

**EXERCISE****TYPES AND FEATURES OF LOANS***Background*

Your firm represents Venus Inc., a confectionary manufacturer with operations worldwide. They're preparing to expand their operations and want to purchase bulk raw sugar in larger quantities each month. The General Counsel for Venus Inc., sent an email containing the following information about the financing plans for their growth:

- They anticipate needing between \$20 and \$30 million each year to acquire the raw sugar for the next few years;
- They aren't sure exactly how much they will need to borrow each month and want the flexibility to only borrow what's needed each time.
- They want to work with a lender, or multiple lenders, that they have a preexisting relationship with.
- They financed their industrial sized ovens and mixers with a loan from the equipment manufacturers, and that loan is secured by perfected liens on those ovens and mixers.

The General Counsel has asked to have a call to hear your views on the company's financing options.

*Instructions*

Come prepared to discuss these questions:

- How would you classify the loan market your client would be in based on the principal amount they're looking to borrow?
- Would you recommend your client seek a term loan or a revolving loan? Explain your recommendation.
- If you recommended a revolving loan, what types of revolving loans might be available to Venus?
- Would you recommend a bilateral loan, a syndicated loan, or something else? Explain your recommendation.
- What can Venus offer to prospective lenders to entice them to provide a loan at a lower interest rate?
- Are there any issues if the client wants to give the new lender a security interest in all of its assets that's first in priority to all other indebtedness?