caption "TAX TREATMENT," insofar as such statements purport to summarize provisions of the federal tax or state law, fairly and accurately reflect the provisions of law summarized therein, subject to the limitations of such summary described under such caption.

(12) Without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, nothing has come to our attention which has caused us to believe that the Official Statement, as of its date, and the date of the Closing, contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in the light of circumstances under which they were made, not misleading.

(13) The Underwriters may rely on the Approving Opinions as if they were addressees thereof.

Very truly yours,

