

MONTGOMERY COUNTY TEXAS

\$28,250,000  
LIMITED TAX REFUNDING BONDS  
SERIES 2014

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DIRECT PURCHASE AGREEMENT

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February 6, 2014

Commissioners Court  
Montgomery County, Texas  
501 N. Thompson  
Conroe, Texas 77301

Ladies and Gentlemen:

The undersigned, Wells Fargo Municipal Capital Strategies, LLC (the "*Bank*"), offers to enter into the following Direct Purchase Agreement (this "*Agreement*") with the Montgomery County, Texas (the "*County*") which, upon the County's written acceptance of this offer, will be binding upon the County and upon the Bank. This offer is made subject to the County's written acceptance hereof on or before 10:00 p.m., Dallas, Texas time, on February 6, 2014, and, if not so accepted, will be subject to withdrawal by the Bank upon notice as described in Section 8 hereof delivered to the County at any time prior to the acceptance hereof by the County. Terms not otherwise defined in this Agreement shall have the same meanings set forth in the Order (as defined herein).

1. **Purchase and Sale of the Bonds.** Subject to the terms and conditions and in reliance upon the representations, warranties, covenants and agreements set forth herein, the Bank hereby agrees to purchase from the County, and the County hereby agrees to sell and deliver to the Bank the County's \$28,250,000 Limited Tax Refunding Bonds, Series 2014 (the "*Bonds*"). The Bonds are being purchased by Bank as evidence of a privately negotiated loan for investment in its own account and not with a present view toward resale or distribution, except as described herein. In connection with the purchase and sale of the Bonds, the Bank will provide the County with an executed copy of the Purchase Letter attached hereto as Exhibit A.

The principal amount of the Bonds, redemption provisions, interest rates per annum and other terms, including, without limitation, authorized denominations and the transfer restrictions described in Section 18 hereof, are set forth in the Pricing Certificate, a copy of which is attached hereto as Exhibit B (the "*Pricing Certificate*"). The Bonds shall be as described in, and shall be issued and secured under and pursuant to the provisions of, (i) the order adopted by the Board of

Trustees of the County (the "Board") on October 28, 2013, and (ii) the Pricing Certificate (collectively, the "Order").

The purchase price for the Bonds shall be \$28,250,000, with no accrued interest.

A portion of the proceeds received by the County from the sale of the Bonds pursuant hereto and certain other funds of the County, if any, shall be deposited with The Bank of New York Mellon National Association, Dallas, Texas, as escrow agent (the "Escrow Agent"), under and pursuant to the escrow agreement (the "Escrow Agreement") referred to in the Order for the purpose of depositing cash and purchasing securities (the "Securities") authorized by the orders(s) authorizing the issuance of the bonds being refunded with a portion of the proceeds of the Bonds (the "Refunded Bonds"), which shall mature and the interest on which shall be payable at such times and in such amounts so as to provide money which, together with cash balances from time to time on deposit in the accounts established pursuant to the Escrow Agreement, will be sufficient to pay the principal of and interest on the Refunded Bonds when due at stated maturity or prior redemption, as applicable.

The Bank shall execute an Issue Price Certificate on the Closing and the Conversion Date prepared by Bond Counsel (as defined herein) substantially in the form set forth in Exhibit D hereto.

2. Representations, Warranties, and Covenants of the County. The County hereby represents and warrants to and covenants with the Bank that:

(a) The County has full legal right, power and authority, and at the date of the Closing (as defined herein) will have full legal right, power and authority, under the laws of the State, including particularly Chapter 1207, Texas Government Code, as amended, (the "Act"), and the Order (i) to enter into, execute and deliver this Agreement, the Order, the Escrow Agreement and all documents required hereunder and thereunder to be executed and delivered by the County (this Agreement, the Order, the Escrow Agreement and the other documents referred to in this clause are hereinafter referred to as the "County Documents"), (ii) to sell, issue and deliver the Bonds to the Bank as provided herein, (iii) to carry out and consummate the transactions described by the County Documents and (iv) to levy an annual ad valorem tax, within legal limit as to rate or amount upon all taxable property within the boundaries of the County in amounts sufficient to make the payments of the principal of and interest on the Bonds as and when due.

(b) By all necessary official action of the County prior to or concurrently with the acceptance hereof, the County has duly authorized all necessary action to be taken by it for (i) the adoption of the Order and the issuance and sale of the Bonds on the terms set forth herein, (ii) the approval, execution and delivery of, and the performance by the County of the obligations on its part, contained in the Bonds and the County Documents, (iii) the consummation by it of all other transactions contemplated by the County Documents and any and all such other agreements and documents as may be required to be executed, delivered and/or received by the County in order to carry out, give effect to, and consummate the transactions contemplated herein.

(c) This Agreement constitutes a legal, valid and binding obligation of the County, enforceable in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium, sovereign immunity of political subdivisions and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights; the other County Documents, when duly executed and delivered, will constitute legal, valid and binding obligations of the County, enforceable in accordance with their respective terms, subject to sovereign immunity of political subdivisions, bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights; the Bonds, when issued, delivered and paid for, in accordance with the Order and this Agreement, will constitute legal, valid and binding obligations of the County entitled to the benefits of the Order and enforceable in accordance with their terms, subject to sovereign immunity of political subdivisions, bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights; upon the issuance, authentication and delivery of the Bonds as aforesaid, the Order will provide, for the benefit of the holders of the Bonds, the legally valid and binding pledge of ad valorem taxes and lien it purports to create as set forth in the Order, being the pledge to levy, assess and collect an annual ad valorem tax, without legal limit as to rate or amount, upon all taxable property within the boundaries of the County, sufficient to pay the principal of and interest on the Bonds when due.

(d) The County is not in breach of or default in any material respect under any applicable constitutional provision, law or administrative regulation of the State or the United States relating to the issuance of the Bonds or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other debt instrument to which the County is a party or to which the County is or any of its property or assets are otherwise subject, and no event has occurred and is continuing which constitutes or would constitute a default or event of default by the County under any of the foregoing; and the execution and delivery of the Bonds, the County Documents and the adoption of the Order and compliance with the provisions on the County's part contained therein, will not conflict with or constitute a material breach of or default in any material respect under any constitutional provision, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the County is a party or to which the County is or to which any of its property or assets are otherwise subject.

(e) Except for the approval of the Bonds by the Attorney General of the State of Texas and the registration thereof by the Comptroller of Public Accounts of the State, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which could reasonably be expected to result in a material adverse effect on the due performance by the County of its obligations under the County Documents and the Bonds have been duly obtained.

(f) There is no litigation, action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body,

pending or, to the knowledge of the County after due inquiry, threatened against the County or any of its properties, affecting the existence of the County or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the levy and collection of taxes pledged to the payment of principal of and interest on the Bonds pursuant to the Order or in any way contesting or affecting the validity or enforceability of the Bonds, the County Documents, or contesting the powers of the County or any authority for the issuance of the Bonds, the adoption of the Order or the execution and delivery of the County Documents, nor, to the best knowledge of the County, is there any basis therefor, wherein an unfavorable decision, ruling or finding could reasonably be expected to result in a material adverse effect on the validity or enforceability of the Bonds or the County Documents or the County's ability to carry out the transactions contemplated thereby or hereby.

(g) The County has the legal authority to apply and will apply, or cause to be applied, the proceeds from the sale of the Bonds as provided in and subject to all of the terms and provisions of the Order.

(h) All data, certificates, reports, financial statements, documents and other information furnished to the Bank by or on behalf of the County on or prior to the date of the Closing in connection with the transactions contemplated hereby were, at the time the same were so furnished, complete and correct in all material respects and did not contain any untrue statement or material fact or omit to state a material fact necessary in order to make the statements therein not misleading.

(i) The financial statements of the County have been prepared in accordance with generally accepted accounting principles consistently applied. Prior to the Closing, the County will not take any action within or under its control that will cause any adverse change of a material nature in such financial position, results of operations or condition, financial or otherwise, of the County.

(j) The County is not a party to any litigation or other proceeding pending or, to its knowledge, threatened which, if decided adversely to the County, would have a materially adverse effect on the financial condition of the County.

(k) Prior to the Closing the County 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 any of the revenues or assets which will secure the Bonds, except as may be incurred in the ordinary course of business, without the prior written approval of the Bank, which approval shall not be unreasonably withheld.

(l) Any certificate, signed by any official of the County authorized to do so in connection with the transactions described in this Agreement, shall be deemed a representation and warranty by the County to the Bank as to the statements made therein.

(m) The County covenants that between the date hereof and the date of Closing, it will take no actions which will cause the representations and warranties made in this Section to be untrue in any material respect as of the date of Closing.

(n) The representations and warranties of the County in the County Documents (other than this Agreement) are true and correct in all material respects.

(o) All principal of and interest on the Bonds is payable from taxes levied, within the limits prescribed by law, pursuant to Article VIII, Section 9 of the Texas Constitution and Chapter 1207, Texas Government Code, as amended, on all taxable property within the boundaries of the County and such amounts levied for the payment of the Bonds are and have been pledged under the terms of the Bonds and the Order to the payment of the principal of and interest on the Bonds.

(p) The representations and warranties of the County contained in the other County Documents to which the County is a party, together with the related definitions of terms contained therein, are hereby incorporated by reference in this Agreement as if each and every such representation and warranty and definition were set forth herein in its entirety, and the representations and warranties made by the County in such Sections are hereby made for the benefit of the Bank. No amendment to or waiver of such representations and warranties or definitions made pursuant to the relevant County Documents or incorporated by reference shall be effective to amend such representations and warranties and definitions as incorporated by reference herein without the prior written consent of the Bank; provided however, that the County may, without the consent of or notice to any Owners, from time to time and at any time, amend any of the County Documents, except for this Agreement, in any manner not detrimental to the interests, security, rights or remedies of the Owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein.

### 3. Closing.

(a) At 10:30 a.m. Houston, Texas time, on February 14, 2014, or at such other time and date as shall have been mutually agreed upon by the County and the Bank (the "Closing"), the County will, subject to the terms and conditions hereof, deliver the Bonds to the Bank, duly executed and authenticated, together with the other documents hereinafter mentioned, and the Bank will, subject to the terms and conditions hereof, accept such delivery and pay the purchase price of the Bonds, as set forth in Section 1 of this Agreement in immediately available funds by wire transfer to the account of the County as indicated by the Escrow Agent. Payment for the Bonds as aforesaid shall be made at the offices of the Escrow Agent or such other place as shall have been mutually agreed upon by the County and the Bank.

(b) Delivery of the Bonds in definitive form shall be made at the office of the Escrow Agent. The Bonds shall be delivered in definitive fully registered form as provided in the Order to the Bank at least one (1) business day before the date of the Closing for the purposes of inspection.

4. Closing Conditions. The Bank have entered into this Agreement in reliance upon the representations, warranties, covenants and agreements of the County contained herein, and in reliance upon the representations, warranties, covenants and agreements to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the

County of its obligations hereunder, both as of the date hereof and as of the date of the Closing. Accordingly, the Bank's obligations under this Agreement to purchase, to accept delivery of and to pay for the Bonds shall be conditioned upon the performance by the County of its obligations to be performed hereunder and under such documents and instruments at or prior to the Closing, and shall also be subject to the following additional conditions, including the delivery by the County of such documents as are enumerated herein, in form and substance reasonably satisfactory to the Bank unless waived by the Bank:

(a) The representations and warranties of the County contained herein shall be true, complete and correct in all material respects on the date hereof and on and as of the date of the Closing, as if made on the date of the Closing;

(b) The County shall have performed and complied in all material respects with all agreements and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing;

(c) At the time of the Closing, (i) the County Documents and the Bonds shall be in full force and effect in the form heretofore approved by the Bank and shall not have been amended, modified or supplemented, except in any such case as may have been agreed to by the Bank; and (ii) the net proceeds of the sale of the Bonds and any funds to be provided by the County shall be deposited and applied as described in the Order and (iii) all actions of the County required to be taken by the County shall be performed in order for Fulbright & Jaworski LLP ("*Bond Counsel*") to deliver the opinions referred to hereafter;

(d) At the time of the Closing, all official action of the County relating to the Bonds and the County Documents shall be in full force and effect and shall not have been amended, modified or supplemented, except as may have been agreed to by the Bank;

(e) At or prior to the Closing, the Order, including the Pricing Certificate, shall have been duly executed and delivered by the County and the County shall have duly executed and delivered and the Paying Agent/Registrar shall have duly authenticated the definitive Bonds;

(f) At the time of the Closing, there shall not have occurred any change or any development involving a prospective change in the condition, financial or otherwise, or in the revenues or operations of the County that in the reasonable judgment of the Bank is material and adverse;

(g) The County shall not have failed to pay principal or interest when due on any of its outstanding obligations for borrowed money;

(h) All steps to be taken and all instruments and other documents to be executed, and all other legal matters in connection with the transactions described in this Agreement shall be reasonably satisfactory in legal form and effect to the Bank;

(i) At or prior to the Closing, the Bank shall have received copies of each of the following documents:

(1) The Order, having been duly adopted by the County and certified as being in full force and effect, with such supplements or amendments as may have been agreed to by the Bank, and the Pricing Certificate;

(2) An executed copy of the Escrow Agreement, having been duly adopted by the County, with such supplements or amendments as may have been agreed to by the Bank;

(3) The approving opinion of Bond Counsel with respect to the Bonds, in substantially the form attached hereto, as Exhibit C and a letter addressed to the Bank that it may rely on such opinion;

(4) A certificate, dated the date of Closing, signed by the Pricing Officer or another official of the County acceptable to the Bank to the effect that (i) all official action of the County relating to the Bonds and the County Documents have been duly adopted by the County, are in full force and effect, and have not been amended, modified, supplemented or repealed; (ii) the representations and warranties of the County contained herein are true and correct in all material respects on and as of the date of Closing as if made on the date of Closing; (iii) no litigation or proceeding against it is pending or, to his or her knowledge, threatened in any court or administrative body, nor is there a basis for litigation, which would (a) contest the right of the officials of the County to hold and exercise their respective positions, (b) contest the due organization and valid existence of the County, (c) contest the validity, due authorization and execution of the Bonds, the County Documents or (d) attempt to limit, enjoin or otherwise prevent the County from functioning and collecting taxes or and other income or levying and collecting the taxes pledged or to be pledged to pay the principal of and interest on the Bonds, or the pledge thereof; and (iv) there has not been any material adverse change in the financial condition of the County since September 30, 2012, the latest date as of which audited financial information is available;

(5) The approving opinion of the Attorney General of the State of Texas and the registration certificate of the Comptroller of Public Accounts of the State of Texas in respect of the Bonds;

(6) Any other certificates and opinions required by the Order for the issuance thereunder of the Bonds;

(7) A copy of a special report prepared by Grant Thornton LLP, Certified Public Accountants, (the "*Verification Agent*"), relating to the Refunded Bonds, addressed to the County, Bond Counsel and the Bank, verifying (i) the arithmetical computations of the adequacy of the maturing principal and interest on the Escrowed Securities and uninvested cash on hand under the Escrow

Agreement to pay, when due, the principal of and interest on the Refunded Bonds, and (ii) the computation of the yield with respect to such Escrowed Securities and the Bonds;

(8) Evidence satisfactory to the Bank that the moneys and Escrowed Securities identified in the special report of the Verification Agent sufficient to effectuate the refunding of the Refunded Bonds have been or will be received and that such moneys and Escrowed Securities have been or will be deposited in an escrow fund under the Escrow Agreement;

(9) Such additional legal opinions, certificates, instruments and other documents as the Bank or counsel to the Bank may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the date of the Closing, of the County's representations and warranties contained herein and the due performance or satisfaction by the County on or prior to the date of the Closing of all the respective agreements then to be performed and conditions then to be satisfied by the County.

All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance reasonably satisfactory to the Bank.

If the County shall be unable to satisfy the conditions to the obligations of the Bank to purchase, to accept delivery of and to pay for the Bonds contained in this Agreement, or if the obligations of the Bank to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Agreement, this Agreement shall terminate and neither the Bank nor the County shall be under any further obligation hereunder.

5. Continuing Covenants.

(a) The County shall comply with all material applicable laws, rules, regulations as they relate to the County's obligations in connection with the Bonds.

(b) The County shall furnish to the Bank from time to time, at the Bank's expense, all further instruments and documents, duly executed and delivered by the County, and take all further action that may be reasonably necessary, or that the Bank may reasonably request, in order to protect any right, remedy or interest of the Bank under or in connection with the County Documents, the guarantee of the Bonds by the Permanent School Fund of the State.

(c) For so long as the Bank owns the Bonds, the County will annually provide the Bank with (i) copies of its audited financial statements within one hundred-eighty (180) days after the end of its fiscal year and (ii) copies of its annual approved budget within sixty (60) days after commencement of the fiscal year of the County to which such budget relates.

(d) The County shall promptly notify the Bank of the occurrence of any default or anticipated default of the provisions of the Order, including particularly any



anticipated payment default or any actual or anticipated default with respect to the Bonds specifying the details thereof and the action that the County proposes to take with respect thereto.

(e) The County will permit, during normal business hours and from time to time, upon reasonable prior notice, the Bank or any of its agents or representatives to examine and make copies of and abstracts from the records and books of account of the County, to the extent such documents would not be subject to an exemption from disclosure under the Texas Public Information Act, and to discuss the affairs, finances and accounts of the County with any representative or appropriate officer of the Bank or the County's independent accountants, which, from and after the occurrence of any default of the Order, shall be at the County's expense, and otherwise at the Bank's expense.

(f) The County shall promptly notify the Bank of the existence and status of any litigation to which the County is a party which individually or in the aggregate could, in the event of an unfavorable outcome, have a material adverse effect on (i) the financial condition of operations of the County, (ii) the Bonds, (iii) the County's ability to pay and perform its obligations under the Bonds or the County Documents, (iv) the County's ability to levy or collect ad valorem taxes or (v) the enforceability or validity of the County Documents.

(g) So long as the Bank or an affiliate of the Bank is the owner of the Bonds, the County shall not amend or supplement any of the County Documents without the prior written consent of the Bank; provided however, that the County may, without the consent of or notice to any Owners, from time to time and at any time, amend any of the County Documents, except for this Agreement, in any manner not detrimental to the interests, security, rights or remedies of the Owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein.

(h) The County agrees that the performance of its obligations under this Agreement, the Bonds, the Order or any of the other County Documents, shall be enforceable by mandamus in any court of competent jurisdiction.

(i) The County agrees that it will perform and comply in all material respects with each and every covenant and agreement required to be performed or observed by it in the Order and each of the other County Documents to which it is a party, which provisions, as well as related defined terms contained therein, are hereby incorporated by reference herein with the same effect as if each and every such provision were set forth herein in its entirety all of which shall be deemed to be made for the benefit of the Bank and shall be enforceable against the County. To the extent that any such incorporated provision permits the County or any other party to waive compliance with such provision or requires that a document, opinion or other instrument or any event or condition be acceptable or satisfactory to the County or any other party, for purposes of this Agreement, such provision shall be complied with unless it is specifically waived by the Bank in writing and such document, opinion or other instrument and such event or condition shall be acceptable or satisfactory only if it is acceptable or satisfactory to the

Bank which shall only be evidenced by the written approval by the Bank of the same. Except as permitted by Section 5(g) hereof, no termination or amendment of such covenants and agreements or defined terms, shall be effective to terminate or amend such covenants and agreements in each case as incorporated by reference herein without the prior written consent of the Bank.

6. ***Termination.*** The Bank shall have the right to cancel their obligation to purchase the Bonds if, between the date of this Agreement and the Closing, the Bonds or the security therefor shall be materially adversely affected, in the sole judgment of the Bank, reasonably exercised, by the occurrence of any of the following:

(a) Legislation shall be enacted by or introduced in the Congress or recommended to the Congress for passage by the President of the United States, or the Treasury Department of the United States or the Internal Revenue Service or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, a decision by a court of the United States or of the State or the United States Tax Court shall be rendered, or an order, ruling, regulation (final, temporary or proposed), press release, statement or other form of notice by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made or proposed or other action or events shall have transpired which may have the purpose or effect, directly or indirectly, of changing the federal income tax consequences of any of the transactions described herein;

(b) Any amendment to the federal or Texas Constitution or action by any federal or Texas court, legislative body, regulatory body, or other authority materially adversely affecting the tax status of the County, its property, income, securities (or interest thereon), or the validity or enforceability of the assessments or the levy of taxes to pay principal of and interest on the Bonds;

(c) There shall have occurred since the date of this Agreement any materially adverse change in the affairs or financial condition of the County;

(d) There shall have occurred (whether or not foreseeable) any (a) new material outbreak of hostilities (including, without limitation, an act of terrorism) or (b) new material other national or international calamity or crisis including, but not limited to, an escalation of hostilities that existed prior to the date hereof, or (c) material financial crisis or adverse change in the financial or economic conditions affecting the United States government;

(e) The purchase of and payment for the Bonds by the Bank on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission;

(f) If any portion of escrow fund established in the Escrow Agreement is funded with direct obligations of the United States of America, the debt ceiling of the United States is such that the federal securities required to fund any portion of such

deposit are not available for delivery on the date of the delivery of the Bonds and substitute securities acceptable to Bond Counsel cannot be obtained by the date of the delivery of the Bonds.

7. **Expenses.** The Bank shall be under no obligation to pay, and the County shall pay all expenses incident to the performance of the County's obligations hereunder, including, but not limited to (i) the cost of preparation and printing of the Bonds and any amendment or supplement thereto, (ii) the fees and disbursements of Bond Counsel and any counsel to the Bank and other counsel retained by the County, if any; (iii) the fees and disbursements of the Financial Advisor to the County, if any; (iv) the fees and disbursements of the Paying Agent/Registrar, the Escrow Agent and the Verification Agent; (v) the fees and disbursements of engineers, accountants, and other experts, consultants or advisers retained by the County, if any; and (vi) all fees and expenses in connection with credit enhancement fees or premiums. The County shall also pay for any expenses mutually agreed by the County and the Bank to be reasonably considered expenses of the County and are incurred by the Bank which are incidental to implementing this Agreement and the issuance of the Bonds.

8. **Notices.** Any notice or other communication to be given to the County under this Agreement may be given by delivering the same in writing or via facsimile at Montgomery County, Texas, 501 N. Thompson, Conroe, Texas 77301 Attention: Chief Financial Officer; and, any notice or other communication to be given to the Bank under this Agreement may be given by delivering the same in writing to Wells Fargo Municipal Capital Strategies, LLC, c/o/ Wells Fargo Bank, N.A., 4801 Southwest Pkwy, Bldg 1, 1st Floor, Suite 175, Austin, TX 78735, Attention: Andrew Deskins.

9. **Parties in Interest.** This Agreement as heretofore specified shall constitute the entire agreement between us and is made solely for the benefit of the County and the Bank (including successors or assigns of the Bank) and no other person shall acquire or have any right hereunder or by virtue hereof. This Agreement may not be assigned by the County. All of the County's representations, warranties and agreements contained in this Agreement shall remain operative and in full force and effect, regardless of (i) any investigations made by or on behalf of any of the Bank; (ii) delivery of and payment for the Bonds pursuant to this Agreement; and (iii) any termination of this Agreement.

10. **Effectiveness.** This Agreement shall become effective upon the acceptance hereof by the County and shall be valid and enforceable at the time of such acceptance.

11. **Choice of Law.** This Agreement shall be governed by and construed in accordance with the law of the State of Texas; provided however, the obligations of the Bank hereunder shall be governed by the law of the State of New York.

12. **Waiver of Jury Trial.** The County and the Bank, each hereby irrevocably waive to the fullest extent permitted by applicable law, the respective rights each may have to a trial by jury in any legal proceeding directly or indirectly arising out of or relating to this Agreement or any other of the County Documents, the Bonds or the transactions contemplated hereby or thereby (whether based on contract, tort or any other theory).

13. **Severability.** If any provision of this Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any Constitution, statute, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Agreement invalid, inoperative or unenforceable to any extent whatever.

14. **Section Headings.** Section headings have been inserted in this Agreement as a matter of convenience of reference only, and it is agreed that such section headings are not a part of this Agreement and will not be used in the interpretation of any provisions of this Agreement.

15. **Counterparts.** This Agreement may be executed in several counterparts each of which shall be regarded as an original (with the same effect as if the signatures thereto and hereto were upon the same document) and all of which shall constitute one and the same document.

16. **No Personal Liability.** Neither the Board, nor any officer, agent, or employee of the County, shall be charged personally by the Bank with any liability, or be held liable to the Bank under any term or provision of this Agreement, or because of execution or attempted execution, or because of any breach or attempted or alleged breach, of this Agreement.

17. **Entire Agreement.** This Agreement represents the entire agreement between the County and the Bank with respect to the purchase and sale of the Bonds.

18. **Assignability.**

(a) Subject to the limitations set forth in the Order and subsection (b) below, the Bonds are transferable in whole or in part. Any transfer of the Bonds shall be made in accordance with federal and state securities laws and prior to any transfer of the Bonds the prospective transferee shall execute and deliver a Purchase Letter in substantially the form attached hereto as Exhibit A (a "*Purchase Letter*").

(b) Subject to the limitations set forth in subsection (a) above, (i) the Bonds may be transferred without limitation to any affiliate of the Bank or to a trust or custodial arrangement established by the Bank or an affiliate of the Bank, each of the beneficial owners of which are "qualified institutional buyers" as defined in Rule 144A promulgated under the Securities Act of 1933, as amended (the "*1933 Act*"), or "accredited investors" as defined in Rule 501 of Regulation D under the 1933 Act, and (ii) the Bonds may be transferred to another bank (other than an affiliate of the Bank or a trust or custodial arrangement as described in the preceding sentence) if (A) written notice of such transfer, together with addresses and related information with respect to such bank, is delivered to the County by such transferor and (B) such bank shall have delivered to the County and the transferor a Purchase Letter executed by a duly authorized officer of such bank; provided that each such bank shall constitute (1) a "qualified institutional buyer" as defined in Rule 144A promulgated under the 1933 Act, and (2) a commercial bank organized under the laws of the United States, or any state

thereof, or any other country which is a member of the Organization for Economic Cooperation and Development, or a political subdivision of any such country, and, in any such case, having a combined capital and surplus, determined as of the date of any transfer pursuant to this Section, of not less than \$5,000,000,000.

(c) The Bonds shall contain a legend indicating that the transferability of such bond is restricted as described herein.

(d) In connection with any transfer of the Bonds, the Bank will not prepare or furnish, or cause to be prepared or furnished, any disclosure regarding the County's finances without the prior review and written consent of the County, in the County's sole discretion.


(e) Subject to the assignability provisions of this section and as described in the Purchase Letter, the Bonds are being acquired by the Bank as evidence of a privately negotiated loan for investment in its own account and not with a present view toward resale, and upon any transfer of the Bonds shall require that any prospective transferee be subject to the same restrictions on transfers as the Bank under this section.

*[signature page follows]*

If the County agrees with the foregoing, please sign the enclosed counterpart of this Agreement and return it to the Bank. This Agreement shall become a binding agreement between the County and the Bank when at least the counterpart of this letter shall have been signed by or on behalf of each of the parties hereto.

Respectfully submitted,

WELLS FARGO MUNICIPAL CAPITAL STRATEGIES,  
LLC, as Bank

By:   
Name: Adam Jossell  
Title: PRESIDENT  
Date: \_\_\_\_\_

APPROVED AND ACCEPTED as of the date hereof:

MONTGOMERY COUNTY, TEXAS

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Schedule I - Schedule of Terms

Execution Page to Direct Purchase Agreement for  
Montgomery County, Texas  
Limited Tax Refunding Bonds, Series 2014

If the County agrees with the foregoing, please sign the enclosed counterpart of this Agreement and return it to the Bank. This Agreement shall become a binding agreement between the County and the Bank when at least the counterpart of this letter shall have been signed by or on behalf of each of the parties hereto.

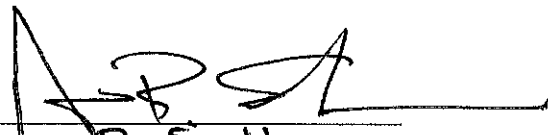
Respectfully submitted,

WELLS FARGO MUNICIPAL CAPITAL STRATEGIES,  
LLC, as Bank

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

APPROVED AND ACCEPTED as of the date hereof:

MONTGOMERY COUNTY, TEXAS

By:   
Name: Alan B. Sadler  
Title: County Judge

Schedule I - Schedule of Terms

Execution Page to Direct Purchase Agreement for  
Montgomery County, Texas  
Limited Tax Refunding Bonds, Series 2014

**Exhibit A**

**Purchase Letter**

**Wells Fargo Municipal Capital Strategies, LLC**

February 14, 2014

Commissioners Court  
Montgomery County, Texas  
501 N. Thompson  
Conroe, Texas 77301  
Ladies and Gentlemen:

Wells Fargo Municipal Capital Strategies, LLC (the "*Bank*") hereby offers to purchase from Montgomery County, Texas (the "*County*") the County's Limited Tax Refunding Bonds, Series 2014 (the "*Bonds*") in the principal amount of \$28,250,000 and, upon acceptance of this offer by the County, such offer will become a binding agreement between the Bank and the County. This offer must be accepted by 10:00 p.m., Houston, Texas time, February 6, 2014, and if not so accepted will be subject to withdrawal. The undersigned, an authorized representative of the Bank, hereby represents to you that:

1. The Bank has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other taxable and tax exempt obligations, to be able to evaluate the risks and merits of the investment represented by the Bonds.

2. The Bank has authority to purchase the Bonds and to execute this letter and any other instruments and documents required to be executed by the Bank in connection with the purchase of the Bonds.

3. The undersigned is a duly appointed, qualified and acting representative of the Bank and is authorized to cause the Bank to make the certifications, representations and warranties contained herein by execution of this letter on behalf of the Bank.

4. The Bank is (a) an affiliate of Wells Fargo Bank, National Association, (b) a trust or other custodial arrangement established by Wells Fargo Bank, National Association or one of its affiliates, the owners of the beneficial interests in which are limited to "qualified institutional buyers" as defined in Rule 144A promulgated under the Securities Act of 1933, as amended (the "*1933 Act*") or (c) a qualified institutional buyer and a commercial bank organized under the laws of the United States of America, or any state thereof, or any other country which is a member of the Organization for Economic Cooperation and Development, or a political subdivision of any such country, and, in any such case, having capital and surplus of \$5,000,000,000 or more.



5. The Bank understands that no official statement, prospectus, offering circular, or other comprehensive offering statement is being provided with respect to the Bonds. The Bank has made its own inquiry and analysis with respect to the County, the County, the Bonds and the security therefor, and other material factors affecting the security for and payment of the Bonds.

6. The Bank acknowledges that it has either been supplied with or been given access to information, including financial statements and other financial information, regarding the County, to which a reasonable investor would attach significance in making investment decisions, and has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the County, the Bonds and the security therefor, so that as a reasonable investor, it has been able to make its decision to purchase the Bonds.

7. The Bank understands that the Bonds (i) are not registered under the 1933 Act and are not registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any state, (ii) are not listed on any stock or other securities exchange, and (iii) carries no rating from any credit rating agency.

8. The Bonds are being acquired by the Bank as evidence of a privately negotiated loan for investment in its own account and not with a present view toward resale or distribution; *provided, however*, that the Bank reserves the right to sell, transfer or redistribute interests in the Bonds; *provided further*, the Bank hereby agrees not to sell, transfer or redistribute interest in the Bonds prior to the Conversion (as defined in the order authorizing the issuance of the Bonds). The Bank acknowledges that the Bonds are transferable only by notation on the Register maintained by the Paying Agent/Registrar and may be transferred in whole or in part, and, subject to the restrictions contained herein and in the Order, are freely transferrable provided that:

(i) the transferring holder thereof shall first have complied with applicable state and federal securities laws and regulations;

(ii) any such sale, transfer or distribution by the Bank shall be to a person:

(a) that is an affiliate of Wells Fargo Bank, National Association; or

(b) that is a trust or other custodial arrangement established by Wells Fargo Bank, National Association or one of its affiliates, the owners of any beneficial interest in which are limited to qualified institutional buyers; or

(c) that is a qualified institutional buyer and a commercial bank organized under the laws of the United States of America, or any state thereof, or any other country which is a member of the Organization for Economic Cooperation and Development, or a political subdivision of any such country, and, in any such case, having capital and surplus of \$5,000,000,000 or more;

(iii) the transferring holder thereof will not prepare or furnish, or cause to be prepared or furnished, any disclosure regarding the County's finances without the prior review and written consent of the County, in the County's sole discretion; and

(iv) the transferring holder thereof shall not acquire the Bonds for sale or distribution, and is subject to the same restrictions on transfers as the Bank under this section.

Wells Fargo Municipal Capital Strategies,  
LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**Exhibit B**  
**Pricing Certificate**

**Exhibit C**  
**Form of Opinion of Bond Counsel**

**Exhibit D**  
**Form of Issue Price Certificates**

**ISSUE PRICE CERTIFICATE TO BE EXECUTED AT CLOSING**

This certificate is furnished by Wells Fargo Municipal Capital Strategies, LLC ("Wells Fargo"), as purchaser of \$28,250,000 aggregate principal amount of the Montgomery County Limited Tax Refunding Bonds, Series 2014 (the "Bonds") of the Montgomery County, Texas (the "Issuer"). Each capitalized term used herein has the meaning or is the amount, as the case may be, specified for such term in the order adopted by the Issuer on October 29, 2013 authorizing the issuance of the Bonds and the pricing certificate executed pursuant thereto on February 14, 2014 (collectively, the "Authorizing Document"). The undersigned hereby certifies as follows:

1. The Bonds will initially bear interest at the Initial Taxable Rate of 2.27 percent until March 1, 2015 (the "Conversion Date"). On and after the Conversion Date, the interest rate of the Bonds may (i) remain at the Initial Taxable Rate, (ii) convert to the Taxable Rate of 2.01 percent or (ii) convert to the Tax-Exempt Rate of 1.75 percent, all in accordance with the terms of the Authorizing Document.
2. Wells Fargo has purchased all of the Bonds from the Issuer on the date hereof for an aggregate purchase price of \$28,250,000, which price includes no amount of accrued interest. Wells Fargo is purchasing the Bonds for its own account with no present intention to resell or distribute the Bonds or any interest therein. Although Wells Fargo is purchasing the Bonds for its own account with no current intention to resell or distribute the Bonds or any interest therein, Wells Fargo has reserved the right to sell, assign and transfer the Bonds or fractional interests in the Bonds on or after the Conversion Date.
3. The purchase price, the Initial Taxable Rate, the Taxable Rate and the Tax-Exempt Rate were determined by Wells Fargo and the Issuer in an arms-length transaction as of February 14, 2014, the date Wells Fargo agreed to purchase the Bonds.
4. Each of the Initial Taxable Rate and the Tax-Exempt Rate represents the respective cost of newly borrowed funds and is comparable to the respective interest rates on debt issued by similar credits, taking into account the terms and conditions of the Bonds and determined as if each of such rates had been determined in isolation for a debt with a duration that corresponds to the period during which such rate applies. Each of such rates was established based upon compensation to Wells Fargo for the use of money and does not reflect or include compensation for any other services to the Issuer or other consideration in any transaction with the Issuer other than the purchase of the Bonds. The differential (i.e. spread) between the Initial Taxable Rate and the Tax-Exempt Rate is comparable to the differential (i.e. spread) between taxable rates and tax-exempt rates on debt issued by similar credits, taking into account the terms and conditions of the Bonds.

The Issuer may rely on the statements made herein in its efforts to comply with the conditions imposed by the Internal Revenue Code of 1986, as amended, on the exclusion of interest on the Bonds from the gross income of their owners in the event the Bonds convert to the Tax-Exempt Rate. Fulbright & Jaworski, LLP also may rely on this Issue Price Certificate for purposes of its opinion regarding the treatment of interest on the Bonds as excludable from gross income for federal income tax purposes and the preparation of the Internal Revenue Service Form 8038-G to be issued in in the event that the Bonds convert to the Tax-Exempt Rate. Wells Fargo makes no representation as to the legal sufficiency of the factual matters set forth herein.

[EXECUTION PAGE FOLLOWS]

EXECUTED as of this \_\_\_\_\_ day of \_\_\_\_\_, 2014.

WELLS FARGO MUNICIPAL CAPITAL  
STRATEGIES, LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

## FORM OF ISSUE PRICE CERTIFICATE

(To be executed upon conversion to a Tax-Exempt Rate, if there is no imputed principal amount as of the exchange date)

I, the undersigned officer of Wells Fargo Municipal Capital Strategies, LLC (“Wells Fargo”) makes this certification with respect to the Montgomery County Limited Tax Refunding Bonds, Series 2014 (the “Bonds”), which are being reissued for federal tax purposes on the date hereof in the aggregate principal amount of \$[\_\_\_\_\_]. The undersigned hereby certify as follows:

1. I am the duly chosen, qualified and acting officer of Wells Fargo for the office shown below my signature; as such, I am familiar with the facts herein certified and I am duly authorized to execute and deliver this certificate on behalf of Wells Fargo. I am the officer of Wells Fargo charged, along with other officers of Wells Fargo, with responsibility for the Bonds.

2. Immediately prior and subsequent to the reissuance of the Bonds for federal tax purposes, \$[\_\_\_\_\_] in principal amount thereof will be outstanding. For federal tax purposes, Wells Fargo is deemed to be exchanging the Bonds as they exist prior to the reissuance today for the Bonds as reissued on the date hereof and there is no consideration for the reissuance of the Bonds.

3. Wells Fargo will treat the conversion of the interest rate of the Bonds as a reissuance consistently for all federal income tax purposes.

Montgomery County, Texas may rely on the statements made herein in connection with making the representations set forth in the federal tax certificate and in its efforts to comply with the conditions imposed by the Internal Revenue Code of 1986, as amended, on the exclusion of interest on the Bonds from the gross income of their owners. Fulbright & Jaworski, LLP also may rely on this Issue Price Certificate for purposes of its opinion regarding the treatment of interest on the Bonds as excludable from gross income for federal income tax purposes and the preparation of the Internal Revenue Service Form 8038-G. Wells Fargo makes no representation as to the legal sufficiency of the factual matters set forth herein.

[EXECUTION PAGE FOLLOWS]



EXECUTED as of this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

WELLS FARGO MUNICIPAL CAPITAL  
STRATEGIES, LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_