



Memorandum

To: Board of Trustees
From: Angela Gonzalez, Senior Accountant
Date: 4/7/2016
Re: Regions Bank Refinancing Option

Lone Star National Bank 2011 Bond:

LSNB holds the master indenture and Wells Fargo administers the bond.

Total debt remaining on the bond/loan is an estimated \$1,745,000.

LSNB has a variable rate that is set to increase from now until 2026.

The interest rate is currently 2.75% and is set to increase up to 6.50% by 2026 over the remaining 10.5 years of life of the loan.

Regions Bank:

Regions Bank is prepared to buy out the remaining debt of the bond and hold the master indenture.

Regions Bank is offering a fixed rate of 3.89% for the life of the loan. Regions estimates that the savings from having a fixed rate from 2016 until 2024 would total \$1,366,567.47

Closing costs are an estimated \$131,882.20 with \$34,900 being financed in the loan. The remaining \$96,982.20 can be paid at closing or financed in a separate note.

The closing costs come out to 7% of the total \$1,336,567.47 in savings. Over the span of the next 10 years of the life of the bond, it is an estimated cost of \$9,698.22 for more cash on hand for STET. Nine out of the 10 1/2 years remaining life has more than \$100,000 in disposable income.

The monthly payments currently are approximately \$22,000 a month with LSNB. The monthly payments with Regions Bank would be 126 equal payments of \$17,229.53. This is a decrease of 4,770.47 compared to LSNB.

This presents an opportunity for STET to increase its monthly cash on hand and in turn increase our Charter FIRST Financial Integrity Rating in respect to our financial liquidity.