Redeemable tokens, explained simply

Giving a project the option to buy back its tokens at a pre-agreed price

Early risk, rewarded — without permanent dilution

A new approach to project financing

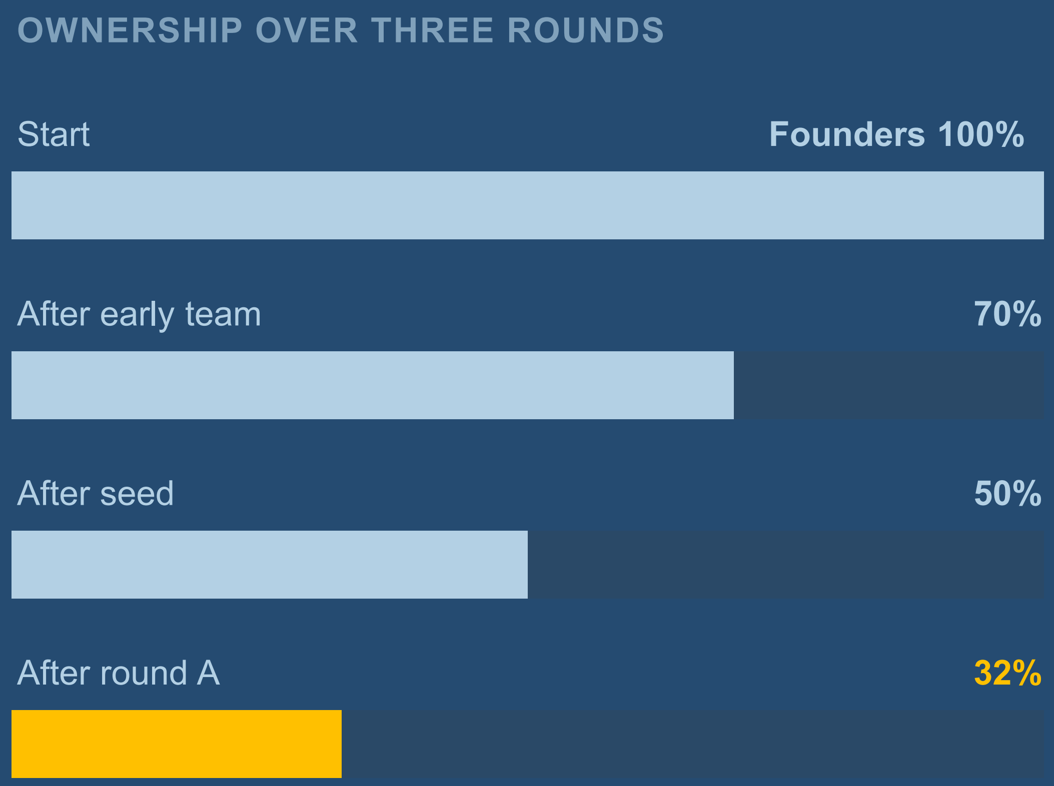
The problem: equity given away is gone for good

- Pre-revenue typically use high speculative “**market-based**” valuation when doing funding round.
  - This creates a structural conflict of interest between founders & investors.

- FlexUp recommends “**cost-based**” valuation
  - Based on the real contributions provided, and risk taken, by of all stakeholders
  - This ensures simplicity, transparency, fairness and alignment of interests.

- But it also means that early valuations are generally much lower than using market-based valuation.

- So, founders give away more equity, creating **dilution anxiety**



Illustrative. Every slice handed over is permanent.

What is a redeemable token?

A token the project can buy back later, at a price agreed the day it is issued

Same token, extra clause

Same voting rights, same distributions, same market price. The only difference is the project's option to buy it back.

A minimum guaranteed price

The buyback price is fixed by formula, not negotiation, and grows every year at the indexation rate.

An option, not an obligation

The project buys back only if it can afford to — which means only if it is doing well.

“If the company succeeds, it can pay you back with a generous upside.”

What you hold: Credits and Tokens

Contribute 1 000 € — as cash, as work, or as goods and services delivered on deferred terms — and you receive two things, not one.

You contribute

1 000 €

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1 000 € in Credits

Your principal. Behaves like a shareholder loan and is repaid from excess cash.

1 000 € in Tokens

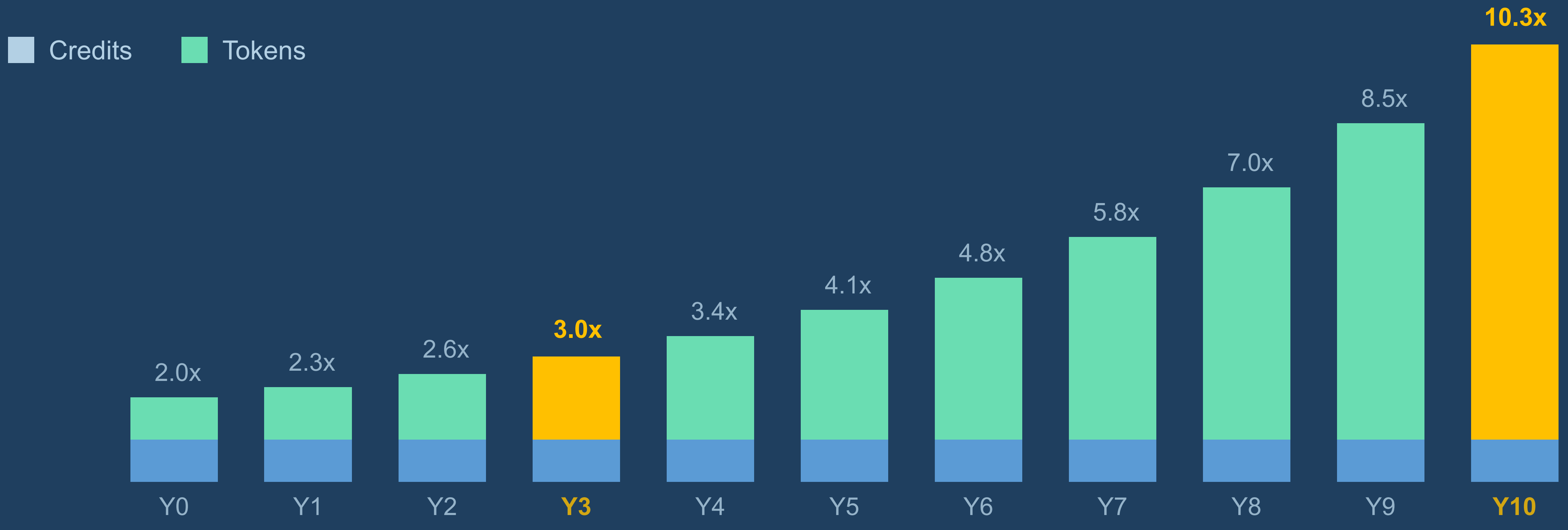
Rewarding your risk. Grows 25% a year, carries voting rights and distributions.

Why this matters

In classic equity, 1 000 € invested buys 1 000 € of shares — and that is all you hold. With FlexUp, the same 1 000 € gives you a claim on your principal *plus* a share of the profits. That is why the returns on the next slides beat the 25% indexing rate.

The buyback price grows every year

Buyback price of a 1 000 € contribution, indexed at 25% a year. Credits stay at 1 000 €; the Tokens do the growing.



3x after three years — a 43% annual return. **10x after ten years** — 26% a year.

The numbers in full

1 000 € contribution · 100 tokens issued at an index of 10 € · indexing rate 25%/year · credit risk factor 80% · redeemable bonus 25%

Year	Credit buyback, €	Token index, €/token	Token buyback, €	Equity buyback, €	Total return	Annual return
0	1 000	10.00	1 000	2 000	2.0x	–
1	1 000	12.50	1 250	2 250	2.3x	125%
2	1 000	15.63	1 563	2 563	2.6x	60%
3	1 000	19.53	1 953	2 953	**3.0x**	**43%**
4	1 000	24.41	2 441	3 441	3.4x	36%
5	1 000	30.52	3 052	4 052	4.1x	32%
6	1 000	38.15	3 815	4 815	4.8x	30%
7	1 000	47.68	4 768	5 768	5.8x	28%
8	1 000	59.60	5 960	6 960	7.0x	27%
9	1 000	74.51	7 451	8 451	8.5x	27%
10	1 000	93.13	9 313	10 313	**10.3x**	**26%**

Standard tokens and redeemable tokens

Standard tokens

- Only the token owner can ask for a buyback at the annual resolution – if the project has excess cash
- Upside is unlimited
- Founder dilution is permanent
- Project has no incentive to buyback – reduced liquidity
- Credit with standard tokens have an 80% risk factor:
  - 1 000 € credits × 80% risk factor = 800 € risk
  - 800 € risk ÷ 10 €/token = 80 tokens

Redeemable tokens

- The project can also initiate the buyback at a pre-agree price: 2 × investment + 25%/year
- Upside it potentially* limited
- Founder dilution can be reversed
- Project has incentive to buy back if valuation is higher than buyback price – improved liquidity
- Credits with redeemable tokens have 100% risk factor:
  - 1 000 € credits × 100% risk factor = 1 000 € risk
  - 1 000 € risk ÷ 10 €/token = 100 tokens
- Investors also get **25% more tokens**

Standard & redeemable tokens are identical in every other respect: same voting rights, same distributions, same governance

What happens when the project buys back

1 · The project has cash

Buybacks are funded from excess cash, alongside credit repayments and distributions. No cash, no buyback.

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2 · Tokens & credits are bought at pre-agreed price

Credits must be repaid in full, and tokens are paid at their issue price compounded by their original uprate (defaults to 25%/yr)

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3 · Those tokens are destroyed

They leave circulation for good, so every remaining token holder's share of the project goes up.

Negative dilution

Ordinary financing only ever moves ownership one way.

In FlexUp, a token buyback moves it back: the founder and the long-term holders each own more of the project than they did the day before, and nobody was diluted to make it happen.

What each side gets

Employees and contributors

More tokens for the same contribution
25% more than a standard allocation, because the upside is capped.

A real path to cash
Classic startup equity is often never liquid. Here, then startup has a strong incentive to buy back the equity as soon as it can.

Paid for the risk actually taken
Up to roughly 10x after ten years, and never less than the indexed floor.

Founders and the company

No runaway dilution pre-revenue
Reward people generously now, with a route to reclaim ownership later.

Cost-based valuation becomes workable
An honest early valuation stops being a punishment for the founder.

A cap table you can tidy up
Once profitable or funded, the project can simplify its ownership and stay investable.

If the project can afford to redeem the tokens,
it is doing well — and everyone is paid because of it

The big picture

Redeemable tokens make early-stage equity fair, liquid and sustainable

Realistic early valuations

Value what has been contributed, not what might one day be projected.

Generous rewards for early contributors

The people who took the risk are the people who get paid for it.

Healthy long-term ownership

Founders keep enough of the company to stay committed and credible.

Aligned incentives

Founders, employees and investors all win from the same outcome.

As the project matures, its tokens can move to stable, non-redeemable terms. The mechanism is for the stage that needs it.