
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): **September 25, 2017**

CPI CARD GROUP INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation)

001-37584

(Commission
File Number)

26-0344657

(I.R.S. Employer
Identification No.)

10026 West San Juan Way

Littleton, CO

(Address of principal executive offices)

80127

(Zip Code)

(303) 973-9311

(Registrant's telephone number, including area code)

N/A

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
 - ☒ Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter)
 - ☐ If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(e) of the Exchange Act
-
-

Item 5.02 Departure of Directors or Certain Officers; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Appointment of Scott Scheirman as President and Chief Executive Officer

On September 25, 2017, the Board of Directors (the “Board”) of CPI Card Group Inc. (the “Company”) appointed Scott Scheirman, a current director of the Company, as President and Chief Executive Officer of the Company, effective October 5, 2017. Mr. Scheirman will continue to serve on the Board. Mr. Scheirman will succeed Steve Montross, who will be ending his service as Chief Executive Officer on October 4, 2017 in connection with his previously announced retirement.

Mr. Scheirman, 54, has served as a member of the Company’s Board since October 2016. Mr. Scheirman has served as the Chief Executive Officer and a co-founder of JKL Ventures LLC, a private investment and strategic advisory firm since February 2014. Prior to JKL Ventures LLC, Mr. Scheirman served as the Executive Vice President and Chief Financial Officer of Western Union (NYSE:WU) from September 2006 to December 2013. Prior to joining Western Union, Mr. Scheirman held a variety of executive leadership and financial officer roles at First Data Corporation (NYSE:FDC), and began his career at Ernst & Young LLP. Mr. Scheirman holds a Bachelor of Science degree in Business Administration with an emphasis in Accounting from the University of Northern Colorado.

Mr. Scheirman does not have any family relationship with any director or executive officer, or any person nominated to be a director or executive officer of the Company. There is no transaction between Mr. Scheirman and the Company that would require disclosure under Item 404(a) of Regulation S-K.

In connection with Mr. Scheirman’s appointment, on and effective September 25, 2017, the Company entered into an employment and non-competition agreement with Mr. Scheirman (the “Employment Agreement”). Pursuant to the Employment Agreement, Mr. Scheirman will receive an initial annual base salary of \$575,000 and will be eligible for a target annual bonus equal to 100% of his base salary, based on the achievement of both Company and individual performance metrics. For the period from September 25, 2017 through December 31, 2017, Mr. Scheirman will receive an annual bonus equal to 100% of his base salary for that period, and for calendar year 2018, he will receive an annual bonus of no less than 80% of his base salary. Mr. Scheirman also received the Option Award (as defined and described in additional detail below) and will be eligible to receive, starting in 2019, long-term incentive awards either with a value not less than two times Mr. Scheirman’s annual base salary or with respect to not less than 500,000 shares of the Company’s common stock, depending on the assessment by the Compensation Committee of the Board (the “Committee”) of the Company’s stock performance and valuation at the time that such awards are being made. Pursuant to the Employment Agreement, the Company will reimburse Mr. Scheirman for (a) his out-of-pocket living expenses for hotels and meals in the Littleton, Colorado area for the period from September 25, 2017 through December 31, 2017 and (b) up to \$15,000 in reasonable attorneys’ fees incurred by him in connection with the negotiation thereof.

As provided in the Employment Agreement and concurrently with the commencement of his employment with the Company, Mr. Scheirman received an option to purchase 1,400,000 shares of the Company’s common stock, with an exercise price equal to \$1.05 per share (the “Option Award”), pursuant to the CPI Card Group Inc. Omnibus Incentive Plan (the “Plan”) and an option award agreement thereunder (the “Option Agreement”). The Option Award generally will vest in approximately equal annual installments on each of the first three anniversaries of the grant date. The portion of the Option Award with respect to 619,467 shares is contingent upon the receipt of approval of the Company’s stockholders of an amendment and restatement of the Plan to, among other things, increase the number of shares available for issuance thereunder, as described in further detail below.

In the event of a termination of his employment with the Company due to his death or disability, by the Company without cause or by Mr. Scheirman for good reason, subject to his execution and delivery of a release of claims, Mr. Scheirman will receive (i) severance payments equal to 1.5 times the sum of Mr. Scheirman’s annual

base salary and target bonus for the year of the termination, (ii) a bonus payment for the year of the termination, based on the Company's actual performance, (iii) reimbursement for the cost of continuation coverage under the Company's health and welfare plans and (iv) six months of outplacement services. In addition, Mr. Scheirman will receive vesting of any equity awards that would have vested in the year following Mr. Scheirman's termination of employment, and in the event his employment terminates for any reason other than death, disability, his retirement or for cause, he will be able to exercise any then-vested portion of the Option Award for up to three years after his termination. If Mr. Scheirman's termination occurs within 24 months following a change in control of the Company, then Mr. Scheirman will instead receive severance payments equal to two times the sum of Mr. Scheirman's annual base salary and target bonus for the year of the termination, and his outstanding equity awards will vest in full.

Mr. Scheirman will be subject to certain non-competition and non-solicitation covenants for 18 months following the termination of his employment with the Company for any reason.

The foregoing summaries of the Employment Agreement and the Option Agreement are qualified in their entirety by reference to, respectively, the Employment Agreement, a copy of which is filed as Exhibit 10.1 to this Current Report on Form 8-K, and the Option Agreement, a copy of which is filed as Exhibit 10.2 to this Current Report on Form 8-K, each of which is incorporated herein by reference.

On September 27, 2017, the Company issued a press release announcing Mr. Scheirman's appointment, a copy of which is attached hereto as Exhibit 99.1 and incorporated herein by reference.

Adoption of CPI Card Group, Inc. Omnibus Incentive Plan, as Amended and Restated

On September 25, 2017, the Board approved, subject to stockholder approval, an amendment and restatement of the Plan. The amendment and restatement of the Plan provides for, among other things, (i) an increase in the number of shares of the Company's common stock authorized for issuance thereunder of 2,000,000 shares, (ii) an extension of the term of the Plan for 10 years from the date of the Board's approval, through September 25, 2027, (iii) an increased annual per-participant limit of 1,500,000 shares for awards under the Plan subject to options and stock appreciation rights, and (iv) a reiteration of the performance criteria that may be used for performance-based awards under the Plan, so that such criteria can be approved by stockholders for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended. On September 25, 2017, the Company's stockholders approved the Plan, as amended and restated, by written consent (the "Stockholder Approval"), and the Plan will become effective on the 20th calendar day after the Company files with the Securities and Exchange Commission and furnishes to the Company's stockholders a definitive Schedule 14C Information Statement.

The foregoing summary of the Plan is qualified in its entirety by reference to the Plan, a copy of which is filed as Exhibit 10.3 to this Current Report on Form 8-K, and which is incorporated herein by reference.

Retention Options and Retention Cash Bonuses

On September 25, 2017, in connection with the Company's appointment of Mr. Scheirman as its new President and Chief Executive Officer, the Committee approved retention stock option awards under the Plan (the "Retention Option Awards") and certain cash retention bonuses (the "Retention Bonuses") to the Company's executive officers and other employees, including Retention Bonuses and Retention Option Awards to the Company's principal financial officer and named executive officer as follows:

Name	Retention Option Awards (#)		Retention Bonuses (\$)
Lillian Etzkorn	125,000	\$	122,385
Jason Bohrer	125,000	\$	91,043

The Retention Option Awards are being made in lieu of the regular cycle of Plan awards that the

Company would otherwise have made in the first quarter of 2018 in order to enhance employee retention efforts. The Retention Bonuses and Retention Option Awards generally are intended to help align more closely the interests of the Company's leadership team with the interests of the Company's stockholders.

The Retention Option Awards have an exercise price equal to \$1.05 per share and generally vest in approximately equal annual installments on each of the first three anniversaries of the grant date. The Retention Bonuses will be paid 50% on or about December 1, 2017 and 50% on or about March 31, 2018; provided, that if a recipient gives notice to the Company of a resignation prior to March 31, 2018, all Retention Bonus amounts will be forfeited.

A portion of the Retention Option Awards made to Ms. Etzkorn and Mr. Bohrer, with respect to 55,310 shares each, is contingent upon the receipt of the Stockholder Approval.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits:

<u>Exhibit No.</u>	<u>Description</u>
10.1	<u>Employment and Non-Competition Agreement, dated September 25, 2017, by and between CPI Card Group Inc. and Scott Scheirman</u>
10.2	<u>Nonqualified Stock Option Agreement under the CPI Card Group Inc. Omnibus Incentive Plan, dated September 25, 2017, by and between CPI Card Group Inc. and Scott Scheirman</u>
10.3	<u>CPI Card Group Inc. Omnibus Incentive Plan, as amended and restated effective September 25, 2017</u>
99.1	<u>Press Release, dated September 27, 2017</u>

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CPI CARD GROUP INC.

Dated: September 29, 2017

By: /s/ Lillian Etzkorn
Name: Lillian Etzkorn
Title: Chief Financial Officer

EMPLOYMENT AND NON-COMPETITION AGREEMENT

THIS EMPLOYMENT AND NON-COMPETITION AGREEMENT (this “Agreement”), is effective as of September 25, 2017 (the “Effective Date”), by and between CPI Card Group Inc., a Delaware corporation (the “Company”), and Scott Scheirman, an individual (the “Employee”).

RECITALS

A. The Company and its Affiliates as they may exist from time to time are engaged in the business of manufacturing, personalizing, fulfilling, designing, distributing, packaging, selling and marketing plastic cards, including, without limitation, credit cards, debit cards, ATM cards, loyalty cards, gift cards, access cards, ID cards, contactless cards, chip cards, EMV cards, dual interface cards, and prepaid debit cards and provides instant issuance hardware, software and solutions and data management and various software applications (the “Business”); and

B. The Company desires to employ the Employee on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and mutual agreements set forth below, and upon the terms and subject to the conditions contained in this Agreement, the Employee and the Company agree as follows:

Section 1. Definitions. Unless otherwise defined herein, capitalized terms used herein shall have the meaning set forth below.

1.1 Affiliates. “Affiliates” means with respect to any Person, any other Person directly or indirectly controlling, controlled by or under common control with the first Person, including without limitation the Company. For the purposes of this definition, (a) “control,” when used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through ownership of voting securities, by contract or otherwise, and the terms “controlling” and “controlled” have meanings correlative to the foregoing, and (b) in the case of an individual, the term “Affiliate” shall include the members of the immediate family (*i.e.*, parents, spouse and children) of such individual.

1.2 Confidential Information. “Confidential Information” means information that constitutes a trade secret under the Uniform Trade Secrets Act or that otherwise is not generally known to the public and that is developed, owned or obtained by the Company or an Affiliate and includes, without limitation, the following information: financial information, including but not limited to earnings, assets, debts, prices, cost information, budgets, sales and profit projections or other financial data; growth, merger, acquisition and/or divestiture plans; marketing information, including but not limited to details about ongoing or proposed marketing strategies, marketing forecasts, or information about impending transactions; product information, including but not limited to development plans, product designs, manufacturing and process information, product costs and pricing policies; information regarding actual or potential customers; employee information, compensation information and recruiting plans. Confidential Information includes information developed by the Employee in the course of performing service to the Company. Confidential Information does not include information which was in the public domain or generally available to the public prior to receipt thereof by the Employee from the Company, or

which subsequently becomes part of the public domain or generally available to the public other than as a result of a breach of this Agreement by the Employee. The Employee acknowledges that such information is confidential whether or not it is labeled as such by the Company.

1.3 Governmental Authority. “Governmental Authority” means any government or political subdivision, whether federal, state, local or foreign, or any agency, commission, instrumentality or other authority of any such government or political subdivision, or any federal, state, local or foreign court or arbitrator.

1.4 Person. “Person” means any individual, partnership, corporation, association, joint stock company, trust joint venture, limited liability company, Governmental Authority or other entity or organization.

1.5 Restricted Territory. “Restricted Territory” means the United States of America, the United Kingdom, Canada, Mexico, and Europe.

1.6 Work Product. “Work Product” means any and all promotional and advertising materials, catalogs, brochures, plans, customer lists, distributor lists, supplier lists, manuals, handbooks, information of distributors or their employees, inventions, discoveries, improvements, trade secrets, secret processes and any technology, know-how or intellectual property made or developed or conceived of by the Employee, in whole or in part, alone or with others, which results from any work he may do for, or at the request of, the Company or which relates to the business, operations, activities, research, investigations or obligations of the Company regardless of whether made, developed or conceived prior to or during the Term.

Section 2. Employment.

2.1 Term. The Company shall employ the Employee, and the Employee shall serve the Company, for a continuous term beginning on September 25, 2017 (the “Start Date”) and ending at 5:00 pm M.S.T. on March 31, 2021 (the “Original Term”). The term of employment shall automatically be renewed on the same terms and conditions set forth herein (as modified from time to time) for additional one-year periods (a “Renewal Term”) commencing upon the expiration of the Original Term, unless (i) the Employee gives the Company written notice in accordance with the terms herein of the Employee’s election not to renew the term at least ninety (90) days prior to the end of the Original Term or any such Renewal Term or (ii) the Company informs the Employee of its election not to renew this Agreement at least ninety (90) days prior to the end of the Original Term or any such Renewal Term, or unless sooner terminated pursuant to the provisions of this Agreement. The Original Term and any Renewal Terms are collectively referred to herein as the “Term.” If either the Company or the Employee elect not to renew the Term of this Agreement in accordance with this Section 2.1 and the Employee thereafter continues in employment with Company, the Employee shall be employed on an at-will basis and the terms of such employment and any subsequent termination of employment shall be subject solely to the Company’s general employment practices and policies.

2.2 Duties.

(a) Capacity. Beginning on the Start Date, the Employee will be employed by the Company in a CEO transition period, and beginning on October 5, 2017, the Employee will be the Company’s President and Chief Executive Officer. The Employee will perform the

responsibilities and duties, and shall have the authority, that are usual to the position of President and Chief Executive Officer of a public company of comparable size in the United States, including such reasonable responsibilities and duties as may be assigned to him hereafter from time to time by the board of directors of the Company (the “Board”), consistent with the Employee’s titled position. The Employee will report to the Board through its Chairman, and will be nominated for election and re-election to the Board throughout the Term. The Employee will use his best efforts to promote the interests, prospects and condition (financial and otherwise) and welfare of the Company and shall perform his duties and responsibilities to the best of the Employee’s ability in a diligent, trustworthy, businesslike and efficient manner.

(b) Schedule and Location. The Employee will be employed on a full-time basis and shall devote his best efforts and his full business time and attention (except for permitted vacation periods and reasonable periods of illness or other incapacity) to the business and affairs of the Company. The Employee shall render his services in accordance with such policies as the Company may establish in writing from time to time for the conduct of its employees, provided that in the event of any conflict between any such policy and the terms of this Agreement, the terms of this Agreement shall govern. The Employee shall perform his duties under this Agreement predominantly at the Company’s headquarters in Littleton, Colorado and shall travel to such other places in the United States and elsewhere as required to perform his duties or from time to time as may be reasonably needed.

(c) Exclusivity. Without limiting the generality of the foregoing, the Employee shall not, without the Board’s prior written approval, render services of a business, professional or commercial nature for compensation or otherwise to any Person other than the Company. Notwithstanding the foregoing, the Employee may (i) manage personal and family investments, (ii) participate in charitable, community, educational and professional activities and organizations, (iii) after the first anniversary of the Start Date and with the consent of the Board Chairman, serve on the board of directors (or comparable governing body), including board committees, of one for-profit company that does not compete with the Company, and (iv) through November 30, 2017, take such actions as are necessary to terminate Employee’s current consulting business, provided that such activities do not, individually or in the aggregate, materially interfere with the Employee’s performance of his duties to the Company.

2.3 Compensation. As compensation for the services to be rendered and the other obligations undertaken by the Employee under this Agreement, the Company shall pay the Employee the following compensation:

(a) Salary. During the Term, and in accordance with the Company’s policies in effect from time to time, the Company shall pay to the Employee an annual base salary (the “Annual Base Salary”) of \$575,000 payable in installments in accordance with the policies of the Company. The Annual Base Salary may be increased (but not decreased) based upon performance reviews performed by the Compensation Committee of the Board not less often than annually.

(b) Incentive Compensation. During the Term, the Employee shall be eligible to participate in the Company’s incentive cash bonus program on the same basis as similarly compensated senior executives of the Company, subject to the terms and conditions therein. Pursuant to the incentive cash bonus program, the Employee will have the opportunity for an incentive bonus (the “Annual Bonus”) at a target (the “Target Bonus”) of one hundred percent

(100%) of the Annual Base Salary per year, depending on performance metrics to be agreed upon in writing by the Compensation Committee of the Board, in consultation with the Employee, and with the potential for an Annual Bonus in excess of the Target Bonus for superior performance. For the period from the Effective Date through December 31, 2017, the Employee will receive an Annual Bonus of one hundred percent (100%) of the portion of the Annual Base Salary paid to the Employee during that period, and for calendar year 2018, the Employee will receive an Annual Bonus of no less than eighty percent (80%) of the Annual Base Salary paid to the Employee during that year. Except as provided in the preceding sentence, incentive compensation is not guaranteed, and the Employee must be employed by the Company at the time of payment to be eligible for any such incentive compensation, except as otherwise provided in Section 6. Any Annual Bonus payable under this Section 2.3(b) shall be paid to the Employee no later than at the time payment is made to other similarly situated executives of the Company, but in no event later than two and a half (2½) months after the close of the calendar year in which the Employee becomes vested in such Annual Bonus, and is intended to qualify for the short-term deferral exception to Code Section 409A.

(c) Equity Incentive. The Employee will be eligible to participate in the CPI Card Group Omnibus Incentive Plan, as amended, and any similar or successor plan (the “Omnibus Plan”). As of the Effective Date, the Company will grant to the Employee non-qualified stock options with respect to 1,400,000 shares of Common Stock (the “Equity Award”), pursuant to the terms contained in an Equity Award agreement in the form set forth in Exhibit A to this Agreement. Future equity and/or equity-based incentive awards will be determined by the Compensation Committee of the Board; provided that Employee shall not be entitled to further awards under the Omnibus Plan until 2019; and provided further, that the vesting and exercise provisions of future awards shall not be less favorable to the Employee than those of the Equity Award. Notwithstanding the foregoing, subject to the annual recommendation and approval of the Compensation Committee of the Board and assuming target performance by the Employee against his long term performance objectives, the expectation of the parties is that either: (i) the Compensation Committee of the Board would make annual grants under the Omnibus Plan to the Employee, starting in February 2019, with a value equal to not less than two (2) times the Annual Base Salary, in the event that, at the time such a grant is being determined by the Compensation Committee of the Board, the Company’s stock price has materially improved from the price on the date hereof such that the Black Scholes model is not unduly punitive to the Company (as determined by the Compensation Committee of the Board in its reasonable discretion); or (ii) the Compensation Committee of the Board would make annual grants under the Omnibus Plan to the Employee, starting in 2019, with respect to not less than 500,000 shares of the Company’s common stock (with the form of equity award under the Omnibus Plan to be determined by the Compensation Committee of the Board), in the event that, at the time such a grant is being determined by the Compensation Committee of the Board, the Company’s stock price has not materially improved from the price on the date hereof (as determined by the Compensation Committee of the Board in its reasonable discretion) such that the Black Scholes model remains unduly punitive to the Company. Subject to Sections 6.2(b), (c), and (f), and the terms of the plan or agreement governing any award, any unvested equity or equity-based incentive awards at the time of the termination or non-renewal of the Employee’s employment or this Agreement will be forfeited and the Employee will have no rights, and the Company will have no obligations, with respect thereto.

(d) Expenses; Vacation. During the Term, the Company shall reimburse Employee for his reasonable travel (in the case of air travel, on commercial airlines) and entertainment expenses in connection with the Employee's employment by the Company in accordance with the policies of the Company in effect from time to time. Employee will receive five (5) weeks paid vacation per year, with the right to carry over unused vacation in any year to future years to be determined according to the Company's vacation policy, and such other fringe benefits, including, without limitation, paid holidays in accordance with the policies of the Company. The Company will reimburse the Employee for his reasonable attorneys' fees incurred in the development of this Agreement and all related documents, up to a maximum of \$15,000. The Company shall reimburse the Employee for his reasonable and actual out-of-pocket living expenses for hotels, meals, etc. in the Littleton, Colorado area from the Effective Date through December 31, 2017.

(e) Additional Benefits. During the Term, the Employee and the Employee's eligible dependents (with respect to health benefits only) shall be entitled to participate in each insurance, health, disability, major medical insurance, 401(k) plan or other arrangement the Company adopts for the general benefit of its eligible executive-level employees on the same basis as similarly compensated senior executives of the Company to the extent permitted by law and to the extent the Employee is otherwise entitled to participate based upon the Employee's age, service, compensation, job classification and any other factors determining eligibility to participate under each such plan. The insurance and benefit plans are subject to such general modifications, increases or reductions in such employee benefit plans and fringe benefits as may be made from time to time by the Company.

Section 3. Restrictive Covenants.

3.1 Confidential Information. The Employee acknowledges and agrees that in the performance of his duties under this Agreement, he will be brought into frequent contact, either in person, by telephone, electronically or through the mails, with existing and potential customers of the Company. The Employee further agrees that any Confidential Information gained by the Employee during his employment with the Company has been developed by the Company through substantial expenditures of time and money and constitutes valuable and unique property of the Company. The Employee further understands and agrees that the foregoing makes it necessary for the protection of the Business that the Employee not compete with the Company during the Term and not compete with the Company for a reasonable period after such employment, as further provided in the following sections.

3.2 Non-Competition During Term. During the Term and any Renewal Term or other period of employment with the Company, the Employee shall not, in any of the United States of America, Canada, Mexico, Europe, or the United Kingdom:

- (a) enter into or engage in any business that competes with the Business;
- (b) solicit customers, active prospects, business or patronage for any business, wherever located, that competes with the Business or sell any products or services for any business, wherever located, that competes with the Business or could then be provided by the Business;

(c) solicit, divert, entice or otherwise take away any customers, former customers, active prospects, business, patronage or orders of the Company or attempt to do so; or

(d) counsel, promote or assist, financially or otherwise, any Person, engaged in any business that competes with the Business.

3.3 Non-Competition After Term and Following Employment.

(a) For a period of eighteen (18) months following the termination of the Employee's employment with the Company for any reason, the Employee shall not:

(i) enter into or engage in any business that directly competes with the Business within the Restricted Territory;

(ii) solicit customers, active prospects, business or patronage for any business, wherever located, that competes with the Business within the Restricted Territory or sell any products or services for any business, wherever located, that competes with the Business or could then be provided by the Business within the Restricted Territory;

(iii) solicit, divert, entice or otherwise take away any customers, former customers, active prospects, business, patronage or orders of the Company within the Restricted Territory or attempt to do so; or

(iv) counsel, promote or assist, financially or otherwise, any Person engaged in any business that competes with the Business within the Restricted Territory.

3.4 Employee Non-Solicitation. During the Term, any Renewal Term or other period of employment with the Company and for a period of eighteen (18) months following termination of Employee's employment with the Company for any reason, the Employee shall not, and shall cause each of his Affiliates not to, directly or indirectly, solicit or induce or attempt to solicit or induce any employee, representative, contractor or agent of the Company to terminate his, her, or its employment, representation, engagement or other association with the Company.

3.5 Non-Competition - Direct or Indirect. The Employee will be in violation of Sections 3.2, 3.3 and 3.4 if he engages in any or all of the activities set forth in those sections directly as an individual on his own account, or indirectly for any other Person and whether as partner, joint venturer, employee, agent, salesperson, employee, contractor, consultant, officer and/or director of any Person or as an equity holder of any Person in which the Employee or the Employee's spouse, child or parent owns, directly or indirectly, any of the outstanding equity interests.

3.6 Return. Upon any termination of employment, the Employee shall not remove from any premises at which the Business is conducted any property of the Company, including, without limitation, any Confidential Information, and shall return, in good condition, all the property of the Company, including, without limitation, all tangible embodiments of the Confidential Information.

3.7 Reasonableness of Restrictions. The Employee acknowledges: (a) that the scope and duration of the restrictions on the Employee's activities under this Agreement are reasonable

and necessary to protect the legitimate business interests of the Company; (b) that the Employee will be reasonably able to earn a living without violating the terms of this Agreement; (c) that the geographic restrictions are reasonable and appropriate given the Company's scope of business; and (d) the restrictions in this Agreement have served as a material inducement to the Company to hire the Employee.

3.8 Reservation of Rights. Nothing in this Section 3 or in Section 5 is intended or should be construed to prevent the Employee from exercising his rights to file a charge with, provide accurate information to or to cooperate with or participate in an investigation or proceeding conducted by any governmental, regulatory or administrative agency or from complying with compulsory legal process or legally required disclosure obligation.

Section 4. Development of Inventions, Improvements or Know-How.

4.1 Disclosure Obligation. The Employee or the Employee's heirs, assigns and representatives, as appropriate, shall disclose fully and promptly to the Company any and all Work Product developed during the course and scope of the Employee's employment, including, without limitation, any and all facts, test data, findings, designs, formulas, processes, sketches, drawings, models and figures.

4.2 Assignment. All Work Product is deemed a "work of hire" in accordance with the U.S. Copyright Act and is owned exclusively by the Company. If, and to the extent, any of the Work Product is not considered a "work of hire," the Employee does hereby assign to the Company and shall, without further compensation, assign to the Company, the Employee's entire right, title and interest in and to all Work Product. At the Company's expense and at the Company's request, the Employee shall provide reasonable assistance and cooperation, including, without limitation, the execution of documents in order to obtain, enforce and/or maintain the Company's proprietary rights in the Work Product throughout the world. The Employee appoints the Company as his agent and grants the Company a power of attorney for the limited purpose of executing all such documents.

4.3 Publication. The Employee shall not publish or submit for publication, or otherwise disclose to any Person other than the Company, any data or results from the Employee's work on behalf of the Company without the prior written consent of the Board or unless pursuant to previously authorized instruction or duty of the Employee.

Section 5. Non-Disclosure. The Employee shall keep in strict confidence, and shall not, directly or indirectly, at any time, during or after the Term or after the termination of this Agreement, disclose, furnish, disseminate, make available or, except in the course of performing the Employee's duties of employment under this Agreement in accordance with the terms hereof, use any Confidential Information, without limitation as to when or how the Employee may have acquired such information. The Employee specifically acknowledges that with respect to any Confidential Information, whether reduced to writing, maintained on any form of electronic media, or maintained in the mind or memory of the Employee and whether compiled by the Company and/or the Employee: (a) such Confidential Information derives independent economic value from not being readily known to or ascertainable by proper means by others who can obtain economic value from its disclosure or uses; (b) reasonable efforts have been put forth by the Company to maintain the secrecy of such information; (c) such information is and will remain the sole property

of the Company; and (d) any retention and use of such information during or after the termination of the Employee's employment with the Company will constitute a misappropriation of the Company's trade secrets. The Employee's confidentiality and non-disclosure obligations under this Section 5 extend beyond the Term, any Renewal Term, or other period of the Employee's employment, no matter the reason for the termination of the Employee's employment, for as long as such Confidential Information is not generally known to the public.

Section 6. Termination of Employment.

6.1 Right to Terminate.

(a) Death. The Employee's employment by the Company and this Agreement shall terminate upon the Employee's death.

(b) Disability. In the event that the Employee, because of accident, disability or physical or mental illness, is incapable of performing his duties under this Agreement with reasonable accommodations pursuant to the Americans with Disabilities Act, as amended ("ADA"), the Company has the right to terminate the Employee's employment by the Company and this Agreement upon thirty (30) days' prior written notice to the Employee. For purposes of this Section 6.1(b), the Employee will be deemed to have become incapable of performing his duties under this Agreement if, in the professional opinion of a physician selected by the Company with the consent of the Employee, which will not be unreasonably withheld, he is incapable of so doing with reasonable accommodations pursuant to the ADA for (i) a continuous period of 180 days and remains so incapable at the end of such 180-day period, or (ii) periods amounting in the aggregate to 180 days within any one period of 365 days and remains so incapable at the end of such aggregate period of 180 days.

(c) Cause. The Company has the right to terminate the Employee's employment by the Company and this Agreement for "Cause," subject to the last sentence of this Section 6.1(c), upon prior written notice to the Employee upon any (i) conviction of (or plea of nolo contendere to) a felony or a crime involving moral turpitude; (ii) embezzlement, or misappropriation of property of the Company or an Affiliate, or any other act involving fraud; (iii) material breach by the Employee of this Agreement, or any other agreement relating to the Employee's employment with the Company; (iv) serious neglect or negligence in the performance of the Employee's duties; (v) conduct that is materially injurious to the Company or any Affiliate, or (vi) failure to follow the reasonable and lawful written directives of the Board, as either set forth in a resolution adopted by the Board or communicated in writing by the Chair of the Board as a directive. No Cause for termination under clauses (iii), (iv) and (vi) of this Section 6.1(c) shall exist unless the Company has provided the Employee written notice describing with reasonable particularity the circumstances giving rise to Cause and, solely to the extent cure is possible, the Employee has failed to cure such circumstances within thirty (30) days of receiving such notice. For avoidance of doubt, if any such circumstances are not curable, the Company may terminate the Employee for Cause upon delivery of such notice. In addition, the Employee's employment shall be deemed to have terminated for Cause if, within twelve (12) months after the Employee's employment has terminated, facts and circumstances are discovered that would have justified a termination for Cause.

(d) Otherwise by the Company. The Company has the right to terminate the Employee's employment by the Company and this Agreement for any other reason not specified in this Section 6.1 upon ninety (90) calendar days written notice to Employee.

(e) By Employee for Good Reason. The Employee has the right to terminate his employment with the Company for " Good Reason " upon the occurrence of any of the following: (i) a decrease in the Employee's Annual Base Salary or Target Bonus; (ii) a material diminution of the Employee's duties, responsibilities or authority; (iii) relocation of the Company's headquarters to a location that is more than fifty (50) miles further from the Employee's principal residence than the original location; (iv) Employee is not elected to or is removed from the Board during the Term; (v) the Company's stockholders do not approve an increase in the number of shares of the Company's common stock available for issuance under the Omnibus Plan on or prior to the earlier of May 31, 2018, or the Company's 2018 annual meeting of stockholders, as provided in the Nonqualified Stock Option Agreement between the Company and the Employee with respect to the Equity Award; or (vi) any other action or inaction by the Company which constitutes a material breach of this Agreement or any other agreement with Employee; provided, however, that notwithstanding anything else herein, no act or failure to act by the Company shall give rise to a Good Reason for Employee's resignation unless Employee informs the Company in writing of the Employee's intent to resign for Good Reason within thirty (30) calendar days of the act or failure to act, and the Company fails to cure the act or failure to act within thirty (30) calendar days of receiving such written notice. For the purpose of this Agreement, resignation by the Employee for Good Reason shall be considered termination of the Employee's employment without Cause.

(f) Otherwise By Employee. The Employee has the right to terminate his employment under this Agreement at any time upon ninety (90) calendar days' prior written notice to the Company.

6.2 Rights and Obligations of Employee Upon Termination.

(a) Payment Obligation. Upon the termination by the Company of the Employee's employment pursuant to Section 6.1(c), the termination by the Employee of the Employee's employment pursuant to Section 6.1(f), or non-renewal by the Employee under Section 2.1, the Company will have no further obligation to the Employee under this Agreement except to distribute to the Employee (i) the unpaid installments of Annual Base Salary due pursuant to Section 2.3(a) up to the date of termination, (ii) the Employee's earned but unused vacation time, (iii) reimbursement of the Employee's business expenses properly incurred prior to termination, or (iv) the benefits due the Employee as of the date of termination, if any, under the Company's then existing employee benefit plans, policies or programs in which he participates (collectively the " Accrued Obligations "). Upon the termination of the Employee's employment pursuant to Section 6.1(a) or (b), by the Company pursuant to Section 6.1(d) or by the Employee pursuant to Section 6.1(e), or non-renewal by the Company under Section 2.1, the Company shall have no further obligation to Employee under this Agreement except to distribute to the Employee or his legal representative (A) the Accrued Obligations, (B) his Annual Bonus for the year prior to the year of termination to the extent not yet paid on the date of termination, and (C) the payments identified in Section 6.2(b), (c), and (f), if any.

(b) Severance Benefits. Upon (i) any termination by the Company of the Employee's employment pursuant to Section 6.1(d), (ii) the Employee's termination of

employment upon the end of the Original Term or any Renewal Term following non-renewal by the Company under Section 2.1, (iii) the Employee's termination of employment for Good Reason pursuant to Section 6.1(e), or (iv) termination of the Employee's employment pursuant to Section 6.1(a) or (b) (each, a "Severance Termination Event"), the execution and delivery by the Employee or the Employee's legal representative to the Company of the Release described in Section 6.2(e), and subject to Section 7(a), the Company shall pay to the Employee or, in the event of the Employee's termination pursuant to Section 6.1(a) or death after a Severance Termination Event, the Employee's designated beneficiary or estate, a severance payment equal to (A) one and one-half (1.5) times the sum of the Employee's then current Annual Base Salary and Target Bonus for the year that includes the Severance Termination Event, plus (B) the Employee's Annual Bonus amount, as determined by the Board in good faith in accordance with the short-term incentive plan design then in effect, based on the Company's actual performance for the year of the Severance Termination Event. The portion of the severance payment described in (A) will be made in equal installments during the Severance Period (as defined below) in a manner consistent with the Company's usual payroll cycle. The Annual Bonus portion of the severance payment will be made at the same time as annual bonuses are paid to other executive employees, but no later than two and a half (2½) months after the close of the calendar year in which occurred the Severance Termination Event. Subject to the terms of then applicable law and the applicable plan documents, the Company shall reimburse the Employee for the cost of continuing coverage under the Company's group health and dental benefits plan (including prescription drug coverage and including Employee's covered dependents), and in accordance with the Company's policies applicable to similarly situated employees, as required by Code Section 4980B (so-called "COBRA coverage"), until the earlier of (i) the end of the Severance Period, and (ii) the date the Employee becomes eligible to be covered by a group health and dental benefits plan or program maintained by an entity other than the Company, which provides coverage or benefits that is comparable to the Company-provided group health and dental plan, on the same terms as provided to other similarly situated active employees; provided the Employee continues to pay the applicable employee rate for such coverage and the Employee formally and timely elects continuation coverage pursuant to the materials that will be provided to the Employee by the Company (or its designee for such purpose) under separate cover. The parties intend that the continuation period required by the preceding sentence shall be concurrent with the continued group health benefit plan coverage required by COBRA. In addition, except in the case of a termination pursuant to Section 6.1(a) or (b), the Company shall provide the Employee with outplacement and career transition services for a period of six (6) months, using a reputable provider selected by the Employee with the consent of the Company, which shall not be unreasonably withheld. The Employee shall not be required to seek or accept other employment, or otherwise to mitigate damages, as a condition to receipt of the benefits described in this Section 6.2, and such benefits shall not be reduced or offset by any compensation or other amounts received from any other source.

(c) Equity Awards. In the event that the Employee is terminated by a Severance Termination Event, and subject to the requirements of Sections 6.2(e) and 7(a), the portion of the aggregate number of shares or units under each individual equity award granted under the Omnibus Plan and held by the Employee, including the Equity Awards (collectively, the "Outstanding Equity Awards"), that would have vested if the Employee had been employed for an additional year shall become vested on the date of the Severance Termination Event; provided that, with respect to any performance-based Outstanding Equity Awards shall vest based on the Company's actual performance, determined at the end of the applicable performance period, and the requirement that

the Employee remain employed by the Company through the end of the Performance period shall be waived. The parties hereto agree that if any award agreement with respect to time-based or performance-based equity awards shall provide terms that are more favorable than as set forth herein, any such award agreement shall control with respect to such Outstanding Equity Awards.

(d) Notwithstanding the foregoing, the Company is not obligated to pay any severance payments to the Employee if the Employee violates Sections 3, 4 or 5, and the Employee shall repay to the Company any severance payments previously made.

(e) Release. In connection with payments under Sections 6.2(b), (c), or (f), the Company shall deliver a release (the “Release”) of all claims against the Company and its related parties existing on the date the Release is signed, whether known or unknown, relating to the Employee’s employment by the Company and the termination of such employment, except as provided below. The Release shall be delivered to the Employee or the Employee’s legal representative within ten (10) calendar days of the Employee’s termination of employment. No payments pursuant to Sections 6.2(b), (c), or (f), shall be made prior to the date that both (i) the Employee has delivered an original, signed Release to the Company and (ii) the revocability period (if any) has elapsed; provided, however, that any payments that would otherwise have been made prior to such date but for the fact that the Employee had not yet delivered an original, signed Release (or the revocability period had not yet elapsed) shall be made as soon as administratively practicable after the signed Release has been delivered and the revocability period has elapsed, but not later than the seventy-fourth (74th) day following the Employee’s termination of employment. If the Employee does not deliver an original, signed Release to the Company within twenty-one (21) business days (or such longer period if required by law) after receipt of the same from the Company, (A) the Employee’s rights shall be limited to the Accrued Obligations, and (B) the Company shall have no obligation to pay or provide to the Employee any amount or benefits described in Sections 6.2(b), (c), or (f), or any other monies on account of the termination of the Employee’s employment. As part of the Release, the Employee shall affirm that the Employee (i) has advised the Company in writing, of any facts that the Employee is aware of that constitute or might constitute a violation of any ethical, legal, or contractual standards or obligations of the Company or any Affiliate, and (ii) is not aware of any existing or threatened claims, charges, or lawsuits that the Employee has not disclosed to the Company. The Release shall not require the Employee to waive or release his rights to payment of the benefits described in this Section 6, or his right to indemnification and continued directors and officers insurance coverage, and shall not impose any restrictive covenants upon the Employee beyond those to which he was already subject.

(f) Change in Control. In the event that the Employee is terminated by a Severance Termination Event within twenty-four months following the occurrence of a Change in Control (as defined in the Omnibus Plan, as amended), and subject to the requirements of Sections 6.2(e) and 7(a), in addition to the payments and benefits described in Sections 6.2(a) and (b), (A) the phrase “two (2) times” shall be substituted for “one and one-half times” in Section 6.2(b)(A), and (B) the Employee’s Outstanding Equity Awards, including performance-based Outstanding Equity Awards, shall become fully vested, with the performance-based Outstanding Equity Awards vesting at the target level of performance, as outlined in and provided the Employee has signed the applicable equity award agreement. If the Employee incurs a Severance Termination Event prior to a Change in Control and a Change in Control occurs within six (6) months following the Severance Termination Event, then the Employee shall be entitled to the benefits described in this

Section 6.2(f), offset by any benefits previously received pursuant to Section 6.2(b). Any Outstanding Equity Awards that would otherwise have been forfeited upon the Severance Termination Event shall not be forfeited until a period of six (6) months have expired without the occurrence of a Change in Control, but the Employee shall not be entitled to exercise, or receive any other benefits with respect to, such Outstanding Equity Awards, unless a Change in Control occurs during such six (6) month period.

(g) Severance Period. For purposes of this Section 6, “Severance Period” shall mean the shorter of (i) the eighteen (18) month period (or, in the case of Severance Termination Event described in Section 6.2(f), the twenty-four (24) month period) commencing on the date of the Employee’s termination of employment and (ii) the period commencing on the date of the Employee’s termination of employment and ending on the date that the Employee violates any of Sections 3, 4 or 5.

Section 7. Section 409A of the Internal Revenue Code.

(a) Except to the extent earlier payment is permitted by Section 409A of the Internal Revenue Code (the “Code”) and the regulations promulgated thereunder, in the event that any amount due to the Employee hereunder after the termination of the Employee’s employment shall be considered to be deferred compensation pursuant to Section 409A of the Code, and it is determined that the Employee is a “specified employee” for purposes of Section 409A(a)(2)(B)(i) of the Code, then the Company shall delay the payment of such amount for six (6) months after the termination of the Employee’s employment (or until the Employee’s death, if earlier) or for such other amount of time as may be necessary to comply with the requirements of Section 409A(a)(2)(B)(i) of the Code. Following any applicable six (6) month delay, all such delayed payments will be paid in a single lump sum on the earliest date permitted under Section 409A that is also a business day.

(b) This Agreement is intended to comply and shall be administered in a manner that is intended to comply with Section 409A of the Code and the interpretative guidance thereunder, including the exceptions for short-term deferrals, separation pay arrangements, reimbursements, and in-kind distributions. This Agreement shall be construed and interpreted in accordance with such intent. In addition, each payment shall be considered a separate payment for purposes of Section 409A of the Code and any termination of employment under this Agreement shall mean a separation from service as defined in Section 409A of the Code and Treas. Reg. §1.409A-1(h)(1)(ii) (or other similar or successor provision). The parties agree to make such other amendments to this Agreement as are necessary to comply with the requirements of Section 409A of the Code.

(c) To the extent that the Employee’s consideration period for executing a general release spans two (2) calendar years, no payment of any severance amount or benefit that is (i) considered to be nonqualified deferred compensation with the meaning of Section 409A and (ii) conditioned upon execution of a general release shall be made before the first day of the second calendar year regardless of when the release is actually executed and returned to the Company.

Section 8. Miscellaneous.

8.1 Amendment. This Agreement may be amended only by a writing executed by the parties to this Agreement.

8.2 Entire Agreement. This Agreement and the other agreements referred to in this Agreement set forth the entire understanding of the parties regarding this subject matter and supersede all prior contracts, agreements, arrangements, communications, discussions, representations and warranties, whether oral or written, between the parties regarding this subject matter.

8.3 Notices. All notices and other communications required or permitted under this Agreement will be in writing and will be deemed to have been duly given when delivered in person or when dispatched by telegram or electronic facsimile transfer (confirmed in writing by mail simultaneously dispatched) or one business day after having been dispatched by a nationally recognized overnight courier service to the appropriate party at the address specified below, or such other address as a party may specify by notice given in the same manner:

If to the Company:	CPI Card Group Inc. 10026 West San Juan Way, Suite 200 Littleton, CO 80127 Fax: (303) 973-8420 Attention: Chief Financial Officer
--------------------	---

With copies to CPI Card Group Inc.:	Winston & Strawn LLP 35 West Wacker Drive Chicago, IL 60601 Fax: (312) 558-5700 Attention: Andrew McDonough
--	---

If to the Employee, at the address of the Employee as set forth in the Company's records.

8.4 Assignment. This Agreement is binding upon and inures to the benefit of the heirs, successors, representatives and assigns of each party, but no rights, obligations or liabilities of either party under this Agreement will be assignable without the prior written consent of the other party, provided the consent of the Employee shall not be withheld unreasonably.

8.5 Governing Law. This Agreement will in all respects be governed by, and construed in accordance with, the laws of the State of Colorado, without regard to conflict of laws principles that would require the application of the laws of any other jurisdiction. The Company and the Employee agree that the jurisdiction and venue for any disputes arising under, or any action brought to enforce (or otherwise relating to), this Agreement shall be exclusively in the courts in the State of Colorado, County of Arapahoe or Denver, including the Federal Courts located therein (should Federal jurisdiction exist), and the Company and the Employee and hereby submit and consent to said jurisdiction and venue.

8.6 Severability. Each section and subsection of this Agreement constitutes a separate and distinct provision of this Agreement. It is the intent of the parties that the provisions of this Agreement be enforced to the fullest extent permissible under the laws and public policies

applicable in each jurisdiction in which enforcement is sought. Accordingly, if any provision of this Agreement is adjudicated to be invalid, ineffective, or unenforceable, the remaining provisions will not be affected by such adjudication. The invalid, ineffective, or unenforceable provision will, without further action by the parties, be automatically amended to effect the original purpose and intent of the invalid, ineffective, or unenforceable provision; provided, however, that such amendment will apply only with respect to the operation of such provision in the particular jurisdiction with respect to which such adjudication is made.

8.7 Waivers. None of the terms of this Agreement will be deemed to be waived or amended by either party unless such a waiver or amendment specifically references this Agreement and the related provision(s) and is in writing signed by an authorized representative of the party to be bound. Any such signed waiver will be effective only in the specific instance and for the specific purpose for which it was made or given.

8.8 Counterparts. This Agreement may be executed in any number of counterparts, including counterparts transmitted by electronic mail or facsimile transmission, each of which will be deemed to be an original and all of which together will constitute one and the same instrument.

8.9 Third Parties. Nothing expressed or implied in this Agreement is intended, or may be construed, to confer upon or give any Person other than the Company and the Employee (and their respective permitted successors and assigns) any rights or remedies under, or by reason of, this Agreement.

8.10 Income Tax Reporting. The Employee shall report the Annual Base Salary and all payments made to Employee pursuant to Section 2.3 as ordinary income for Federal, state and local income tax purposes, as required.

8.11 Disclosure. During the Term and for three (3) years after such Term, the Employee shall disclose to any Person that he intends to be employed by, associated with or represent and that is engaged in a business that is competitive to the Business, the Employee's continuing obligations to the Company pursuant to Sections 3 and 5.

8.12 Remedies. The Employee acknowledges that his failure to comply with any provision of this Agreement will irreparably harm the Business and that the Company will not have an adequate remedy at law in the event of such non-compliance. Therefore, the Employee acknowledges that the Company will be entitled to seek injunctive relief and/or specific performance without the posting of bond or other security, in addition to whatever other remedies it may have, at law or in equity, in any court of competent jurisdiction against any acts of non-compliance by the Employee under this Agreement.

8.13 Survival of Certain Obligations. The obligations of the Company and the Employee set forth in this Agreement that by their terms extend beyond or survive the termination of this Agreement will not be affected or diminished in any way by the termination of this Agreement.

8.14 Legal Counsel. Each party hereby agrees and acknowledges that it has had full opportunity to consult with counsel and tax advisors of its selection in connection with the preparation and negotiation of this Agreement. Accordingly, the language contained within and comprising this Agreement shall not be construed in favor of or against any one party on the grounds that the party drafted the Agreement.

8.15 Attorneys' Fees. In the event an action or proceeding is instituted to enforce or interpret the provisions of this Agreement, the prevailing party shall be entitled to such reasonable attorneys' fees as the court may award.

8.16 Headings. Section, paragraph and other captions or headings contained in this Agreement are inserted as a matter of convenience and for reference, and in no way define, limit, extend or otherwise describe the scope or intent of this Agreement or any provision hereof and shall not affect in any way the meaning or interpretation of this Agreement. References to sections under this Agreement shall refer to sections of this Agreement unless specifically identified otherwise.

8.17 Indemnification; Directors and Officers Insurance. During the Term and at all times thereafter, regardless of the reason for termination, (i) the Employee will, to the maximum extent permitted by applicable law, be indemnified and held harmless against any losses, claims, damages, or penalties (collectively "losses") incurred by the Employee as a result of his employment by or services as an officer, employee or Board member of the Company, or service as an officer or board member of any Affiliate of the Company, or as a fiduciary of any employee benefit plan maintained by the Company or any Affiliate in accordance with the terms of the Indemnification Agreement between the Company and the Employee and be advanced expenses as provided therein and (ii) be covered by any directors and officers or similar liability policy, including any employment practices or fiduciary liability policy, maintained by the Company at the level applicable to its most senior active officers and Board members.

8.18 Nondisparagement. During the Term and at all times thereafter, regardless of the reason for termination, the Employee shall not disparage, denigrate or harass the Company, any of its Affiliates or any of their respective agents, employees, managers, shareholders, directors, officers, or partners, and the Company shall not, and shall not permit the direct reports of the President and Chief Executive Officer of the Company or the members of the Board to, disparage, denigrate or harass the Employee.

[Signature pages follow]

IN WITNESS WHEREOF, the Company has caused this Employment and Non-Competition Agreement to be duly executed and delivered by its duly authorized officer, and the Employee has duly executed and delivered this Employment and Non-Competition Agreement, as of the date first written above.

COMPANY :

CPI CARD GROUP INC.

EMPLOYEE :

By: /s/ Bradley Seaman
Bradley Seaman,
Chairman of the Board

/s/ Scott Scheirman
Scott Scheirman

[Signature Page to Employment and Non-Competition Agreement]

**CPI CARD GROUP INC.
OMNIBUS INCENTIVE PLAN**

NONQUALIFIED STOCK OPTION AGREEMENT

This NONQUALIFIED STOCK OPTION AGREEMENT (this “**Agreement**”) is made effective as of September 25, 2017 (the “**Grant Date**”) by and between CPI Card Group Inc., a Delaware corporation (the “**Company**”), and Scott Scheirman (the “**Participant**”), pursuant to the CPI Card Group Inc. Omnibus Incentive Plan, as in effect and as amended from time to time (the “**Plan**”). Capitalized terms that are not defined herein shall have the meanings given to such terms in the Plan.

WHEREAS, the Company desires from time to time to grant options to purchase Shares to certain key Employees, Directors and Consultants of the Company and its Subsidiaries or Affiliates;

WHEREAS, the Company has adopted the Plan in order to effect such grants; and

WHEREAS, the Participant is an Eligible Recipient as contemplated by the Plan, and the Committee has determined that it is in the interest of the Company to make this grant to the Participant; and

WHEREAS, the Company shall promptly seek stockholder approval to amend the Plan to, among other provisions, increase the amount of Shares that may be awarded thereunder to include an amount not less than the Contingent Portion.

NOW, THEREFORE, in consideration of the premises and subject to the terms and conditions set forth herein and in the Plan, the parties hereto agree as follows:

1. Shares Subject to Option; Exercise Price.

(a) Shares Subject to Option; Stockholder Approval. The Company hereby grants to the Participant, effective as of the Grant Date, an option to purchase 1,400,000 Shares from the Company, which shall become exercisable, if at all, as provided in Section 2(a) (the “**Option**”). The grant of 619,467 Shares subject to the Option (the “**Contingent Portion**”) is contingent upon the stockholders of the Company approving an increase in the number of Shares available for issuance under the Plan, which approval the Company will use reasonable best efforts to promptly seek and obtain. If the stockholders do not approve an increase in the number of Shares available for issuance under the Plan by the earlier of May 31, 2018, or the date of the Company’s 2018 annual meeting of stockholders, then the Contingent Portion of this Award shall become null and void on such date. Notwithstanding anything to the contrary herein or in the Employment and Non-Competition Agreement, dated as of the Grant Date, between the Participant and the Company (the “**Employment Agreement**”), in the event that the stockholder approval described in the foregoing sentence is not obtained at or prior to the earlier of May 31, 2018, or the Company’s 2018 annual meeting of stockholders, the Participant shall have the right under the Employment Agreement to terminate his Service for “Good Reason” (as such term is defined therein), in accordance with the terms and conditions set forth in the Employment Agreement.

(b) Exercise Price. The Option shall have an Exercise Price of \$1.05 per Share, which is not less than the Fair Market Value per Share on the Grant Date.

(c) Option Subject to Plan. By signing this Agreement, the Participant acknowledges that he or she has been provided a copy of the Plan and has had the opportunity to review such Plan.

(d) Character of Option. The Option granted hereunder is not intended to be an “incentive stock option” within the meaning of Code Section 422.

2. Vesting and Exercisability; Expiration

(a) Vesting and Exercisability. The Option shall vest and become exercisable in installments as follows:

Vest Date	Vest Quantity
1 st anniversary of Grant Date	466,667
2 nd anniversary of Grant Date	466,667
3 rd anniversary of Grant Date	466,666
	1,400,000

Each vesting period is subject to the Participant’s continuous service with the Company or a Subsidiary or Affiliate thereof, as applicable, whether as an Employee, Director, or Consultant (“**Service**”), from the Grant Date through such anniversary. Notwithstanding the foregoing, all or a portion of the Option shall vest and become exercisable at the times and under the circumstances described in Sections 4 and 5. To the extent that any portion of the Option remains a Contingent Portion as of the occurrence of a vesting event hereunder, the non-Contingent Portion will vest first.

(b) Normal Expiration Date. Unless the Option earlier terminates in accordance with Sections 2 or 4, the Option shall terminate on the tenth anniversary of the Grant Date (the “**Normal Expiration Date**”). Once a portion of the Option has become exercisable pursuant to this Section 2, such portion of the Option may be exercised, subject to the provisions hereof, at any time and from time to time until the Normal Expiration Date.

3. Method of Exercise and Payment

All or part of the exercisable portion of the Option may be exercised by the Participant upon (a) the Participant’s written notice to the Company of exercise and (b) the Participant’s payment of the Exercise Price in full at the time of exercise (i) in cash or cash equivalents, (ii) in Shares, valued at the Fair Market Value on the date of exercise, or (if permitted by the Committee and subject to such terms and conditions as it may determine) by surrender of outstanding Awards under the Plan, or (iii) by net exercise or broker’s cashless exercise procedure, or any other procedures approved by the Committee from time to time. As soon as practicable after receipt of a written exercise notice and payment in full of the Exercise Price of any exercisable portion of the Option in accordance with this Section 3, but subject to Section 8 below, the Company shall deliver to the Participant (or such other person or entity) a certificate, certificates or electronic book-entry notation representing the Shares acquired upon the exercise thereof, registered in the name of the Participant (or such other person or entity), *provided that*, if the Company, in its sole

discretion, shall determine that, under applicable securities laws, any certificates issued under this Section 3 must bear a legend restricting the transfer of such Shares, such certificates shall bear the appropriate legend.

4. Termination of Service.

(a) Termination due to Death or Disability. In the event that the Participant's Service terminates by reason of the Participant's death or Disability, then any unvested portion of the Option held by the Participant shall immediately vest in full, and the Option may be exercised by the Participant or the Participant's beneficiary as designated in accordance with Section 10, or if no such beneficiary is named, by the Participant's estate, at any time prior to one (1) year following the Participant's termination of Service or until the Normal Expiration Date of the Option, whichever period is shorter. The Option shall terminate immediately thereafter.

(b) Termination due to Retirement. In the event that the Participant's Service terminates by reason of the Participant's Retirement, any then vested portion of the Option may be exercised by the Participant at any time prior to one (1) year following the Participant's termination of Service or until the Normal Expiration Date of the Option, whichever period is shorter. The Option shall terminate immediately thereafter.

(c) Termination for Cause. In the event that the Participant's Service terminates for Cause, the entire Option held by the Participant, whether or not then vested and exercisable, shall terminate and be cancelled immediately upon such termination of Service.

(d) Other Termination of Service. Except as may otherwise be provided in the Participant's Employment Agreement, in the event that the Participant's Service terminates for any reason other than (i) death, (ii) Disability, (iii) Retirement or (iv) for Cause, then the portion of the Option held by the Participant that is vested and exercisable as of the date of the Participant's termination of Service shall be exercisable at any time up until three (3) years after the Participant's termination of Service or the Normal Expiration Date of the Option, whichever period is shorter. The Option shall terminate immediately thereafter. Any portion of the Option held by the Participant that is not then exercisable shall terminate and be cancelled immediately upon such termination of Service, except as otherwise provided in Section 6.2(f) of the Employment Agreement.

5. Change in Control.

(a) Qualifying Termination. Notwithstanding any language in the Plan or the Participant's Employment Agreement to the contrary, the Option will not vest solely upon a Change in Control unless such Option is not assumed by the Company's successor or converted to an equivalent value award upon substantially the same terms effective immediately following the Change in Control. However, the Participant will be immediately entitled to exercise the entire Option, whether vested or unvested, if the Participant experiences a Qualifying Termination. A "**Qualifying Termination**" occurs if, within two (2) years following or six (6) months preceding, a Change in Control, the Participant's Service is terminated (i) by the Company without Cause or (ii) by the Participant for Good Reason.

(b) Cash Out of Options. In the event that (i) a Change in Control is consummated before stockholder approval with respect to the Contingent Portion (as described in Section 1(a))

has been obtained and (ii) either (A) the Option is not assumed by the Company's successor or converted to an equivalent value award upon substantially the same terms effective immediately following the Change in Control, or (B) the Participant experiences a Qualifying Termination and a portion of the assumed or substituted award continues to be a Contingent Portion at the time of the Qualifying Termination, the Committee shall cause the Company to pay the Participant, within thirty (30) days following the consummation of the Change in Control or the Qualifying Termination, as applicable, an amount in cash equal to the amount, if any, by which the aggregate Fair Market Value of the Shares as to which the Contingent Portion relates exceeds the aggregate Exercise Price for the Contingent Portion.

(c) Good Reason. For purposes of this Agreement, "Good Reason" shall have the same meaning set forth in the Employment Agreement. The Participant will provide the Company with written notice describing which of the circumstances is cause for the Good Reason termination within thirty (30) calendar days after the occurrence of the event giving rise to the notice. The Company will have thirty (30) calendar days from the receipt of such notice to cure the event prior to the Participant exercising his or her right to terminate for Good Reason and, if not cured, the Participant's termination will be effective upon the expiration of such cure period.

6. Tax Withholding.

Whenever Shares are to be issued pursuant to the exercise of any portion of the Option or any cash payment is to be made hereunder, the Company or any Affiliate thereof shall have the power to withhold, or require the Participant to remit to the Company or such Affiliate thereof, an amount sufficient to satisfy federal, state, and local withholding tax requirements, both domestic and foreign, relating to such transaction, and the Company or such Affiliate thereof may defer payment of cash or issuance of Shares until such requirements are satisfied; provided, however, that such amount may not exceed the maximum statutory withholding rate. The Participant shall be entitled to satisfy the amount of any such required tax withholding by having the Company withhold from the Shares otherwise issuable upon exercise of the Option a number of Shares having a Fair Market Value equal to the amount of such required tax withholdings.

7. Non-Competition, Non-Solicitation and Non-Disparagement.

(a) Restrictive Covenants. In exchange for good and valuable consideration, including the Option granted herein, the sufficiency of which is acknowledged, the Participant and the Company agree as follows (the "**Restrictive Covenants**"):

(i) Non-Competition and Non-Solicitation. During the period of the Participant's Service and for eighteen (18) months following the termination thereof, the Participant shall not and shall cause each of his or her Affiliates not to:

(A) enter into or engage in any business that competes with the Business within the Restricted Territory;

(B) solicit customers, active prospects, business or patronage for any business, wherever located, that competes with the Business within the Restricted Territory or sell any products or services for any business, wherever located, that competes with the Business or could then be provided by the Business within the Restricted Territory;

(C) solicit, divert, entice or otherwise take away any employees, customers, former customers, active prospects, business, patronage or orders of the Company or any Subsidiary within the Restricted Territory or attempt to do so; or

(D) counsel, promote or assist, financially or otherwise, any person engaged in any business that competes with the Business within the Restricted Territory.

(ii) Non-Disparagement. The Participant shall not, during the period of his Service or at any time thereafter, disparage, denigrate or harass the Company, any of its Affiliates or any of their respective agents, employees, managers, shareholders, directors, officers, or partners, and the Company shall not, and shall not permit the direct reports of the President and Chief Executive Officer of the Company or the members of its board of directors to, disparage, denigrate or harass the Participant.

(iii) Other Covenants. For the avoidance of doubt, the Restrictive Covenants are in addition to, and not in lieu of, any restrictive covenants to which the Participant may otherwise be subject, whether under the terms of his or her employment or services agreement or otherwise.

(iv) Acknowledgement. The Participant acknowledges that these Restrictive Covenants are reasonably necessary to protect the Company's and its clients' and business partners' legitimate business interests. The Participant also acknowledges that by serving in the position of President and Chief Executive Officer, he/she is in an executive/management level position and has been entrusted with access to trade secrets and confidential information that, if made available to non-Company employees, would cause irreparable harm to the Company because of the significant time, effort, and expense the Company expended in developing such trade secrets and confidential information.

(b) Definitions. For purposes of this Agreement:

(i) “**Business**” means manufacturing, personalizing, designing, fulfilling, packaging, distributing, selling and marketing plastic cards, including, without limitation, credit cards, debit cards, ATM cards, loyalty cards, gift cards, membership cards, gaming cards, player tracking cards, casino cards, hotel key cards, access cards, ID cards, contactless cards, prepaid cards, chip cards, EMV cards, dual interface cards, and blank cards; and

(ii) “**Restricted Territory**” means (A) the United States, Canada, Mexico, Europe and the United Kingdom; and (B) the geographic area, whether within or outside of the geographic area described in clause (A), in which reside any customers with which the Participant had any contact or for which the Participant had any responsibility (whether indirect, direct or advisory) at the time of the Participant's termination of Service or at any time during the two (2) year period prior to such termination.

(c) Reasonableness of Restrictions. The Participant agrees that the scope and duration of the Restrictive Covenants are reasonable and necessary to protect the legitimate business interests of the Company. The Participant also agrees that these Restrictive Covenants will not preclude the Participant from obtaining other gainful employment in his or her profession.

(d) Remedies for Breach.

(i) Forfeiture of Option. In the event of the Participant's breach of any of the Restrictive Covenants, the Option (whether vested or unvested) shall immediately be forfeited.

(ii) Recovery of Shares. In the event of the Participant's breach of any of the Restrictive Covenants, the Company shall be entitled to recover any Shares acquired upon the exercise of the Option and, if the Participant has previously sold any Shares derived from the Option, the Company shall also have the right to recover from the Participant the economic value thereof.

(iii) Other Relief. In the event of the Participant's actual or threatened breach of this Agreement, the Participant agrees that the Company will be entitled to seek provisional and injunctive relief in addition to any other available remedies at law or equity.

8. Nontransferability of Awards.

The Option granted hereunder may not be sold, transferred, pledged, assigned, encumbered or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution or, on such terms and conditions as the Committee shall establish, to a permitted transferee. All rights with respect to the Option granted to the Participant hereunder shall be exercisable during his or her lifetime only by such Participant or, if permitted by the Committee, a permitted transferee. Following the Participant's death, all rights with respect to the Option that were exercisable at the time of the Participant's death and have not terminated shall be exercised by his or her designated beneficiary, his or her estate or, if designated by the Committee, a permitted transferee.

9. Buyout and Settlement for Shares.

Upon the purported exercise of any portion of the Option, in lieu of accepting payment of the Exercise Price therefor and delivering the number of Shares for which the Option is being exercised, the Committee may cause the Company either (a) to pay the Participant an amount in cash equal to the amount, if any, by which the aggregate Fair Market Value of the Shares as to which the Option is being exercised exceeds the aggregate Exercise Price, or (b) to deliver to the Participant a lesser number of Shares, having a Fair Market Value on the date of exercise, equal to the amount, if any, by which the aggregate Fair Market Value of the Shares as to which the Option is being exercised exceeds the aggregate Exercise Price for such Shares. Upon payment of cash or distribution of Shares pursuant to this Section 9, the Participant's rights as to the portion of the Option which is the subject of such payment or distribution shall be deemed satisfied in full.

10. Beneficiary Designation.

The Participant may from time to time name any beneficiary or beneficiaries (who may be named contingently or successively) by whom any right under the Plan and this Agreement is to be exercised in case of his or her death. Each designation will revoke all prior designations by the Participant, shall be in a form reasonably prescribed by the Committee, and will be effective only when filed by the Participant in writing with the Committee during his or her lifetime.

11. Transfer of Data .

The Participant consents to the Company or any Affiliate thereof processing data relating to the Participant for legal, personnel, administrative and management purposes and in particular to the processing of any sensitive personal data relating to the Participant. The Company may make such information available to any Affiliate thereof, those who provide products or services to the Company or any Affiliate thereof (such as advisers and payroll administrators), regulatory authorities, potential purchasers of the Company or the business in which the Participant works, and as may be required by law.

12. Adjustment in Capitalization .

The aggregate number of Shares subject to outstanding Option grants and the respective prices and/or vesting criteria applicable to outstanding Options, shall be proportionately adjusted to reflect, as deemed equitable and appropriate by the Committee, any stock dividend, stock split or share combination of, or extraordinary cash dividend on, the Common Stock, or any recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, or exchange of shares affecting the Common Stock, or any issuance of any warrants or rights offering (other than any such offering under the Plan) to purchase Common Stock at a price materially below Fair Market Value, or any other similar event affecting the Common Stock. All determinations and calculations required under this Section 12 shall be made in the sole discretion of the Committee.

13. Requirements of Law .

The issuance of Shares pursuant to the Option shall be subject to all applicable laws, rules and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required. No Shares shall be issued upon exercise of any portion of the Option granted hereunder, if such exercise would result in a violation of applicable law, including the U.S. federal securities laws and any applicable state or foreign securities laws.

14. No Guarantee of Continued Service .

Nothing in this Agreement shall interfere with or limit in any way the right of the Company or an Affiliate thereof to terminate the Participant's Service at any time or confer upon the Participant any right to continued Service.

15. No Rights as Stockholder .

Except as otherwise required by law, the Participant shall not have any rights as a stockholder with respect to any Shares covered by the Option granted hereunder until such time as the Shares issuable upon exercise of such Option have been so issued.

16. Interpretation; Construction .

Any determination or interpretation by the Committee under or pursuant to this Agreement shall be final and conclusive on all persons affected hereby. Except as otherwise expressly provided in the Plan or this Agreement, in the event of a conflict between any term of this Agreement and the terms of the Plan, the terms of the Plan shall control. Notwithstanding Section

3(c) or any other provision of the Plan, in the event of any dispute over the reason for the termination of the Participant's employment, or over whether the Participant has violated any of the Restrictive Covenants or any provision of the Employment Agreement, the determination of the Administrator (or any other committee or agent of the Company) shall not be final and conclusive, or entitled to a presumption of correctness, but such dispute shall be resolved in accordance with the provisions of the Employment Agreement.

17. Amendments .

The Committee may, in its sole discretion, at any time and from time to time, alter or amend this Agreement and the terms and conditions of the unvested portion of any Option (but not any previously granted vested Options) in whole or in part, including without limitation, amending the criteria for vesting and exercisability set forth in Section 2 hereof, substituting alternative vesting and exercisability criteria and imposing certain blackout periods on Options; *provided that* such alteration, amendment, suspension or termination shall not adversely alter or impair the rights of the Participant under the Option without the Participant's consent. The Company shall give written notice to the Participant of any such alteration or amendment of this Agreement as promptly as practicable after the adoption thereof. This Agreement may also be amended by a writing signed by both the Company and the Participant.

18. Miscellaneous .

(a) Notices. All notices, requests, demands, letters, waivers and other communications required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given if (A) delivered personally, (B) mailed, certified or registered mail with postage prepaid, (C) sent by next-day or overnight mail or delivery, or (D) sent by fax, as follows:

(i) If to the Company:

CPI Card Group Inc.
10026 West San Juan Way
Littleton, CO 80127
Attention: Chief Human Resources Officer
Phone: 303-345-2424

(ii) If to the Participant, to the Participant's last known home address,

or to such other person or address as any party shall specify by notice in writing to the Company. All such notices, requests, demands, letters, waivers and other communications shall be deemed to have been received (w) if by personal delivery on the day after such delivery, (x) if by certified or registered mail, on the fifth business day after the mailing thereof, (y) if by next-day or overnight mail or delivery, on the day delivered, or (z) if by fax, on the day delivered, *provided that* such delivery is confirmed.

(b) Binding Effect; Benefits. This Agreement shall be binding upon and inure to the benefit of the parties to this Agreement and their respective successors and assigns. Nothing in this Agreement, express or implied, is intended or shall be construed to give any person other than the parties to this Agreement or their respective successors or assigns any legal or equitable right, remedy or claim under or in respect of any agreement or any provision contained herein.

(c) No Guarantee of Future Awards. This Agreement does not guarantee the Participant the right to or expectation of future Awards under the Plan or any future plan adopted by the Company.

(d) Waiver. Either party hereto may by written notice to the other (i) extend the time for the performance of any of the obligations or other actions of the other under this Agreement, (ii) waive compliance with any of the conditions or covenants of the other contained in this Agreement and (iii) waive or modify performance of any of the obligations of the other under this Agreement. Except as provided in the preceding sentence, no action taken pursuant to this Agreement, including, without limitation, any investigation by or on behalf of either party, shall be deemed to constitute a waiver by the party taking such action of compliance with any representations, warranties, covenants or agreements contained herein. The waiver by either party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any preceding or succeeding breach and no failure by either party to exercise any right or privilege hereunder shall be deemed a waiver of such party's rights or privileges hereunder or shall be deemed a waiver of such party's rights to exercise the same at any subsequent time or times hereunder.

(e) Code Section 409A Compliance. This Option is intended to be exempt from the requirements of Code Section 409A and this Agreement shall be interpreted accordingly. Notwithstanding any provision of this Agreement, to the extent that the Committee determines that any portion of the Option granted under this Agreement is subject to Code Section 409A and fails to comply with the requirements of Code Section 409A, notwithstanding anything to the contrary contained in the Plan or in this Agreement, the Committee reserves the right to amend, restructure, terminate or replace such portion of the Option in order to cause such portion of the Option to either not be subject to Code Section 409A or to comply with the applicable provisions of such section.

(f) Applicable Law. This Agreement shall be governed by and construed in accordance with the law of the State of Delaware, regardless of the law that might be applied under principles of conflict of laws. The Company and the Participant agree that the jurisdiction and venue for any disputes arising under, or any action brought to enforce (or otherwise relating to), this Agreement shall be exclusively in the courts in the State of Colorado, County of Arapahoe or Denver, including the Federal Courts located therein (should Federal jurisdiction exist), and the Company and the Participant hereby submit and consent to said jurisdiction and venue.

(g) Section and Other Headings. The section and other headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

(h) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

(i) Erroneously Awarded Compensation. Notwithstanding any provision in the Plan or in this Agreement to the contrary, this Award shall be subject to any compensation recovery and/or recoupment policy adopted and amended from time to time by the Company to comply with

applicable law, including, without limitation, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or to comport with good corporate governance practices.

— *Signature page follows* —

IN WITNESS WHEREOF, the Company and the Participant have duly executed this Agreement as of the date first above written.

CPI CARD GROUP INC.

By: /s/ Bradley Seaman
Bradley Seaman,
Chairman of the Board

PARTICIPANT

Agreed via electronic acceptance

Name: Scott Scheirman

CPI CARD GROUP INC.
OMNIBUS INCENTIVE PLAN
(as amended and restated effective September 25, 2017)

Section 1. General.

The name of the Plan is the CPI Card Group Inc. Omnibus Incentive Plan, as amended and restated (the “*Plan*”). The Plan intends to: (*i*) encourage the profitability and growth of the Company through short-term and long-term incentives that are consistent with the Company’s objectives; (*ii*) give Participants an incentive for excellence in individual performance; (*iii*) promote teamwork among Participants; and (*iv*) give the Company a significant advantage in attracting and retaining key Employees, Directors and Consultants. To accomplish such purposes, the Plan provides that the Company may grant Options, Stock Appreciation Rights, Restricted Shares, Restricted Stock Units, Performance-Based Awards (including performance-based Restricted Shares and Restricted Stock Units), Other Share-Based Awards, Other Cash-Based Awards or any combination of the foregoing.

Section 2. Definitions.

For purposes of the Plan, the following terms shall be defined as set forth below:

- (a) “*Administrator*” means the Board, or, if and to the extent the Board does not administer the Plan, the Committee appointed by the Board to administer the Plan in accordance with Section 3 of the Plan.
 - (b) “*Affiliate*” means a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Person specified. An entity shall be deemed an Affiliate of the Company for purposes of this definition only for such periods as the requisite ownership or control relationship is maintained.
 - (c) “*Approval Date*” means the date on which the Plan is approved by the Company’s shareholders.
 - (d) “*Articles of Incorporation*” means the articles of incorporation of the Company, as may be amended and/or restated from time to time.
 - (e) “*Award*” means any Option, Stock Appreciation Right, Restricted Share, Restricted Stock Unit, Performance-Based Award, Other Share-Based Award or Other Cash-Based Award granted under the Plan.
 - (f) “*Award Agreement*” means any written agreement, contract or other instrument or document evidencing an Award.
 - (g) “*Bylaws*” means the bylaws of the Company, as may be amended and/or restated from time to time.
 - (h) “*Beneficial Owner*” (or any variant thereof) has the meaning defined in Rule 13d-3 under the Exchange Act.
 - (i) “*Board*” means the Board of Directors of the Company.
 - (j) “*Cause*” shall have the meaning assigned to such term in any individual employment, severance, or similar agreement or Award Agreement with the Participant or, if no such agreement exists or the agreement does not define “Cause,” Cause means (*i*) the refusal or neglect of the Participant to perform substantially his or her employment-related duties, (*ii*) the Participant’s personal dishonesty, incompetence, willful misconduct or breach of fiduciary duty, (*iii*) the Participant’s commission, conviction of or entering a plea of guilty or *nolo contendere* to a crime constituting a felony or his or her willful violation of any applicable law (other than a traffic violation or other offense or violation outside of the course of employment which in no way adversely affects the Company and its Subsidiaries or their reputation or the ability of the Participant to perform his or her employment-related duties or to represent the Company or any Subsidiary of the Company that employs such Participant), (*iv*) the Participant’s
-

failure to reasonably cooperate, following a request to do so by the Company, in any internal or governmental investigation of the Company or any of its Subsidiaries or (v) the Participant's material breach of any written covenant or agreement with the Company or any of its Subsidiaries not to disclose any information pertaining to the Company or such Subsidiary or not to compete or interfere with the Company or such Subsidiary.

(k) " *Change in Capitalization* " means any (i) merger, consolidation, reclassification, recapitalization, spin-off, spin-out, repurchase or other reorganization or corporate transaction or event, (ii) extraordinary dividend (whether in the form of cash, Common Stock or other property), stock split or reverse stock split, (iii) combination or exchange of shares, (iv) other change in corporate structure or (v) payment of any other distribution, which, in any such case, the Administrator determines, in its sole discretion, affects the Shares such that an adjustment pursuant to Section 5 of the Plan is appropriate.

(l) " *Change in Control* " shall be deemed to have occurred if an event set forth in any one of the following paragraphs shall have occurred following the Effective Date:

(i) any Person, other than (A) Tricor Pacific Capital Partners (Fund IV), LP, a British Columbia limited partnership and Tricor Pacific Capital Partners (Fund IV) US, LP, a Delaware limited partnership, and their respective Affiliates and successors, or (B) the Company or a trustee or other fiduciary holding securities under an employee benefit plan of the Company, is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the combined voting power of the Company's then outstanding securities, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in clause (A) of paragraph (iii) below or any acquisition directly from the Company; or

(ii) the following individuals cease for any reason to constitute a majority of the number of Directors then serving on the Board: individuals who, during any period of two (2) consecutive years, constitute the Board and any new Director (other than a Director whose initial assumption of office is in connection with an actual or threatened election contest, including, but not limited to, a consent solicitation, relating to the election of Directors of the Company) whose appointment or election by the Board or nomination for election by the Company's shareholders was approved or recommended by a vote of at least two-thirds ($\frac{2}{3}$) of the Directors then still in office who either were Directors at the beginning of the two (2) year period or whose appointment, election or nomination for election was previously so approved or recommended; or

(iii) there is consummated a merger or consolidation of the Company or any Subsidiary thereof with any other corporation, other than a merger or consolidation (A) that results in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty percent (50%) of the combined voting power of the voting securities of the Company (or such surviving entity) outstanding immediately after such merger or consolidation, and (B) immediately following which the individuals who comprise the Board immediately prior thereto constitute at least a majority of the Board of the entity surviving such merger or consolidation or, if the Company or the entity surviving such merger is then a subsidiary, the ultimate parent thereof; or

(iv) there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, other than (A) a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least fifty percent (50%) of the combined voting power of the voting securities of which are owned by shareholders of the Company following the completion of such transaction in substantially the same proportions as their ownership of the Company immediately prior to such sale or (B) a sale or disposition of all or substantially all of the Company's assets immediately following which the individuals who comprise the Board immediately prior thereto constitute at least a majority of the board of directors of the entity to which such assets are sold or disposed of, if such entity is a subsidiary, the ultimate parent thereof.

For each Award that constitutes deferred compensation under Code Section 409A, a Change in Control shall be deemed to have occurred under the Plan with respect to such Award only if a change in the ownership or

effective control of the Company or a change in ownership of a substantial portion of the assets of the Company shall also be deemed to have occurred under Code Section 409A.

Notwithstanding the foregoing, a “Change in Control” shall not be deemed to have occurred by virtue of the consummation of any transaction or series of integrated transactions immediately following which the holders of Common Stock immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of the Company immediately following such transaction or series of transactions.

(m) “*Change in Control Price*” shall have the meaning set forth in Section 12 of the Plan.

(n) “*Code*” means the Internal Revenue Code of 1986, as amended from time to time, or any successor thereto. Any reference in the Plan to any section of the Code shall be deemed to include any regulations or other interpretative guidance under such section, and any amendments or successor provisions to such section, regulations or guidance.

(o) “*Committee*” means any committee or subcommittee the Board may appoint to administer the Plan. Subject to the discretion of the Board, the Committee shall be composed entirely of individuals who meet the qualifications of a “non-employee director” within the meaning of Rule 16b-3 under the Exchange Act and any other qualifications required by the applicable stock exchange on which the Common Stock is traded. With respect to the approval and payment of any Award intended to be “qualified performance-based compensation” under Code Section 162(m), the Committee shall be composed entirely of individuals each of whom is considered to be an “outside director” within the meaning of Code Section 162(m). If at any time or to any extent the Board shall not administer the Plan, then the functions of the Administrator specified in the Plan shall be exercised by the Committee. Except as otherwise provided in the Company’s Articles of Incorporation or Bylaws, any action of the Committee with respect to the administration of the Plan shall be taken by a majority vote at a meeting at which a quorum is duly constituted or unanimous written consent of the Committee’s members.

(p) “*Common Stock*” means the common stock, par value \$0.001 per share, of the Company.

(q) “*Company*” means CPI Card Group Inc., a Delaware corporation (or any successor corporation, except as the term “Company” is used in the definition of “Change in Control” above).

(r) “*Consultant*” means, solely with respect to Canadian residents, a person, other than an Employee, Executive Officer or non-employee Director, that: (i) is engaged to provide services to the Company or an Affiliate thereof, other than services provided in relation to a distribution, for an initial, renewable or extended period of twelve months or more; (ii) provides the services under a written contract with the Company or an Affiliate thereof; and (iii) spends or will spend a significant amount of time and attention on the affairs and business of the Company or an Affiliate thereof, and includes: (1) for an individual Consultant, a corporation of which the individual Consultant is an employee or shareholder, and a partnership of which the individual Consultant is an employee or partner; and (2) for a Consultant that is not an individual, an employee, executive officer or director of the Consultant, provided that the individual employee, executive officer, or director spends a significant amount of time and attention on the affairs and business of the Company or an Affiliate thereof.

Notwithstanding the foregoing, and solely with respect to non-Canadian residents, “*Consultant*” means any consultant or independent contractor of the Company or an Affiliate thereof, in each case, who is not an Employee, Executive Officer or non-employee Director.

(s) “*Covered Employee*” shall have the meaning set forth in Code Section 162(m).

(t) “*Disability*” shall have the meaning assigned to such term in any individual employment, severance, or similar agreement or Award Agreement with the Participant or, if no such agreement exists or the agreement does not define “Disability,” Disability means, with respect to any Participant, that such Participant (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less

than twelve (12) months, or (*ii*) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering Employees of the Company or an Affiliate thereof.

(u) “ *Director* ” means any individual who is a member of the Board on or after the Effective Date.

(v) “ *Effective Date* ” shall have the meaning set forth in Section 19 of the Plan.

(w) “ *Eligible Recipient* ” means: (*i*) an Employee; (*ii*) a non-employee Director; or (*iii*) a Consultant, in each case, who has been selected as an eligible recipient under the Plan by the Administrator. Notwithstanding the foregoing, to the extent required to avoid the imposition of additional taxes under Code Section 409A, “ *Eligible Recipient* ” means: an (*1*) Employee; (*2*) a non-employee Director; or (*3*) a Consultant, in each case, of the Company or a Subsidiary thereof, who has been selected as an eligible recipient under the Plan by the Administrator.

(x) “ *Employee* ” shall mean an employee of the Company or an Affiliate thereof, as described in Treasury Regulation Section 1.421-1(h), including an Executive Officer or Director who is also treated as an employee.

(y) “ *Exchange Act* ” means the Securities Exchange Act of 1934, as amended from time to time.

(z) “ *Executive Officer* ” means each Participant who is an executive officer (within the meaning of Rule 3b-7 under the Exchange Act) of the Company.

(aa) “ *Exercise Price* ” means, with respect to any Award under which the holder may purchase Shares, the price per share at which a holder of such Award granted hereunder may purchase Shares issuable upon exercise of such Award.

(bb) “ *Fair Market Value* ” as of a particular date shall mean: (*i*) if the Common Stock is admitted to trading on a national securities exchange, the fair market value of a Share on any date shall be the closing sale price reported for such share on such exchange on such date or, if no sale was reported on such date, on the last day preceding such date on which a sale was reported; (*ii*) if the Shares are not then listed on a national securities exchange, the average of the highest reported bid and lowest reported asked prices for the Shares as reported by the National Association of Securities Dealers, Inc. Automated Quotations System for the last preceding date on which there was a sale of such stock in such market; or (*iii*) if the Shares are not then listed on a national securities exchange or traded in an over-the-counter market or the value of such Shares is not otherwise determinable, such value as determined by the Committee in good faith and in a manner not inconsistent with Code Section 409A.

(cc) “ *Free Standing Rights* ” shall have the meaning set forth in Section 8(a) of the Plan.

(dd) “ *Incentive Stock Option* ” means an Option that is intended to satisfy the requirements applicable to an “incentive stock option” described in Code Section 422.

(ee) “ *Initial Public Offering* ” means an initial public offering of the Company’s Common Stock pursuant to an effective registration statement filed with the U.S. Securities and Exchange Commission.

(ff) “ *Insider* ” means an insider of the Company as defined in the TSX Company Manual for the purpose of security-based compensation arrangements.

(gg) “ *Nonqualified Stock Option* ” means an Option that is not intended to be an Incentive Stock Option.

(hh) “ *Option* ” means an option to purchase Shares granted pursuant to Section 7 of the Plan.

- (ii) “ *Other Cash-Based Award* ” means a cash Award granted to a Participant under Section 11 of the Plan, including cash awarded as a bonus or upon the attainment of Performance Goals or otherwise as permitted under the Plan.
- (jj) “ *Other Share-Based Award* ” means a right or other interest granted to a Participant under the Plan that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, Common Stock, including, but not limited to, unrestricted Shares or dividend equivalents, each of which may be subject to the attainment of Performance Goals or a period of continued employment or other terms or conditions as permitted under the Plan.
- (kk) “ *Original Effective Date* ” shall have the meaning set forth in Section 19 of the Plan.
- (ll) “ *Participant* ” means any Eligible Recipient selected by the Administrator, pursuant to the Administrator’s authority provided for in Section 3 of the Plan, to receive grants of Options, Stock Appreciation Rights, Restricted Shares, Restricted Stock Units, Other Share-Based Awards, Other Cash-Based Awards or any combination of the foregoing, and, upon his or her death, his or her successors, heirs, executors and administrators, as the case may be, solely with respect to any Awards outstanding at the date of the Eligible Recipient’s death.
- (mm) “ *Performance-Based Award* ” means any Award granted under the Plan that is subject to one or more Performance Goals.
- (nn) “ *Performance Goals* ” means performance goals based on one or more of the following criteria: (*i*) earnings before interest and taxes; (*ii*) earnings before interest, taxes, depreciation and amortization; (*iii*) net operating profit after tax; (*iv*) cash flow; (*v*) revenue; (*vi*) net revenues; (*vii*) sales; (*viii*) days sales outstanding; (*ix*) scrap rates; (*x*) income; (*xi*) net income; (*xii*) operating income; (*xiii*) net operating income; (*xiv*) operating margin; (*xv*) earnings; (*xvi*) earnings per share; (*xvii*) return on equity; (*xviii*) return on investment; (*xix*) return on capital; (*xx*) return on assets; (*xxi*) return on net assets; (*xxii*) total shareholder return; (*xxiii*) economic profit; (*xxiv*) market share; (*xxv*) appreciation in the fair market value, book value or other measure of value of the Company’s Common Stock; (*xxvi*) expense or cost control; (*xxvii*) working capital; (*xxviii*) volume or production; (*xxix*) new products; (*xxx*) customer satisfaction; (*xxxi*) brand development; (*xxxii*) employee retention or employee turnover; (*xxxiii*) employee satisfaction or engagement; (*xxxiv*) environmental, health or other safety goals; (*xxxv*) individual performance; (*xxxvi*) strategic objective milestones; (*xxxvii*) days inventory outstanding; and (*xxxviii*) any combination of, or, as applicable, a specified increase or decrease in, any of the foregoing. Where applicable, the Performance Goals may be expressed in terms of attaining a specified level of the particular criteria or the attainment of a percentage increase or decrease in the particular criteria, and may be applied to one or more of the Company or an Affiliate thereof, or a division or strategic business unit of the Company, or may be applied to the performance of the Company relative to a market index, a group of other companies or a combination thereof, all as determined by the Committee. The Performance Goals may include a threshold level of performance below which no payment shall be made (or no vesting shall occur), levels of performance at which specified payments shall be made (or specified vesting shall occur), and a maximum level of performance above which no additional payment shall be made (or at which full vesting shall occur). With respect to Awards that are intended to be “qualified performance-based compensation” under Code Section 162(m), each of the foregoing Performance Goals shall be subject to certification by the Committee; *provided, however*, that at the time such an Award is granted, the Committee may specify any reasonable definition of the Performance Goals it uses. Such definitions may provide for equitable adjustments to the Performance Goals in recognition of unusual or non-recurring events affecting the Company or an Affiliate thereof or the financial statements of the Company or an Affiliate thereof, in response to changes in applicable laws or regulations, or to account for items of gain, loss or expense determined to be unusual in nature, infrequent in occurrence or unusual in nature and infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principles (in each case, to the extent not inconsistent with Code Section 162(m), if applicable).
- (oo) “ *Person* ” shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (*i*) the Company or any Subsidiary thereof, (*ii*) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any Subsidiary thereof, (*iii*) an underwriter temporarily holding securities pursuant to an offering of such securities, or

(iv) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(pp) “ *Prior Plan* ” means the CPI Holdings, I, Inc. Amended and Restated 2007 Stock Option Plan, as amended from time to time.

(qq) “ *Related Rights* ” shall have the meaning set forth in Section 8(a) of the Plan.

(rr) “ *Restricted Shares* ” means an Award of Shares granted pursuant to Section 9 of the Plan subject to certain restrictions that lapse at the end of a specified period or periods.

(ss) “ *Restricted Stock Unit* ” means a notional account established pursuant to an Award granted to a Participant, as described in Section 10 of the Plan, that is (i) valued solely by reference to Shares, (ii) subject to restrictions specified in the Award Agreement, and (iii) payable in cash or in Shares (as specified in the Award Agreement). The Restricted Stock Units awarded to the Participant will vest according to the time-based criteria or Performance Goals criteria specified in the Award Agreement.

(tt) “ *Restricted Period* ” means the period of time determined by the Administrator during which an Award or a portion thereof is subject to restrictions or, as applicable, the period of time within which performance is measured for purposes of determining whether an Award has been earned.

(uu) “ *Retirement* ” means a termination of a Participant’s employment, other than for Cause and other than by reason of death or Disability, on or after the attainment of age 65.

(vv) “ *Rule 16b-3* ” shall have the meaning set forth in Section 3(a) of the Plan.

(ww) “ *Shares* ” means shares of Common Stock reserved for issuance under the Plan, as adjusted pursuant to the Plan, and any successor (pursuant to a merger, consolidation or other reorganization) security.

(xx) “ *Stock Appreciation Right* ” means the right pursuant to an Award granted under Section 8 of the Plan to receive an amount equal to the excess, if any, of (i) the aggregate Fair Market Value, as of the date such Award or portion thereof is surrendered, of the Shares covered by such Award or such portion thereof, over (ii) the aggregate Exercise Price of such Award or such portion thereof.

(yy) “ *Subsidiary* ” means, with respect to any Person, as of any date of determination, any other Person as to which such first Person owns or otherwise controls, directly or indirectly, more than fifty percent (50%) of the voting shares or other similar interests or a sole general partner interest or managing member or similar interest of such other Person. An entity shall be deemed a Subsidiary of the Company for purposes of this definition only for such periods as the requisite ownership or control relationship is maintained. Notwithstanding the foregoing, in the case of an Incentive Stock Option or any determination relating to an Incentive Stock Option, “ *Subsidiary* ” means a corporation that is a subsidiary of the Company within the meaning of Code Section 424(f).

Section 3. Administration.

(a) The Plan shall be administered by the Administrator and shall be administered in accordance with the requirements of Code Section 162(m) (but only to the extent necessary and desirable to maintain qualification of Awards under the Plan under Code Section 162(m)) and, to the extent applicable, the TSX Company Manual and Rule 16b-3 under the Exchange Act (“ *Rule 16b-3* ”).

(b) Pursuant to the terms of the Plan, the Administrator, subject, in the case of any Committee, to any restrictions on the authority delegated to it by the Board, shall have the power and authority, without limitation:

- (i) to select those Eligible Recipients who shall be Participants;

- (ii) to determine whether and to what extent Options, Stock Appreciation Rights, Restricted Shares, Restricted Stock Units, Other Share-Based Awards, Other Cash-Based Awards or a combination of any of the foregoing, are to be granted hereunder to Participants;
- (iii) to determine the number of Shares to be covered by each Award granted hereunder;
- (iv) to determine the terms and conditions, not inconsistent with the terms of the Plan, of each Award granted hereunder, including, but not limited to, (*A*) the restrictions applicable to Restricted Shares and Restricted Stock Units and the conditions under which restrictions applicable to such Restricted Shares and Restricted Stock Units shall lapse, (*B*) the Performance Goals and periods applicable to Awards, if any, (*C*) the Exercise Price of each Award, (*D*) the vesting schedule applicable to each Award, (*E*) the number of Shares subject to each Award and (*F*) subject to the requirements of Code Section 409A (to the extent applicable), any amendments to the terms and conditions of outstanding Awards, including, but not limited to, extending the exercise period of such Awards and accelerating the vesting schedule of such Awards;
- (v) to determine the terms and conditions, not inconsistent with the terms of the Plan, which shall govern all written instruments evidencing Options, Stock Appreciation Rights, Restricted Shares, Restricted Stock Units or Other Share-Based Awards, Other Cash-Based Awards or any combination of the foregoing granted hereunder;
- (vi) to determine the Fair Market Value;
- (vii) to determine the duration and purpose of leaves of absence which may be granted to a Participant without constituting termination of the Participant's employment for purposes of Awards granted under the Plan;
- (viii) to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan as it shall from time to time deem advisable;
- (ix) to reconcile any inconsistency in, correct any defect in and/or supply any omission in the Plan, any Award Agreement or other instrument or agreement relating to the Plan or an Award granted under the Plan; and
- (x) to construe and interpret the terms and provisions of the Plan and any Award issued under the Plan (and any Award Agreement relating thereto), and to otherwise supervise the administration of the Plan and to exercise all powers and authorities either specifically granted under the Plan or necessary and advisable in the administration of the Plan.

(c) All decisions made by the Administrator pursuant to the provisions of the Plan shall be final, conclusive and binding on all persons, including the Company and the Participants. No member of the Board or the Committee, or any officer or employee of the Company or any Subsidiary thereof acting on behalf of the Board or the Committee, shall be personally liable for any action, omission, determination, or interpretation taken or made in good faith with respect to the Plan, and all members of the Board or the Committee and each and any officer or employee of the Company and of any Subsidiary thereof acting on their behalf shall, to the maximum extent permitted by law, be fully indemnified and protected by the Company in respect of any such action, omission, determination or interpretation.

Section 4. Shares Reserved for Issuance Under the Plan.

(a) Subject to Section 5 of the Plan, the number of Shares that are reserved and available for issuance pursuant to Awards granted under the Plan is the sum of (i) four million (4,000,000) Shares originally reserved under the Plan as of the Original Effective Date, less any Shares issued under the Plan on or prior to, or subject to outstanding Awards as of, the Effective Date, plus (ii) all Shares that are or become available for issuance due to forfeitures under the Prior Plan, plus (iii) an additional two million (2,000,000) Shares added to the reserve as of

the Effective Date. The maximum number of Shares that may be issued pursuant to Options intended to be Incentive Stock Options is two million (2,000,000).

(b) The number of Shares which may be issuable pursuant to Awards under the Plan and any other share compensation arrangement of the Company within a one-year period to any one Participant, shall not exceed five percent (5%) of the total number of issued and outstanding shares of Common Stock on the grant date of such Award, on a non-diluted basis.

(c) The maximum number of Shares which may be (i) issued to Insiders within any one-year period; and (ii) issuable to Insiders at any point in time under the Plan and any other share compensation arrangement of the Company shall not exceed ten percent (10%) of the number of then issued and outstanding shares of Common Stock.

(d) Subject to Section 4(b) or Section 4(c), as applicable, the aggregate Awards granted during any fiscal year to any Participant shall not exceed, subject to adjustment as provided in Section 5 of the Plan: (i) one and a half million (1,500,000) Shares subject to Options or Stock Appreciation Rights, (ii) one million (1,000,000) Shares subject to Restricted Shares, Restricted Stock Units or Other Share-Based Awards (other than Stock Appreciation Rights), to the extent such Awards are intended to be “qualified performance-based compensation” under Code Section 162(m), and (iii) \$5,000,000 with respect to Other Cash-Based Awards, to the extent such Awards are intended to be “qualified performance-based compensation” under Code Section 162(m). Notwithstanding the foregoing, the aggregate grant date Fair Market Value of Shares subject to Awards granted during any fiscal year to any non-employee Director, when taken together with any cash fees paid to such non-employee Director during the fiscal year (in each case, with respect to his or her service as a non-employee Director), shall not exceed \$500,000; *provided, however*, that this limit shall not apply to any Awards a non-employee Director elects to receive at Fair Market Value in lieu of all or a portion of such non-employee Director’s compensation.

(e) Shares issued under the Plan may, in whole or in part, be authorized but unissued Shares or Shares that shall have been or may be reacquired by the Company in the open market, in private transactions or otherwise. Any Shares subject to an Award under the Plan that, after the Effective Date, are forfeited, canceled, settled or otherwise terminated without a distribution of Shares to a Participant will thereafter be deemed to be available for Awards. In applying the immediately preceding sentence, if (i) Shares otherwise issuable or issued in respect of, or as part of, any Award are withheld to cover taxes, such Shares shall be treated as having been issued under the Plan and shall not be available for issuance under the Plan, (ii) Shares otherwise issuable or issued in respect of, or as part of, any Award of Options or Stock Appreciation Rights are withheld to cover the Exercise Price, such Shares shall be treated as having been issued under the Plan and shall not be available for issuance under the Plan, and (iii) any Share-settled Stock Appreciation Rights are exercised, the aggregate number of Shares subject to such Stock Appreciation Rights shall be deemed issued under the Plan and shall not be available for issuance under the Plan.

Section 5. Equitable Adjustments.

In the event of any Change in Capitalization, an equitable substitution or proportionate adjustment shall be made, in each case, as may be determined by the Administrator, in its sole discretion, in (i) the aggregate number of Shares reserved for issuance under the Plan and the maximum number of Shares that may be subject to Awards granted to any Participant in any calendar or fiscal year, (ii) the kind, number and Exercise Price subject to outstanding Options and Stock Appreciation Rights granted under the Plan, *provided, however*, that any such substitution or adjustment with respect to Options and Stock Appreciation Rights shall occur in accordance with the requirements of Code Section 409A, and (iii) the kind, number and purchase price of Shares subject to outstanding Restricted Shares or Other Share-Based Awards granted under the Plan, in each case as may be determined by the Administrator, in its sole discretion; *provided, however*, that any fractional Shares resulting from the adjustment shall be eliminated. Such other equitable substitutions or adjustments shall be made as may be determined by the Administrator, in its sole discretion. Without limiting the generality of the foregoing, in connection with a Change in Capitalization, the Administrator may provide, in its sole discretion, for the cancellation of any outstanding Award granted hereunder in exchange for payment in cash or other property having an aggregate Fair Market Value of the Shares covered by such Award, reduced by the aggregate Exercise Price or purchase price thereof, if any. Notwithstanding anything contained in the Plan to the contrary, any adjustment with respect to an Incentive Stock Option due to an adjustment or substitution described in this Section 5 shall comply with the rules of Code Section 424(a), and in no event shall any adjustment be made which would render any Incentive Stock Option granted

hereunder to be disqualified as an incentive stock option for purposes of Code Section 422. The Administrator's determinations pursuant to this Section 5 shall be final, binding and conclusive.

Section 6. Eligibility.

The Participants under the Plan shall be selected from time to time by the Administrator, in its sole discretion, from among Eligible Recipients.

Section 7. Options.

(a) *General.* The Committee may, in its sole discretion, grant Options to Participants. Solely with respect to Participants who are Employees, the Committee may grant Incentive Stock Options, Nonqualified Stock Options or a combination of both. With respect to all other Participants, the Committee may grant only Nonqualified Stock Options. Each Participant who is granted an Option shall enter into an Award Agreement with the Company, containing such terms and conditions as the Administrator shall determine, in its sole discretion, which Award Agreement shall specify whether the Option is an Incentive Stock Option or a Nonqualified Stock Option and shall set forth, among other things, the Exercise Price of the Option, the term of the Option and provisions regarding exercisability of the Option granted thereunder. The provisions of each Option need not be the same with respect to each Participant. More than one Option may be granted to the same Participant and be outstanding concurrently hereunder. Options granted under the Plan shall be subject to the terms and conditions set forth in this Section 7 and shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Administrator shall deem desirable and set forth in the applicable Award Agreement. The prospective recipient of an Option shall not have any rights with respect to such Award, unless and until such recipient has received an Award Agreement and, if required by the Administrator in the Award Agreement, executed and delivered a fully executed copy thereof to the Company, within a period of sixty (60) days (or such other period as the Administrator may specify) after the award date.

(b) *Limits on Incentive Stock Options.* If the Administrator grants Incentive Stock Options, then to the extent that the aggregate fair market value of Shares with respect to which Incentive Stock Options are exercisable for the first time by any individual during any calendar year (under all plans of the Company) exceeds \$100,000, such Options will be treated as Nonqualified Stock Options to the extent required by Code Section 422.

(c) *Exercise Price.* The Exercise Price of Shares purchasable under an Option shall be determined by the Administrator in its sole discretion at the time of grant; *provided, however*, that (i) in no event shall the Exercise Price of an Option be less than one hundred percent (100%) of the Fair Market Value of the Common Stock on the date of grant, and (ii) no Incentive Stock Option granted to a ten percent (10%) shareholder of the Company's Common Stock (within the meaning of Code Section 422(b)(6)) shall have an Exercise Price per share less than one-hundred ten percent (110%) of the Fair Market Value of a Share on such date.

(d) *Option Term.* The maximum term of each Option shall be fixed by the Administrator, but in no event shall (i) an Option be exercisable more than ten (10) years after the date such Option is granted, and (ii) an Incentive Stock Option granted to a ten percent (10%) shareholder of the Company's Common Stock (within the meaning of Code Section 422(b)(6)) be exercisable more than five (5) years after the date such Option is granted. Each Option's term is subject to earlier expiration pursuant to the applicable provisions in the Plan and the Award Agreement. Notwithstanding the foregoing, the Administrator shall have the authority to accelerate the exercisability of any outstanding Option at such time and under such circumstances as the Administrator, in its sole discretion, deems appropriate.

(e) *Exercisability.* Each Option shall be exercisable at such time or times and subject to such terms and conditions, including the attainment of pre-established Performance Goals, as shall be determined by the Administrator in the applicable Award Agreement. The Administrator may also provide that any Option shall be exercisable only in installments, and the Administrator may waive such installment exercise provisions at any time, in whole or in part, based on such factors as the Administrator may determine in its sole discretion. Notwithstanding anything to the contrary contained herein, an Option may not be exercised for a fraction of a share. Notwithstanding any contrary provision herein, if, on the date an outstanding Option would expire, the exercise of the Option, including by a "net exercise" or "cashless" exercise, would violate applicable securities laws or any insider trading

policy maintained by the Company from time to time, the expiration date applicable to the Option will be extended, except to the extent such extension would violate Code Section 409A, to a date that is thirty (30) calendar days after the date the exercise of the Option would no longer violate applicable securities laws or any such insider trading policy.

(f) *Method of Exercise.* Options may be exercised in whole or in part by giving written notice of exercise to the Company specifying the number of Shares to be purchased, accompanied by payment in full of the aggregate Exercise Price of the Shares so purchased in cash or its equivalent, as determined by the Administrator. As determined by the Administrator, in its sole discretion, with respect to any Option or category of Options, payment in whole or in part may also be made (i) by means of consideration received under any cashless exercise procedure approved by the Administrator (including the withholding of Shares otherwise issuable upon exercise), (ii) in the form of unrestricted Shares already owned by the Participant which have a Fair Market Value on the date of surrender equal to the aggregate Exercise Price of the Shares as to which such Option shall be exercised, (iii) any other form of consideration approved by the Administrator and permitted by applicable law or (iv) any combination of the foregoing. In determining which methods a Participant may utilize to pay the Exercise Price, the Administrator may consider such factors as it determines are appropriate; *provided, however*, that with respect to Incentive Stock Options, all such discretionary determinations shall be made by the Administrator at the time of grant and specified in the Award Agreement.

(g) *Rights as Shareholder.* A Participant shall have no rights to dividends or any other rights of a shareholder with respect to the Shares subject to an Option until the Participant has given written notice of the exercise thereof, has paid in full for such Shares and has satisfied the requirements of Section 15 of the Plan.

(h) *Termination of Employment or Service.*

(i) Unless the applicable Award Agreement provides otherwise, in the event that the employment or service of a Participant with the Company and all Affiliates thereof shall terminate for any reason other than Cause, Retirement, Disability, or death, (A) Options granted to such Participant, to the extent that they are exercisable at the time of such termination, shall remain exercisable until the date that is ninety (90) days after such termination, on which date they shall expire, and (B) Options granted to such Participant, to the extent that they were not exercisable at the time of such termination, shall expire at the close of business on the date of such termination. The ninety (90) day period described in this Section 7(h)(i) shall be extended to one (1) year after the date of such termination in the event of the Participant's death during such ninety (90) day period. Notwithstanding the foregoing, no Option shall be exercisable after the expiration of its term.

(ii) Unless the applicable Award Agreement provides otherwise, in the event that the employment or service of a Participant with the Company and all Affiliates thereof shall terminate on account of Retirement, Disability or the death of the Participant, (A) Options granted to such Participant, to the extent that they were exercisable at the time of such termination, shall remain exercisable until the date that is one (1) year after such termination, on which date they shall expire and (B) Options granted to such Participant, to the extent that they were not exercisable at the time of such termination, shall expire at the close of business on the date of such termination. Notwithstanding the foregoing, no Option shall be exercisable after the expiration of its term.

(iii) In the event of the termination of a Participant's employment or service for Cause, all outstanding Options granted to such Participant shall expire at the commencement of business on the date of such termination.

(iv) For purposes of this Section 7(h), Options that are not exercisable solely due to a blackout period shall be considered exercisable.

(i) *Other Change in Employment Status.* An Option may be affected, both with regard to vesting schedule and termination, by leaves of absence, changes from full-time to part-time employment, partial disability or other changes in the employment status or service of a Participant, as evidenced in a Participant's Award Agreement.

(j) *Change in Control*. Notwithstanding anything herein to the contrary, upon a Change in Control, all outstanding Options shall be subject to Section 12 of the Plan.

Section 8. Stock Appreciation Rights.

(a) *General*. Stock Appreciation Rights may be granted either alone (“*Free Standing Rights*”) or in conjunction with all or part of any Option granted under the Plan (“*Related Rights*”). Related Rights may be granted either at or after the time of the grant of such Option. The Administrator shall determine the Eligible Recipients to whom, and the time or times at which, grants of Stock Appreciation Rights shall be made, the number of Shares to be awarded, the price per Share, and all other conditions of Stock Appreciation Rights. Notwithstanding the foregoing, no Related Right may be granted for more Shares than are subject to the Option to which it relates and any Stock Appreciation Right must be granted with an Exercise Price not less than the Fair Market Value of Common Stock on the date of grant. The provisions of Stock Appreciation Rights need not be the same with respect to each Participant. Stock Appreciation Rights granted under the Plan shall be subject to the following terms and conditions set forth in this Section 8 and shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Administrator shall deem desirable, as set forth in the applicable Award Agreement.

(b) *Awards; Rights as Shareholder*. The prospective recipient of a Stock Appreciation Right shall not have any rights with respect to such Award, unless and until such recipient has received an Award Agreement and, if required by the Administrator in the Award Agreement, executed and delivered a fully executed copy thereof to the Company, within a period of sixty (60) days (or such other period as the Administrator may specify) after the award date. Participants who are granted Stock Appreciation Rights shall have no rights as shareholders of the Company with respect to the grant or exercise of such rights.

(c) *Exercisability*.

(i) Stock Appreciation Rights that are Free Standing Rights shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Administrator in the applicable Award Agreement.

(ii) Stock Appreciation Rights that are Related Rights shall be exercisable only at such time or times and to the extent that the Options to which they relate shall be exercisable in accordance with the provisions of Section 7 above and this Section 8 of the Plan.

(d) *Payment Upon Exercise*.

(i) Upon the exercise of a Free Standing Right, the Participant shall be entitled to receive up to, but not more than, that number of Shares, determined using the Fair Market Value, equal in value to the excess of the Fair Market Value as of the date of exercise over the price per share specified in the Free Standing Right multiplied by the number of Shares in respect of which the Free Standing Right is being exercised.

(ii) A Related Right may be exercised by a Participant by surrendering the applicable portion of the related Option. Upon such exercise and surrender, the Participant shall be entitled to receive up to, but not more than, that number of Shares, determined using the Fair Market Value, equal in value to the excess of the Fair Market Value as of the date of exercise over the Exercise Price specified in the related Option multiplied by the number of Shares in respect of which the Related Right is being exercised. Options which have been so surrendered, in whole or in part, shall no longer be exercisable to the extent the Related Rights have been so exercised.

(iii) Notwithstanding the foregoing, the Administrator may determine to settle the exercise of a Stock Appreciation Right in cash (or in any combination of Shares and cash).

(e) *Termination of Employment or Service.*

(i) In the event of the termination of employment or service with the Company and all Affiliates thereof of a Participant who has been granted one or more Free Standing Rights, such rights shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Administrator in the applicable Award Agreement.

(ii) In the event of the termination of employment or service with the Company and all Affiliates thereof of a Participant who has been granted one or more Related Rights, such rights shall be exercisable at such time or times and subject to such terms and conditions as set forth in the related Options.

(f) *Term.*

(i) The term of each Free Standing Right shall be fixed by the Administrator, but no Free Standing Right shall be exercisable more than ten (10) years after the date such right is granted.

(ii) The term of each Related Right shall be the term of the Option to which it relates, but no Related Right shall be exercisable more than ten (10) years after the date such right is granted.

(g) *Change in Control.* Notwithstanding anything herein to the contrary, upon a Change in Control, all outstanding Stock Appreciation Rights shall be subject to Section 12 of the Plan.

Section 9. Restricted Shares.

(a) *General.* Restricted Shares may be issued either alone or in addition to other Awards granted under the Plan. The Administrator shall determine the Eligible Recipients to whom, and the time or times at which, grants of Restricted Shares shall be made; the number of Shares to be awarded; the price, if any, to be paid by the Participant for the acquisition of Restricted Shares; the Restricted Period, if any, applicable to Restricted Shares; the Performance Goals (if any) applicable to Restricted Shares; and all other conditions of the Restricted Shares. If the restrictions, Performance Goals and/or conditions established by the Administrator are not attained, a Participant shall forfeit his or her Restricted Shares in accordance with the terms of the grant. The provisions of the Restricted Shares need not be the same with respect to each Participant.

(b) *Awards and Certificates.* The prospective recipient of Restricted Shares shall not have any rights with respect to any such Award, unless and until such recipient has received an Award Agreement and, if required by the Administrator in the Award Agreement, executed and delivered a fully executed copy thereof to the Company, within a period of sixty (60) days (or such other period as the Administrator may specify) after the award date. Except as otherwise provided in Section 9(c) of the Plan, (i) each Participant who is granted an award of Restricted Shares may, in the Company's sole discretion, be issued a stock certificate in respect of such Restricted Shares; and (ii) any such certificate so issued shall be registered in the name of the Participant, and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to any such Award.

The Company may require that the stock certificates, if any, evidencing Restricted Shares granted hereunder be held in the custody of the Company until the restrictions thereon shall have lapsed, and that, as a condition of any award of Restricted Shares, the Participant shall have delivered a stock power, endorsed in blank, relating to the Shares covered by such Award.

Notwithstanding anything in the Plan to the contrary, any Restricted Shares (whether before or after any vesting conditions have been satisfied) may, in the Company's sole discretion, be issued in uncertificated form pursuant to the customary arrangements for issuing shares in such form.

(c) *Restrictions and Conditions.* The Restricted Shares granted pursuant to this Section 9 shall be subject to the following restrictions and conditions and any additional restrictions or conditions as determined by the Administrator at the time of grant or thereafter:

(i) The Administrator may, in its sole discretion, provide for the lapse of restrictions in installments and may accelerate or waive such restrictions in whole or in part based on such factors and such circumstances as the Administrator may determine, in its sole discretion, including, but not limited to, the attainment of certain Performance Goals, the Participant's termination of employment or service as a non-employee Director or Consultant of the Company or an Affiliate thereof, or the Participant's death or Disability; *provided, however*, that with respect to any Award that is intended to be "qualified performance-based compensation" under Code Section 162(m), such discretion may not be exercised to the extent it would cause such Award to fail to be "qualified performance-based compensation" under Code Section 162(m).

(ii) Except as provided in Section 16 of the Plan or in the Award Agreement, the Participant shall generally have the rights of a shareholder of the Company with respect to Restricted Shares during the Restricted Period. In the Administrator's discretion and as provided in the applicable Award Agreement, a Participant may be entitled to dividends or dividend equivalents on an Award of Restricted Shares, which will be payable in accordance with the terms of such grant as determined by the Administrator. Certificates for Shares of unrestricted Common Stock may, in the Company's sole discretion, be delivered to the Participant only after the Restricted Period has expired without forfeiture in respect of such Restricted Shares, except as the Administrator, in its sole discretion, shall otherwise determine.

(iii) The rights of Participants granted Restricted Shares upon termination of employment or service as a non-employee Director or Consultant of the Company or an Affiliate thereof terminates for any reason during the Restricted Period shall be set forth in the Award Agreement.

(d) *Change in Control*. Notwithstanding anything herein to the contrary, upon a Change in Control, all outstanding Restricted Shares shall be subject to Section 12 of the Plan.

Section 10. Restricted Stock Units.

(a) *General*. Restricted Stock Units may be issued either alone or in addition to other Awards granted under the Plan. The Administrator shall determine the Eligible Recipients to whom, and the time or times at which, grants of Restricted Stock Units shall be made; the number of Restricted Stock Units to be awarded; the Restricted Period, if any, applicable to Restricted Stock Units; the Performance Goals (if any) applicable to Restricted Stock Units; and all other conditions of the Restricted Stock Units. If the restrictions, Performance Goals and/or conditions established by the Administrator are not attained, a Participant shall forfeit his or her Restricted Stock Units in accordance with the terms of the grant. The provisions of Restricted Stock Units need not be the same with respect to each Participant.

(b) *Award Agreement*. The prospective recipient of Restricted Stock Units shall not have any rights with respect to any such Award, unless and until such recipient has received an Award Agreement and, if required by the Administrator in the Award Agreement, executed and delivered a fully executed copy thereof to the Company, within a period of sixty (60) days (or such other period as the Administrator may specify) after the award date.

(c) *Restrictions and Conditions*. The Restricted Stock Units granted pursuant to this Section 10 shall be subject to the following restrictions and conditions and any additional restrictions or conditions as determined by the Administrator at the time of grant or, subject to Code Section 409A, thereafter:

(i) The Administrator may, in its sole discretion, provide for the lapse of restrictions in installments and may accelerate or waive such restrictions in whole or in part based on such factors and such circumstances as the Administrator may determine, in its sole discretion, including, but not limited to, the attainment of certain Performance Goals, the Participant's termination of employment or service as a non-employee Director or Consultant of the Company or an Affiliate thereof, or the Participant's death or Disability; *provided, however*, that with respect to any Award that is intended to be "qualified performance-based compensation" under Code Section 162(m), such discretion may not be exercised to the extent it would cause such Award to fail to be "qualified performance-based compensation" under Code Section 162(m).

(ii) Participants holding Restricted Stock Units shall have no voting rights. A Restricted Stock Unit may, at the Administrator's discretion, carry with it a right to dividend equivalents. Such right would entitle the holder to be credited with an amount equal to all cash dividends paid on one Share while the Restricted Stock Unit is outstanding. The Administrator, in its discretion, may grant dividend equivalents from the date of grant or only after a Restricted Stock Unit is vested.

(iii) The rights of Participants granted Restricted Stock Units upon termination of employment or service as a non-employee Director or Consultant of the Company or an Affiliate thereof terminates for any reason during the Restricted Period shall be set forth in the Award Agreement.

(d) *Settlement of Restricted Stock Units* . Settlement of vested Restricted Stock Units shall be made to Participants in the form of Shares, unless the Administrator, in its sole discretion, provides for the payment of the Restricted Stock Units in cash (or partly in cash and partly in Shares) equal to the value of the Shares that would otherwise be distributed to the Participant.

(e) *Change in Control* . Notwithstanding anything herein to the contrary, upon a Change in Control, all outstanding Restricted Stock Units shall be subject to Section 12 of the Plan.

Section 11. Other Share-Based or Cash-Based Awards.

(a) The Administrator is authorized to grant Awards to Participants in the form of Other Share-Based Awards or Other Cash-Based Awards, as deemed by the Administrator to be consistent with the purposes of the Plan and as evidenced by an Award Agreement. The Administrator shall determine the terms and conditions of such Awards, consistent with the terms of the Plan, at the date of grant or thereafter, including any Performance Goals and performance periods. Common Stock or other securities or property delivered pursuant to an Award in the nature of a purchase right granted under this Section 11 shall be purchased for such consideration, paid for at such times, by such methods, and in such forms, including, without limitation, Shares, other Awards, notes or other property, as the Administrator shall determine, subject to any required corporate action.

(b) With respect to Awards that are intended to be "qualified performance-based compensation" under Code Section 162(m), no payment shall be made to a Participant that is or is likely to become a Covered Employee prior to the certification by the Committee that the Performance Goals have been attained. The Committee may establish other rules applicable to such Other Share-Based Awards and the Other Cash-Based Awards; *provided, however* , that such rules shall be in compliance with Code Section 162(m).

(c) The prospective recipient of an Other Share-Based Award or Other Cash-Based Award shall not have any rights with respect to such Award, unless and until such recipient has received an Award Agreement and, if required by the Administrator in the Award Agreement, executed and delivered a fully executed copy thereof to the Company, within a period of sixty (60) days (or such other period as the Administrator may specify) after the award date.

(d) Notwithstanding anything herein to the contrary, upon a Change in Control, all outstanding Other Share-Based Awards and Other Cash-Based Awards shall be subject to Section 12 of the Plan.

Section 12. Change in Control.

The Administrator may provide in the applicable Award Agreement that an Award will vest on an accelerated basis upon the Participant's termination of employment or service in connection with a Change in Control or upon the occurrence of any other event that the Administrator may set forth in the Award Agreement. If the Company is a party to an agreement that is reasonably likely to result in a Change in Control, such agreement may provide for: (i) the continuation of any Options and Stock Appreciation Rights by the Company, if the Company is the surviving corporation; (ii) the assumption of any Options and Stock Appreciation Rights by the surviving corporation or its parent or subsidiary; (iii) the substitution by the surviving corporation or its parent or subsidiary of equivalent awards for any Options and Stock Appreciation Rights, *provided, however* , that any such substitution with respect to Options and Stock Appreciation Rights shall occur in accordance with the requirements

of Code Section 409A; or (iv) settlement of any Options and Stock Appreciation Rights for the Change in Control Price (less, to the extent applicable, the per share exercise or grant price), or, if the per share exercise or grant price equals or exceeds the Change in Control Price, such Options and Stock Appreciation Rights shall terminate and be canceled. To the extent that Restricted Shares, Restricted Stock Units or other Awards settle in Shares in accordance with their terms upon a Change in Control, such Shares shall be entitled to receive as a result of the Change in Control transaction the same consideration as the Shares held by shareholders of the Company as a result of the Change in Control transaction. For purposes of this Section 12, “ *Change in Control Price* ” shall mean the Fair Market Value of a Share upon a Change in Control. To the extent that the consideration paid in any such Change in Control transaction consists all or in part of securities or other non-cash consideration, the value of such securities or other non-cash consideration shall be determined in good faith by the Administrator.

Section 13. Amendment and Termination.

(a) The Board or the Committee may amend, alter or terminate the Plan, but no amendment, alteration, or termination shall be made that would impair the rights of a Participant under any Award theretofore granted without such Participant’s consent. Shareholder approval shall not be required to amend the Plan, including, but not limited to, the following items, subject to any regulatory approvals, including, where required, the approval of the Toronto Stock Exchange:

- (i) Amendments of a “housekeeping” nature;
- (ii) A change to the vesting provisions of any Awards;
- (iii) A change to the termination provisions of any Award that does not entail an extension beyond the original term of the Award; and
- (iv) Amendments to the provisions relating to a Change of Control.

(b) Notwithstanding the foregoing, approval of the Company’s shareholders shall be obtained to increase the aggregate Share limit and annual Award limits described in Section 4 and for any amendment that would require such approval in order to satisfy the requirements of Code Section 162(m), any rules of the stock exchange on which the Common Stock is traded or other applicable law. Without limiting the generality of the foregoing, if and for so long as the Company is listed on the Toronto Stock Exchange, the following may not be amended without shareholder approval in accordance with the TSX Company Manual:

- (i) An increase in the number of Shares reserved for issuance pursuant to the Plan as set out in Section 4(a);
- (ii) Except as provided in Section 5, a modification of any outstanding Option or Stock Appreciation Right so as to specify a lower Exercise Price or grant price (or a cancellation of an Option or Stock Appreciation Right and substitution of it for an Option or Stock Appreciation Right with a lower Exercise Price or grant price);
- (iii) Except as provided in Section 5, a cancellation of an outstanding Option or Stock Appreciation Right whose Exercise Price or grant price is equal to or greater than the current Fair Market Value of a Share and substitution of it for another Award or cash payment;
- (iv) An extension of the maximum term of any Award made under the Plan;
- (v) An increase in the number of Shares that may be issued to Insiders under the above restriction contained in Section 4(c); or
- (vi) An amendment to this Section 13(a) to amend or delete any of the foregoing items or grant additional powers to the Board to amend the Plan or entitlements without shareholder approval.

(c) Subject to the terms and conditions of the Plan, the Administrator may modify, extend or renew outstanding Awards under the Plan, or accept the surrender of outstanding Awards (to the extent not already exercised) and grant new Awards in substitution of them (to the extent not already exercised).

(d) Notwithstanding the foregoing, no alteration, modification or termination of an Award will, without the prior written consent of the Participant, adversely alter or impair any rights or obligations under any Award already granted under the Plan.

Section 14. Unfunded Status of Plan.

The Plan is intended to constitute an “unfunded” plan for incentive compensation. With respect to any payments not yet made to a Participant by the Company, nothing contained herein shall give any such Participant any rights that are greater than those of a general creditor of the Company.

Section 15. Withholding Taxes.

Each Participant shall, no later than the date as of which the value of an Award first becomes includible in the gross income of such Participant for federal, state and/or local income tax purposes, pay to the Company, or make arrangements satisfactory to the Administrator regarding payment of, any federal, state, or local taxes of any kind, domestic or foreign, required by law or regulation to be withheld with respect to the Award. The obligations of the Company under the Plan shall be conditional on the making of such payments or arrangements, and the Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to such Participant. Whenever cash is to be paid pursuant to an Award granted hereunder, the Company shall have the right to deduct therefrom an amount sufficient to satisfy any federal, state and local withholding tax requirements related thereto. Whenever Shares are to be delivered pursuant to an Award, the Company shall have the right to require the Participant to remit to the Company in cash an amount sufficient to satisfy any related federal, state and local taxes, domestic or foreign, to be withheld and applied to the tax obligations. With the approval of the Administrator, a Participant may satisfy the foregoing requirement by electing to have the Company withhold from delivery of Shares or by delivering already owned unrestricted shares of Common Stock, in each case, having a value equal to the amount required to be withheld or such other greater amount up to the maximum statutory rate under applicable law, as applicable to such Participant, if such other greater amount would not result in adverse financial accounting treatment, as determined by the Administrator (including in connection with the effectiveness of FASB Accounting Standards Update 2016-09). Fractional share amounts shall be settled in cash. Such an election may be made with respect to all or any portion of the Shares to be delivered pursuant to an Award. The Company may also use any other method of obtaining the necessary payment or proceeds, as permitted by law, to satisfy its withholding obligation with respect to any Option or other Award.

Section 16. Non-United States Employees.

Without amending the Plan, the Administrator may grant Awards to eligible persons residing in non-United States jurisdictions on such terms and conditions different from those specified in the Plan, including the terms of any award agreement or plan, adopted by the Company or any Subsidiary thereof to comply with, or take advantage of favorable tax or other treatment available under, the laws of any non-United States jurisdiction, as may in the judgment of the Administrator be necessary or desirable to foster and promote achievement of the purposes of the Plan and, in furtherance of such purposes the Administrator may make such modifications, amendments, procedures, subplans and the like as may be necessary or advisable to comply with provisions of laws in other countries or jurisdictions in which the Company or its Subsidiaries operates or has employees.

Section 17. Transfer of Awards.

No purported sale, assignment, mortgage, hypothecation, transfer, charge, pledge, encumbrance, gift, transfer in trust (voting or other) or other disposition of, or creation of a security interest in or lien on, any Award or any agreement or commitment to do any of the foregoing (each, a “*Transfer*”) by any holder thereof in violation of the provisions of the Plan or an Award Agreement will be valid, except with the prior written consent of the Administrator, which consent may be granted or withheld in the sole discretion of the Administrator. Any purported

Transfer of an Award or any economic benefit or interest therein in violation of the Plan or an Award Agreement shall be null and void *ab initio*, and shall not create any obligation or liability of the Company, and any person purportedly acquiring any Award or any economic benefit or interest therein transferred in violation of the Plan or an Award Agreement shall not be entitled to be recognized as a holder of such Shares. Unless otherwise determined by the Administrator in accordance with the provisions of the immediately preceding sentence, an Option may be exercised, during the lifetime of the Participant, only by the Participant or, during any period during which the Participant is under a legal disability, by the Participant's guardian or legal representative.

Section 18. Continued Employment.

The adoption of the Plan shall not confer upon any Eligible Recipient any right to continued employment or service with the Company or an Affiliate thereof, as the case may be, nor shall it interfere in any way with the right of the Company or an Affiliate thereof to terminate the employment or service of any of its Eligible Recipients at any time.

Section 19. Effective Date and Approval Date.

The Plan originally became effective on October 8, 2015, the date of the effectiveness of the registration statement for the Company's Initial Public Offering (the "*Original Effective Date*"). The Plan, as amended and restated, is effective as of September 25, 2017, the date of its adoption by the Board (the "*Effective Date*"), subject to approval by the Company's shareholders. The Plan will be unlimited in duration and, in the event of Plan termination, will remain in effect as long as any Shares awarded under it are outstanding and not fully vested; *provided, however*, that no Awards will be made under the Plan on or after the tenth anniversary of Effective Date. No Option that is intended to be an Incentive Stock Option may be granted under the Plan until the Approval Date. If the Approval Date does not occur within twelve (12) months after the Effective Date, then no Options that are intended to be Incentive Stock Options may be granted under the Plan.

Section 20. Code Section 409A.

The intent of the parties is that payments and benefits under the Plan comply with Code Section 409A to the extent subject thereto, and, accordingly, to the maximum extent permitted, the Plan shall be interpreted and be administered to be in compliance therewith. Any payments described in the Plan that are due within the "short-term deferral period" as defined in Code Section 409A shall not be treated as deferred compensation unless applicable law requires otherwise. Notwithstanding anything to the contrary in the Plan, to the extent required in order to avoid accelerated taxation and/or tax penalties under Code Section 409A, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to the Plan during the six (6) month period immediately following the Participant's termination of employment shall instead be paid on the first business day after the date that is six (6) months following the Participant's separation from service (or upon the Participant's death, if earlier). In addition, for purposes of the Plan, each amount to be paid or benefit to be provided to the Participant pursuant to the Plan, which constitute deferred compensation subject to Code Section 409A, shall be construed as a separate identified payment for purposes of Code Section 409A. Nothing contained in the Plan or an Award Agreement shall be construed as a guarantee of any particular tax effect with respect to an Award. The Company does not guarantee that any Awards provided under the Plan will satisfy the provisions of Code Section 409A, and in no event will the Company be liable for any or all portion of any taxes, penalties, interest or other expenses that may be incurred by a Participant on account of any non-compliance with Code Section 409A.

Section 21. Code Section 162(m).

The Committee may not delegate its authority to establish Performance Goals, certify performance against the Performance Goals or take other actions with respect to Awards that are intended to be "qualified performance-based compensation" under Code Section 162(m). Performance Goals with respect to such Awards shall be established in writing before the earlier of (a) the ninetieth (90th) day of the performance period or (b) the date that twenty-five percent (25%) of the performance period has elapsed. The payment of Awards under the Plan that are subject to the achievement of Performance Goals (including any prorated Awards) shall occur no later than March 15 of the calendar year following the year in which the performance period ends. With respect to Awards intended to be "qualified performance-based compensation" under Code Section 162(m), (i) the Committee shall not

have the discretion to pay in excess of the amount earned based on the attainment of the Performance Goals as certified by the Committee and (ii) in determining the amount of the Award earned based on the attainment of the Performance Goals, the Committee may, in its sole discretion, eliminate or reduce the size of such Award in a manner consistent with Code Section 162(m) to the extent the Committee determines that such elimination or reduction is appropriate.

Section 22. Erroneously Awarded Compensation.

The Plan and all Awards issued hereunder shall be subject to any compensation recovery and/or recoupment policy adopted by the Company to comply with applicable law, including, without limitation, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or to comport with good corporate governance practices, as such policies may be amended from time to time.

Section 23. Governing Law and Forum.

The Plan shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of law of such state. Except as may otherwise be provided in an Award Agreement, the jurisdiction and venue for any disputes arising under, or any action brought to enforce (otherwise relating to) the Plan or an Award thereunder shall be exclusively in the courts in the State of Colorado, County of Arapahoe or Denver, including the federal courts located therein (should federal jurisdiction exist). The Company and all Participants and beneficiaries hereby submit and consent to said jurisdiction and venue.

SCOTT SCHEIRMAN APPOINTED CHIEF EXECUTIVE OFFICER OF CPI CARD GROUP**SEPTEMBER 27, 2017**

LITTLETON, Colo.—(BUSINESS WIRE)— CPI Card Group (Nasdaq: PMTS, TSX: PMTS), a global leader in financial and EMV[®] chip card production and related services, today announced the appointment of Scott Scheirman as President and Chief Executive Officer, effective October 5, 2017, succeeding Steve Montross who will be ending his service as CEO on October 4, 2017 in connection with his previously announced retirement. Mr. Montross will continue in an advisory capacity through June 30, 2018. Mr. Scheirman has served as a member of CPI Card Group's Board of Directors since October 2016 and will continue to serve on the board. Mr. Scheirman brings over 20 years of executive global business leadership experience with leading organizations including First Data Corporation (NYSE: FDC) and Western Union (NYSE: WU).

"I along with my fellow directors are thrilled to appoint Scott Scheirman as CEO of CPI Card Group and we are confident he will be an excellent leader for the Company," said Brad Seaman, Chairman of the Board of CPI Card Group. "His track record of achieving growth, energizing teams and creating value makes him an ideal fit. We are confident Scott will effectively lead the company through strategic planning and relentless execution and by focusing on meeting the needs of current and future customers."

Mr. Seaman continued, "The entire Board thanks Steve for his leadership of CPI Card Group over the last decade. We all acknowledge his vision and tenacity in making huge strides in the Company's product offering and performance. We appreciate his role in transitioning with Scott and our customers and we wish him the very best in his upcoming retirement."

Mr. Scheirman has more than two decades of executive leadership experience with financial services and technology enabled companies. Mr. Scheirman served as Executive Vice President and Chief Financial Officer of Western Union for seven years, where he helped expand revenue from technology enabled B2B and consumer digital product offerings more than six-fold in five years and had broad global executive responsibilities, including leading business planning and analysis, financial operations and process improvement.

"I am delighted to be joining the team at CPI Card Group," said Mr. Scheirman. "The leadership team is exceptionally talented, and I am looking forward to providing customers with superior products and solutions and leading the Company into the next phase of growth."

Prior to Western Union, Mr. Scheirman spent twelve years at First Data Corporation in a variety of executive leadership roles and prior to First Data Corporation, Mr. Scheirman spent seven years at Ernst & Young. He is a resident of the greater Denver area and holds a Bachelor of Science degree in Business Administration with an emphasis in Accounting from the University of Northern Colorado.

About CPI Card Group

CPI Card Group is a leading provider in payment card production and related services, offering a single source for credit, debit and prepaid debit cards including EMV chip, personalization, instant issuance, fulfillment and mobile payment services. With more than 20 years of experience in the payments market and as a trusted partner to financial institutions, CPI's solid reputation of product consistency, quality and outstanding customer service supports our position as a leader in the market. Serving our customers from ten locations throughout the United States, Canada and the United Kingdom, we have the largest network of high security

facilities in North America, each of which is certified by one or more of the payment brands: Visa, MasterCard, American Express, Discover and Interac in Canada. Learn more at www.cpicardgroup.com .

EMV is a registered trademark or trademark of EMVCo LLC in the United States and other countries.

Source: CPI Card Group
ICR Inc. for CPI Card Group

Investor Relations Contact:

William Maina
(877) 369-9016
InvestorRelations@cpicardgroup.com

or

Media Relations Contact:

Laura Anderson
203-682-8267
media@cpicardgroup.com
