

Nexus Mutual Baseline Yield Cover Terms and Conditions (the "Cover Terms")

These Cover Terms, including any Annexes, govern the use of the Nexus Mutual Baseline Yield 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>.

Baseline Yield Cover Specific Terms

- A. These Cover Terms apply to the Designated Vault Operator (DVO) purchasing the Cover. The Cover is valid only when purchased by the DVO itself, any attempt to claim under this Cover by third parties other than DVO shall render this Cover immediately invalid and unenforceable.
- B. For the purpose of submitting the Claim under clause 1.1, the DVO 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 Designated Vault;
 - References to relevant blockchain transactions substantiating the scope of Loss.

TERMS AND CONDITIONS

COVERED EVENTS.

1. Subject to clause 9 (Exclusions) and these Cover Terms, Nexus Mutual *may* approve a Claim made under these Cover Terms if during the Cover Period the Designated Vault suffers a Material Loss as a direct result of either:
 - 1.1. the Designated Vault failing from a smart contract code bug or error, resulting in it being used in an unintended way; or
 - 1.2. The Vault Liabilities being greater than the Vault Assets as at the most recent calendar quarter end.and
 - 1.3. Should the Cover NFT be transferred to another address post Covered Event the Covered Member must provide Cryptographic Evidence confirming that:
 - 1.3.1. the transfer of the NFT is made directly to a Covered Member Address; and
 - 1.3.2. the sending and receiving addresses are both controlled by the same person or entity.

CLAIM AMOUNT.

2. For a Claim resulting from clause 1.1, the Claim Amount should reflect the loss actually incurred by the Designated Vault.
3. For a Claim resulting from clause 1.2, the Claim Amount should reflect the excess of Vault Liabilities above Vault Assets as at the most recent calendar quarter end.
4. Loss amounts shall be calculated:
 - 4.1. at the time the loss occurred, as specified in clause 2 and 3 respectively; and
 - 4.2. after subtracting any Reimbursements; and
 - 4.3. Calculated using market values converted into the same currency deposited by Users of the Designated Vault at the most recent calendar quarter end.
5. Claim Amount shall be determined as the lesser of:
 - 5.1. Loss as calculated in accordance with clause 4 minus the Deductible; and
 - 5.2. The remaining Cover Amount.
6. Claim Essentials:
 - 6.1. Nexus Mutual *may* pay the Claim Amount subject to the following conditions:
 - 6.1.1. compliance with these Cover Terms; and
 - 6.1.2. Claim Assessors vote; and
 - 6.1.3. The Claim Amount not exceeding the remaining Cover Amount; and
 - 6.1.4. the Covered Member submitting a Claim only after the Cool Down Period has ended; and
 - 6.1.5. the Covered Member submitting a Claim during the Cover Period or within

the Grace Period.

- 6.2. Cover ends when:
 - 6.2.1. the full Cover Amount has been redeemed in Claims; or
 - 6.2.2. the Cover Period specified at purchase has ended;
 whichever is earlier.
7. **Redeeming:** Subject to an approval of a Claim as described in these Cover Terms, the Covered Member may redeem the Claim Amount within thirty (30) days from the Claim approval date.
8. **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.

PROFIT SHARE

9. If the Vault Assets exceed the Vault Liabilities, resulting in a Distributable Bonus as at the most recent calendar quarter end then a Profit Share will be due to Nexus Mutual.
 - 9.1. The Profit Share will be calculated as 20% x Distributable Bonus in respect of the most recent calendar quarter end.

EXCLUSIONS.

10. In respect of clause 1.1, Covered Member will not be able to submit a Claim for any of the following:
 - 10.1. any losses due to phishing, private key security breaches, malware, miner behaviour or any other activity where the Designated Vault continues to act as intended.
 - 10.2. any losses where the Designated Vault was deployed primarily for the purpose of submitting a Claim under this Baseline Yield Cover and not for real usage by the User. In such circumstances, this Cover shall be deemed void and unenforceable.
 - 10.3. any losses occurring during the Cover Period if:
 - 10.3.1. the event occurred before the Cover Period began; or
 - 10.3.2. a public bug disclosure or warnings related to the event were made for the Designated Vault before the Cover Period began; or
 - 10.3.3. 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 Vault is a fork of that parent protocol.
 - 10.4. any losses resulting from the de-peg of any asset that the Designated Vault generates.
 - 10.5. any losses due to the user interface or website errors where the Designated Vault continues to act as intended.

- 10.6. any losses due to the failure of any components of the Designated Vault that are used to bridge assets from one blockchain to another.
- 10.7. any 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.
- 11. Covered Member will not be able to submit a Claim under these Cover Terms for any of the following:
 - 11.1. any losses that occur prior to the Cover NFT being transferred to another address unless it meets the criteria listed in clause 1.3.
 - 11.2. 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.

REIMBURSEMENTS.

- 12. The Covered Member 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.
- 13. Upon approval and redemption of a Claim Amount, the Covered Member agrees and warrants to:
 - 13.1. 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
 - 13.2. If assignment is not possible, allow the Foundation to pursue recovery on their behalf.
- 14. If the Covered Member receives any Reimbursement or other compensation (including from a third party, insurance, legal proceeding or settlement) after a Claim Amount has been paid, the Covered Member shall:
 - 14.1. Promptly notify Nexus Mutual of the Reimbursement amount received; and
 - 14.2. Promptly, and in any event no later than within five (5) days of receipt, repay to the Foundation
 - 14.2.1. The amount received as Reimbursement; or
 - 14.2.2. The Claim Amount previously paid by Nexus Mutual under these Cover Terms.
- 15. In no event shall the Covered Member 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 Member or by Nexus Mutual and/or the Foundation in connection with the exercise of its Reimbursement or assignment rights shall be applied as follows:

- 15.1. 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
- 15.2. Second, any remaining recovered amounts shall be paid to the Covered Member.
16. The Covered Member 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 Member's actual loss, the Covered Member must return the excess to Nexus Mutual and/or the Entity.
17. 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.
18. 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.
19. 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.
20. 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.

ENTIRE AGREEMENT.

21. 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

Covered Event 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.

For the purposes of interpreting clause 1.1 and 1.2 specifically, the following defined terms apply:

“Vault Assets” means the aggregate value of the following amounts for the Designated Vault:

- Net asset value of the underlying investments of the Designated Vault, plus
- Any assets held in the Designated Vault Operator wallet/s not allowed for above, plus
- Value of any pre-paid Cover fees in respect of future calendar quarters, plus
- Any pending claims under this Cover in respect of previous calendar quarters

Calculated using market values converted into the same currency deposited by Users of the Designated Vault at the most recent calendar quarter end.

“Vault Liabilities” means the aggregate value of the following amounts for the Designated Vault:

- Total accumulated value of the loan amount of the Designated Vault, as expressed in the smart contract, plus
- Any Distributable Bonus in respect of previous calendar quarters that has not yet been transferred either fully or partially to the Bonus Recipients.

Calculated using market values converted into the same currency deposited by Users of the Designated Vault at the most recent calendar quarter end.

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.

"Bonus Recipients" means the parties to whom the Distributable Bonus is owed by the DVO, including Users, Nexus Mutual via the Profit Share and the DVO itself.

"Claim" means a request by a Covered Member 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 Member in respect of a Claim under these Cover Terms, and subject to the calculation methodology set out in clause 5 and capped at the remaining Cover Amount.

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

"Cool Down Period" means a period of one (1) day following the occurrence of the Covered Event, during which no Claims may be made. 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 Covered Member at the time of purchase of the Cover, as recorded 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 duration of protection under this Cover, as specified by the Covered Member at the time of purchase of the Cover, as recorded in the Member Smart Contract Data.

"Covered Member" means a Member who has Cover and, where the context requires, a former Covered Member. For the purpose of these Cover Terms, the Covered Member can be the User, a third party acting on behalf of the User (with the User's knowledge and for their benefit), or the Designated Vault Team Member, as specified in the Annex.

"Cryptographic Evidence" means cryptographic evidence the Covered Member is required to provide when the Cover NFT has been transferred after the Covered Event, consisting of sufficient cryptographic proof linking the sender and the receiver.

"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 for clause 1.1 and zero percent (0%) for clause 1.2 unless stated otherwise in the Annex. See the Explanatory Note 1 for more information.

"Designated Vault/s" means the specific smart contract code deployed at the Designated Vault Address 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.

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

"Designated Vault Operator" or "DVO" means a person or team that is responsible for performing operational functions for the Designated Vault.

"Distributable Bonus" means the excess of Vault Assets over Vault Liabilities at the end of a calendar quarter.

"Foundation" means Terrapin International Foundation.

"Grace Period" means the period during the Cover Period or within ninety (90) days following Cover Period ending during which the Covered Member may submit a Claim.

"Loss" means the amount of loss suffered by the Covered Member as calculated in accordance with clause 4.

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

"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.

"Nexus Mutual" means Nexus Mutual DAO

"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 Covered Members.

"Rug Pull" means a type of exit scam in which the Owners or Controllers of a Designated Vault 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.

"User" means the end-user of the Designated Vault.

Explanatory Note 1

The Deductible shall be calculated using the following formula

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

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 Covered Member suffered a loss of 800 USDC. The Covered Member's Deductible is 50 USDC. The Claim Amount shall be calculated as follows:

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

Accordingly, the maximum the Covered Member 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 Covered Member suffered a loss of 1,100 USDC. The Covered Member's Deductible is 50 USDC. The Claim Amount shall be calculated as follows:

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

Accordingly, the maximum the Covered Member 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.