

Convertible Promissory Note

Principal Amount: \$5,000.00 **Date of Issuance:** [DATE], 2026

FOR VALUE RECEIVED, **Sanoj Allen, d/b/a SHEP** ("Maker"), promises to pay to the order of **William Groves** ("Holder"), the principal sum of **Five Thousand Dollars (\$5,000.00)**, together with interest and other amounts as set forth herein.

1. Interest

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

2. Maturity Date

The outstanding principal and all accrued interest under this Note shall be due and payable on **October 31, 2027** (the "Maturity Date"), unless earlier converted pursuant to Section 4 or repaid pursuant to Section 3.

3. Repayment

At any time prior to conversion, the Maker may prepay the outstanding principal and accrued interest in whole without penalty upon 10 days' written notice to the Holder.

4. Conversion

(a) Automatic Conversion upon Incorporation + Equity Financing

If the Maker incorporates the business currently operated as "SHEP" (or any successor entity) as a corporation or limited liability company (the "Company"), and the Company subsequently completes a qualified equity financing raising aggregate gross proceeds of at least **\$25,000** (excluding conversion of this Note and any other convertible instruments) (an "Equity Financing"), then the outstanding principal and accrued interest of this Note shall automatically convert into shares of the equity securities issued in such Equity Financing at a price per share equal to the lesser of:

- (i) the price per share paid by the new investors in the Equity Financing, multiplied by **0.80** (representing a **20% discount**); or
- (ii) the price per share obtained by dividing a **\$500,000** valuation cap (the "Valuation Cap") by the Company's fully diluted capitalization immediately prior to the Equity Financing.

(b) Automatic Conversion to SAFE upon Incorporation (No Equity Financing)

If the Maker incorporates the business as described above but no Equity Financing has occurred within **90 days** of incorporation, this Note shall, at the Holder's election, convert into a standard post-money SAFE (based on the Y Combinator template) with a Post-Money Valuation Cap of **\$500,000** and no discount, with the Purchase Amount equal to the outstanding principal and accrued interest of this Note. Upon such conversion, this Note shall be cancelled and of no further force or effect.

(c) Conversion upon Liquidity Event

If a Liquidity Event (defined as a sale, merger, or IPO of the business or its successor entity) occurs prior to conversion or repayment, the Holder shall receive the greater of:

(i) the outstanding principal plus accrued interest; or

(ii) the amount the Holder would have received had the Note converted immediately prior to the Liquidity Event at the Valuation Cap.

5. Key Terms Summary

Term	Value
Principal	\$5,000
Interest Rate	5% per annum, simple
Valuation Cap	\$500,000
Discount	20% (on Equity Financing conversion)
Maturity Date	October 31, 2027
Equity Financing Threshold	\$25,000
Auto-SAFE Conversion	90 days post-incorporation if no Equity Financing

6. Representations of the Maker

(a) The Maker has full legal capacity and authority to execute this Note and to perform obligations hereunder.

(b) The Maker is the sole owner and operator of the business known as "SHEP," operating at sheplegal.com.

(c) Upon incorporation, the Maker will cause the successor entity to assume all obligations under this Note.

(d) The Maker will provide the Holder with written notice within 5 business days of (i) incorporation, (ii) commencement of an Equity Financing, or (iii) a Liquidity Event.

7. Representations of the Holder

(a) The Holder has full legal capacity and authority to execute this Note.

(b) The Holder is acquiring this Note for investment for the Holder's own account, not as a nominee or agent, and not with a view to distribution.

(c) The Holder understands that this investment involves substantial risk, that the business is pre-revenue and pre-incorporation, and that the entire Purchase Amount may be lost.

(d) The Holder has had the opportunity to ask questions of the Maker and has received satisfactory answers regarding the business, its financial condition, and the terms of this Note.

8. General Provisions

(a) **Governing Law.** This Note shall be governed by the laws of the State of New York.

(b) **Amendments.** This Note may be amended only by written agreement signed by both the Maker and the Holder.

(c) **Notices.** All notices shall be in writing and delivered by email or U.S. mail to:

Maker: Sanoj Allen Email: sanoj@sheplegal.com Phone: (678) 939-4428

Holder: William Groves Email: [] **Address:** []

(d) **Assignment.** The Holder may not assign this Note without the prior written consent of the Maker.

(e) **No Employment or Management Rights.** Nothing in this Note shall entitle the Holder to any management, voting, or employment rights in the business or any successor entity.

(f) **Entire Agreement.** This Note constitutes the entire agreement between the parties with respect to the subject matter hereof.

IN WITNESS WHEREOF, the parties have executed this Convertible Promissory Note as of the date first written above.

MAKER:

By: _____ Name: Sanoj Allen d/b/a SHEP

Date: _____

HOLDER:

By: _____ Name: William Groves

Date: _____

This document is a draft for discussion purposes. Both parties should review with independent counsel before execution.

Appendix A: Investment Outcome Scenarios

The following projections illustrate potential outcomes for the Holder's \$5,000 investment at the \$500,000 valuation cap (~1% ownership at conversion).

Market Context

Metric	Value	Source
US law students (JD + non-JD)	145,116	ABA Fall 2025
Entering 1Ls (Fall 2026)	~48,000	ABA — 12-year high, +7.9% YoY
Direct competitor pricing	\$15/mo	NomosLearning (only direct competitor)
SaaS revenue multiple (typical)	10-15x ARR	Industry standard for growth-stage SaaS

Scenario 1: 25% Market Capture at \$9/mo

Paying users	36,250
Monthly revenue	\$326,250
Annual recurring revenue (ARR)	\$3.9M

Company valuation (10x ARR)	\$39M
Company valuation (15x ARR)	\$59M
Holder's ~1% (pre-dilution)	\$390,000 — \$590,000
Holder's ~0.6% (post seed + Series A dilution)	\$234,000 — \$354,000
Return on \$5,000 investment	47x — 71x

Scenario 2: 50% Market Capture at \$9/mo

Paying users	72,500
Monthly revenue	\$652,500
Annual recurring revenue (ARR)	\$7.8M
Company valuation (10x ARR)	\$78M
Company valuation (15x ARR)	\$117M
Holder's ~1% (pre-dilution)	\$780,000 — \$1,170,000
Holder's ~0.6% (post seed + Series A dilution)	\$468,000 — \$702,000
Return on \$5,000 investment	94x — 140x

Scenario 3: Downside — SHEP Does Not Achieve Traction

What happens	Note matures October 31, 2027
Holder receives	\$5,000 principal + accrued interest (5% per annum)
Total repayment	~\$5,375
Backstop	Maker holds a guaranteed return offer at Seward & Kissel LLP (BigLaw, ~\$215K annual compensation)

Dilution Assumptions

The "post-dilution" figures assume two future fundraising rounds:

- **Seed round:** ~20% dilution (Holder's 1% becomes ~0.8%)
- **Series A:** ~25% dilution (Holder's 0.8% becomes ~0.6%)

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.

Summary

Scenario	ARR	Holder's Value (diluted)	Return Multiple
----------	-----	--------------------------	-----------------

25% at \$9/mo (conservative)	\$3.9M	\$234K — \$354K	47x — 71x
50% at \$9/mo (ambitious)	\$7.8M	\$468K — \$702K	94x — 140x
No traction (downside)	—	\$5,375 repaid	1.08x

In all scenarios, the Holder's principal is protected by the Maker's guaranteed employment backstop at Seward & Kissel LLP.