

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

IN RE CPI CARD GROUP INC.
SECURITIES LITIGATION

No. 16 Civ. 04531 (LAK)

**NOTICE OF PENDENCY OF CLASS ACTION, PROPOSED SETTLEMENT,
AND MOTION FOR ATTORNEYS' FEES AND EXPENSES**

If you purchased or acquired the common stock of CPI Card Group Inc. (“CPI” or the “Company”) pursuant to or traceable to the registration statement issued in connection with CPI’s October 9, 2015 initial public offering of common stock (the “IPO”) and were damaged thereby, you may be entitled to a payment from a class action settlement.

A Federal Court authorized this Notice. This is not a solicitation from a lawyer.

- The purpose of this Notice is to inform you of the pendency of this securities class action (the “Action”), the proposed settlement of the Action (the “Settlement”),¹ and a hearing to be held by the Court to consider: (i) whether the Settlement should be approved; (ii) whether the proposed plan for allocating the proceeds of the Settlement (the “Plan of Allocation”) should be approved; and (iii) Lead Counsel’s application for attorneys’ fees and expenses (*see* page 8 below). This Notice describes important rights you may have and what steps you must take if you wish to participate in the Settlement, wish to object, or wish to be excluded from the Settlement Class.
- If approved by the Court, the Settlement will create an \$11 million cash fund, plus earned interest, for the benefit of eligible Settlement Class Members, after the deduction of attorneys’ fees and expenses awarded by the Court, Notice and Administration Expenses, and Taxes. This is an average recovery of approximately \$0.38 per allegedly damaged share, before these deductions.
- The Settlement resolves claims by Court-appointed Lead Plaintiff Alex Stewart (the “Lead Plaintiff”) that have been asserted on behalf of the Settlement Class (defined below) against CPI, Steven Montross, David Brush, Jerry Dreiling, Bradley Seaman, Nicholas Peters, Robert Pearce, and David Rowntree (collectively, the “Individual Defendants”), Tricor Pacific Capital Partners (Fund IV), Limited Partnership, Tricor Pacific Capital Partners (Fund IV) US, Limited Partnership, and Tricor Pacific Capital, Inc. (collectively, the “Tricor Fund Defendants”), as well as BMO Capital Markets Corp., Goldman Sachs & Co. LLC (f/k/a Goldman, Sachs & Co.), CIBC World Markets Inc., Robert W. Baird & Co. Incorporated, William Blair & Company, L.L.C., Raymond James & Associates, Inc., Scotia Capital (USA) Inc., and Griffiths McBurney Corp. (collectively, the “Underwriter Defendants” and with CPI, the Individual Defendants, and the Tricor Fund Defendants, collectively, the “Defendants”). It avoids the costs and risks of continuing the litigation; pays money to eligible investors; and releases the Released Defendant Parties (defined below) from liability.

**If you are a Settlement Class Member, your legal rights will be affected by this Settlement whether you act or do not act.
Please read this Notice carefully.**

YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT	
SUBMIT A CLAIM FORM BY JANUARY 30, 2019	The <u>only</u> way to get a payment. <i>See</i> Question 8 below for details.
EXCLUDE YOURSELF FROM THE SETTLEMENT CLASS BY JANUARY 15, 2019	Get no payment. This is the only option that, assuming your claim is timely brought, might allow you to ever bring or be part of any other lawsuit against Defendants and/or the other Released Defendant Parties concerning the Released Claims. <i>See</i> Question 11 below for details.
OBJECT BY JANUARY 15, 2019	Write to the Court about why you do not like the Settlement, the Plan of Allocation, and/or Lead Counsel’s Fee and Expense Application. If you object, you will still be a member of the Settlement Class. <i>See</i> Question 16 below for details.
GO TO A HEARING ON FEBRUARY 5, 2019 AND FILE A NOTICE OF INTENTION TO APPEAR BY JANUARY 15, 2019	Ask to speak in Court at the Settlement Hearing about the Settlement. <i>See</i> Question 18 below for details.
DO NOTHING	Get no payment. Give up rights.

¹ The terms of the Settlement are in the Stipulation and Agreement of Settlement, dated September 21, 2018 (the “Stipulation”), which can be viewed at www.CPISecuritiesSettlement.com. All capitalized terms not defined in this Notice have the same meanings as defined in the Stipulation.

- These rights and options—and the deadlines to exercise them—are explained in this Notice.
- The Court in charge of this case still has to decide whether to approve the Settlement. Payments will be made to all Settlement Class Members who timely submit valid Claim Forms, if the Court approves the Settlement and after any appeals are resolved. Please be patient.

SUMMARY OF THE NOTICE

Statement of the Settlement Class’s Recovery

1. Subject to Court approval, Lead Plaintiff, on behalf of the Settlement Class, has agreed to settle the Action in exchange for a payment of \$11,000,000 in cash (the “Settlement Amount”), which will be deposited into an interest-bearing Escrow Account (the “Settlement Fund”). Based on Lead Plaintiff’s damages expert’s estimate of the number of shares of CPI common stock eligible to participate in the Settlement, and assuming that all investors eligible to participate in the Settlement do so, it is estimated that the average recovery, before deduction of any Court-approved fees and expenses, such as attorneys’ fees, litigation expenses, Taxes, and Notice and Administration Expenses, would be approximately \$0.38 per allegedly damaged share.² If the Court approves Lead Counsel’s Fee and Expense Application (discussed below), the average recovery would be approximately \$0.26 per allegedly damaged share. **These average recovery amounts are only estimates and Settlement Class Members may recover more or less than these estimated amounts.** A Settlement Class Member’s actual recovery will depend on, for example: (i) the total number of claims submitted; (ii) the amount of the Net Settlement Fund; (iii) when the Settlement Class Member purchased or acquired CPI common stock during the Relevant Period (defined below); and (iv) whether and when the Settlement Class Member sold CPI common stock. See the Plan of Allocation beginning on page 9 for information on the calculation of your Recognized Claim.

Statement of Potential Outcome of Case if the Action Continued to Be Litigated

2. The Parties disagree about both liability and damages and do not agree about the amount of damages that would be recoverable if Lead Plaintiff were to prevail on each claim alleged. The issues on which the Parties disagree include, for example: (i) whether the registration statement issued in connection with CPI’s IPO contained untrue statements of material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading; (ii) the extent to which external factors, such as general market, economic and industry conditions, influenced the trading prices of CPI common stock at various times during the Relevant Period; (iii) whether certain Defendants conducted reasonable “due diligence” in connection with CPI’s IPO; and (iv) whether class members suffered any damages. Lead Plaintiff’s consulting damages expert estimates that if Lead Plaintiff and the class were to prevail in establishing liability at trial, maximum aggregate damages (assuming Defendants were unable to prove that the Company’s stock price drop was caused by other unrelated factors) would be approximately \$95 million. However, Defendants’ consulting damages expert estimates that if liability were established at trial, which Defendants deny, the most Lead Plaintiff and the class would be able to establish at trial would be aggregate damages of approximately 8% of Lead Plaintiff’s estimate, or \$7.6 million, after factoring in price decreases that they believe were unrelated to the alleged wrongdoing.

3. Defendants have denied and continue to deny any and all allegations of wrongdoing or fault asserted in the Action, deny that they have committed any act or omission giving rise to any liability or violation of law, and deny that Lead Plaintiff and the Settlement Class have suffered any loss attributable to Defendants’ actions or omissions. While Lead Plaintiff believes he has meritorious claims, he recognizes that there are significant obstacles in the way to recovery.

Statement of Attorneys’ Fees and Expenses Sought

4. Lead Counsel, on behalf of all Plaintiffs’ Counsel, will apply to the Court for an award of attorneys’ fees from the Settlement Fund in an amount not to exceed 30% of the Settlement Fund, which includes any accrued interest. Lead Counsel will also apply for payment of litigation expenses incurred by Plaintiffs’ Counsel in prosecuting the Action in an amount not to exceed \$200,000, plus accrued interest, which may include an application pursuant to the Private Securities Litigation Reform Act of 1995 (“PSLRA”) for the reasonable costs and expenses (including lost wages) of Lead Plaintiff directly related to his representation of the Settlement Class. If the Court approves Lead Counsel’s Fee and Expense Application in full, the average amount of fees and expenses, assuming claims are filed for all shares eligible to participate in the Settlement, will be approximately \$0.12 per allegedly damaged share of CPI common stock. A copy of the Fee and Expense Application will be posted on www.CPISecuritiesSettlement.com after it has been filed with the Court.

Reasons for the Settlement

5. For Lead Plaintiff, the principal reason for the Settlement is the guaranteed cash benefit to the Settlement Class. This benefit must be compared to the uncertainty of being able to prove the allegations in the Complaint; the risk that the Court may grant some or all of the anticipated summary judgment motions to be filed by Defendants; the uncertainty of a greater recovery after a trial and

² An allegedly damaged share might have been traded, and potentially damaged, more than once during the Class Period, and the average recovery indicated above represents the estimated average recovery for each share that allegedly incurred damages.

appeals; the risks of litigation, especially in complex actions like this; as well as the difficulties and delays inherent in such litigation (including any trial and appeals).

6. For Defendants, who deny all allegations of wrongdoing or liability whatsoever and deny that Settlement Class Members were damaged, the principal reasons for entering into the Settlement are to end the burden, expense, uncertainty, and risk of further litigation.

Identification of Attorneys' Representatives

7. Lead Plaintiff and the Settlement Class are represented by Lead Counsel, Jonathan Gardner, Labaton Sucharow LLP, 140 Broadway, New York, NY 10005, (888) 219-6877, www.labaton.com, settlementquestions@labaton.com.

8. Further information regarding the Action, the Settlement, and this Notice may be obtained by contacting the Claims Administrator: *CPI Securities Litigation*, c/o A.B. Data, Ltd., P.O. Box 173056, Milwaukee, WI 53217, (866) 778-6568, www.CPISecuritiesSettlement.com; or Lead Counsel.

Please Do Not Call the Court with Questions About the Settlement.

[END OF PSLRA COVER PAGE]

BASIC INFORMATION

1. WHY DID I GET THIS NOTICE?

9. You or someone in your family may have purchased or acquired CPI common stock during the period from October 9, 2015 through June 15, 2016, inclusive (the "Relevant Period"). **Receipt of this Notice does not mean that you are a Member of the Settlement Class or that you will be entitled to receive a payment. If you wish to be eligible for a payment, you are required to submit the Claim Form that is being distributed with this Notice. See Question 8 below.**

10. The Court directed that this Notice be sent to Settlement Class Members because they have a right to know about the proposed Settlement of this class action lawsuit, and about all of their options, before the Court decides whether to approve the Settlement.

11. The Court in charge of the Action is the United States District Court for the Southern District of New York, and the case is known as *In re CPI Card Group Inc. Securities Litigation*, No. 16 Civ. 04531 (LAK). The Action is assigned to the Honorable Lewis A. Kaplan, United States District Judge.

2. WHAT IS THIS CASE ABOUT AND WHAT HAS HAPPENED SO FAR?

12. CPI is a provider of comprehensive financial payment card solutions in North America. Financial payment cards, as the Company defines them, are credit, debit, and prepaid debit cards issued on the networks of Visa, MasterCard, American Express, Discover, and Interac. At the time of the Company's IPO on October 9, 2015, CPI was the largest provider of financial payment cards in the United States. Leading up to the Company's IPO, CPI made investments in the production of a new generation of financial payment cards called "EMV" cards, or "chip cards." Lead Plaintiff alleges that CPI reported rapidly increasing EMV card sales and earnings and appeared poised for continued growth. However, at the time of the IPO, Lead Plaintiff alleges that CPI's largest customers were overstocked with EMV cards and would be making significantly fewer purchases from CPI, thereby dramatically decreasing the Company's sales and profits in the quarters following the IPO. Further, Lead Plaintiff alleges that, at the time of the IPO, CPI's small and midsize customers were not rapidly adopting EMV card technology. Finally, Lead Plaintiff alleges that, at the time of the IPO, CPI was facing increased pricing pressure and competition in connection with obtaining EMV card orders.

13. Lead Plaintiff alleges that the registration statement and prospectus used to conduct the IPO (the "Offering Materials") were false and misleading for misrepresenting the true state of demand for EMV cards and failing to disclose adverse trends and uncertainties, as well as significant risks, concerning the Company and its EMV card sales at the time of the IPO. Lead Plaintiff alleges that, as the market learned the truth about the Company's EMV card sales and the demand for those cards, CPI's stock price fell.

14. On June 15, 2016, two securities class action complaints were filed in the U.S. District Court for the District of New York (the "Court") asserting claims under Sections 11 and 15 of the Securities Act of 1933 (the "Securities Act") for alleged misstatements and omissions in the Offering Materials for CPI's IPO.

15. On August 30, 2016, the Court entered an Order appointing Alex Stewart as Lead Plaintiff pursuant to the PSLRA and consolidating the two related actions, and all subsequently filed actions, into this Action. In the same Order, the Court appointed Michael W. Stocker of Labaton Sucharow LLP as Lead Counsel. The Court subsequently substituted Jonathan Gardner of Labaton Sucharow LLP for Mr. Stocker as Lead Counsel.

16. On October 17, 2016, Lead Plaintiff filed the Consolidated Class Action Complaint for Violation of Federal Securities Laws (the "Complaint"), asserting claims under Sections 11 and 15 of the Securities Act. In general, the Complaint alleges that the Offering Materials used to conduct the Company's IPO misrepresented the true state of demand of EMV cards and failed to disclose material adverse trends and uncertainties, as well as significant risks, that allegedly existed and were known as of the date of the IPO.

17. On November 16, 2016, CPI, the Individual Defendants, and the Tricor Defendants (the “Issuer Defendants”) filed a motion to dismiss the Complaint, and the Underwriter Defendants filed a joinder. Lead Plaintiff opposed the motion on December 16, 2016. On January 10, 2017, the Issuer Defendants filed a reply brief in further support of the motion to dismiss, and the Underwriter Defendants filed a joinder. On October 30, 2017, the Court entered a Memorandum Opinion denying the motion to dismiss in its entirety.

18. On January 12, 2018, the Issuer Defendants and the Underwriter Defendants answered the Complaint.

19. On April 23, 2018, Lead Plaintiff moved for class certification, appointment as the class representative, and appointment of Lead Counsel as class counsel. On June 11, 2018, the Issuer Defendants opposed the motion for class certification and the Underwriter Defendants filed a joinder to that opposition. The motion was pending when the Parties agreed to settle the Action.

20. Lead Plaintiff, through Lead Counsel, has conducted a thorough investigation of the claims, defenses, and underlying events and transactions that are the subject of the Action. This process has included reviewing and analyzing: (i) documents filed publicly by the Company with the U.S. Securities and Exchange Commission; (ii) publicly available information, including press releases, news articles, and other public statements issued by or concerning the Company and Defendants; (iii) research reports issued by financial analysts concerning the Company; (iv) over 2000 documents produced by the Issuer Defendants in connection with the mediation and through confirmatory discovery; (v) documents and other information produced by third-parties in response to subpoenas; and (vi) the applicable law governing the claims and potential defenses. Lead Counsel also: (i) interviewed Defendant Nicholas Peters, a member of CPI’s Board of Directors, as part of confirmatory discovery; (ii) interviewed 16 former CPI employees and other persons with relevant knowledge; and (iii) consulted with experts on damages and causation issues.

21. Lead Plaintiff and the Issuer Defendants engaged Michelle Yoshida, a well-respected and experienced mediator, to assist them in exploring a potential negotiated resolution of the Action. On May 4, 2018, Lead Plaintiff and the Issuer Defendants participated in a full-day mediation session in an attempt to reach a settlement, however an agreement could not be reached. Lead Plaintiff and the Issuer Defendants continued arm’s-length discussions and ultimately executed a Settlement Term Sheet on July 30, 2018. On September 21, 2018, the Parties executed the Stipulation, which sets forth the final terms and conditions of the Settlement.

3. WHY IS THIS A CLASS ACTION?

22. In a class action, one or more persons or entities (in this case, Lead Plaintiff), sue on behalf of people and entities who have similar claims. Together, these people and entities are a “class,” and each is a “class member.” Class actions allow the adjudication of many individuals’ similar claims that might be too small economically to bring as individual actions. One court resolves the issues for all class members at the same time, except for those who exclude themselves, or “opt-out,” from the class. In this Action, the Court has appointed Alex Stewart to serve as Lead Plaintiff and has appointed Jonathan Gardner of Labaton Sucharow LLP to serve as Lead Counsel.

4. WHAT ARE THE REASONS FOR THE SETTLEMENT?

23. The Court did not finally decide in favor of Lead Plaintiff or Defendants. Instead, both sides agreed to a settlement. Lead Plaintiff and Lead Counsel believe that the claims asserted in the Action have merit. They recognize, however, the expense and length of continued proceedings needed to pursue the claims through trial and appeals, as well as the difficulties in establishing liability. For example, Defendants have raised a number of arguments and defenses (which they would raise at summary judgment and trial) countering Lead Plaintiff’s allegations that the Offering Materials failed to disclose material adverse trends and uncertainties allegedly known to Defendants at the time of the IPO. Defendants also maintained that there were no recoverable damages. In the absence of a settlement, the Parties would present factual and expert testimony on each of these issues, and there is a risk that the Court or jury would resolve these issues unfavorably against Lead Plaintiff and the Settlement Class. Lead Plaintiff and Lead Counsel believe that the proposed Settlement is fair, reasonable, and adequate, and in the best interests of the Settlement Class.

24. Defendants have denied and continue to deny each and every one of the claims alleged by Lead Plaintiff in the Action, including all claims in the Complaint. Nonetheless, Defendants have concluded that continuation of the Action would be protracted and expensive, and have taken into account the uncertainty and risks inherent in any litigation, especially a complex case like this Action, and believe that the Settlement is in the best interests of Defendants.

WHO IS IN THE SETTLEMENT

5. HOW DO I KNOW IF I AM PART OF THE SETTLEMENT CLASS?

25. The Court directed, for the purposes of the proposed Settlement, that everyone who fits the following description is a Settlement Class Member and subject to the Settlement unless they are an excluded person (see Question 6 below) or take steps to exclude themselves from the Settlement Class (see Question 11 below):

All Persons who purchased or acquired CPI common stock pursuant to or traceable to the registration statement issued in connection with the IPO, and who were damaged thereby.

26. If one of your mutual funds purchased CPI common stock during the Relevant Period, that does not make you a Settlement Class Member, although your mutual fund may be. You are a Settlement Class Member only if you individually purchased or

acquired CPI common stock during the Relevant Period. Check your investment records or contact your broker to see if you have any eligible purchases or acquisitions.

6. ARE THERE EXCEPTIONS TO BEING INCLUDED?

27. Yes. There are some individuals and entities who are excluded from the Settlement Class by definition. Excluded from the Settlement Class are: (i) Defendants and the Individual Defendants' immediate family members; (ii) the officers, directors, affiliates, and subsidiaries of CPI and/or the Tricor Fund Defendants, at all relevant times, including CPI's employee retirement and/or benefit plan(s) and their participants or beneficiaries, to the extent they made purchases through such plan(s); (iii) the past and current officers and directors of the Underwriter Defendants; (iv) any entity in which Defendants have a majority ownership interest; (v) persons who have no compensable damages; and (vi) the legal representatives, heirs, successors, or assigns of any such excluded person or entity. Also excluded from the Settlement Class is anyone who timely and validly seeks exclusion from the Settlement Class in accordance with the procedures described in Question 11 below.

THE SETTLEMENT BENEFITS

7. WHAT DOES THE SETTLEMENT PROVIDE?

28. In exchange for the Settlement and the release of the Released Claims against the Released Defendant Parties (*see* Question 10 below), certain Defendants have agreed to cause an \$11 million cash payment to be made, which, along with any interest earned, will be distributed after deduction of Court-awarded attorneys' fees and litigation expenses, Notice and Administration Expenses, Taxes, and any other fees or expenses approved by the Court (the "Net Settlement Fund"), to Settlement Class Members who send in valid and timely Claim Forms.

8. HOW CAN I RECEIVE A PAYMENT?

29. To qualify for a payment from the Net Settlement Fund, you must submit a timely and valid Claim Form. A Claim Form is included with this Notice. You may also obtain one from the website dedicated to the Settlement: www.CPISecuritiesSettlement.com, or from Lead Counsel's website: www.labaton.com, or submit a claim online at www.CPISecuritiesSettlement.com. You can also request that a Claim Form be mailed to you by calling the Claims Administrator toll-free at (866) 778-6568.

30. Please read the instructions contained in the Claim Form carefully, fill out the Claim Form, include all the documents the form requests, sign it, and mail or submit it to the Claims Administrator so that it is **postmarked or received no later than January 30, 2019**.

9. WHEN WILL I RECEIVE MY PAYMENT?

31. The Court will hold a Settlement Hearing on **February 5, 2019** to decide, among other things, whether to finally approve the Settlement. Even if the Court approves the Settlement, there may be appeals which can take time to resolve, perhaps more than a year. It also takes a long time for all of the Claim Forms to be accurately reviewed and processed. Please be patient.

10. WHAT AM I GIVING UP TO RECEIVE A PAYMENT AND BY STAYING IN THE SETTLEMENT CLASS?

32. If you are a Settlement Class Member and do not timely and validly exclude yourself from the Settlement Class, you will remain in the Settlement Class and that means that, upon the "Effective Date" of the Settlement, you will release all "Released Claims" against the "Released Defendant Parties."

(a) "**Released Claims**" means any and all claims, demands, losses, rights, and causes of action of every nature and description whatsoever, whether known or Unknown, that have been or could have been asserted in this action or could in the future be asserted in any forum, whether foreign or domestic, whether arising under federal, state, common or foreign law, by Lead Plaintiff, any member of the Settlement Class, or their successors, assigns, executors, administrators, representatives, attorneys, and agents, in their capacities as such, whether brought directly or indirectly against any of the Released Defendant Parties, which arise out of, are based upon, or relate to in any way to: (i) the purchase, acquisition, holding, sale or disposition of CPI common stock during the period from October 9, 2015 through June 15, 2016 (the "Relevant Period") and/or in or traceable to the IPO; and (ii) any of the allegations, acts, transactions, facts, events, matters, occurrences, representations, statements or omissions that were or could have been involved, set forth, alleged or referred to, or asserted in the Action by Lead Plaintiff or members of the Settlement Class. However, the release will not release any claims relating to the enforcement of the Settlement or any derivative or ERISA claims asserted in any related shareholder derivative or ERISA actions, including, but not limited to, *Heckermann v. Montross, et al.*, No. 17-cv-1673 (D. Del.).

(b) "**Released Defendant Parties**" means Defendants and Defendants' Counsel and each of Defendants' and Defendants' Counsel's respective past, present, or future subsidiaries, parents, divisions, affiliates, and their and each of Defendant's and Defendant's Counsel's respective present or former principals, successors, predecessors, assigns, officers, directors, shareholders, trustees, partners, members, underwriters, agents, fiduciaries, contractors, employees, attorneys, accountants or auditors, financial or investment advisors or consultants, banks or investment bankers, personal or legal representatives, heirs, insurers, co-insurers and re-insurers, and related or affiliated entities; the spouses, members of the immediate families, representatives, and heirs of the

Individual Defendants, as well as any trust of which any Individual Defendant is the settlor or which is for the benefit of any of their immediate family members; and any firm, trust, corporation, or entity in which any Defendant has a controlling interest.

(c) “**Unknown Claims**” means any and all Released Claims that Lead Plaintiff or any other Settlement Class Member does not know or suspect to exist in his, her, or its favor at the time of the release of the Released Defendant Parties, and any and all Released Defendants’ Claims that any Defendant does not know or suspect to exist in his, her, or its favor at the time of the release of the Released Plaintiff Parties, which if known by him, her, or it might have affected his, her, or its decision(s) with respect to the Settlement, including the decision to object to the terms of the Settlement or to exclude himself, herself, or itself from the Settlement Class. With respect to any and all Released Claims and Released Defendants’ Claims, the Parties stipulate and agree that, upon the Effective Date, Lead Plaintiff and Defendants shall expressly, and each other Settlement Class Member shall be deemed to have, and by operation of the Judgment or Alternative Judgment shall have, to the fullest extent permitted by law, expressly waived and relinquished any and all provisions, rights and benefits conferred by any law of any state or territory of the United States or foreign law, or principle of common law, which is similar, comparable, or equivalent to Cal. Civ. Code § 1542, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

Lead Plaintiff, other Settlement Class Members, or Defendants may hereafter discover facts, legal theories, or authorities in addition to or different from those which any of them now knows or believes to be true with respect to the subject matter of the Released Claims and the Released Defendants’ Claims, but Lead Plaintiff and Defendants shall expressly, fully, finally, and forever settle and release, and each Settlement Class Member shall be deemed to have settled and released, and upon the Effective Date and by operation of the Judgment or Alternative Judgment shall have settled and released, fully, finally, and forever, any and all Released Claims and Released Defendants’ Claims as applicable, without regard to the subsequent discovery or existence of such different or additional facts, legal theories, or authorities. Lead Plaintiff and Defendants acknowledge, and other Settlement Class Members by operation of law shall be deemed to have acknowledged, that the inclusion of “Unknown Claims” in the definition of Released Claims and Released Defendants’ Claims was separately bargained for and was a material element of the Settlement.

33. The “Effective Date” will occur when an Order entered by the Court approving the Settlement becomes Final and is not subject to appeal. If you remain a member of the Settlement Class, all of the Court’s orders, whether favorable or unfavorable, will apply to you and legally bind you.

34. Upon the “Effective Date,” Defendants will also provide a release of any claims against Lead Plaintiff and the Settlement Class arising out of or related to the institution, prosecution, or settlement of the claims in the Action.

EXCLUDING YOURSELF FROM THE SETTLEMENT CLASS

35. If you want to keep any right you may have to sue or continue to sue Defendants and the other Released Defendant Parties on your own concerning the Released Claims, then you must take steps to remove yourself from the Settlement Class. This is called excluding yourself or “opting out.” **Please note:** If you decide to exclude yourself, there is a risk that any lawsuit you may file to pursue claims alleged in the Action may be dismissed, including because the suit is not filed within the applicable time periods required for filing suit.

11. HOW DO I EXCLUDE MYSELF FROM THE SETTLEMENT CLASS?

36. To exclude yourself from the Settlement Class, you must mail a signed letter stating that you request to be “excluded from the Settlement Class in *In re CPI Card Group Inc. Securities Litigation*, No. 16 Civ. 04531 (LAK).” You cannot exclude yourself by telephone or e-mail. Each request for exclusion must also: (i) state the name, address and telephone number of the person or entity requesting exclusion; (ii) state the number of shares of CPI common stock the person or entity purchased, acquired, and sold during the Relevant Period, as well as the dates and prices of each such purchase, acquisition, and sale; and (iii) be signed by the Person requesting exclusion or an authorized representative. A request for exclusion must be submitted so that it is **received no later than January 15, 2019** to:

CPI Securities Litigation
c/o A.B. Data, Ltd.
P.O. Box 173001
Milwaukee, WI 53217

37. This information is needed to determine whether you are a member of the Settlement Class. Your exclusion request must comply with these requirements in order to be valid. If you ask to be excluded, do not submit a Claim Form because you cannot receive any payment from the Net Settlement Fund. Also, you cannot object to the Settlement because you will not be a Settlement Class Member. However, if you submit a valid exclusion request, you will not be legally bound by anything that happens in the Action, and you may be able to sue (or continue to sue) Defendants and the other Released Defendant Parties in the future.

12. IF I DO NOT EXCLUDE MYSELF, CAN I SUE DEFENDANTS AND THE OTHER RELEASED DEFENDANT PARTIES FOR THE SAME THING LATER?

38. No. Unless you properly exclude yourself, you will give up any rights to sue Defendants and the other Released Defendant Parties for any and all Released Claims. If you have a pending lawsuit against any of the Released Defendant Parties, **Speak to your lawyer in that case immediately.** You must exclude yourself from this Settlement Class to continue your own lawsuit. Remember, the exclusion deadline is **January 15, 2019.**

13. IF I EXCLUDE MYSELF, CAN I GET MONEY FROM THE PROPOSED SETTLEMENT?

39. No, only Settlement Class Members are eligible to recover money from the Settlement.

THE LAWYERS REPRESENTING YOU

14. DO I HAVE A LAWYER IN THIS CASE?

40. Jonathan Gardner of Labaton Sucharow LLP is Lead Counsel in the Action and represents all Settlement Class Members. You will not be separately charged for these lawyers. The Court will determine the amount of attorneys' fees and expenses, which will be paid from the Settlement Fund. If you want to be represented by your own lawyer, you may hire one at your own expense.

15. HOW WILL THE LAWYERS BE PAID?

41. Lead Counsel has been prosecuting the Action on a contingent basis and has not been paid for any of its work. Lead Counsel, on behalf of itself and all other Plaintiffs' Counsel, will seek an attorneys' fee award of no more than 30% of the Settlement Fund, which will include accrued interest. Lead Counsel was assisted in this case by Goldberg Law PC and the Schall Law Firm, (collectively "Plaintiffs' Counsel"), which have provided additional legal assistance to the Lead Plaintiff. Lead Counsel has agreed to share the awarded attorneys' fees with Goldberg and Schall, and payment to them will in no way increase the fees that are deducted from the Settlement Fund. Lead Counsel will also seek payment of litigation expenses incurred by Plaintiffs' Counsel in the prosecution of this Action of no more than \$200,000, plus accrued interest, which may include an application in accordance with the PSLRA for the reasonable costs and expenses (including lost wages) of the Lead Plaintiff directly related to his representation of the Settlement Class. Any attorneys' fees and expenses awarded by the Court will be paid from the Settlement Fund. Settlement Class Members are not personally liable for any such fees or expenses.

OBJECTING TO THE SETTLEMENT, THE PLAN OF ALLOCATION, OR THE FEE AND EXPENSE APPLICATION

16. HOW DO I TELL THE COURT THAT I DO NOT LIKE SOMETHING ABOUT THE PROPOSED SETTLEMENT?

42. If you are a Settlement Class Member, you can object to the Settlement or any of its terms, the proposed Plan of Allocation of the Net Settlement Fund, and/or Lead Counsel's Fee and Expense Application. You may write to the Court about why you think the Court should not approve any or all of the Settlement terms or related relief. If you would like the Court to consider your views, you must file a proper objection within the deadline, and according to the following procedures.

43. To object, you must send a signed letter stating that you object to the proposed Settlement, the Plan of Allocation, and/or the Fee and Expense Application in "*In re CPI Card Group Inc. Securities Litigation*, No. 16 Civ. 04531 (LAK)." The objection must also: (i) state the name, address, telephone number, and e-mail address of the objector and must be signed by the objector; (ii) contain a statement of the Settlement Class Member's objection or objections and the specific reasons for each objection, including any legal and evidentiary support (including witnesses) the Settlement Class Member wishes to bring to the Court's attention; and (iii) include documents sufficient to prove the objector's membership in the Settlement Class, including the number of shares of CPI common stock, acquired, and sold during the Relevant Period as well as the dates and prices of each such purchase, acquisition, and sale. Unless otherwise ordered by the Court, any Settlement Class Member who does not object in the manner described in this Notice will be deemed to have waived any objection and will be forever foreclosed from making any objection to the proposed Settlement, the Plan of Allocation, and/or Lead Counsel's Fee and Expense Application. Your objection must be filed with the Court **no later than January 15, 2019 and** mailed or delivered to the following counsel so that it is **received no later than January 15, 2019:**

<u>Court</u>	<u>Lead Counsel</u>	<u>Defendants' Counsel Representatives</u>
Clerk of the Court United States District Court Southern District of New York Daniel Patrick Moynihan U.S. Courthouse 500 Pearl Street New York, NY 10007	Labaton Sucharow LLP Jonathan Gardner, Esq. 140 Broadway New York, NY 10005	Winston & Strawn LLP James P. Smith III, Esq. 200 Park Avenue New York, NY 10166
		Shearman & Sterling LLP Adam S. Hakki, Esq. 599 Lexington Avenue New York, NY 10022

44. You do not need to attend the Settlement Hearing to have your written objection considered by the Court. However, any Settlement Class Member who has complied with the procedures described in this Question 16 and below in Question 20 may appear at the Settlement Hearing and be heard, to the extent allowed by the Court. An objector may appear in person or arrange, at his, her, or its own expense, for a lawyer to represent him, her, or it at the Settlement Hearing.

17. WHAT IS THE DIFFERENCE BETWEEN OBJECTING AND SEEKING EXCLUSION?

45. Objecting is telling the Court that you do not like something about the proposed Settlement, Plan of Allocation, or Lead Counsel's Fee and Expense Application. You can still recover money from the Settlement. You can object *only* if you stay in the Settlement Class. Excluding yourself is telling the Court that you do not want to be part of the Settlement Class. If you exclude yourself from the Settlement Class, you have no basis to object because the Settlement and the Action no longer affect you.

THE SETTLEMENT HEARING

18. WHEN AND WHERE WILL THE COURT DECIDE WHETHER TO APPROVE THE PROPOSED SETTLEMENT?

46. The Court will hold the Settlement Hearing on **February 5, 2019 at 4:30 p.m.**, in Courtroom 21B at the United States District Court for the Southern District of New York, Daniel Patrick Moynihan United States Courthouse, 500 Pearl Street, New York, NY 10007.

47. At this hearing, the Honorable Lewis A. Kaplan will consider whether: (i) the Settlement is fair, reasonable, adequate, and should be approved; (ii) the Plan of Allocation is fair and reasonable, and should be approved; and (iii) the application of Lead Counsel for an award of attorneys' fees and payment of litigation expenses is reasonable and should be approved. The Court will take into consideration any written objections filed in accordance with the instructions in Question 16 above. We do not know how long it will take the Court to make these decisions.

48. You should be aware that the Court may change the date and time of the Settlement Hearing without another notice being sent to Settlement Class Members. If you want to attend the hearing, you should check with Lead Counsel or visit the settlement website, www.CPISecuritiesSettlement.com, beforehand to be sure that the hearing date and/or time has not changed.

19. DO I HAVE TO COME TO THE SETTLEMENT HEARING?

49. No. Lead Counsel will answer any questions the Court may have. But, you are welcome to attend at your own expense. If you submit a valid and timely objection, the Court will consider it and you do not have to come to Court to discuss it. You may have your own lawyer attend (at your own expense), but it is not required. If you do hire your own lawyer, he or she must file and serve a Notice of Appearance in the manner described in the answer to Question 20 below **no later than January 15, 2019**.

20. MAY I SPEAK AT THE SETTLEMENT HEARING?

50. You may ask the Court for permission to speak at the Settlement Hearing. To do so, you must, **no later than January 15, 2019**, submit a statement that you, or your attorney, intend to appear in "*In re CPI Card Group Inc. Securities Litigation*, No. 16 Civ. 04531 (LAK)." Persons who intend to present evidence at the Settlement Hearing must also include in their objections (prepared and submitted in accordance with the answer to Question 16 above) the identities of any witnesses they may wish to call to testify and any exhibits they intend to introduce into evidence at the Settlement Hearing. You may not speak at the Settlement Hearing if you exclude yourself from the Settlement Class or if you have not provided written notice of your intention to speak at the Settlement Hearing in accordance with the procedures described in this Question 20 and Question 16 above.

IF YOU DO NOTHING

21. WHAT HAPPENS IF I DO NOTHING AT ALL?

51. If you do nothing and you are a member of the Settlement Class, you will receive no money from this Settlement and you will be precluded from starting a lawsuit, continuing with a lawsuit, or being part of any other lawsuit against Defendants and the other Released Defendant Parties concerning the Released Claims. To share in the Net Settlement Fund, you must submit a Claim Form (*see* Question 8 above). To start, continue, or be a part of any other lawsuit against Defendants and the other Released Defendant Parties concerning the Released Claims, you must exclude yourself from the Settlement Class (*see* Question 11 above).

GETTING MORE INFORMATION

22. ARE THERE MORE DETAILS ABOUT THE SETTLEMENT?

52. This Notice summarizes the proposed Settlement. More details are contained in the Stipulation. You may review the Stipulation filed with the Court or other documents in the case during business hours at the Office of the Clerk of the United States District Court, Southern District of New York, Daniel Patrick Moynihan United States Courthouse, 500 Pearl Street, New York, NY 10007. Subscribers to PACER, a fee-based service, can also view the papers filed publicly in the Action through the Court's on-line Case Management/Electronic Case Files System at <https://www.pacer.gov>.

53. You can also get a copy of the Stipulation, and other documents related to the Settlement, as well as additional information about the Settlement by visiting the website dedicated to the Settlement, www.CPISecuritiesSettlement.com, or the website of Lead Counsel, www.labaton.com. You may also call the Claims Administrator toll free at (866) 778-6568 or write to the Claims Administrator at *CPI Securities Litigation*, c/o A.B. Data, Ltd., P.O. Box 173056, Milwaukee, WI 53217. **Please do not call the Court with questions about the Settlement.**

PLAN OF ALLOCATION OF THE NET SETTLEMENT FUND

23. HOW WILL MY CLAIM BE CALCULATED?

54. The Plan of Allocation (the “Plan of Allocation” or “Plan”) set forth herein is the plan that is being proposed by Lead Plaintiff and Lead Counsel to the Court for approval. The Court may approve this Plan of Allocation or modify it without additional notice to the Settlement Class. Any order modifying the Plan of Allocation will be posted on the Settlement website at: www.CPISecuritiesSettlement.com and at www.labaton.com.

55. The Settlement Amount and the interest it earns is the “Settlement Fund.” The Settlement Fund, after deduction of Court-approved attorneys’ fees and expenses, Notice and Administration Expenses, Taxes, and any other fees or expenses approved by the Court is the “Net Settlement Fund.” The Net Settlement Fund will be distributed to members of the Settlement Class who timely submit valid Claim Forms that show a Recognized Claim according to the Plan of Allocation approved by the Court.

56. The objective of this Plan of Allocation is to equitably distribute the Net Settlement Fund among Authorized Claimants who suffered economic losses allegedly as a result of the asserted violations of the federal securities laws during the Relevant Period (October 9, 2015 through June 15, 2016) that the Court found viable. To design this Plan, Lead Counsel has conferred with Lead Plaintiff’s damages expert. This Plan is intended to be generally consistent with an assessment of, among other things, the damages that Lead Plaintiff and Lead Counsel believe were recoverable in the Action.

57. The Plan of Allocation, however, is not a formal damages analysis and the calculations made pursuant to the Plan are not intended to be estimates of, nor indicative of, the amounts that Settlement Class Members might have been able to recover after a trial. An individual Settlement Class Member’s recovery will depend on, for example: (i) the total number and value of claims submitted; (ii) when the claimant purchased or acquired CPI publicly traded common stock; and (iii) whether and when the claimant sold his, her, or its shares of common stock. The computations under the Plan of Allocation are only a method to weigh the claims of Authorized Claimants against one another for the purposes of making *pro rata* allocations of the Net Settlement Fund.

58. Because the Net Settlement Fund is less than the total losses alleged to be suffered by Settlement Class Members, the formulas described below for calculating Recognized Losses are not intended to estimate the amount that will actually be paid to Authorized Claimants. Rather, these formulas provide the basis on which the Net Settlement Fund will be distributed among Authorized Claimants on a *pro rata* basis. An Authorized Claimant’s “Recognized Claim” shall be the amount used to calculate the Authorized Claimant’s *pro rata* share of the Net Settlement Fund. The *pro rata* share shall be the Authorized Claimant’s Recognized Claim divided by the total of the Recognized Claims of all Authorized Claimants, multiplied by the total amount in the Net Settlement Fund.

59. Section 11 of the Securities Act serves as the basis for the calculation of the Recognized Loss Amounts under the Plan of Allocation. Section 11 of the Securities Act provides a statutory formula for the calculation of damages. The formulas stated below, which were developed by Lead Plaintiff’s damages expert, generally track the statutory formula.

60. Defendants, their respective counsel, and all other Released Defendant Parties will have no responsibility or liability for the investment of the Settlement Fund, the distribution of the Net Settlement Fund, the Plan of Allocation or the payment of any claim. Lead Plaintiff, Lead Counsel, and anyone acting on their behalf, likewise will have no liability for their reasonable efforts to execute, administer, and distribute the Settlement.

CALCULATION OF RECOGNIZED LOSS AMOUNTS

61. For purposes of determining whether a claimant has a Recognized Claim, purchases, acquisitions, and sales of CPI common stock will first be matched on a First In/First Out (“FIFO”) basis, as set forth below.

62. The Claims Administrator will calculate a “Recognized Loss Amount” as set forth below for each purchase of CPI common stock during the Relevant Period from October 9, 2015 through June 15, 2016 that is listed in the Claim Form and for which adequate documentation is provided. To the extent that the calculation of a claimant’s Recognized Loss Amount results in a negative number, that number shall be set to zero.

63. The sum of a claimant’s Recognized Loss Amounts will be the claimant’s “Recognized Claim.”

For each share of CPI Card common stock purchased or acquired from October 9, 2015 through and including June 15, 2016, and:

- A. Sold before the opening of trading on June 15, 2016,³ the Recognized Loss Amount for each such share shall be the purchase/acquisition price (not to exceed the issue price at the offering of \$10.00) minus the sale price.⁴
- B. Sold after the opening of trading on June 15, 2016, through the close of trading on March 6, 2017,⁵ the Recognized Loss Amount for each such share shall be the purchase/acquisition price (not to exceed the issue price at the offering of \$10.00) minus the sale price (not to be less than \$4.62, the closing share price on June 15, 2016).
- C. Retained through the close of trading on March 6, 2017, the Recognized Loss Amount for each such share shall be the purchase/acquisition price (not to exceed the issue price at the offering of \$10.00) minus \$4.62, the closing share price on June 15, 2016.

ADDITIONAL PROVISIONS

64. Publicly traded CPI common stock is the only security eligible for recovery under the Plan of Allocation. With respect to CPI common stock purchased or sold through the exercise of an option, the purchase/sale date of the CPI common stock is the exercise date of the option and the purchase/sale price is the exercise price of the option.

65. If a Settlement Class Member has more than one purchase/acquisition or sale of CPI common stock during the Relevant Period, all purchases/acquisitions and sales shall be matched on a FIFO basis. Relevant Period sales will be matched first against any holdings at the beginning of the Relevant Period and then against purchases/acquisitions in chronological order, beginning with the earliest purchase/acquisition made during the Relevant Period.

66. Purchases or acquisitions and sales of CPI common stock shall be deemed to have occurred on the “contract” or “trade” date as opposed to the “settlement” or “payment” date. The receipt or grant by gift, inheritance or operation of law of CPI common stock during the Relevant Period shall not be deemed a purchase, acquisition, or sale of these shares of CPI common stock for the calculation of an Authorized Claimant’s Recognized Claim, nor shall the receipt or grant be deemed an assignment of any claim relating to the purchase/acquisition of such shares of such CPI common stock unless: (i) the donor or decedent purchased or otherwise acquired such shares of CPI common stock during the Relevant Period; (ii) no Claim Form was submitted by or on behalf of the donor, on behalf of the decedent, or by anyone else with respect to such shares of CPI common stock; and (iii) it is specifically so provided in the instrument of gift or assignment.

67. In accordance with the Plan of Allocation, the Recognized Loss Amount on any portion of a purchase or acquisition that matches against (or “covers”) a “short sale” is zero. The Recognized Loss Amount on a “short sale” that is not covered by a purchase or acquisition is also zero. In the event that a claimant has an opening short position in CPI common stock at the start of the Relevant Period, the earliest Relevant Period purchases or acquisitions shall be matched against such opening short position in accordance with the FIFO matching described above and any portion of such purchases or acquisitions that covers such short sales will not be entitled to recovery. In the event that a claimant newly establishes a short position during the Relevant Period, the earliest subsequent Relevant Period purchase or acquisition shall be matched against such short position on a FIFO basis and will not be entitled to a recovery.

68. The Net Settlement Fund will be allocated among all Authorized Claimants whose prorated payment is \$10.00 or greater. If the prorated payment to any Authorized Claimant calculates to less than \$10.00, it will not be included in the calculation and no distribution will be made to that Authorized Claimant.

69. Payment according to this Plan of Allocation will be deemed conclusive against all Authorized Claimants. Recognized Claims will be calculated as defined herein by the Claims Administrator and cannot be less than zero.

70. Distributions will be made to eligible Authorized Claimants after all claims have been processed and after the Court has finally approved the Settlement. If there is any balance remaining in the Net Settlement Fund (whether by reason of tax refunds, uncashed checks or otherwise) after at least six (6) months from the date of initial distribution of the Net Settlement Fund, the Claims Administrator shall, if feasible and economical after payment of Notice and Administration Expenses, Taxes, and attorneys’ fees and expenses, if any, redistribute such balance among Authorized Claimants who have cashed their initial checks in an equitable and economic fashion. Any balance that still remains in the Net Settlement Fund after re-distribution(s), which is not feasible or

³ For purposes of the statutory calculations, June 15, 2016, the date of the filing of the first complaint in the Action, is the date of suit.

⁴ On December 20, 2017, there was a 1-for-5 reverse stock split. Share prices and volume figures used in the Plan have been adjusted to “unwind” the split to be comparable to pre-split levels. When completing a Claim Form, claimants should enter share and pricing information exactly as reflected in their documentation. Adjustments will be made by the Claims Administrator.

⁵ For purposes of the statutory calculations, March 6, 2017 is the proxy date for the date of judgment because after March 6, 2017, the price of CPI common stock has never traded above \$4.62, the closing price on June 15, 2016.

economical to reallocate, after payment of outstanding Notice and Administration Expenses, Taxes, and attorneys' fees and expenses, if any, shall be contributed to a non-sectarian, not-for-profit charitable organization(s) serving the public interest, designated by Lead Plaintiff and approved by the Court.

71. Payment pursuant to the Plan of Allocation or such other plan as may be approved by the Court shall be conclusive against all Authorized Claimants. No person shall have any claim against Lead Plaintiff, Lead Counsel, their damages expert, the Claims Administrator, or other agent designated by Lead Counsel, arising from determinations or distributions to claimants made substantially in accordance with the Stipulation, the Plan of Allocation approved by the Court, or further orders of the Court. Lead Plaintiff, Defendants, their respective counsel, and all other Released Parties shall have no responsibility for or liability whatsoever for the investment or distribution of the Settlement Fund, the Net Settlement Fund, the Plan of Allocation or the determination, administration, calculation, or payment of any Claim Form or non-performance of the Claims Administrator, the payment or withholding of taxes owed by the Settlement Fund or any losses incurred in connection therewith.

72. Each claimant is deemed to have submitted to the jurisdiction of the United States District Court for the Southern District of New York with respect to his, her, or its claim.

SPECIAL NOTICE TO SECURITIES BROKERS AND NOMINEES

73. If you purchased or acquired CPI common stock (ISIN: US12634H2004) during the Relevant Period for the beneficial interest of a person or entity other than yourself, the Court has directed that **WITHIN TEN (10) CALENDAR DAYS OF YOUR RECEIPT OF THIS NOTICE, YOU MUST EITHER:** (a) provide to the Claims Administrator the name and last known address of each person or entity for whom or which you purchased or acquired CPI common stock during the Relevant Period; or (b) request additional copies of this Notice and the Claim Form from the Claims Administrator, which will be provided to you free of charge, and **WITHIN TEN (10) CALENDAR DAYS** of receipt, mail the Notice and Claim Form directly to all the beneficial owners of those securities. If you choose to follow procedure (b), the Court has also directed that, upon making that mailing, **YOU MUST SEND A STATEMENT** to the Claims Administrator confirming that the mailing was made as directed and keep a record of the names and mailing addresses used. You are entitled to reimbursement from the Settlement Fund of your reasonable expenses actually incurred in connection with the foregoing, including reimbursement of postage expense and the cost of ascertaining the names and addresses of beneficial owners. Those expenses will be paid upon request and submission of appropriate supporting documentation and timely compliance with the above directives. All communications concerning the foregoing should be addressed to the Claims Administrator:

CPI Securities Litigation
c/o A.B. Data, Ltd.
P.O. Box 173056
Milwaukee, WI 53217

Dated: November 1, 2018

BY ORDER OF THE UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK