

Vault Cover Terms and Conditions (the "Cover Terms")

These Cover Terms, including any Annexes, govern the use of the OpenCover x Nexus Mutual Vault Cover. The Annexes shall be deemed incorporated into and shall have the same force and effect as if set forth in full in the body of these Cover Terms. Accordingly, any reference to these Cover Terms shall include the Annex. In the event of any inconsistency or conflict between the provisions of these Cover Terms, and the Annex, the provisions of the Annex shall prevail.

CLAIMS SUBMISSION.

To be eligible to submit a Claim under these Cover Terms, the individual or entity making the Claim must:

- a. Be a Member of Nexus Mutual at the time the Claim is submitted, having satisfied all membership requirements set forth in the Nexus Mutual Member Agreement <https://app.nexusmutual.io/assets/Nexus-Mutual-DAO-Member-Agreement-FIN.pdf> ;
- b. Have successfully completed the Know Your Customer process;
- c. Have paid the required membership fee (the "**Membership Fee**") in full, as specified at: <https://docs.nexusmutual.io/overview/membership>; and
- d. Not reside in, or otherwise be located in, a country or jurisdiction that is subject to sanctions or other legal restrictions that prohibit participation in Nexus Mutual or the submission of a Claim as detailed in the: <https://docs.nexusmutual.io/overview/membership>.

Vault Cover Specific Terms

- These Cover Terms apply to the Covered Vault Manager (CVM) purchasing the Cover. The Cover is valid only when purchased by the CVM itself, any attempt to claim under this Cover by third parties other than CVM shall render this Cover immediately invalid and unenforceable.
- For the purpose of submitting the Claim under clause 1.1 or 1.2, the CVM must submit a detailed post mortem and technical analysis of the Covered Event which resulted in a Loss under this Cover. This must include:
 - A technical breakdown demonstrating the cause of the Loss;
 - Evidence of the extraction of funds from the Covered Components;
 - References to relevant blockchain transactions substantiating the scope of Loss.

PART A: PROTOCOL COVER SPECIFIC TERMS

1. **Part A Covered Event:** Subject to clause 3 (Part A Exclusions) and these Cover Terms, Nexus Mutual *may* approve a Claim made by the Covered Vault Manager under these Cover Terms if during the Cover Period the Covered Components fail and suffer a Material Loss directly resulting from any of the following:
 - 1.1. Code being used in an unintended way as a result of a smart contract code bug or error; or
 - 1.2. A sudden and widespread economic event that is clearly outside the normal or intended operation and affects multiple users where the loss is caused by:
 - 1.2.1.1. Oracle Failure; or
 - 1.2.1.2. Oracle Manipulation; or
 - 1.2.1.3. Liquidation Failure; or
 - 1.2.1.4. Governance Takeovers.
2. **Part A Claim Amount Calculation:**
 - 2.1. For a Claim resulting from clause 1.1, the Claim Amount should reflect the loss actually incurred by the Covered Components.
 - 2.2. For a Claim resulting from clause 1.2, the Claim Amount should reflect the loss actually incurred by the Covered Components in any two (2) hour period.
 - 2.3. Loss amounts shall be calculated:
 - 2.3.1. at the time the loss occurred, as specified in clause 2.1 and 2.2 respectively; and
 - 2.3.2. after subtracting any Reimbursements; and
 - 2.3.3. using exchange rates from *coingecko.com*, or if unavailable, any other reputable crypto pricing data site.
 - 2.4. Claim Amount shall be determined as the lesser of:
 - 2.4.1. Loss as calculated in accordance with clause 2.3 minus the Deductible; and
 - 2.4.2. The remaining Cover Amount.
3. **Part A Exclusions:** Covered Vault Manager will not be able to submit a Claim under these Cover Terms for any of the following losses affecting any of the Covered Components:
 - 3.1. any losses where the vulnerability in a deployment of the Covered Components originates on a non-Ethereum Virtual Machine compatible chain, unless It is otherwise specified in the Annex.
 - 3.2. any losses due to phishing, private key security breaches, malware, miner behaviour or any other activity where the Covered Components continue to act as intended.
 - 3.3. any losses where the Covered Components were deployed primarily for the purpose of submitting a Claim under this Covered Vaults Cover and not for real usage by the User. In such circumstances, this Cover shall be deemed void and unenforceable.

- 3.4. any 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 Covered Components 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 Covered Components are a fork of that parent protocol.
- 3.5. any losses resulting from movements in the market price of assets used in, or relied upon, by the Covered Components except for any losses caused by asset price movements where the price movement meets the definition of Oracle Failure under clause 1.2.1.1 or Oracle Manipulation under clause 1.2.1.2.
- 3.6. any losses resulting from the de-peg of any asset that the Covered Components generate.
- 3.7. any losses resulting from the Owners or Controllers of the Covered Components confiscating or stealing funds from Users in line with the permissions of the Covered Components 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 losses due to the user interface or website errors where the Covered Components continues to act as intended.
- 3.9. any losses due to the failure of any components of the Covered Components that are used to bridge assets from one blockchain to another unless it is otherwise specified in the Annex.
- 3.10. a Claim under this Cover purchased by a third party without the knowledge and consent of the User, or where the recovery under this Cover is not intended to be transferred to the User. In such circumstances, this Cover shall be deemed void and unenforceable.

PART B: DEPEG SPECIFIC TERMS

4. **Part B Covered Event:** Subject to clause 6 (Part B Exclusions) and these Cover Terms, Nexus Mutual *may* approve a Claim, if, during the Cover Period, the Reference Value of the Covered Token and the Market Value of the Covered Token differ in price by more than the Depeg Percentage for a continuous period of at least the Depeg Time.
5. **Part B Claim Amount and Process:**
 - 5.1. The Covered Vault Manager must transfer one Covered Token, or the equivalent in any Approved Covered Token Derivative, for each Unit of Claim to Nexus Mutual before submitting a Claim for Assessment. Once the Claim is approved, this Covered Token, or equivalent Approved Covered Token Derivative, is swapped for the Claim Amount payment. If the Claim is denied, Nexus Mutual shall return the Covered Token, or equivalent Approved Covered Token Derivative to the CVM

- 5.2. Claim Amounts are subject to the Sublimit per Covered Token listing in the Annex as well as the overall Cover Amount.
6. **Part B Exclusions:** CVM will not be able to submit a Claim under these Cover Terms for any of the following:
 - 6.1. Any smart contract or other technical issue related to the Covered Token or any Approved Covered Token Derivative unless that specifically results in the depeg of the Covered Token as per clause 4 (Part B Covered Event).
 - 6.2. Depeg of any asset other than the Covered Token.
 - 6.3. if, the CVM has not held the Covered Tokens, or an equivalent in any Approved Covered Token Derivative, for at least 72 hours prior to the beginning of the Covered Event specified in clause 4 (Part B Covered Event).

TERMS AND CONDITIONS APPLICABLE TO PART A AND PART B

7. Claim Essentials:
 - 7.1. Nexus Mutual *may* pay the Claim Amount subject to the following conditions:
 - 7.1.1. compliance with these Cover Terms; and
 - 7.1.2. Claim Assessors vote; and
 - 7.1.3. The Claim Amount not exceeding the remaining Cover Amount; and
 - 7.1.4. the Covered Vault Manager submitting a Claim only after the Cool Down Period has ended; and
 - 7.1.5. the Covered Vault Manager submitting a Claim within the following timeframes. Failure to comply with these timeframes will result in the termination of the right to claim under this Cover:
 - 7.1.5.1. **For Part A:** Claims may only be submitted during the Cover Period or Grace Period.
 - 7.1.5.2. **For Part B:** Claims must be submitted within 30 days of the occurrence of the Covered Event as described in clause 4. For the avoidance of doubt, the 30 day period starts once the depeg has continued for the Depeg Time.
 - 7.2. Cover ends when:
 - 7.2.1. the full Cover Amount has been redeemed in Claims; or
 - 7.2.2. the Cover Period specified at purchase has ended;
 whichever is earlier.
 - 7.3. **Redeeming:** Subject to an approval of a Claim as described in these Cover Terms, the Covered Vault Manager may redeem the Claim Amount within thirty (30) days from the Claim approval date.
 - 7.4. **Cover limits:** Claims Amount in the aggregate shall be limited to the Cover Amount inclusive of the Sublimit, as specified in the Annex, regardless of the number of Covered Events that may take place.

REIMBURSEMENTS.

8. The Covered Vault Manager shall take all reasonable steps to preserve any rights to Reimbursement or other recovery from any third party in connection with any Claim for any loss, and preserve Nexus Mutual's Reimbursement rights with respect thereto.
9. Upon approval and redemption of a Claim Amount, the Covered Vault Manager agrees and warrants to:
 - 9.1. Promptly, and in any event no later than within 20 days, assign all rights over any Reimbursements, or rights to any Reimbursements to the Foundation; and
 - 9.2. If assignment is not possible, allow the Foundation to pursue recovery on their behalf.
10. If the Covered Vault and/or Designated Vault and/or CVM receives any Reimbursement for losses incurred in any of the Covered Components or other compensation (including from a third party, insurance, legal proceeding or settlement) after a Claim Amount has been paid, the Covered Vault Manager shall:
 - 10.1. Promptly notify Nexus Mutual of the Reimbursement amount received; and
 - 10.2. Promptly, and in any event no later than within five (5) days of receipt, repay to the Foundation
 - 10.2.1. The amount received as Reimbursement; or
 - 10.2.2. The Claim Amount previously paid by Nexus Mutual under these Cover Terms.

Whichever is lower.
11. In no event shall the Covered Vault Manager waive any rights that could adversely affect Nexus Mutual's or the Foundation's ability to recover Reimbursement or exercise its assignment rights. Any amounts recovered by the Covered Vault, Designated Vault or the CVM or by Nexus Mutual and/or the Foundation in connection with the exercise of its Reimbursement or assignment rights shall be applied as follows:
 - 11.1. First, to reimburse Nexus Mutual for the Claim Amount paid by Nexus Mutual under this Cover and for any costs or expenses incurred in connection with such recovery; and
 - 11.2. Second, any remaining recovered amounts shall be paid to the Covered Vault.
12. The Covered Vault, Designated Vault and/or the Covered Vault Manager shall not retain any compensation that results in double recovery for the same loss. In the event that the total amount recovered from all sources (including the Claim Amount, Reimbursements, or other recoveries) exceeds the Covered Components actual loss, the Covered Vault, Designated Vault and/or the Covered Vault Manager must return the excess to Nexus Mutual and/or the Entity.
13. 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 Vault, Designated Vault and or the CVM.

14. MATERIAL CHANGE IN RISK DISCLAIMER. Nexus Mutual reserves the right to deny a Claim made by the Covered Vault Manager in the circumstances where the Covered Vault Manager made an alteration in its business activities and terms and conditions that are within the control of the Covered Vault Manager and that would result in a material change in the risk assumed by this Cover, or affect the risk profile of the Covered Events.
15. SEVERABILITY. If any provision or provisions of this Cover shall be held to be invalid, illegal, or unenforceable for any reason whatsoever, then the validity, legality and enforceability of the remaining provisions of these Cover Terms (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.
16. 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 Vault Manager.

ENTIRE AGREEMENT.

17. These Cover Terms and any applicable Schedules, and Annexes constitute the entire agreement between the parties and no Member, or Nexus Mutual as a whole, shall be liable or bound to any other Member in any manner by any warranties, representations or covenants outside these Cover Terms, whether or not in writing, in relation to the subject matter of this Covers.

DEFINITIONS

Part A specific definitions:

For ease of reference, the following definitions assist in the interpretation of the term Covered Event, as defined in clause 1.

"Covered Event" shall have the meaning given to it in clause 1.

"Oracle Failure" means an event in which incorrect price feed data is used by the Covered Components smart contracts, where:

- for stablecoin-related oracles, the error exceeds 1%; or
- for all other assets, the error exceeds 2.5%

and such incorrect data arises as a result of any of the following:

- a faulty oracle configuration; or
- a lack of proper safeguards to prevent an unauthorized party from providing pricing updates; or
- a fixed-rate oracle that is manually updated where the data is updated incorrectly; or
- an oracle's defined trigger parameters to provide updates to its price feed are met but the price feed fails to update a Designated Protocol's smart contracts.

"Oracle Manipulation" means an event where price feed data is deliberately corrupted and leads to a loss of funds in a Covered Components.

"Governance Takeovers" means an event where a malicious actor forces through a malicious upgrade to the Covered Components smart contract(s).

"Liquidation Failure" means an event where:

- Keepers are unable to liquidate collateral backing unhealthy borrow positions, resulting in bad debt that is subsequently socialized and passed on to all lenders within the affected market; or
- Keepers liquidate collateral backing unhealthy borrow positions for an amount less than 80% of the fair realisable Market Value of the collateral, taking account of the prevailing market conditions.

Part B specific definitions:

For ease of reference, the following definitions assist in the interpretation of Part B:

"Covered Token" means tokens specified in the Annex.

"Depeg Percentage" means the percentage drop in Market Value versus Reference Value as specified in the Annex.

"Reference Value" means the intended value of the token in the Reference Currency. The Reference Value depends on how the Covered Token is implemented. For example, the Reference Value can be either:

- directly expressed as the number of Covered Tokens where the Covered Tokens are designed to have a 1-to-1 basis with the Reference Currency (*eg, like a rebasing token*); or
- indirectly expressed where the number of Covered Tokens has a defined programmatic relationship to the Reference Currency (*eg, like a non-rebasing token*); or
- indirectly expressed where the number of Covered Tokens is designed to represent proportional ownership of a liquidity pool that accumulates in value relative to the Reference Currency (*eg like an ERC-4626 token*); or
- expressed via some other representation.

General Definitions:

"Annex" means a supplementary document attached to the Members Smart Contract Data and forming part of the Cover, providing additional conditions, definitions, and further details relevant to the Cover.

"Approved Covered Token Derivative" means any of the token derivatives explicitly specified in the Annex that can be exited to the Covered Token and that can be used to deposit in advance of a Claim submission and swap for a Claim payment on the successful approval of that Claim submission.

"Claim" means a request by a Covered Vault Manager in accordance with these Cover Terms for reimbursement of a loss resulting from a Covered Event, subject to the Cover Amount and these Cover Terms.

"**Claim Amount**" means the amount requested by the Covered Vault Manager in respect of a Claim under these Cover Terms, subject to and capped at the remaining Cover Amount. The calculation methodology and further details on the Claim Amount are set forth in Parts A and B respectively.

"**Claim Assessor**" means a Member who assesses a Claim under these Cover Terms.

"**CRS**" means Collective Risk Services CIC, a company (Company Number 11353187) which has its registered office at 71-75 Shelton Street, Covent Garden, London, United Kingdom, WC2H 9JQ.

"**Cool Down Period**" means the specified period of time following the occurrence of the Covered Event during which no Claims may be made. The Cool Down Period for each relevant Part is as follows:

- **Part A:** 14 days.
- **Part B:** Depeg Time.

The duration of the Cool Down Period may be adjusted as specified in the Annex for individual agreements.

"**Cover**" means collectively 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 amount of Cover specified by the CVM at the time of purchase of the Cover, as recorded in the Member Smart Contract Data.

"**Cover Currency**" means the currency used by the Covered Vault Manager to purchase the Cover. This can include, but is not limited to, ETH, USD, cbBTC, or any other currency as may be added by Nexus Mutual from time to time.

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

"**Cover Period**" means the duration of protection under this Cover, as specified by the CVM at the time of purchase of the Cover, as recorded in the Member Smart Contract Data.

"**Covered Components**" means collectively a) the Covered Vault; b) the Designated Vault; and c) the Designated Protocol, each as separately defined in these Cover Terms.

"**Covered Event**" for the purposes of this Cover, a Covered Event shall mean any event explicitly described in Part A or Part B of these Cover Terms, subject to their respective conditions and exclusions, collectively referred to herein as a Covered Event.

"**Covered Vault**" means the specific open smart contract code deployed at the Covered Vault Address that accepts deposits of the underlying Designated Vault shares, a portion of which the Covered Vault Manager uses to pay cover costs. A Covered Vault is 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. Covered Vault specifically excludes any user interfaces, including websites or any other interface that is used to interact with the Covered Vault.

"Covered Vault Address" means the blockchain address/s specified in the Annex.

"Covered Vault Manager" or "CVM" means a Member, for the purposes of this Cover, OpenCover the Member operating a Covered Vault, who has purchased Cover.

"Deductible" means the portion of the Cover Amount (e.g., 5%) that is excluded from payout. For the purpose of this Cover, Deductible is five percent (5%) of the Cover Amount unless stated otherwise in the Annex. See the Explanatory Note 1 for more information.

"Depeg Time" means the amount of time specified in the Annex.

"Designated Protocol/s" means the open source smart contract code associated with the protocols used in the Designated Vault's underlying strategy, 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.

"Designated Vault" means the specific open smart contract code deployed at the Designated Vault Address 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 Vault specifically excludes any user interfaces, including websites or any other interface that is used to interact with the Designated Vault.

"Entity" means CRS, Foundation or any other entity designated by Nexus Mutual.

"Foundation" means Terrapin International Foundation.

"Grace Period" means the specified period of time following the occurrence of the Covered Event during which the Covered Vault Manager may submit a Claim. The Grace Period for each relevant Part is as follows:

- Part A: 35 days following the Cover Period ending.
- Part B: 30 days following the Depeg Time ending.

"Keeper" means a decentralised network participant or automated agent (including but not limited to externally owned accounts, or bots) that monitors and executes predefined operational tasks or jobs on one or more smart contracts included in the Covered Components.

"Loss" means the amount of loss suffered by the CVM as calculated in accordance with these Cover Terms.

"Material Loss" means a loss of funds where the Claim Amount after subtracting the Deductible, exceeds gas related costs involved in approving the claim.

"Market Value" means either the value of the Covered Tokens as reported on websites such as <https://www.coingecko.com/>, <https://coinmarketcap.com/> or another widely accepted equivalent;

or the market value of the tokens that the Covered Tokens can be redeemed for from their corresponding smart contracts.

"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 CVM, where the membership is active.

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

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

"Reimbursement" means any current, past, or future indemnification, reimbursement or recovery or right to indemnification, reimbursement or recovery of an approved and redeemed Claim made under the Cover, or promised to be made, or made available to CVM, the Covered Vault or the Designated Vault.

"Rug Pull" means a type of exit scam in which the Owners or Controllers of the Covered Components intentionally withdraw, misappropriate, or otherwise confiscate user funds by exercising permissions granted to them under the protocol's governance or technical design, resulting in the collapse of asset value and substantial User losses.

Rug Pulls may occur where:

- The Owners or Controllers retain centralised control over protocol assets (such as liquidity pools or treasury wallets);
- Smart contracts contain backdoors, privileged functions, or exploitable permissions;
- A project is abandoned or shut down without notice.

"Sub-limit" means the portion of the overall Cover Amount that is specifically allocated to a particular Covered Event under this Cover. The Sub-limit represents the maximum amount payable by Nexus Mutual for Claims arising from that specific Covered Event, and is subject to the overall Cover Amount and all other Cover Terms.

"Unit of Claim" means the amount specified in the Annex for each Covered Token, representing the value received when one Covered Token is swapped. For example, if the Unit of Claim is defined as 0.95, then on a successful claim, 0.95 units of Cover Currency are paid as a claim for each Covered Token (or the equivalent in Approved Covered Token Derivative) that is swapped.

"User" means the end-user of the Covered Components.

Explanatory Note 1

The Deductible shall be calculated using the following formula

- Claim Amount = $\min[\text{Loss Amount} - (\text{Deductible} \times \text{Cover Amount}), \text{Cover Amount}]$

See the examples below for further explanation.

Example 1

- **Cover Amount:** 1,000 USDC
- **Loss Amount:** 800 USDC
- **Deductible:** 5%
- **Deductible Value:** 50 USDC
- **Claim Amount:** 750 USDC

In this scenario, the CVM suffered a loss of 800 USDC. The CVM's Deductible is 50 USDC. The Claim Amount shall be calculated as follows:

- Claim Amount = $\min[800 \text{ USDC} - (5\% \times 1,000 \text{ USDC}), 1,000 \text{ USDC}] = 750 \text{ USDC}$

Accordingly, the maximum the CVM may claim for in this scenario would be 750 USDC, after applying the deductible and subject to the remaining amount of the Cover Amount.

Example 2

- **Cover Amount:** 1,000 USDC
- **Loss Amount:** 1,100 USDC
- **Deductible:** 5%
- **Deductible Value:** 50 USDC
- **Claim Amount:** 1,000 USDC

In this scenario, the CVM suffered a loss of 1,100 USDC. The CVM's Deductible is 50 USDC. The Claim Amount shall be calculated as follows:

- Claim Amount = $\min[1,100 \text{ USDC} - (5\% \times 1,000 \text{ USDC}), 1,000 \text{ USDC}] = 1,000 \text{ USDC}$

Accordingly, the maximum the CVM may claim for in this scenario would be 1,000 USDC, after applying the deductible and subject to the remaining amount of the Cover Amount.