



## SAMPLE SCENARIO

# Loan or Loan Facility Agreement

Embracing the belief that "the best way to learn is by doing," we have crafted sample scenarios to provide you with a hands-on experience that makes learning Smarter Drafter a breeze. Dive right in, and discover the power of our product firsthand.

## How it works

We've created a Sample Scenario for the [Smarter Drafter Loan or Loan Facility Agreement](#) (click [here](#) to go directly to the precedent).

Work through the sample set of client instructions and complete the Q&A form. Once you've completed the form you can generate the client facing document. Review the document in either PDF or MS Word to become familiar with the types of clauses automated with Smarter Drafter.

### Note:

Most clients start to become more comfortable with using Smarter Drafter after running 5 test documents, so why not change each case study slightly and run another submission or use some of the client's details to create a different document?

## Kevin Smith

Kevin Smith (Kev) has spent 15 years running Hammer and Tong; a widely successful chain of stores selling kitchen utensils and hardware tools. Kev's 18 year old son Tom, who looks up to his father, would like to start his own business and become as successful as his father.

Tom and his friend Michael Grant would like to venture into the hospitality industry by starting a chain of restaurants under the company name Tasty Toasties Pty Ltd.

Tom asks his dad for a loan of \$100,000 to start the business. Kevin agrees but decides to have the loan properly documented so that Tom can learn to be fiscally responsible with the repayment of the money. The loan will be made out to Tom and Michael's company, though Kevin has asked Tom to provide a Deed of Guarantee.

The loan will be interest only and unsecured.

### Kevin Smith Client Instructions

Amount of Loan	\$100,000
Date	1 <sup>st</sup> August
Use of Funds	Borrower is to use the funds exclusively for the startup of the business venture
Lender	Kevin Smith
Lender's Address	1 First Road, Sydney, NSW 2000
Borrower	Tasty Toasties Pty Ltd
Interest Rate	5% per annum
Deed of Guarantee	Yes. To be provided by Tom Smith
Benefitting Party	Kevin Smith
Principle Obligor	Tasty Toasties Pty Ltd

## Important Considerations

### Approach #1

You can document this loan as a Loan Agreement with a fixed amount that is advanced by Kevin in one sum and payable on demand with interest only monthly repayments to be paid in arrears.

### Approach #2

You can document this loan as a Loan Facility Agreement that is a fixed amount to be drawn down by Tasty Toasties Pty Ltd by a certain date or over a certain time period. Amounts drawn down can be fixed at a minimum amount for each drawdown.

The loan is interest only and is repaid on demand with payment of interest by monthly instalments payable in arrears.

### Deed of Guarantee

In both approaches a Deed of Guarantee is given by Tom Smith as Guarantor of the obligations of Tasty Toasties Pty Ltd.