

# CONVERTIBLE PROMISSORY NOTE

Principal Amount: \$10,000.00 • Date of Issuance: \_\_\_\_\_, 2026

THIS INSTRUMENT AND ANY SECURITIES ISSUABLE PURSUANT HERETO HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY STATE SECURITIES LAWS. THEY MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED EXCEPT AS PERMITTED UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS.

FOR VALUE RECEIVED, **Sanoj Allen, d/b/a SHEP** ("Maker"), promises to pay to the order of **William Groves** ("Holder"), the principal sum of Ten Thousand Dollars (\$10,000.00), together with interest and other amounts as set forth herein.

## KEY TERMS

TERM	VALUE
Principal	\$10,000.00
Interest Rate	5% per annum, simple
Valuation Cap	\$500,000 (post-money)
Discount Rate	20% on Equity Financing price
Maturity Date	October 31, 2027
Equity Financing Threshold	\$25,000 aggregate gross proceeds

## 1. INTEREST

This Note shall bear simple interest at 5% per annum from the Date of Issuance. Interest shall accrue but not be payable until the Maturity Date or conversion, whichever occurs first.

## 2. MATURITY & REPAYMENT

Outstanding principal and accrued interest shall be due on October 31, 2027 ("Maturity Date"), unless earlier converted. Maker may prepay in whole without penalty upon 10 days' written notice.

## 3. CONVERSION

**(a) Upon Incorporation + Equity Financing.** If Maker incorporates SHEP and the Company completes an Equity Financing of at least \$25,000, the Note automatically converts at the lesser of: (i) the investor price x 0.80 (20% discount), or (ii) the price implied by the \$500,000 Valuation Cap divided by fully diluted capitalization.

**(b) Upon Incorporation (No Equity Financing).** If incorporation occurs but no Equity Financing within 90 days, Holder may elect conversion to a Y Combinator post-money SAFE at a \$500,000 cap.

**(c) Upon Liquidity Event.** Holder receives the greater of: (i) principal plus accrued interest, or (ii) the amount receivable had the Note converted at the Valuation Cap.

## 4. REPRESENTATIONS & GENERAL PROVISIONS

Maker is the sole owner of SHEP (sheplegal.com) and will cause any successor entity to assume this Note. Holder acquires this Note for investment, not for distribution, and understands the investment involves substantial risk. This Note is governed by New York law. Holder has no management, voting, or employment rights. This Note may be amended only by written agreement of both parties.

**Notices** — Maker: [sanoj@sheplegal.com](mailto:sanoj@sheplegal.com) | Holder: \_\_\_\_\_

	<b>MAKER</b>	<b>HOLDER</b>
<b>Signature</b>	_____	_____
<b>Name</b>	Sanoj Allen, d/b/a SHEP	William Groves
<b>Date</b>	_____	_____

*Draft for discussion. Both parties should review with independent counsel before execution.*

# APPENDIX A — INVESTMENT OUTCOMES

Projected outcomes for \$10,000 investment at \$500,000 valuation cap (~2% ownership at conversion)

## MARKET CONTEXT

<b>145K</b> US LAW STUDENTS ABA 2025 • JD + non-JD	<b>48K</b> ENTERING 1LS (2026) 12-year high • +7.9% YoY	<b>\$15/mo</b> COMPETITOR PRICE NomosLearning • only competitor	<b>10-15x</b> SAAS MULTIPLE Industry standard
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## PROJECTED OUTCOMES

<b>CONSERVATIVE</b> 25% market • \$9/mo <b>\$468K–\$708K</b> HOLDER'S DILUTED VALUE	<b>AMBITIOUS</b> 50% market • \$9/mo <b>\$936K–\$1.4M</b> HOLDER'S DILUTED VALUE	<b>DOWNSIDE</b> No traction <b>\$10,750</b> PRINCIPAL + INTEREST RETURNED																														
<table border="1"> <tr><td>Paying users</td><td>36,250</td></tr> <tr><td>ARR</td><td>\$3.9M</td></tr> <tr><td>Valuation (10–15x)</td><td>\$39M–\$59M</td></tr> <tr><td>Pre-dilution (2%)</td><td>\$780K–\$1.18M</td></tr> <tr><td><b>Return multiple</b></td><td><b>47x–71x</b></td></tr> </table>	Paying users	36,250	ARR	\$3.9M	Valuation (10–15x)	\$39M–\$59M	Pre-dilution (2%)	\$780K–\$1.18M	<b>Return multiple</b>	<b>47x–71x</b>	<table border="1"> <tr><td>Paying users</td><td>72,500</td></tr> <tr><td>ARR</td><td>\$7.8M</td></tr> <tr><td>Valuation (10–15x)</td><td>\$78M–\$117M</td></tr> <tr><td>Pre-dilution (2%)</td><td>\$1.56M–\$2.34M</td></tr> <tr><td><b>Return multiple</b></td><td><b>94x–140x</b></td></tr> </table>	Paying users	72,500	ARR	\$7.8M	Valuation (10–15x)	\$78M–\$117M	Pre-dilution (2%)	\$1.56M–\$2.34M	<b>Return multiple</b>	<b>94x–140x</b>	<table border="1"> <tr><td>What happens</td><td>Note matures</td></tr> <tr><td>Maturity</td><td>Oct 31, 2027</td></tr> <tr><td>Backstop</td><td>Seward &amp; Kissel</td></tr> <tr><td>Annual salary</td><td>~\$215K</td></tr> <tr><td><b>Return multiple</b></td><td><b>1.08x</b></td></tr> </table>	What happens	Note matures	Maturity	Oct 31, 2027	Backstop	Seward & Kissel	Annual salary	~\$215K	<b>Return multiple</b>	<b>1.08x</b>
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## SUMMARY

SCENARIO	ARR	COMPANY VALUATION	HOLDER'S VALUE (DILUTED)	RETURN ON \$10K
25% at \$9/mo	\$3.9M	\$39M–\$59M	\$468K–\$708K	<b>47x–71x</b>
50% at \$9/mo	\$7.8M	\$78M–\$117M	\$936K–\$1.4M	<b>94x–140x</b>
No traction	—	—	\$10,750 repaid	<b>1.08x</b>

**Dilution assumptions:** Post-dilution figures assume two future fundraising rounds. A seed round typically dilutes existing holders by approximately 20%, reducing Holder from 2.0% to approximately 1.6%. A subsequent Series A round typically dilutes by approximately 25%, reducing Holder from 1.6% to approximately 1.2%. Actual dilution depends on the size and terms of future rounds. Anti-dilution protections in the SAFE Preferred Stock (upon conversion) provide standard price-based protection.