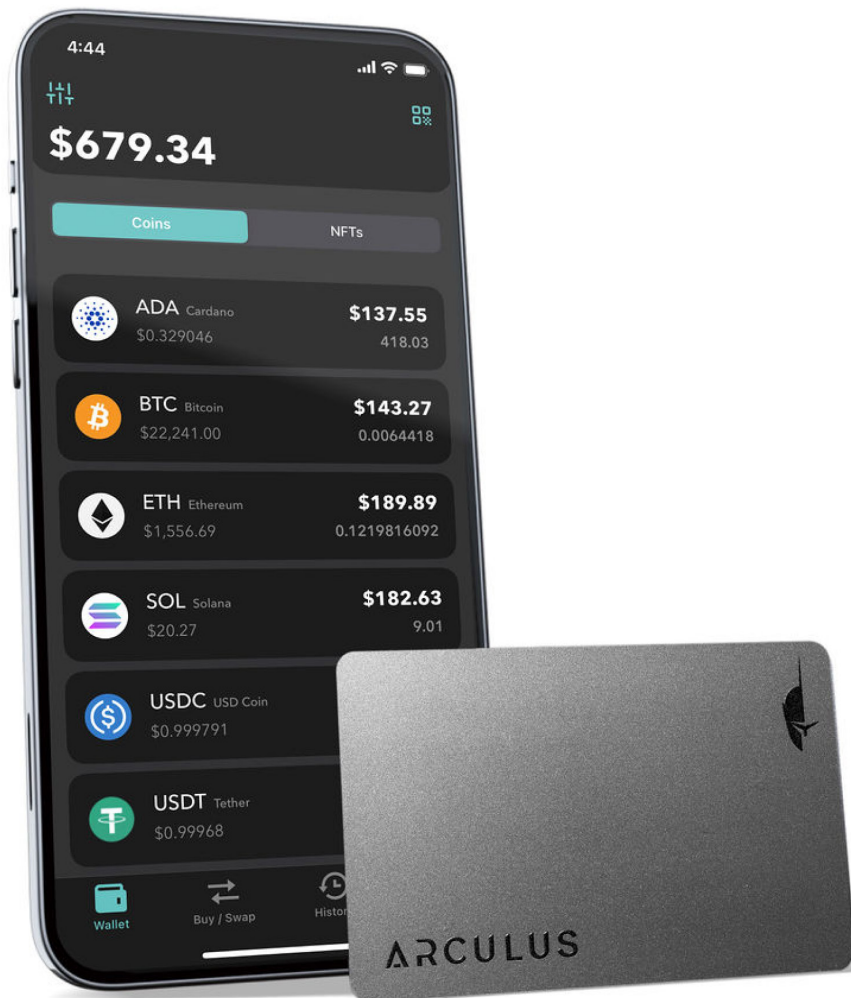


Arculus® – How It Works

UNMATCHED 3-FACTOR
AUTHENTICATION



What Is Arculus®?

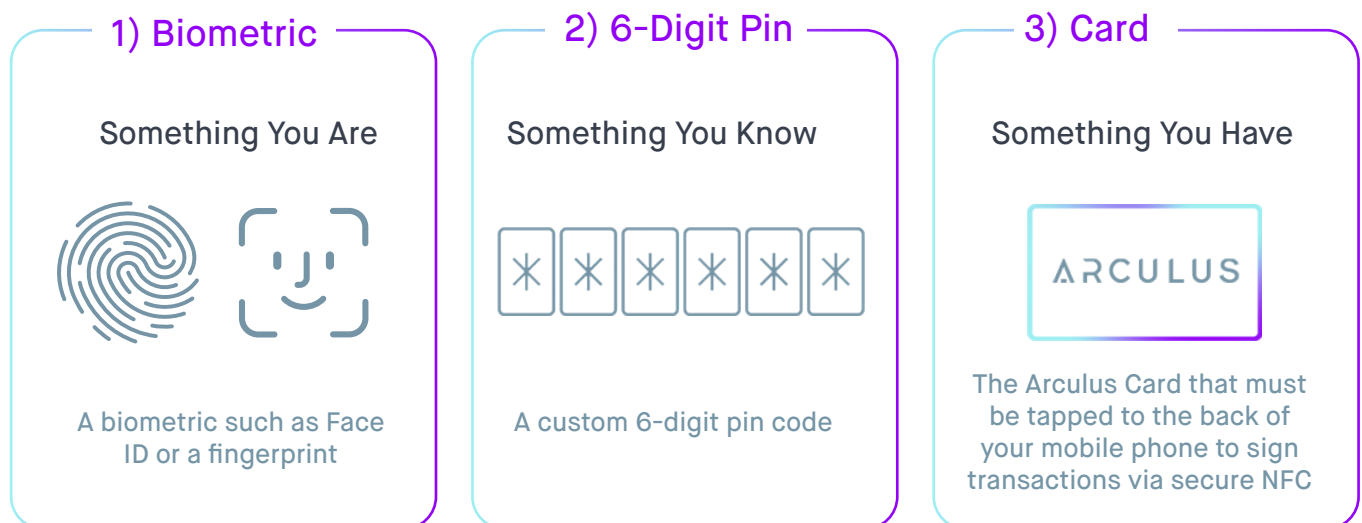
Arculus is the next generation cold storage hardware wallet that protects your crypto and NFTs and secures your private keys with 3-factor authentication. Arculus was created by CompoSecure ([NASDAQ: CMPO](#)), a trusted fintech leader with over 20 years of experience developing innovative security, payment, and digital storage solutions worldwide.

There are two parts to Arculus that work together to secure your assets:

- **Hardware:** your physical Arculus Card
- **Software:** your Arculus App (available for iOS and Android).

The Arculus Card is a sleek, metal card with leading-edge embedded security technology including a CC EAL6+ Secure Element Hardware Classification to securely generate and store your private keys.

Working together, the Arculus Card and Arculus App uses 3-factor authentication requiring:



How It Works

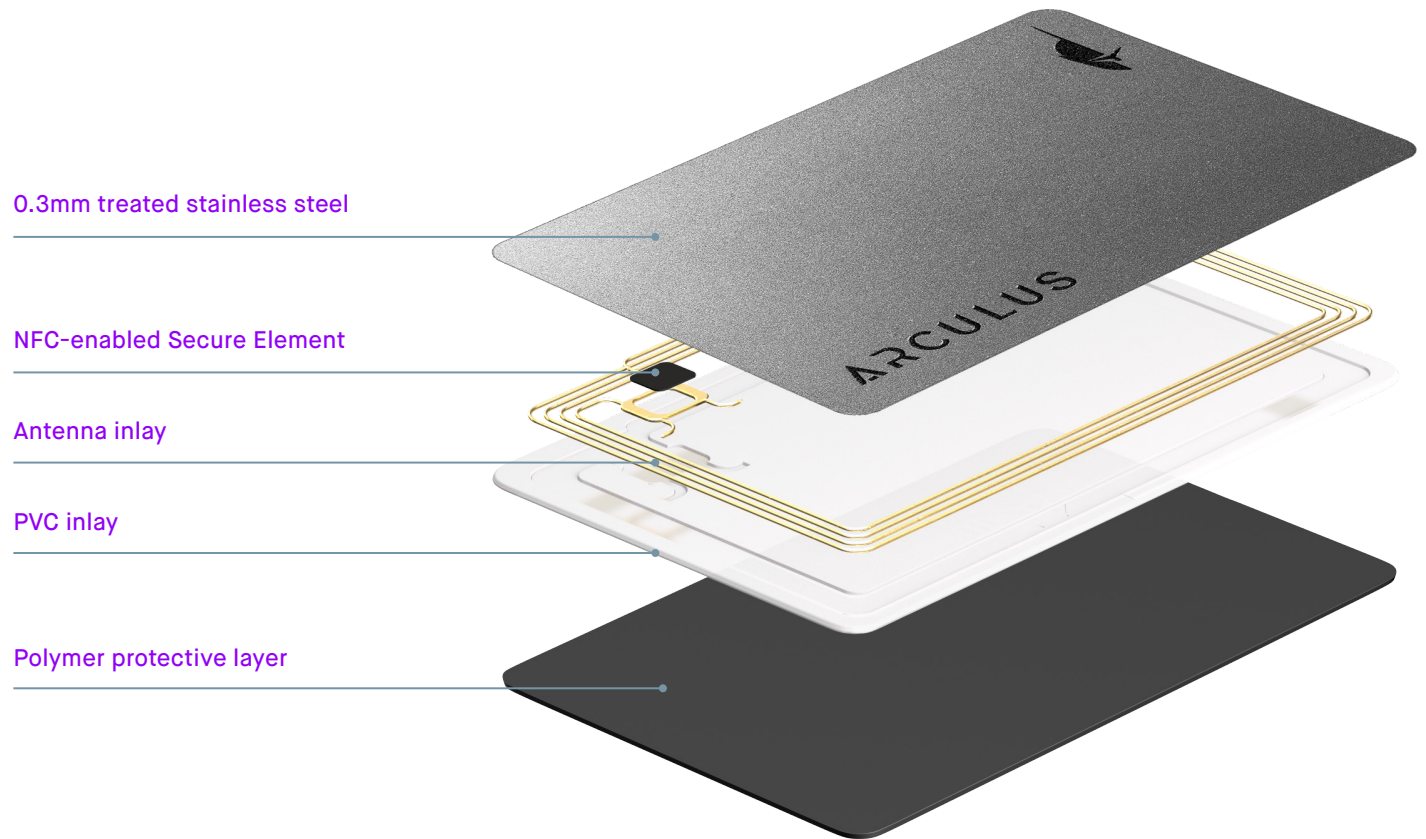


Figure 1: Components of the Arculus Card

Your private keys are generated, encrypted, and stored in the Secure Element on the Arculus Card. The Arculus Card doesn't use any cables or USB connections and never runs out of power. Unlike other devices, the Arculus Card is shipped locked, meaning the code on the card can't be updated so it isn't possible for hacked or infected code to be introduced. The Arculus Card communicates with the Arculus App via secure NFC which for security purposes has a range of only a few centimeters unlike Bluetooth which has a range of 10 meters. Your private keys never leave the Secure Element on the Arculus Card, and the card is necessary for signing all transactions.



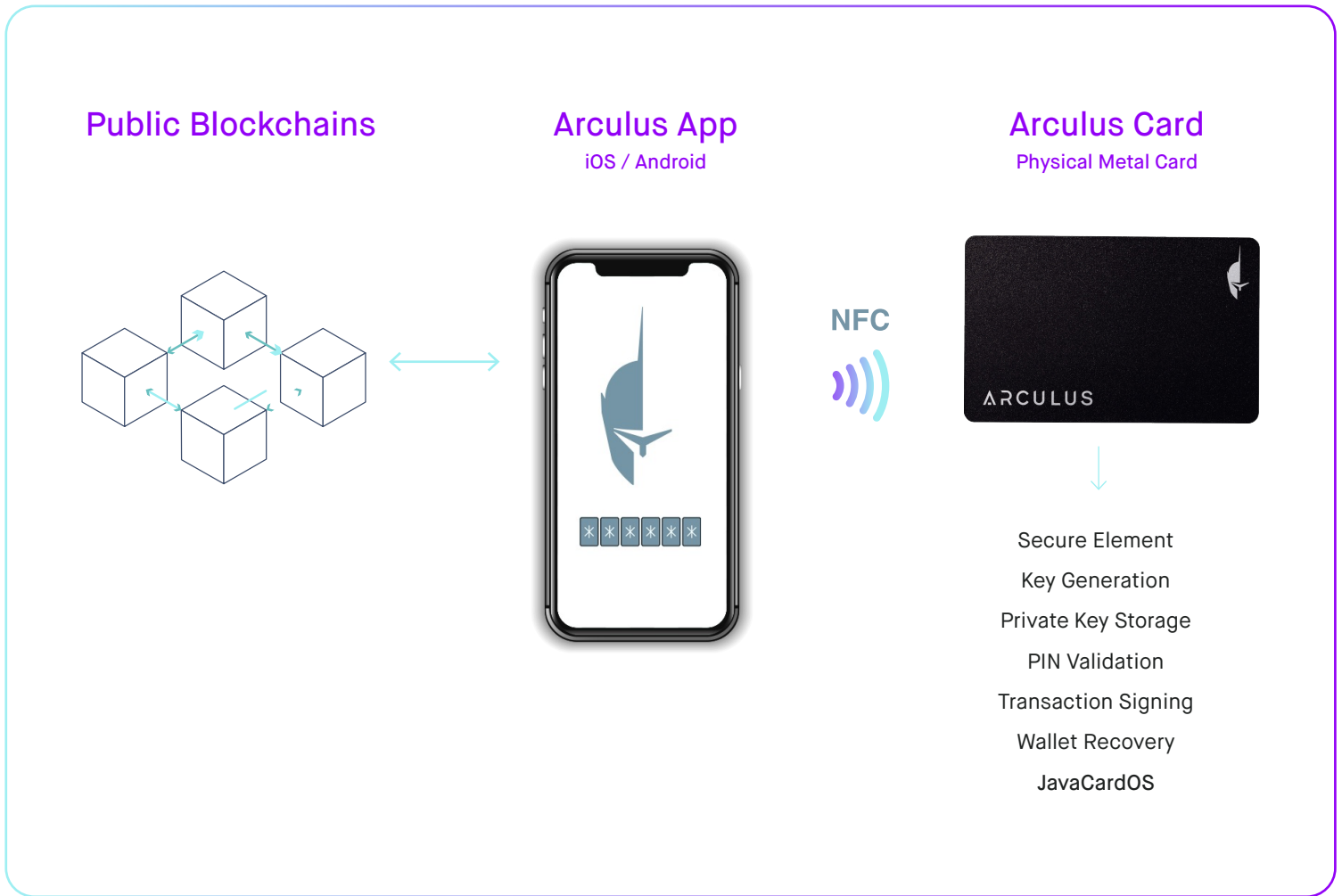


Figure 2: Arculus Card communicates with Arculus App

The wallet architecture is based on a “split knowledge” principle. By separating execution logic between the secure application processor and the Secure Element which provides security without the possibility to remove or read the private key from the Arculus Card.

Wallet Creation/Restoration

When you create a new wallet or restore an existing wallet, the Arculus App first prompts you to create a six-digit PIN. This PIN is distinct from your phone PIN and specific to your Arculus App. This PIN is stored only on the card and is an important part of Arculus’ 3-factor authentication. PIN verification attempts are tracked on the card and after 3 failed PIN attempts, the card is reset and the keys on the card are wiped to protect against brute force attacks. If your card is ever lost or reset, you can restore your wallet using your 12-word or 24-word recovery phrase.





Key Generation

When generating a private key, the Secure Element on the Arculus Card uses a True Random Number Generator (TRNG) as opposed to a Pseudo-Random Number Generator (PRNG). Keys are generated using the EIP2333 standard and the 12-word or 24-word recovery phrase (the BIP39 Mnemonic) is generated using the BIP39 standard. After the private keys are generated, the recovery phrase is shown in the app one time so that you can write it down and secure it. Then in the immediate next step, you must re-enter the 12-word or 24-word recovery phrase in the app to verify that you have accurately captured the recovery phrase. Note that the recovery phrase is not stored on the card or the phone. If you are restoring a wallet using an existing 12-word or 24-word recovery phrase, you must enter the phrase (in the original order) in the mobile app so that it can be transmitted to the card. The Arculus wallet can restore using any 12-word or 24-word recovery phrase that was generated using the BIP39 standard. Once you have done that, the app will never show your recovery phrase again. It is recommended that when creating a new wallet or restoring an existing wallet, you do it in a safe, quiet, and secure location.

User Authentication and Transactions

The Arculus App can use either biometrics or the card to authenticate the user before giving access to balances. All transactions require you to enter your PIN and tap your card to authenticate. The app verifies that the card's GGUID (Globally unique identifier) and Account public keys match its stored information. The mobile application has access to the account public keys, but not the Account private keys.

Secure Digital Assets

Arculus is a safer and simpler crypto and NFT cold storage solution that combines world class security with an easy-to-use app. You can swap, send, buy, receive, and store your crypto or view, send, receive, or store your NFTs all with a simple tap of your Arculus Card to your mobile phone with the Arculus App. There are no strings (or cables) attached. The only person accessing your crypto or NFTs is you.

NFTs

Arculus can do more than store crypto. Your Arculus Card and App can also store and view NFTs, acting as your gateway to the DeFi ecosystem with WalletConnect. WalletConnect is an open-source protocol used to establish a connection between wallets and dApps such as DEXs (decentralized exchanges) and NFT marketplaces like SuperRare and OpenSea.

