FlexUp “Pay Me Later” Mechanism

Deferred payment, on terms the two parties choose

The provider is paid later, with interest. The client keeps cash for other needs.
Time and risk are shared, and the total repayment can be capped.

The principle

The service provider accepts payment of all or part of a service fee at a later date. The client pays any agreed upfront portion and settles the deferred balance according to the agreed payment conditions.

Deferred amount

The full fee or an agreed portion, with any upfront payment specified separately.

Interest rate

A rate and its period, always compounded, with an accrual start date and an optional repayment cap.

What makes it due

A fixed deadline, a threshold based on cumulative cash inflows, or a combination of both.

The mechanism lets the parties share the time and risk of deferred payment: the client retains cash for other needs, while the provider receives the agreed interest in return for waiting, subject to any repayment cap.

Published by FlexUp for use by businesses and projects in their own commercial relationships. The parties record their selected terms in the relevant contract or order.

A simple example

A provider agrees to complete a job for **1 000 €**. The client pays **500 €** now and defers the remaining **500 €** through Pay Me Later.

Interest	When payment is due	Cap
25% per year, compounded annually.	After three years, or when the client reaches 1 000 000 € in cumulative qualifying cash inflows — whichever happens first.	Twice the deferred amount: a maximum repayment of 1 000 €, being 500 € principal and up to 500 € of interest.

781.25 € deferred balance if payment takes place after two years

976.56 € deferred balance after three years

The initial 500 € paid upfront is separate and is not included in the cap on the deferred balance. These figures illustrate one possible agreement: rate, deadline, trigger and cap are choices for the parties, not fixed requirements of the system.

Why the example uses 25% interest

The high illustrative rate reflects the high risk a provider may accept when working with an early-stage startup. The client may have no product, no customers, and no revenue, with substantial uncertainty about whether it will ever be able to pay for the services received.

The provider delivers the work now while accepting the possibility of delayed payment or non-payment. Interest compensates for both the time spent waiting and that risk.

What the provider gives up

Cash today, and the certainty of being paid at all.

What the client gains

Work delivered now, with cash retained for other needs.

What the rate prices

Time waited plus risk taken — which is why a low-risk client would agree a much lower rate.

The parties choose a rate appropriate to their situation. 25% is an example for this high-risk context, not a fixed rate for every agreement.

Terms the parties can choose

Deferred amount: the full service fee or an agreed portion, with any upfront payment specified separately.

Interest: the agreed rate and its period, the accrual start date, the compounding frequency — interest is always compounded — and how partial periods are calculated.

Deadline: a date or a period after an agreed starting point, if a fixed deadline applies.

Payment trigger: an agreed event, such as reaching a specified amount of cumulative cash inflows, if a trigger applies.

Repayment cap: an optional maximum for principal plus accumulated interest, as an amount or a multiple of the principal. A 2× cap means total repayment cannot exceed twice that principal.

Payment allocation: how partial payments are split between principal and accrued interest, how future interest is calculated on the remaining balance, and how payments count towards any cap.

A deadline and a trigger can be used separately or together

- If both apply, the agreement must explain how they interact — for example, payment due at whichever occurs first.
- If there is no fixed deadline, it must explain what happens if the trigger is never reached.
- If neither applies, another clear payment rule is needed.

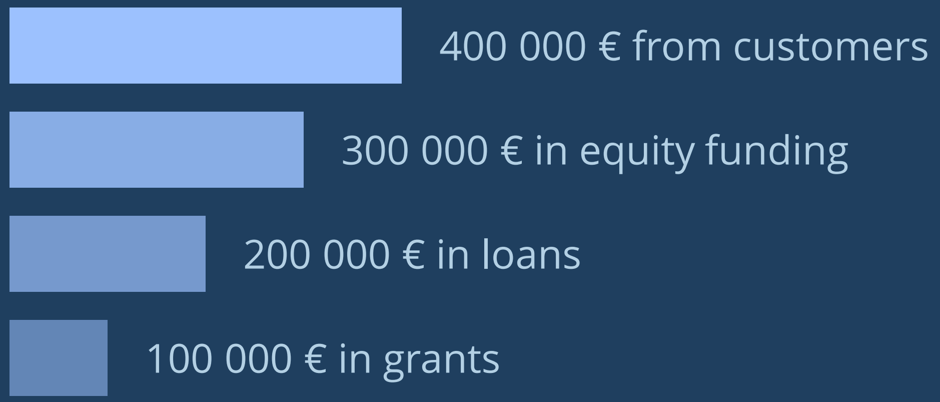
Defining a cash-inflow trigger

A cash-inflow trigger makes payment due when the client's cumulative qualifying cash receipts reach an agreed threshold. It is based on **cash received** — not unpaid invoices, not accounting profit, and not the balance remaining in the bank account.

The parties select which sources count, and set the measurement start date — the company's creation date, or the date the contract is signed. If measurement starts at creation, qualifying receipts from before the contract count towards the threshold.

Also to define: the entity being measured, exclusions, the treatment of refunds and transfers between the company's own accounts, the evidence used to confirm receipts, and how soon payment must be made once the threshold is reached. Transfers between the company's own accounts should not count the same receipt twice.

Reaching a 1 000 000 € threshold



A broad trigger can include all cash inflows; a narrower one might count only revenue, or only funding.

Spending that money does not reduce the cumulative receipts counted towards the trigger.

Early and partial payments

The client may pay all or part of the outstanding balance at any time, without waiting for a deadline or payment trigger.

Each payment reduces the balance

Outstanding principal and accrued interest go down as payments are made.

Interest follows the balance

Future interest is calculated on the remaining interest-bearing balance under the agreed calculation rules.

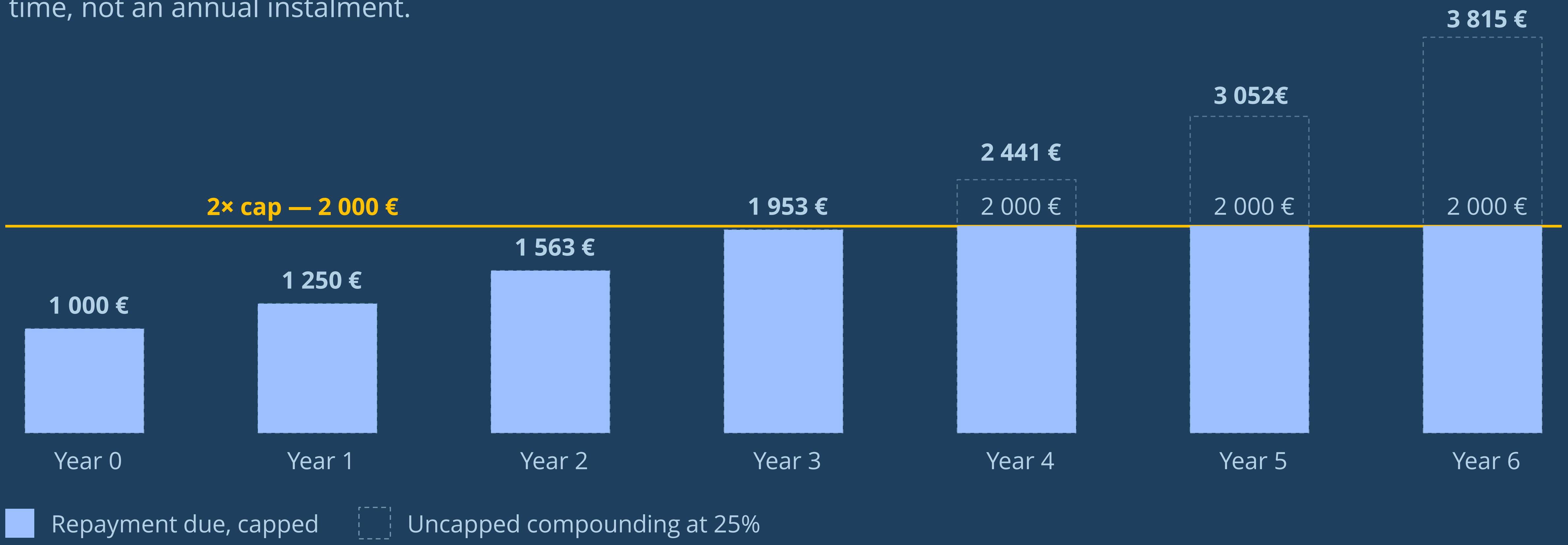
The agreement sets the method

Allocation between principal and interest is agreed in advance; the right to pay early is not negotiable away.

Early and partial payments are always allowed.
The right to make them is a standard feature of the mechanism.

How interest and the cap work

A deferred amount of 1 000 € at 25% per year, compounded annually, with a 2× cap and no interim repayments. Each bar is an alternative repayment time, not an annual instalment.



Repayment after n full years = minimum of [principal × (1 + rate)^n] and [principal × cap multiple]. The cap is first reached at the fourth annual calculation; from then on the repayment amount stops increasing, so the effective annualised return falls the longer payment is delayed. With a three-year deadline, payment would instead be due after three years, before the cap is reached.

The numbers in full

1 000 € deferred at 25% per year with a 2× cap. Annual compounding, no interim repayments.

Years elapsed	Repayment amount	Accumulated interest	Annualised return if repaid then
0	1 000.00 €	0.00 €	Not applicable
1	1 250.00 €	250.00 €	25.00%
2	1 562.50 €	562.50 €	25.00%
3	1 953.13 €	953.13 €	25.00%
4	**2 000.00 €**	**1 000.00 €**	**18.92%**
5	2 000.00 €	1 000.00 €	14.87%
6	2 000.00 €	1 000.00 €	12.25%

Each row is an alternative repayment time, not an annual instalment. The cap is first reached at the fourth annual calculation; once reached, the repayment amount stops increasing. The agreed rate remains 25%, but the effective annualised return falls the longer payment is delayed.

Conversion into FlexUp Credits

The parties can use Pay Me Later without adopting the full FlexUp Economic Model. The outstanding balance — unpaid principal and accrued interest — may later be converted into FlexUp Credits.

Payor — generally the client	Payee — generally the provider
May initiate conversion **at any time**.	May initiate conversion **upon reaching the agreed deadline** . The payor must then either pay the outstanding balance, or adopt the full FlexUp system and complete the conversion on agreed parameters.

Both cases

The payor adopts the FlexUp Economic Model and signs the FlexUp Charter for their project.

Agreed parameters

Company valuation and the remuneration of founders and other stakeholders. Neither party can set these unilaterally.

No agreement

The parties can seek mediation from FlexUp. Without agreement, conversion cannot be completed and the payment remains due.

Once conversion is completed, the converted balance is governed by the full model and the applicable FlexUp Charter terms.

FlexUp « Pay Me Later »

Work delivered now, paid for later, on terms both parties agree and record in the contract.