Security Review Report
NM-0581 Lagoon

NETHERMIND SECURITY

(Jul 10, 2025)

Contents

1 Executive Summary

This document presents the security review performed by Nethermind Security for Lagoon factory contract. Lagoon Protocol is a decentralized asset management platform that enables asset managers to create Lagoon Vaults. These Vaults provide efficient, non-custodial, and risk-managed asset management solutions.

Built on a foundation of smart contract standards, Lagoon Protocol leverages the power of Gnosis Safe, Zodiac Roles Modifier, and other key components to create highly customizable and secure vaults for managing digital assets.

The audit focuses on the PR 216, a pull request that enhances the ability of Vault deployers to manage vault implementation versions.

The audit was performed using (a) manual analysis of the codebase, (b) automated analysis tools, and (c) creation of test cases.

Along this document, we report two points of attention, classified as `Best Practices` as shown in Fig. 1.

This document is organized as follows. Section 2 presents the files in the scope. Section 3 summarizes the issues. Section 4 presents the system overview. Section 5 discusses the risk rating methodology. Section 6 details the issues. Section 7 discusses the documentation provided by the client for this audit. Section 8 presents the compilation, tests, and automated tests. Section 9 concludes the document.
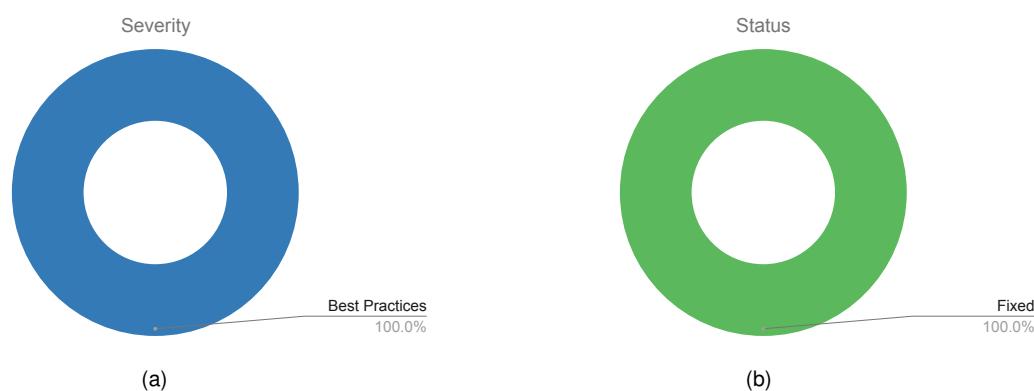
Severity

Status

| (a) | (b) |

Fig. 1: Distribution of issues: Critical (0), **High** (0), **Medium** (0), **Low** (0), **Undetermined** (0), **Informational** (0), **Best Practices** (2).
Distribution of status: Fixed (2), **Acknowledged** (0), **Mitigated** (0), **Unresolved** (0)

Summary of the Audit

Audit Type	Security Review
Initial Report	July 10, 2025
Final Report	July 10, 2025
Repository	lagoon-v0
Commit	5baafedcbe99d1fcbe1b5129c147ed03d371a260
Final Commit	8565399395f87a1dfbda9070c7bf72b09ad9f7e3
Documentation Assessment	High
Test Suite Assessment	High

2 Audited Files

	Contract	LoC	Comments	Ratio	Blank	Total
1	src/proxy/OptinProxy.sol	52	73	140.4%	15	140
2	src/proxy/DelayProxyAdmin.sol	71	46	64.8%	20	137
3	src/protocol-v2/OptinProxyFactory.sol	79	57	72.2%	16	152
4	src/protocol-v2/LogicRegistry.sol	47	30	63.8%	11	88
	Total	**249**	**206**	**82.7%**	**62**	**517**

*Only changes applied in PR 216

3 Summary of Issues

	Finding	Severity	Update
1	Removing default logic does not unset `defaultLogic` storage, allowing `OptinProxy` to initialize with a non-whitelisted implementation	Best Practices	Fixed
2	The `updateDelay` function does not reset state after execution	Best Practices	Fixed

4 System Overview

The reviewed PR introduces changes to the previous **ProxyFactory** and add three new contracts:

- **OptinProxy**;
- **DelayProxyAdmin**;
- **LogicRegistry**.

4.1 OptinProxyFactory

This contract is a modification of the previous **BeaconProxyFactory** contract. It was modified to deploy the new **OptinProxy** contract instead of **BeaconProxy** contracts.

4.2 OptinProxy

This contract is a modified **TransparentUpgradableProxy** with two key differences:

- It deploys a **DelayProxyAdmin** as the admin instead of a standard **ProxyAdmin**.
- It requires all implementation addresses to be verified by the **LogicRegistry**.

4.3 DelayProxyAdmin

This contract is a modified version of **ProxyAdmin** that introduces a mandatory time delay for proxy upgrades. This delay provides Vault users with an assurance that the implementation contract cannot be changed without prior notice. Furthermore, while the delay duration itself can be modified, any such change is also subject to the same time-delay mechanism.

4.4 LogicRegistry

The **LogicRegistry** contract serves as the central source of truth for validating Vault implementation addresses. It allows an administrator to manage a whitelist of approved implementations and provides a `defaultImplementation` to streamline new vault deployments. For flexibility, if the owner is set to the zero address, the validation check is bypassed, and all implementation addresses are considered valid.

5 Risk Rating Methodology

The risk rating methodology used by Nethermind Security follows the principles established by the OWASP Foundation. The severity of each finding is determined by two factors: **Likelihood** and **Impact**.

Likelihood measures how likely the finding is to be uncovered and exploited by an attacker. This factor will be one of the following values:

    a) **High**: The issue is trivial to exploit and has no specific conditions that need to be met;

    b) **Medium**: The issue is moderately complex and may have some conditions that need to be met;

    c) **Low**: The issue is very complex and requires very specific conditions to be met.

When defining the likelihood of a finding, other factors are also considered. These can include but are not limited to motive, opportunity, exploit accessibility, ease of discovery, and ease of exploit.

Impact is a measure of the damage that may be caused if an attacker exploits the finding. This factor will be one of the following values:

    a) **High**: The issue can cause significant damage, such as loss of funds or the protocol entering an unrecoverable state;

    b) **Medium**: The issue can cause moderate damage, such as impacts that only affect a small group of users or only a particular part of the protocol;

    c) **Low**: The issue can cause little to no damage, such as bugs that are easily recoverable or cause unexpected interactions that cause minor inconveniences.

When defining the impact of a finding, other factors are also considered. These can include but are not limited to Data/state integrity, loss of availability, financial loss, and reputation damage. After defining the likelihood and impact of an issue, the severity can be determined according to the table below.

		Severity Risk		
Impact	**High**	Medium	High	Critical
	Medium	Low	Medium	High
	Low	Info/Best Practices	Low	Medium
	Undetermined	Undetermined	Undetermined	Undetermined
		Low	**Medium**	**High**
		Likelihood		

To address issues that do not fit a High/Medium/Low severity, Nethermind Security also uses three more finding severities: **Informational**, **Best Practices**, and **Undetermined**.

    a) **Informational** findings do not pose any risk to the application, but they carry some information that the audit team intends to pass to the client formally;

    b) **Best Practice** findings are used when some piece of code does not conform with smart contract development best practices;

    c) **Undetermined** findings are used when we cannot predict the impact or likelihood of the issue.

6 Issues

6.1 [Best Practice] Removing default logic does not unset `defaultLogic` storage, allowing `OptinProxy` to initialize with a non-whitelisted implementation

File(s): `src/protocol-v2/LogicRegistry.sol`

Description: When the owner calls `removeLogic(defaultLogic)`, the implementation is removed from the whitelist, but the `defaultLogic` state remains unchanged. Any subsequent `OptinProxy` deployments that rely on the stored default will continue to use this now-unwhitelisted address—unless the owner manually calls `updateDefaultLogic` beforehand.

```
1  function removeLogic(
2      address _newLogic
3  ) public onlyOwner {
4      _getLogicRegistryStorage().whitelist[_newLogic] = false;
5      emit LogicRemoved(_newLogic);
6  }
```

Recommendation(s): Consider ensuring that removing the default logic also resets (or updates) the stored `defaultLogic`.

Status: Fixed.

Update from the client: We fixed the issue by reverting if the logic is the default one. Fixed in commit 856539.

6.2 [Best Practice] The `updateDelay` function does not reset state after execution

File(s): `src/proxy/DelayProxyAdmin.sol`

Description: The `updateDelay(...)` function is intended to be called by the `owner` to update a `delay` value after a specific time lock period has passed. This period is determined by the `delayUpdateTime` storage variable.

The function correctly verifies that `block.timestamp` is greater than or equal to `delayUpdateTime` before proceeding. However, after updating the `delay` with the value from `newDelay`, it fails to reset the `delayUpdateTime` and `newDelay` storage variables.

```
1  function updateDelay() external onlyOwner {
2      // @audit The function checks if the required delay has passed.
3      if (block.timestamp < delayUpdateTime) {
4          revert DelayIsNotOver();
5      }
6      emit DelayUpdated(newDelay, delay);
7      // @audit-issue The `delay` is updated but `newDelay` and `delayUpdateTime` are not reset.
8      delay = newDelay;
9  }
```

As a result, the owner can call `updateDelay(...)` multiple times after the time lock has expired. Each call will succeed, performing the same state change and emitting the `DelayUpdated` event repeatedly. This leads to redundant operations and unexpected events.

Recommendation(s): Consider resetting the `newDelay` and `delayUpdateTime` storage variables to their default values after the `delay` has been successfully updated. This ensures the logic can only be executed once per proposed delay change.

Status: Fixed.

Update from the client: We fixed by updating `newDelay` to 0 and `delayUpdateTime` to UINT256 max. Fixed in commit 856539.

7 Documentation Evaluation

Software documentation refers to the written or visual information that describes the functionality, architecture, design, and implementation of software. It provides a comprehensive overview of the software system and helps users, developers, and stakeholders understand how the software works, how to use it, and how to maintain it. Software documentation can take different forms, such as user manuals, system manuals, technical specifications, requirements documents, design documents, and code comments. Software documentation is critical in software development, enabling effective communication between developers, testers, users, and other stakeholders. It helps to ensure that everyone involved in the development process has a shared understanding of the software system and its functionality. Moreover, software documentation can improve software maintenance by providing a clear and complete understanding of the software system, making it easier for developers to maintain, modify, and update the software over time. Smart contracts can use various types of software documentation. Some of the most common types include:

- Technical whitepaper: A technical whitepaper is a comprehensive document describing the smart contract's design and technical details. It includes information about the purpose of the contract, its architecture, its components, and how they interact with each other;

- User manual: A user manual is a document that provides information about how to use the smart contract. It includes step-by-step instructions on how to perform various tasks and explains the different features and functionalities of the contract;

- Code documentation: Code documentation is a document that provides details about the code of the smart contract. It includes information about the functions, variables, and classes used in the code, as well as explanations of how they work;

- API documentation: API documentation is a document that provides information about the API (Application Programming Interface) of the smart contract. It includes details about the methods, parameters, and responses that can be used to interact with the contract;

- Testing documentation: Testing documentation is a document that provides information about how the smart contract was tested. It includes details about the test cases that were used, the results of the tests, and any issues that were identified during testing;

- Audit documentation: Audit documentation includes reports, notes, and other materials related to the security audit of the smart contract. This type of documentation is critical in ensuring that the smart contract is secure and free from vulnerabilities.

These types of documentation are essential for smart contract development and maintenance. They help ensure that the contract is properly designed, implemented, and tested, and they provide a reference for developers who need to modify or maintain the contract in the future.

> **Remarks about the Lagoon contracts documentation**
>
> The new contracts are small variations of well-known contracts with extensive documentation. The team provided a thorough description of the modifications applied to these contracts, for the contracts that are not variations of well-known contracts natspec and explanations were provided.

8 Complementary Checks

8.1 Compilation Output

```
 forge build --force
[] Compiling...
[] Compiling 317 files with Solc 0.8.26
[] Solc 0.8.26 finished in 138.18s
Compiler run successful with warnings:
Warning (3628): This contract has a payable fallback function, but no receive ether function. Consider adding a receive
↪ ether function.
  --> src/proxy/OptinProxy.sol:60:1:
   |
60 | contract OptinProxy is ERC1967Proxy {
   | ^ (Relevant source part starts here and spans across multiple lines).
Note: The payable fallback function is defined here.
  --> dependencies/@openzeppelin-contracts-5.0.0/proxy/Proxy.sol:66:5:
   |
66 |     fallback() external payable virtual {
   |     ^ (Relevant source part starts here and spans across multiple lines).

Warning (5740): Unreachable code.
   --> dependencies/@openzeppelin-contracts-upgradeable-5.0.0/token/ERC20/extensions/ERC4626Upgradeable.sol:201:9:
    |
201 |         _deposit(_msgSender(), receiver, assets, shares);
    |         ^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^

Warning (5740): Unreachable code.
   --> dependencies/@openzeppelin-contracts-upgradeable-5.0.0/token/ERC20/extensions/ERC4626Upgradeable.sol:203:9:
    |
203 |         return shares;
    |         ^^^^^^^^^^^^^

Warning (5740): Unreachable code.
   --> dependencies/@openzeppelin-contracts-upgradeable-5.0.0/token/ERC20/extensions/ERC4626Upgradeable.sol:218:9:
    |
218 |         _deposit(_msgSender(), receiver, assets, shares);
    |         ^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^

Warning (5740): Unreachable code.
   --> dependencies/@openzeppelin-contracts-upgradeable-5.0.0/token/ERC20/extensions/ERC4626Upgradeable.sol:220:9:
    |
220 |         return assets;
    |         ^^^^^^^^^^^^^

Warning (5740): Unreachable code.
   --> dependencies/@openzeppelin-contracts-upgradeable-5.0.0/token/ERC20/extensions/ERC4626Upgradeable.sol:231:9:
    |
231 |         _withdraw(_msgSender(), receiver, owner, assets, shares);
    |         ^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^

Warning (5740): Unreachable code.
   --> dependencies/@openzeppelin-contracts-upgradeable-5.0.0/token/ERC20/extensions/ERC4626Upgradeable.sol:233:9:
    |
233 |         return shares;
    |         ^^^^^^^^^^^^^

Warning (5740): Unreachable code.
   --> dependencies/@openzeppelin-contracts-upgradeable-5.0.0/token/ERC20/extensions/ERC4626Upgradeable.sol:244:9:
    |
244 |         _withdraw(_msgSender(), receiver, owner, assets, shares);
    |         ^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^^

Warning (5740): Unreachable code.
   --> dependencies/@openzeppelin-contracts-upgradeable-5.0.0/token/ERC20/extensions/ERC4626Upgradeable.sol:246:9:
    |
246 |         return assets;
    |         ^^^^^^^^^^^^^
```

```
Warning (5667): Unused function parameter. Remove or comment out the variable name to silence this warning.
  --> src/protocol-v2/LogicRegistry.sol:78:26:
   |
78 |     function canUseLogic(address fromLogic, address logic) public view returns (bool) {
   |                          ^^^^^^^^^^^^^^^^^

Warning (2072): Unused local variable.
  --> test/proxy/DelayProxyAdmin.t.sol:295:45:
    |
295 |             (address newImplementation, bytes memory data) = abi.decode(msg.data[4:], (address, bytes));
    |                                         ^^^^^^^^^^^^^^^^^

Warning (4591): There are more than 256 warnings. Ignoring the rest.
```

8.2 Tests Output

```
forge test --match-path "**opt**" -v
[⠂] Compiling...
No files changed, compilation skipped

Ran 6 tests for test/v0.5.0-opt-inProxy/unitTests/FeeRegistry.t.sol:TestprotocolRegistry
[PASS] test_cancelCustomRate() (gas: 45384)
[PASS] test_customRate() (gas: 59484)
[PASS] test_init() (gas: 13255)
[PASS] test_protocolRate() (gas: 31180)
[PASS] test_updateProtocolFeeReceiver() (gas: 21126)
[PASS] test_updateProtocolFeeReceiver_revertIfNotOwner() (gas: 10906)
Suite result: ok. 6 passed; 0 failed; 0 skipped; finished in 1.40s (3.58ms CPU time)

Ran 10 tests for test/v0.5.0-opt-inProxy/LogicRegistry.t.sol:LogicRegistryTest
[PASS] test_AddLogic() (gas: 43609)
[PASS] test_AddLogic_RevertIfNotOwner() (gas: 17001)
[PASS] test_CanUseLogic() (gas: 60166)
[PASS] test_DefaultLogic() (gas: 65854)
[PASS] test_Initialization() (gas: 16495)
[PASS] test_RemoveLogic() (gas: 32799)
[PASS] test_RemoveLogic_RevertIfNotOwner() (gas: 45096)
[PASS] test_UpdateDefaultLogic() (gas: 67924)
[PASS] test_UpdateDefaultLogic_AddsLogicIfNotWhitelisted() (gas: 71315)
[PASS] test_UpdateDefaultLogic_RevertIfNotOwner() (gas: 17067)
Suite result: ok. 10 passed; 0 failed; 0 skipped; finished in 1.49s (1.52ms CPU time)

Ran 10 tests for test/v0.5.0-opt-inProxy/Roles.t.sol:TestMint
[PASS] test_feeReceiver() (gas: 19960)
[PASS] test_feeRegistry() (gas: 19410)
[PASS] test_protocolFeeReceiver() (gas: 23825)
[PASS] test_safe() (gas: 18706)
[PASS] test_updateFeeReceiver() (gas: 30527)
[PASS] test_updateNewTotalAssetsManager() (gas: 30395)
[PASS] test_updateNewTotalAssetsManager_notOwner() (gas: 17771)
[PASS] test_updateWhitelistManager() (gas: 30157)
[PASS] test_valuationManager() (gas: 19938)
[PASS] test_whitelistManager() (gas: 18216)
Suite result: ok. 10 passed; 0 failed; 0 skipped; finished in 2.30s (2.08ms CPU time)

Ran 1 test for test/v0.5.0-opt-inProxy/Referral.t.sol:TestReferral
[PASS] test_referral() (gas: 187647)
Suite result: ok. 1 passed; 0 failed; 0 skipped; finished in 2.69s (104.09ms CPU time)

Ran 5 tests for test/v0.5.0-opt-inProxy/CancelRequest.t.sol:TestCancelRequest
[PASS] test_cancelRequestDeposit() (gas: 182343)
[PASS] test_cancelRequestDeposit_revertsWhenNewTotalAssetsHasBeenUpdated() (gas: 240342)
[PASS] test_cancelRequestDeposit_when0PendingRequest() (gas: 24685)
[PASS] test_cancelRequestDeposit_whenNoRequestWereMade() (gas: 24934)
[PASS] test_cancelRequestDeposit_whenRequestIsClaimable() (gas: 24660)
Suite result: ok. 5 passed; 0 failed; 0 skipped; finished in 1.47s (3.03ms CPU time)

Ran 4 tests for test/v0.5.0-opt-inProxy/Deposit.t.sol:TestDeposit
[PASS] test_deposit() (gas: 682689)
[PASS] test_deposit_revertIfNotOperator() (gas: 21384)
[PASS] test_deposit_revertIfRequestIdNotClaimable() (gas: 186124)
[PASS] test_deposit_shouldRevertIfInvalidReceiver() (gas: 663210)
Suite result: ok. 4 passed; 0 failed; 0 skipped; finished in 2.95s (362.13ms CPU time)

Ran 4 tests for test/v0.5.0-opt-inProxy/RatesUpdate.t.sol:testRateUpdates
[PASS] test_ratesShouldMatchValuesAtInit() (gas: 9844946)
[PASS] test_updateRatesOverMaxPerformanceRateShouldRevert() (gas: 9843871)
[PASS] test_updateRatesShouldBeApplyed24HoursAfter() (gas: 9885853)
[PASS] test_updateRatesShouldBeApplyed24HoursAfter_VerifyThroughASettle() (gas: 10870425)
Suite result: ok. 4 passed; 0 failed; 0 skipped; finished in 2.95s (1.85s CPU time)

Ran 15 tests for test/v0.5.0-opt-inProxy/Pause.t.sol:TestPause
[PASS] test_cancelRequestDeposit_whenPaused_shouldFail() (gas: 182481)
[PASS] test_claimSharesAndRequestRedeem_whenPaused_shouldFail() (gas: 21766)
[PASS] test_deposit_whenPaused_shouldFail() (gas: 62736)
[PASS] test_mint_whenPaused_shouldFail() (gas: 64966)
[PASS] test_pauseShouldPause() (gas: 17084)
```

```
[PASS] test_requestDeposit_whenPaused_shouldFail() (gas: 34012)
[PASS] test_requestRedeem_whenPaused_shouldFail() (gas: 35968)
[PASS] test_setOperator_whenPaused_shouldFail() (gas: 19953)
[PASS] test_settleDeposit_whenPaused_shouldFail() (gas: 107824)
[PASS] test_settleRedeem_whenPaused_shouldFail() (gas: 107868)
[PASS] test_syncDeposit_whenPaused_shouldFail() (gas: 293774)
[PASS] test_unpauseShouldUnpause() (gas: 23225)
[PASS] test_updateNewTotalAssets_whenPaused_shouldFail() (gas: 31492)
[PASS] test_withdraw_whenPausedAndVaultClosed_shouldFail() (gas: 648868)
[PASS] test_withdraw_whenPaused_shouldFail() (gas: 476107)
Suite result: ok. 15 passed; 0 failed; 0 skipped; finished in 2.96s (8.02ms CPU time)

Ran 11 tests for test/v0.5.0-opt-inProxy/ClaimSharesAndRequestRedeem.t.sol:TestDeposit
[PASS] test_claimSharesAndRedeem_IfRequestIdNotClaimableShouldIgnore() (gas: 311156)
[PASS] test_claimSharesAndRequestRedeem() (gas: 132601)
[PASS] test_claimSharesAndRequestRedeemTwoTimes() (gas: 142729)
[PASS] test_claimSharesAndRequestRedeemWithZeroInInput() (gas: 597105)
[PASS] test_claimSharesAndRequestRedeem_OnlyOneRequestAllowed() (gas: 217075)
[PASS] test_claimSharesAndRequestRedeem_allPossibleShares() (gas: 627399)
[PASS] test_claimSharesAndRequestRedeem_almostAllPossibleShares() (gas: 627276)
[PASS] test_claimSharesAndRequestRedeem_moreThanAllPossibleShares() (gas: 604940)
[PASS] test_claimSharesAndRequestRedeem_notEnoughBalance() (gas: 94312)
[PASS] test_claimSharesAndRequestRedeem_withClaimableBalance() (gas: 506104)
[PASS] test_requestRedeem_updateClaimableDepositRequestAndPendingDepositRequest() (gas: 1211373)
Suite result: ok. 11 passed; 0 failed; 0 skipped; finished in 2.97s (16.09ms CPU time)

Ran 3 tests for test/v0.5.0-opt-inProxy/Withdraw.t.sol:TestWithdraw
[PASS] test_withdraw() (gas: 1074394)
[PASS] test_withdraw_revertIfNotOperator() (gas: 27154)
[PASS] test_withdraw_revertIfRequestIdNotClaimable() (gas: 765815)
Suite result: ok. 3 passed; 0 failed; 0 skipped; finished in 12.94ms (6.94ms CPU time)

Ran 17 tests for test/v0.5.0-opt-inProxy/Misc.t.sol:TestMisc
[PASS] test_decimals() (gas: 32726)
[PASS] test_depositId() (gas: 660362)
[PASS] test_epochSettleId() (gas: 1008503)
[PASS] test_factory() (gas: 22700)
[PASS] test_getRoleStorage() (gas: 39103)
[PASS] test_lastDepositRequestId() (gas: 1075957)
[PASS] test_lastRedeemRequestId() (gas: 1728840)
[PASS] test_pendingSilo() (gas: 31097)
[PASS] test_previewDeposit() (gas: 16399)
[PASS] test_previewMint() (gas: 15453)
[PASS] test_previewRedeem() (gas: 14254)
[PASS] test_previewWithdraw() (gas: 13847)
[PASS] test_redeemId() (gas: 967004)
[PASS] test_share() (gas: 15851)
[PASS] test_supportsInterface() (gas: 26803)
[PASS] test_totalAssetsLifespan() (gas: 46277)
[PASS] test_version() (gas: 22050)
Suite result: ok. 17 passed; 0 failed; 0 skipped; finished in 2.97s (379.67ms CPU time)

Ran 4 tests for test/v0.5.0-opt-inProxy/Operator.t.sol:TestOperator
[PASS] test_addOperator() (gas: 54716)
[PASS] test_addOperatorwhenOpIsAlreadyOp() (gas: 60409)
[PASS] test_rmvOperator() (gas: 43727)
[PASS] test_rmvOperatorWhenAddressIsNotOperator() (gas: 34498)
Suite result: ok. 4 passed; 0 failed; 0 skipped; finished in 6.26ms (391.79µs CPU time)

Ran 9 tests for test/v0.5.0-opt-inProxy/RequestRedeem.t.sol:TestRequestRedeem
[PASS] test_requestRedeem() (gas: 136171)
[PASS] test_requestRedeemTwoTimes() (gas: 152873)
[PASS] test_requestRedeem_OnlyOneRequestAllowed() (gas: 212650)
[PASS] test_requestRedeem_ShouldBeAbleToRequestRedeemAfterNAVUpdateAndClaimTheCorrectAmountOfAssets() (gas: 845829)
[PASS] test_requestRedeem_asAnOperator() (gas: 178472)
[PASS] test_requestRedeem_asAnOperatorNotAllowed() (gas: 46703)
[PASS] test_requestRedeem_notEnoughBalance() (gas: 89678)
[PASS] test_requestRedeem_updateClaimableDepositRequestAndPendingDepositRequest() (gas: 1225036)
[PASS] test_requestRedeem_withClaimableBalance() (gas: 514060)
Suite result: ok. 9 passed; 0 failed; 0 skipped; finished in 16.53ms (8.42ms CPU time)

Ran 13 tests for test/v0.5.0-opt-inProxy/Whitelist.t.sol:TestWhitelist
[PASS] test_addToWhitelist_revert() (gas: 10073232)
```

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```
[PASS] test_noWhitelist() (gas: 9887319)
[PASS] test_requestDeposit_ShouldFailWhenControllerNotWhitelisted() (gas: 10092721)
[PASS] test_requestDeposit_ShouldNotFailWhenControllerNotWhitelistedandOperatorAndOwnerAre() (gas: 10172701)
[PASS] test_requestDeposit_WhenOwnerWhitelistedAndOperator() (gas: 10212159)
[PASS] test_requestRedeemWithoutBeingWhitelisted() (gas: 10807473)
[PASS] test_revokeFromWhitelist_revert() (gas: 10073793)
[PASS] test_transfer_ShouldWorkWhenReceiverWhitelisted() (gas: 10698316)
[PASS] test_transfer_WhenReceiverNotWhitelistedAfterDeactivateOfWhitelisting() (gas: 10658573)
[PASS] test_unwhitelist() (gas: 10120484)
[PASS] test_unwhitelistList() (gas: 10119191)
[PASS] test_whitelist() (gas: 10102094)
[PASS] test_whitelistList() (gas: 10131252)
Suite result: ok. 13 passed; 0 failed; 0 skipped; finished in 315.48ms (333.42ms CPU time)


Ran 4 tests for test/v0.5.0-opt-inProxy/TotalAssetsExpiry.sol:TestTotalAssetsExpiry
[PASS] test_canUpdateNave_after() (gas: 40865)
[PASS] test_onlySafeCanExpireTotalAssets() (gas: 24983)
[PASS] test_whenSyncDepositPossible_cantUpdateNav() (gas: 25549)
[PASS] test_whenTotalAssetsExpireWithTime_canUpdateNav() (gas: 76140)
Suite result: ok. 4 passed; 0 failed; 0 skipped; finished in 5.01ms (377.08µs CPU time)


Ran 9 tests for test/v0.5.0-opt-inProxy/FeeManager.t.sol:TestFeeManager
[PASS] test_CloseTakesCorrectAmountOfFees() (gas: 1607329)
[PASS] test_FeesAreTakenAfterFreeride() (gas: 2809014)
[PASS] test_NoFeesAreTakenDuringFreeRide() (gas: 2358608)
[PASS] test_SettleRedeemTakesCorrectAmountOfFees() (gas: 1719066)
[PASS] test_defaultHighWaterMark_equalsPricePerShares() (gas: 26882)
[PASS] test_feeReceiverAndDaoHaveNoVaultSharesAtVaultCreation() (gas: 36772)
[PASS] test_takeFees_cantBeCalledMultipleTimes() (gas: 244270)
[PASS] test_updateRates_revertIfManagementRateAboveMaxRates() (gas: 39325)
[PASS] test_updateRates_revertIfPerformanceRateAboveMaxRates() (gas: 39471)
Suite result: ok. 9 passed; 0 failed; 0 skipped; finished in 3.18s (986.39ms CPU time)


Ran 2 tests for test/v0.5.0-opt-inProxy/Silo.t.sol:TestSilo
[PASS] test_constructorGivesInfiniteApprovalToMsgSender() (gas: 137085)
[PASS] test_vaultHasInfiniteApprovalOnPendingSilo() (gas: 30954)
Suite result: ok. 2 passed; 0 failed; 0 skipped; finished in 222.02ms (219.24ms CPU time)


Ran 2 tests for test/v0.5.0-opt-inProxy/InitiateClosing.t.sol:TestInitiateClosing
[PASS] test_RequestRedeemAfterNewTTAUpdateMustNotBeLockedBecauseOfClosing() (gas: 524167)
[PASS] test_cantCloseWithoutNewTotalAssesUpdated() (gas: 196237)
Suite result: ok. 2 passed; 0 failed; 0 skipped; finished in 251.10ms (1.58ms CPU time)


Ran 5 tests for test/v0.5.0-opt-inProxy/Mint.t.sol:TestMint
[PASS] test_mint() (gas: 734995)
[PASS] test_mintAsOperator() (gas: 757003)
[PASS] test_mint_revertIfNotOperator() (gas: 23430)
[PASS] test_mint_revertIfRequestIdNotClaimable() (gas: 187972)
[PASS] test_mint_shouldRevertIfInvalidReceiver() (gas: 667243)
Suite result: ok. 5 passed; 0 failed; 0 skipped; finished in 3.21s (365.04ms CPU time)


Ran 18 tests for test/v0.5.0-opt-inProxy/Close.t.sol:TestInitiateClosing
[PASS] test_CloseCantBeCalledAfterVaultIsClosed() (gas: 266394)
[PASS] test_canNotCallInitiateClosingTwice() (gas: 22449)
[PASS] test_cantCloseAVaultWithoutFullUnwind() (gas: 300942)
[PASS] test_cantUpdateNewTotalAssetsWhenClosed() (gas: 274086)
[PASS] test_claimSharesAndRequestRedeem_whenNotOpen_shouldFail() (gas: 300729)
[PASS] test_close_onPendingDeposit() (gas: 288447)
[PASS] test_close_onPendingRedeem() (gas: 288209)
[PASS] test_close_revertsIfPendingRequestCantBeFullfilled() (gas: 301800)
[PASS] test_closingVaultMarkTheVaultAsClosed() (gas: 266958)
[PASS] test_inClosedStateCanWithdrawAndRedeemIfOperatorOrEnoughAllowance() (gas: 462860)
[PASS] test_inClosingStateCanNotWithdrawOrRedeemIfNotOperatorAndEvenWithEnoughAllowance() (gas: 76264)
[PASS] test_inClosingStateCanWithdrawAndRedeemIfOperator() (gas: 121770)
[PASS] test_newSettleDepositAreForbiddenButClaimsAreAvailable() (gas: 344528)
[PASS] test_redeemAssetWithoutClaimableRedeem() (gas: 366104)
[PASS] test_redeemSharesWithClaimableRedeem() (gas: 657309)
[PASS] test_redeemSharesWithClaimableRedeemWithProfits() (gas: 724656)
[PASS] test_requestRedemptionAreImpossible() (gas: 304782)
[PASS] test_withdrawAssetWithoutClaimableRedeem() (gas: 1013182)
Suite result: ok. 18 passed; 0 failed; 0 skipped; finished in 364.58ms (148.24ms CPU time)
```

```
Ran 2 tests for test/v0.5.0-opt-inProxy/ClaimSharesOnBehalf.t.sol:TestClaimSharesOnBehalf
[PASS] test_claimSharesOnBehalf() (gas: 1682903)
[PASS] test_claimSharesOnBehalf_onlySafe() (gas: 20947)
Suite result: ok. 2 passed; 0 failed; 0 skipped; finished in 799.58ms (9.57ms CPU time)

Ran 4 tests for test/v0.5.0-opt-inProxy/Redeem.t.sol:TestRedeem
[PASS] test_redeem() (gas: 1025975)
[PASS] test_redeem_revertIfRequestIdNotClaimable() (gas: 755792)
[PASS] test_redeem_whenNotOperatorShouldRevert() (gas: 973072)
[PASS] test_redeem_whenOperator() (gas: 1046439)
Suite result: ok. 4 passed; 0 failed; 0 skipped; finished in 1.16s (13.28ms CPU time)

Ran 16 tests for test/v0.5.0-opt-inProxy/RequestDeposit.t.sol:TestRequestDeposit
[PASS] test_only_one_request_allowed_per_settle_id() (gas: 283052)
[PASS] test_requestDeposit() (gas: 197972)
[PASS] test_requestDepositTwoTimes() (gas: 254028)
[PASS] test_requestDeposit_ShouldBeAbleToDepositAgainWhenIndeterminationIsRaidedAtSettlement() (gas: 686374)
[PASS] test_requestDeposit_ShouldBeAbleToRequestDepositAfterNAVUpdateAndClaimTheCorrectAmountOfShares() (gas: 933394)
[PASS] test_requestDeposit_asAnOperator() (gas: 242965)
[PASS] test_requestDeposit_asAnOperatorButOwnerNotEnoughApprove() (gas: 174244)
[PASS] test_requestDeposit_asAnOperatorNotAllowed() (gas: 40732)
[PASS] test_requestDeposit_notEnoughBalance() (gas: 93359)
[PASS] test_requestDeposit_revertIfNotOperator() (gas: 22306)
[PASS] test_requestDeposit_shouldBeCancelableAfterSettlementWhenRequestIsMadeDuringTheCurrentEpoch() (gas: 723969)
[PASS] test_requestDeposit_updateClaimableDepositRequest() (gas: 1382568)
[PASS] test_requestDeposit_withClaimableBalance() (gas: 781950)
[PASS] test_requestDeposit_withClaimableBalance_with_eth() (gas: 2420)
[PASS] test_requestDeposit_with_eth() (gas: 9908214)
[PASS] test_requestDeposit_with_eth_and_wrong_userBalance() (gas: 3014)
Suite result: ok. 16 passed; 0 failed; 0 skipped; finished in 4.11s (1.30s CPU time)

Ran 9 tests for test/v0.5.0-opt-inProxy/SyncDeposit.t.sol:TestSyncDeposit
[PASS] test_syncDeposit() (gas: 185002)
[PASS] test_syncDeposit_addressZeroReceiver() (gas: 286612)
[PASS] test_syncDeposit_differentReceiver() (gas: 348863)
[PASS] test_syncDeposit_lifespanOutdate() (gas: 21334)
[PASS] test_syncDeposit_whenClosed() (gas: 275983)
[PASS] test_syncDeposit_whenPaused() (gas: 315946)
[PASS] test_syncDeposit_whitelist() (gas: 161433)
[PASS] test_syncDeposit_with_eth() (gas: 9906957)
[PASS] test_whenSyncDepositAllowed_asyncDepositIsForbidden() (gas: 149797)
Suite result: ok. 9 passed; 0 failed; 0 skipped; finished in 2.71s (1.16s CPU time)

Ran 13 tests for test/v0.5.0-opt-inProxy/Settle.t.sol:TestSettle
[PASS] test_close_revertIfNotTotalAssetsManager() (gas: 18527)
[PASS] test_close_revertIfWrongNewTotalAssets() (gas: 121869)
[PASS] test_settleDepositAfterUpdate() (gas: 389513)
[PASS] test_settleDepositThenRedeemAfterUpdate() (gas: 191511)
[PASS] test_settleDeposit_revertIfNotTotalAssetsManager() (gas: 20221)
[PASS] test_settleDeposit_revertIfWrongNewTotalAssets() (gas: 88265)
[PASS] test_settleRedeemAfterUpdate() (gas: 337990)
[PASS] test_settleRedeem_revertIfNotTotalAssetsManager() (gas: 19484)
[PASS] test_settleRedeem_revertIfWrongNewTotalAssets() (gas: 88111)
[PASS] test_settle_deposit_without_totalAssets_update_reverts() (gas: 10561819)
[PASS] test_settle_redeem_totalAssets_update_reverts() (gas: 10744790)
[PASS] test_simple_settle() (gas: 721888)
[PASS] test_updateNewTotalAssets_revertIfNotTotalAssetsManager() (gas: 21408)
Suite result: ok. 13 passed; 0 failed; 0 skipped; finished in 2.15s (2.92s CPU time)

Ran 25 test suites in 4.74s (42.66s CPU time): 196 tests passed, 0 failed, 0 skipped (196 total tests)
```

8.3 Automated Tools

8.3.1 AuditAgent

All the relevant issues raised by the AuditAgent have been incorporated into this report. The AuditAgent is an AI-powered smart contract auditing tool that analyses code, detects vulnerabilities, and provides actionable fixes. It accelerates the security analysis process, complementing human expertise with advanced AI models to deliver efficient and comprehensive smart contract audits. Available at https://app.auditagent.nethermind.io.

9   About Nethermind

Nethermind is a Blockchain Research and Software Engineering company. Our work touches every part of the web3 ecosystem - from layer 1 and layer 2 engineering, cryptography research, and security to application-layer protocol development. We offer strategic support to our institutional and enterprise partners across the blockchain, digital assets, and DeFi sectors, guiding them through all stages of the research and development process, from initial concepts to successful implementation.

We offer security audits of projects built on EVM-compatible chains and Starknet. We are active builders of the Starknet ecosystem, delivering a node implementation, a block explorer, a Solidity-to-Cairo transpiler, and formal verification tooling. Nethermind also provides strategic support to our institutional and enterprise partners in blockchain, digital assets, and decentralized finance (DeFi). In the next paragraphs, we introduce the company in more detail.

Blockchain Security: At Nethermind, we believe security is vital to the health and longevity of the entire Web3 ecosystem. We provide security services related to Smart Contract Audits, Formal Verification, and Real-Time Monitoring. Our Security Team comprises blockchain security experts in each field, often collaborating to produce comprehensive and robust security solutions. The team has a strong academic background, can apply state-of-the-art techniques, and is experienced in analyzing cutting-edge Solidity and Cairo smart contracts, such as ArgentX and StarkGate (the bridge connecting Ethereum and StarkNet). Most team members hold a Ph.D. degree and actively participate in the research community, accounting for 240+ articles published and 1,450+ citations in Google Scholar. The security team adopts customer-oriented and interactive processes where clients are involved in all stages of the work.

Blockchain Core Development: Our core engineering team, consisting of over 20 developers, maintains, improves, and upgrades our flagship product - the Nethermind Ethereum Execution Client. The client has been successfully operating for several years, supporting both the Ethereum Mainnet and its testnets, and now accounts for nearly a quarter of all synced Mainnet nodes. Our unwavering commitment to Ethereum's growth and stability extends to sidechains and layer 2 solutions. Notably, we were the sole execution layer client to facilitate Gnosis Chain's Merge, transitioning from Aura to Proof of Stake (PoS), and we are actively developing a full-node client to bolster Starknet's decentralization efforts. Our core team equips partners with tools for seamless node set-up, using generated docker-compose scripts tailored to their chosen execution client and preferred configurations for various network types.

DevOps and Infrastructure Management: Our infrastructure team ensures our partners' systems operate securely, reliably, and efficiently. We provide infrastructure design, deployment, monitoring, maintenance, and troubleshooting support, allowing you to focus on your core business operations. Boasting extensive expertise in Blockchain as a Service, private blockchain implementations, and node management, our infrastructure and DevOps engineers are proficient with major cloud solution providers and can host applications in-house or on clients' premises. Our global in-house SRE teams offer 24/7 monitoring and alerts for both infrastructure and application levels. We manage over 5,000 public and private validators and maintain nodes on major public blockchains such as Polygon, Gnosis, Solana, Cosmos, Near, Avalanche, Polkadot, Aptos, and StarkWare L2. Sedge is an open-source tool developed by our infrastructure experts, designed to simplify the complex process of setting up a proof-of-stake (PoS) network or chain validator. Sedge generates docker-compose scripts for the entire validator set-up based on the chosen client, making the process easier and quicker while following best practices to avoid downtime and being slashed.

Cryptography Research: At Nethermind, our Cryptography Research team is dedicated to continuous internal research while fostering close collaboration with external partners. The team has expertise across a wide range of domains, including cryptography protocols, consensus design, decentralized identity, verifiable credentials, Sybil resistance, oracles, and credentials, distributed validator technology (DVT), and Zero-knowledge proofs. This diverse skill set, combined with strong collaboration between our engineering teams, enables us to deliver cutting-edge solutions to our partners and clients.

Smart Contract Development & DeFi Research: Our smart contract development and DeFi research team comprises 40+ world-class engineers who collaborate closely with partners to identify needs and work on value-adding projects. The team specializes in Solidity and Cairo development, architecture design, and DeFi solutions, including DEXs, AMMs, structured products, derivatives, and money market protocols, as well as ERC20, 721, and 1155 token design. Our research and data analytics focuses on three key areas: technical due diligence, market research, and DeFi research. Utilizing a data-driven approach, we offer in-depth insights and outlooks on various industry themes.

Our suite of L2 tooling: Warp is Starknet's approach to EVM compatibility. It allows developers to take their Solidity smart contracts and transpile them to Cairo, Starknet's smart contract language. In the short time since its inception, the project has accomplished many achievements, including successfully transpiling Uniswap v3 onto Starknet using Warp.

- **Voyager** is a user-friendly Starknet block explorer that offers comprehensive insights into the Starknet network. With its intuitive interface and powerful features, Voyager allows users to easily search for and examine transactions, addresses, and contract details. As an essential tool for navigating the Starknet ecosystem, Voyager is the go-to solution for users seeking in-depth information and analysis;

- **Horus** is an open-source formal verification tool for StarkNet smart contracts. It simplifies the process of formally verifying Starknet smart contracts, allowing developers to express various assertions about the behavior of their code using a simple assertion language;

- **Juno** is a full-node client implementation for Starknet, drawing on the expertise gained from developing the Nethermind Client. Written in Golang and open-sourced from the outset, Juno verifies the validity of the data received from Starknet by comparing it to proofs retrieved from Ethereum, thus maintaining the integrity and security of the entire ecosystem.

Learn more about us at nethermind.io.

General Advisory to Clients

As auditors, we recommend that any changes or updates made to the audited codebase undergo a re-audit or security review to address potential vulnerabilities or risks introduced by the modifications. By conducting a re-audit or security review of the modified codebase, you can significantly enhance the overall security of your system and reduce the likelihood of exploitation. However, we do not possess the authority or right to impose obligations or restrictions on our clients regarding codebase updates, modifications, or subsequent audits. Accordingly, the decision to seek a re-audit or security review lies solely with you.

Disclaimer

This report is based on the scope of materials and documentation provided by you to Nethermind in order that Nethermind could conduct the security review outlined in **1. Executive Summary** and **2. Audited Files**. The results set out in this report may not be complete nor inclusive of all vulnerabilities. Nethermind has provided the review and this report on an as-is, where-is, and as-available basis. You agree that your access and/or use, including but not limited to any associated services, products, protocols, platforms, content, and materials, will be at your sole risk. Blockchain technology remains under development and is subject to unknown risks and flaws. The review does not extend to the compiler layer, or any other areas beyond the programming language, or other programming aspects that could present security risks. This report does not indicate the endorsement of any particular project or team, nor guarantee its security. No third party should rely on this report in any way, including for the purpose of making any decisions to buy or sell a product, service or any other asset. To the fullest extent permitted by law, Nethermind disclaims any liability in connection with this report, its content, and any related services and products and your use thereof, including, without limitation, the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. Nethermind does not warrant, endorse, guarantee, or assume responsibility for any product or service advertised or offered by a third party through the product, any open source or third-party software, code, libraries, materials, or information linked to, called by, referenced by or accessible through the report, its content, and the related services and products, any hyperlinked websites, any websites or mobile applications appearing on any advertising, and Nethermind will not be a party to or in any way be responsible for monitoring any transaction between you and any third-party providers of products or services. As with the purchase or use of a product or service through any medium or in any environment, you should use your best judgment and exercise caution where appropriate. FOR AVOIDANCE OF DOUBT, THE REPORT, ITS CONTENT, ACCESS, AND/OR USAGE THEREOF, INCLUDING ANY ASSOCIATED SERVICES OR MATERIALS, SHALL NOT BE CONSIDERED OR RELIED UPON AS ANY FORM OF FINANCIAL, INVESTMENT, TAX, LEGAL, REGULATORY, OR OTHER ADVICE.