

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

- A) These Cover Terms, together with any Annexes, govern the use of the Nexus Mutual 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.
- B) The Parties further agree and acknowledge that, for the purpose of these Cover Terms, the Covered Member may be required to liaise with, and provide certain information to, the Entity (as defined below) in regard to the fulfillment of certain clauses herein.

CLAIMS SUBMISSION.

- 1. To be eligible to submit a Claim under these Cover Terms, the individual or entity making the Claim must:
 - 1.1. 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> ;
 - 1.2. Have successfully completed the Know Your Customer process;
 - 1.3. Have paid the required membership fee (the "**Membership Fee**") in full, as specified at: <https://docs.nexusmutual.io/overview/membership>; and
 - 1.4. 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>.

CLAIM.

- 2. Subject to the conditions and exclusions set forth in these Cover Terms, covered event (the "**Covered Event**") means:
 - 2.1. 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:
 - 2.1.1. A smart contract code bug or error, resulting in the Designated Protocol being used in an unintended way; or
 - 2.1.2. A Sudden and Severe Economic Event, leading to the unintended confiscation or seizure of funds deposited by the User into the Designated Protocol.

3. Claim Essentials:
 - 3.1. Nexus Mutual **may** make a payment of the Claim Amount subject to:
 - 3.1.1. these Cover Terms; and
 - 3.1.2. Claim Assessors vote; and
 - 3.1.3. a maximum of the remaining Cover Amount; and
 - 3.1.4. the Covered Member submitting a Claim within the following timeframes, failure to do so will result in a termination of the right to claim under this Cover:
 - 3.1.4.1. No earlier than 14 days after the occurrence of the Covered Event; and
 - 3.1.4.2. During the Cover Period or within 35 days of the Cover Period ending.
 - 3.2. Cover ends when:
 - 3.2.1. the full Cover Amount has been redeemed in Claims; or
 - 3.2.2. the Cover Period specified at purchase has ended; whichever is earlier.
4. **Redeeming:** subject to these Cover Terms, the Covered Member may redeem the Claim Amount within thirty (30) days from the Claim approval date. Failure to do so will result in forfeiture of the Claim.

LOSS AMOUNT AND CLAIM AMOUNT CALCULATION.

5. Loss Amount.
The Loss Amount represents the Covered Member's loss:
 - 5.1. At the time the loss occurred, or for a Claim resulting from clause 2.1.2, at the end of the two (2) hour period; and
 - 5.2. For all Claims, after subtracting any Reimbursements ; and
 - 5.3. For all Claims, using exchange rates from *coingecko.com*, or, if not available, any other reputable cryptocurrency pricing data site as determined by Nexus Mutual.
6. Claim Amount.
The Claim Amount is calculated by taking the Loss Amount and applying the following adjustments in sequential order:
 - 6.1. Is reduced by the Deductible applicable under the Cover Terms; then
 - 6.2. Is proportionally adjusted if the Exposed Funds at the time of the loss exceed the Cover Amount;
as per the following formula and illustrated in Explanatory Note 1

$$(Loss\ Amount - Deductible) \times \frac{Cover\ Amount}{Exposed\ Funds} ;$$
 and

- 6.3. Does not exceed the Cover Amount.

Subject to clause 3, the Claim Amount is the amount eligible to be submitted as a Claim under these Cover Terms.

EXCLUSIONS.

7. Covered Member will not be able to submit a Claim under these Cover Terms for:
 - 7.1. Losses where the vulnerability in a deployment of the Designated Protocol originates on a non-Ethereum Virtual Machine compatible chain.
 - 7.2. Losses due to phishing, private key security breaches, malware, miner behaviour or any other activity where the Designated Protocol continues to act as intended.
 - 7.3. 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.
 - 7.4. Losses occurring during the Cover Period if:
 - 7.4.1. the event occurred before the Cover Period began; or
 - 7.4.2. a public bug disclosure or warnings related to the event were made for the Designated Protocol before the Cover Period began; or
 - 7.4.3. 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.
 - 7.5. 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 2.1.2 (Sudden and Severe Economic Event).
 - 7.6. Losses resulting from the de-peg of any asset that the Designated Protocol generates.
 - 7.7. 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*).
 - 7.8. Losses due to the user interface or website errors where the Designated Protocol continues to act as intended.
 - 7.9. Losses due to the failure of any components of the Designated Protocol that are used to bridge assets from one blockchain to another.

REIMBURSEMENTS.

8. The Covered Member shall 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. In the event a Claim made by the Covered Member is approved and Claim amount redeemed under these Cover Terms, the Covered Member 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 Nexus Mutual and/or the Foundation; and
 - 9.2. Promptly, and in any event no later than within 5 days of receipt, forward any Reimbursements received by the Covered Member to Nexus Mutual and/or the Foundation
10. If the Covered Member is unable to assign such rights to Reimbursements to Nexus Mutual and/or the Foundation, or if Nexus Mutual and/or the Foundation prefers, 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.
11. 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 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 Member.
12. OFFSETTING RECOVERIES. 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.
13. MISREPRESENTATION AND FRAUD. The Cover will be void if, whether before or after a Covered Event, the Covered Member has:
 - 13.1. willfully concealed or willfully misrepresented any material fact or circumstances relating to this Cover, the subject thereof, or the interest of a Covered Member.
 - 13.2. made any attempt to defraud Nexus Mutual.
14. 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.

15. 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.
16. TRANSFERABILITY. This Cover becomes entirely void if it is transferred to another address that is not owned by the Designated Wallet owner. Sufficient Cryptographic Evidence must be provided that proves both the Designated Wallets and the Covered Member Address are owned by the same Covered Member.
17. ENTIRE AGREEMENT. These Cover Terms and any applicable addendums, schedules, and Annexes constitute the entire agreement between the parties 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 outside these Cover Terms, whether or not in writing, in relation to the subject matter of this Cover.

DEFINITIONS.

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

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

"Claim Amount" shall have the meaning given to it in clause 6.

"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 Nexus 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 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 Cover, specified by the Covered Member when purchasing Cover and stated in the Member Smart Contract Data.

"Covered Event" shall have the meaning given to it in clause 2.

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

"Cryptographic Evidence" means cryptographic evidence required when the Cover NFT has been transferred after the Covered Event, consisting of sufficient cryptographic proof linking the sender and the receiver. This could include, but is not limited to, a cryptographically signed message from the sender referencing the receiver's address or other equivalent cryptographically signed evidence.

"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.^a

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

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

"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.

"Loss Amount" shall have the meaning given to it in clause 5.

"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 Designed 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:** \$55,000 due to a partial hack of Beefy
- **Deductible:** \$5,000

In this scenario, the Exposed Funds (\$200,000) are double the Cover Amount (\$100,000). Therefore, the Claim Amount would be reduced proportionately. Since the Exposed Funds are twice the Cover Amount, the Claim Amount would be reduced by 50%.

- **Claim Amount after reduction:**

$$= (\text{Loss Amount} - \text{Deductible}) \times \frac{\text{Cover Amount}}{\text{Exposed Funds}}$$

$$= (\$55,000 - \$5,000) \times \frac{\$100,000}{\$200,000}$$

$$= \$25,000$$

Example 2

- **Cover Amount:** \$100,000
- **Exposed Funds at the time of loss:** \$150,000
- **Loss Amount:** \$65,000
- **Deductible:** \$5,000

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:**

$$= (\text{Loss Amount} - \text{Deductible}) \times \frac{\text{Cover Amount}}{\text{Exposed Funds}}$$

$$= (\$65,000 - \$5,000) \times \frac{\$100,000}{\$150,000}$$

$$= \$40,000$$

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:** \$21,500
- **Deductible:** \$1,500

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:**
$$= (\text{Loss Amount} - \text{Deductible}) \times \frac{\text{Cover Amount}}{\text{Exposed Funds}}$$
$$= (\$21,500 - \$1,500) \times \frac{\$30,000}{\$45,000}$$
$$= \$13,333$$