

Nexus Mutual DeFi Pass Cover Terms and Conditions (the "Cover Terms")

These Cover Terms govern the use of the Nexus Mutual DeFi Pass Cover. Schedules and Annexes shall have effect as if set out in full in the body of these Cover Terms and any reference to these Cover Terms includes the Annex and Schedules.

CLAIMS.

1. Subject to clause 3 (Exclusions), Claim Assessors *may* approve a Claim made under these Cover Terms if:
 - 1.1. the User is a user of a Designated Protocol and during the Cover Period that Designated Protocol loses the User's funds in excess of the Deductible as a direct result of the Designated Protocol failing from either:
 - 1.1.1. a smart contract code bug or error resulting in the Designated Protocol being used in an unintended way; or
 - 1.1.2. a Sudden and Severe Economic Event occurs which results in the unintended confiscation or seizure of funds deposited by the User into the Designated Protocol.
 - and
 - 1.2. the Covered Member submits a Claim within the following timeframes:
 - 1.2.1. at least 14 days after the Loss Event listed in clause 1.1; and
 - 1.2.2. during the Cover Period or within 35 days of the Cover Period ending.
2. **Redeeming:** subject to an approval of a Claim as described in clause 1, the Covered Member may redeem the Claim Amount within thirty (30) days from the Claim approval date.

EXCLUSIONS.

3. Covered Member will not be able to submit a Claim under these Cover Terms for any of the following:
 - 3.1. Any events or losses where the vulnerability in a deployment of the Designated Protocol originates on a non–Ethereum Virtual Machine compatible chain.
 - 3.2. Any events or losses due to phishing, private key security breaches, malware, miner behaviour or any other activity where the Designated Protocol continues to act as intended.
 - 3.3. Any events or losses where the Designated Protocol was deployed primarily for the purpose of submitting a Claim under these Cover Terms and not for real usage by the User.
 - 3.4. Any events or losses occurring during the Cover Period if:
 - 3.4.1. the event occurred before the Cover Period began; or
 - 3.4.2. a public bug disclosure or warnings related to the event were made for the Designated Protocol before the Cover Period began; or
 - 3.4.3. where a public bug disclosure or warnings related to the event were made for the parent protocol before the Cover Period began, and the Designated Protocol is a fork of that parent protocol.
 - 3.5. Any events or losses resulting from movements in the market price of assets used in, or relied upon, by the Designated Protocol except for any losses caused by asset price movements where the price movement meets the definition of oracle manipulation under clause 11.2 (Sudden and Severe Economic Event).
 - 3.6. Any events or losses resulting from the de-peg of any asset that the Designated Protocol generates.
 - 3.7. Any events or losses resulting from the Owners or Controllers of the Designated Protocol confiscating or stealing funds from Users in line with the permissions of the Designated Protocol irrespective of the individual or entity that has access to the private keys of the Owner or Controller accounts (*"rug pull" exclusion*).
 - 3.8. Any events or losses due to the user interface or website errors where the Designated Protocol continues to act as intended.

- 3.9. Any events or losses due to the failure of any components of the Designated Protocol that are used to bridge assets from one blockchain to another.

COVER TERMINATION.

4. Cover ends when:
 - 4.1. the full Cover Amount has been redeemed in claims; or
 - 4.2. the Cover Period specified at purchase has ended;whichever is earlier.

CLAIM AMOUNT.

5. For a Claim resulting from clause 1.1.1, the Claim Amount should reflect the Loss Amount incurred by the member less the Deductible, up to a maximum payment of the Cover Amount.
6. For a Claim resulting from clause 1.1.2, the Claim Amount should reflect the Loss Amount incurred by the Covered Member in any two (2) hour period less the Deductible up to a maximum payment of the Cover Amount.
7. Loss amounts (the “**Loss amount**”) are to be calculated:
 - 7.1. at the time the loss actually occurred, or for a Claim resulting from clause 1.1.2 at the end of the two (2) hour period; and
 - 7.2. after subtracting any Reimbursements; and
 - 7.3. using exchange rates from *coingecko.com* or if not available any other reputable crypto pricing data site.
8. Claim Amounts shall be reduced proportionally if the Exposed Funds at the time of the loss exceed the Cover Amount as further illustrated in the Explanatory Note 1 below.

REIMBURSEMENTS.

9. The Covered Member shall preserve any Reimbursement or other rights against any third party for any loss claimed under these Cover Terms and preserve Nexus Mutual’s rights with respect thereto.
 - 9.1. In the event the Claim made by the Covered Member is approved and redeemed under these Cover Terms the Covered Member agrees to:

- 9.1.1. Promptly, and in any event no later than within 30 calendar days of the redemption of the Claim as described in clause 7, assign all rights over any Reimbursements to Nexus Mutual DAO and/or the Foundation; and
 - 9.1.2. Promptly, and in any event no later than within 10 calendar days of receipt of such Reimbursements, forward any Reimbursements received by the Covered Member to Nexus Mutual DAO and/or the Foundation upon receipt.
- 9.2. If the Covered Member is unable to assign rights to the Reimbursements to Nexus Mutual and/or the Foundation, or if Nexus Mutual and/or the Foundation desires, then, instead of assigning such rights to Nexus Mutual and/or the Foundation, the Covered Member shall allow Nexus Mutual and/or the Foundation to bring suit in their name. In no event shall the Covered Member waive any rights that could adversely affect any such assignment rights. Any amounts recovered by Nexus Mutual and/or the Foundation in connection with the exercise of its assignment rights shall be applied first to reimburse Nexus Mutual for any Claim paid by Nexus Mutual pursuant to this Cover and for any costs or expenses incurred in connection with such recovery and then the remainder of such recovered amounts shall be paid to the Covered Member.
10. OFFSETTING RECOVERIES. Any Claims under this Cover shall be reduced by any recoveries (including recoveries from any contractors, subcontractors, suppliers or any insurance policies or indemnities) actually paid to the Covered Member.
11. MATERIAL CHANGE IN RISK DISCLAIMER. Nexus Mutual reserves the right to deny a Claim made by the Covered Member in the circumstances where the Covered Member made an alteration in the Covered Member's business activities and terms and conditions that are within the control of the Covered Member and that would result in a material change in the risk assumed by this Cover, or affect the risk profile of the Covered Events.
12. SEVERABILITY. If any provision or provisions of these Cover Terms shall be held to be invalid, illegal, or unenforceable for any reason whatsoever, then the validity, legality and enforceability of the remaining provisions of this Agreement (including, without limitation, all portions of any paragraphs of this Cover containing any such provision held to be

invalid, illegal, or unenforceable that are not themselves invalid, illegal, or unenforceable) shall not in any way be affected or impaired.

13. **NO BENEFIT TO THIRD PARTIES.** Except as expressly set forth in these Cover Terms, none of the provisions in this Cover shall be for the benefit of or be enforceable by any person other than the Covered Member.
14. **ENTIRE AGREEMENT.** These Cover Terms and any applicable Schedules and Annexes constitute the entire Agreement with respect to the subject matter herein and no member, or the Mutual as a whole, shall be liable or bound to any other member in any manner by any warranties, representations or covenants, whether written or oral, outside these Cover Terms.

DEFINITIONS.

"Annex" means a PDF attached to the Listing Smart Contract Data that contains a list of Designated Protocols, Sub-Protocols and any additional terms.

"Claim" means a request by a Covered Member of a Claim Amount suffered due to a Loss Event, to be reviewed, discussed and voted on the validity of a submission by the Claim Assessors.

"Claim Amount" means the amount requested by a Covered Member, as calculated in clauses five to eight (5–8) inclusive.

"Claim Assessor" means a Member who assesses a Covered Member's Claim under these Cover Terms.

"Cover" means the matters which are the subject of the discretionary cover provided by the Mutual as set out in the Member Smart Contract Data and these Cover Terms.

"Cover Amount" means the total amount of Cover specified in the Member Smart Contract Data at the time the Covered Member purchases DeFi Pass Cover. If the Covered Member purchases the Cover on behalf of multiple Users, the total Cover Amount will be distributed pro-rata based on the information provided by the Covered Member as specified in the Member Smart Contract Data.

"Cover NFT" means the NFT token generated by the Nexus Mutual protocol that represents the Cover.

"Cover Period" means the period of time that a Covered Member is protected under this Bundled Protocol Cover, specified by the Covered Member when purchasing Cover and stated in the Member Smart Contract Data.

"Covered Member" means a Member that purchased a Cover or, where the context requires, a former Covered Member. For the purpose of this Cover the Covered Member is defined in the Annex. A Covered Member may purchase a Cover on behalf of multiple Users, or, in certain scenarios, the Covered Member may be the User itself.

"Deductible" means five percent (5%) of the Cover Amount.

"Designated Protocol" means open source smart contract code marketed under one brand, running on one or more public blockchain networks including any directly linked layer two components but excluding the underlying blockchain network or networks and the related mining or consensus activities. Designated Protocol specifically excludes any user interfaces, including websites or any other interface that is used to interact with the Designated Protocol.

Where a Designated Protocol automatically deploys users funds into other protocols as part of its usual functionality those other sub-protocols are included as part of that Designated Protocol, but only where they are accessed via that Designated Protocol, and not where the Covered Member accesses the Sub-Protocol directly.

"Designated Wallets" means the wallet addresses chosen by the Covered Member at the time of Cover purchase held in the Member Smart Contract Data.

"Exposed Funds" means the value of assets exposed to the Designated Protocols held in the Designated Wallets at the time of claim converted into the cover currency using widely acceptable exchange rates such as Coingecko, etc.

"Foundation" means Terrapin International Foundation.

"Impacted Account" means an account which directly suffered a loss of funds as a result of the Loss Event.

"Loss Event" means the conditions defined in clause 1.1.1 or clause 1.1.2 that directly lead to a loss of funds.

"Member" means an individual or entity who has paid their Membership Fee and is entered in the Mutual's register of members and, where the context requires, a former member.

"Member Address" means the designated Ethereum blockchain address that is associated with the Covered Member, where the membership is active.

"Member Smart Contract Data" means data held on the Ethereum Network in relation to a specific Member Address.

"Owner or Controller" means the blockchain address or addresses which have permission to upgrade, change or alter the Designated Protocol either in part or in full.

"Reimbursement" means any current, past, or future reimbursement, indemnity or any other recovery of an approved and redeemed Claim made, or promised to be made, or made available to Covered Members. Should total or partial reimbursement be made available after a Claim was approved and redeemed, then clause 9 and its respective subclauses will take effect.

"Sub-Protocol" means the list of protocols that are part of the underlying strategy or strategies included within a Designated Protocol, as defined in the Annex.

"Sudden and Severe Economic Event" means the event must:

- a) be clearly outside the normal or intended operation of the Designated Protocol; and
- b) be caused by either:
 - i) oracle manipulation or failure; or
 - ii) severe liquidation failures where liquidation processes of a Designated Protocol clearly fail to operate correctly; or
 - iii) governance takeovers where a malicious actor forces through a malicious upgrade to a Designated Protocol smart contract.

"User" means the end-user of a Designated Protocol.

Explanatory Note 1

Example 1

- **Cover Amount:** \$100,000
- **Exposed Funds at the time of loss:** \$200,000
 - \$100,000 in Beefy
 - \$50,000 in Aerodrome
 - \$20,000 in Uniswap V3
 - \$30,000 in Moonwell
- **Loss Amount after applying Deductible:** \$50,000 due to a partial hack of Beefy.

In this scenario, the Exposed Funds (\$200,000) are double the cover amount (\$100,000).

Therefore, the Claim would be reduced proportionately. Since the Exposed Funds are twice the Cover Amount, the Claim would be reduced by 50%.

- **Claim Amount after reduction:** $\text{Loss Amount} \times \text{Cover Amount} / \text{Exposed Funds} = \$50,000 \times \$100,000 / \$200,000 = \$25,000$

Example 2

- **Cover Amount:** \$100,000
- **Exposed Funds at the time of loss:** \$150,000
- **Loss Amount after applying the Deductible:** \$60,000

The Exposed Funds (\$150,000) are 1.5 times the Cover Amount (\$100,000). Therefore, the Claim will be reduced by 1/3

- **Claim Amount after reduction:** $\text{Loss Amount} \times \text{Cover Amount} / \text{Exposed Funds} = \$60,000 \times \$100,000 / \$150,000 = \$40,000$

Example 3: Multiple Users on a single Cover

Where there are multiple Users for a single Cover, the Claim Amount after reduction will be calculated at the User level using the Cover Amount allocated to that User in the Member Smart Contract Data.

For example, there are three users:

- A) Allocated Cover Amount: \$20,000
- B) Allocated Cover Amount: \$10,000
- C) Allocated Cover Amount: \$30,000

Aggregate Cover Amount = \$60,000

Assume that only User C loses funds for a Loss Amount of \$20,000

- **Allocated Cover Amount:** \$30,000
- **Exposed Funds of User C at the time of loss:** \$45,000
- **Loss Amount after applying the deductible:** \$20,000

The Exposed Funds (\$45,000) exceed the Cover Amount (\$30,000) by 1.5 times. Therefore, the Claim will be reduced proportionately by 1/3.

- **Claim Amount after reduction:** $\text{Loss Amount} \times \text{Cover Amount} / \text{Exposed Funds} = \$20,000 \times \$30,000 / \$45,000 = \$13,333$