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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
WESTERN DIVISION

SETH HUBERMAN, on behalf of
himself and the certified class,

Plaintiffs,

vs.

TAG-IT PACIFIC INC., COLIN
DYNE, MARK DYNE, RONDA
FERGUSON and AUGUST F.
DELUCA,

Defendants.

Case No. 2:05-cv-07352-R(Ex)

CLASS ACTION

**AMENDED
ORDER PRELIMINARILY
APPROVING SETTLEMENT OF
CLASS ACTION AND
ESTABLISHING NOTICE
PROCEDURES**

1 WHEREAS, by Order dated June 19, 2009, the Court certified this action to
2 proceed as a class action under Fed. R. Civ. P. 23(a) and (b)(3) on behalf of all
3 persons and entities who purchased or otherwise acquired Tag-It Pacific Inc.
4 (“Tag-It”) common stock on the open market between March 28, 2003 and August
5 22, 2005, inclusive (the “Class Period”) and who were damaged thereby (the
6 “Class”), excluding (i) Defendants; (ii) members of the immediate family of each
7 of the Individual Defendants; (iii) any subsidiary or affiliate of Tag-It; (iv) the
8 directors, officers, managing directors, principals and partners of Tag-It; (v) any
9 entity in which any excluded person has a controlling interest; and (vi) the legal
10 representatives, heirs, successors and assigns of any such excluded person;

11 WHEREAS, the Parties have presented the proposed Settlement of the
12 above-captioned action (the “Action”) by and between Lead Plaintiff individually
13 and on behalf of the Class, and Defendants Tag-It, Colin Dyne, Mark Dyne, Ronda
14 Ferguson and August F. Deluca (collectively, “Defendants”) to the Court for
15 preliminary approval pursuant to Rule 23 of the Federal Rules of Civil Procedure
16 (the “Settlement”);

17 WHEREAS, the terms of the Settlement are set forth in a Stipulation of
18 Settlement that was executed by the Parties on July 31, 2009 (the “Stipulation”);

19 WHEREAS, the Settlement was reached after extensive arm’s-length and
20 protracted negotiations that included multiple mediation conferences before an
21 experienced mediator;

22 WHEREAS, Defendant Tag-It shall provide the Claims Administrator with
23 reasonably available data in electronic format obtained from its transfer agent
24 identifying the names and last known addresses of record owners acting on behalf
25 of beneficial owners who purchased or otherwise acquired Tag-It common stock
26 on the open market during the Class Period;

1 WHEREAS, this Court, pursuant to Fed. R. Civ. P. 23(d), directs that notice
2 to the Class of the pendency and proposed settlement of the Action be made in the
3 manner set forth herein;

4 NOW, upon consent of the Parties, after review and consideration of the
5 Stipulation filed with the Court and the exhibits annexed thereto, and after due
6 deliberation,

7 IT IS HEREBY ORDERED, that:

8 1. The Court, for purposes of this Order Preliminarily Approving
9 Proposed Settlement of Class Action and Establishing Notice Procedures (the
10 “Preliminary Approval Order”), adopts all defined terms as set forth in the
11 Stipulation.

12 2. Lead Counsel is authorized to act on behalf of the Class with respect
13 to all acts required by, or which may be undertaken pursuant to, the Stipulation or
14 such other acts that are reasonably necessary to consummate the proposed
15 Settlement set forth in the Stipulation.

16 3. The Court preliminarily approves: (1) the Settlement of the Litigation
17 with respect to the Parties as set forth in the Stipulation; and (2) the proposed Plan
18 of Allocation described in the Notice, pending a final hearing on the Settlement
19 and subject to the right of any Class Member to challenge the fairness,
20 reasonableness, and adequacy of the Stipulation or the proposed Plan of
21 Allocation, and to show cause, if any exists, why a final judgment dismissing the
22 Action against the Defendants and otherwise finally approving the Stipulation
23 should not be ordered herein after due adequate notice to the Class has been given
24 in conformity with this Order.

25 4. Pursuant to Fed. R. Civ. P. Rule 23(e), a final hearing (the “Settlement
26 Hearing”) shall be held on December 7, 2009, at 10:00 a.m., in the United States
27 District Court for the Central District of California, the Honorable Manuel L. Real

1 presiding, to:

- 2 a. determine whether the Settlement should be approved by the Court as
- 3 fair, reasonable, adequate, and in the best interests of the Class;
- 4 b. determine whether the Plan of Allocation for the proceeds of the
- 5 Settlement should be approved by the Court as fair and reasonable;
- 6 c. rule on Lead Counsel's application for an award of attorney's fees and
- 7 the reimbursement of litigation expenses;
- 8 d. rule on Class Representative's application for reimbursement of time
- 9 and expenses;
- 10 e. determine whether the Final Order and Judgment should be entered
- 11 pursuant to the Stipulation, *inter alia*, dismissing the Litigation
- 12 against Defendants with prejudice and releasing all Released Claims
- 13 (as defined in the Stipulation); and
- 14 f. rule on such other matters as the Court may deem appropriate.

15 5. Lead Counsel shall cause notice of the proposed Settlement and the
16 Settlement Hearing to be provided to potential members of the Class as follows:

- 17 a. Within thirty (30) days after entry of this Order, Lead Counsel shall
- 18 cause a Notice of Pendency and Proposed Settlement of Class Action
- 19 and Settlement Hearing ("Notice") and Proof of Claim and Release
- 20 Form ("Proof of Claim"), substantially in the forms annexed hereto as
- 21 Exhibit A-1 and A-2, to be mailed by first class mail, postage pre-
- 22 paid, to persons or entities who can be identified from Tag-It's
- 23 transfer and other records as potential members of the Class.
- 24 b. Within thirty (30) days after entry of this Order, Lead Counsel shall
- 25 cause the Notice to be mailed to all brokers or other institutions that
- 26 the transfer records, or other information, indicate may have held Tag-
- 27 It common stock in street name, or as nominees for class members.

1 Such nominees who hold or held Tag-It common stock purchased on
2 the open market for class members are directed (a) to provide the
3 Administrator with lists of the names and last known addresses of the
4 beneficial owners for whom they purchased Tag-It common stock
5 during the Class Period on the open market within ten (10) business
6 days of receipt of the Notice, or (b) to request additional copies of the
7 Notice and Proof of Claim within ten (10) business days of receipt of
8 the Notice. If the nominee elects to send the Notice to beneficial
9 owners, the nominee is directed to mail, either by first class mail,
10 postage prepaid, or by e-mail (for those accounts for which the
11 nominee has current e-mail addresses) the Notice and Proof of Claim
12 within seven (7) business days of receipt of the copies of the Notice
13 from the Administrator and upon such mailing the nominee shall send
14 a statement to the Administrator confirming that the mailing was
15 made as directed, and providing the Administrator with a list of the
16 names and addresses of the persons and entities to whom the Notice
17 was mailed. Nominees who elect to mail the Notice to their
18 customers are directed to retain the list of names and addresses of the
19 persons and entities to whom the Notice was mailed so that it will be
20 available for future mailings. Upon full compliance with this Order,
21 such nominees may seek reimbursement from the settlement fund of
22 their reasonable expenses actually incurred in complying with this
23 Order, which expenses would not have been incurred except for the
24 sending of such Notice, by providing the Administrator with proper
25 documentation supporting the expenses for which reimbursement is
26 sought, subject to further order of this Court with respect to any
27 dispute concerning such compensation.

1 c. The Notice shall inform the nominees that they are directed by this
2 Order to retain all records of trading in Tag-It common stock during
3 the Class Period pending final determination of this Action.

4 d. Within ten (10) business days after the mailing of the Notice, Lead
5 Counsel shall cause a summary notice (the "Summary Notice"),
6 substantially in the form annexed as Exhibit A-3, to be published once
7 in Investors' Business Daily.

8 6. Lead Counsel shall file with the Court proof of mailing of the Notice
9 and Proof of Claim and publication of the Summary Notice at least seven (7) days
10 prior to the Settlement Hearing.

11 7. As soon as reasonably practicable, to the extent it has not already been
12 done, Tag-It or its transfer agent shall provide the Claims Administrator with
13 shareholder information to the extent reasonably available in the records of Tag-It
14 or its transfer agent, providing the identity of all class members or record holders
15 of the common stock of Tag-It during the Class Period. To the extent available
16 and practicable, this information shall be in computer readable form and shall
17 contain the names and addresses of such persons. Tag-It shall bear all reasonable
18 costs or expenses associated with providing the Claims Administrator with the
19 above-described shareholder information from its or its agents' records.

20 8. The Notice and Proof of Claim shall also be placed on the Claims
21 Administrator's website.

22 9. Lead Counsel may retain, as a reimbursable expense from the
23 Settlement Fund, an Administrator or other agent to assist in providing the Notice,
24 Summary Notice, and Proof of Claims, as well as receiving requests for exclusion
25 and communicating with Class Members. Any such requests for exclusion shall be
26 produced to Defendants' counsel within three (3) business days after receipt by
27 Lead Counsel.

1 10. The Court appoints Rust Consulting Inc. as Claims Administrator to
2 supervise and administer the notice and claims procedures set forth in the
3 Stipulation. The Parties and their counsel shall not be liable in any way for any act
4 or omission of the Claims Administrator.

5 11. The Court appoints Signature Bank, Signature Bank, 261 Madison
6 Avenue, New York, NY 10016, as Escrow Agent for the Settlement Fund.

7 12. The Escrow Agent is authorized and directed to cause to have
8 prepared any tax returns and any other tax reporting for or in respect of the
9 Settlement Fund and paying from the Settlement Fund any Taxes owed with
10 respect to the Settlement Fund, and to otherwise cause to be performed all
11 obligations with respect to Taxes and any reporting or filings in respect thereof as
12 contemplated by the Stipulation, without further order of the Court.

13 13. The Notice and Summary Notice shall provide that Class Members
14 may exclude themselves from the Class. However, to be effective, any request for
15 exclusion from the Class must be mailed to the address(es) provided in the Notice,
16 and must be postmarked on or before sixty (60) days from the date of initial
17 mailing of the Notice, and the Notice shall so inform Class Members. A Request
18 for Exclusion must state: (1) the name, address, and telephone number of the
19 person requesting exclusion; (2) the person's purchases and sales of Tag-It
20 common stock on the open market made during the Class Period, including the
21 dates, the number of shares of Tag-It common stock purchased or sold, the price(s)
22 paid or received per share of Tag-It common stock for each such purchase or sale,
23 and whether such person continues to hold such Tag-It common stock; (3) the
24 amount or number of shares of Tag-It common stock held as of the beginning of
25 the Class Period on March 28, 2003; and (4) that the person wishes to be excluded
26 from the Class.

27 14. All persons who submit valid and timely Requests for Exclusion in
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1 the manner set forth in above paragraph and the Notice shall have no rights under
2 the Stipulation and shall not share in the distribution of the Net Settlement Fund.
3 Any member of the Class who fails to properly and timely request exclusion shall
4 be included in the Class and be bound by any orders or judgment in the Litigation.

5 15. The Court approves the form and the content of the Notice, the Proof
6 of Claim, and the Summary Notice, annexed hereto as Exhibits A-1, A-2, and A-3,
7 respectively, and finds that the procedures for publication, mailing, and distribution
8 of these notices substantially in the manner and form set forth in this Order
9 constitute the best notice practicable under the circumstances to members of the
10 Class, and are in full compliance with and satisfy the requirements of Rule 23 of
11 the Federal Rules of Civil Procedure, §21D(a)(7) of the Private Securities
12 Litigation Reform Act of 1995 (the “PSLRA”), and constitutional due process.

13 16. The Court approves, as to form and content, the Notice of Settlement
14 to Federal and/or State Officials annexed as Exhibit C to the Stipulation, and finds
15 that such notification(s) fully apprises the appropriate officials of the proposed
16 settlement, and fully complies with the applicable requirements of the Class Action
17 Fairness Act (“CAFA”), 28 U.S.C. §§1711 *et seq.*

18 17. Not later than 10 days following the entry of this Order, Defendants
19 shall cause the Notice of Settlement to Federal and/or State Officials, along with
20 the accompanying materials referenced therein, to be served upon the appropriate
21 State official of each State and the Attorney General of the United States. For
22 purposes of compliance with CAFA, the Claims Administrator shall be permitted
23 to compile all of the relevant documents into a single compact disc for delivery to
24 the Federal and/or State Officials. Plaintiff, Defendants, and the Claims
25 Administrator shall have no duty to supplement this CAFA notice.

26 18. Any Class Member may enter an appearance in the Action, at his own
27 expense, individually or through counsel of his own choice. If any Class Member
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1 does not enter an appearance, he will be represented by Plaintiffs' Counsel.

2 19. Any Class Member who wishes to participate in the Net Settlement
3 Fund must submit a valid Proof of Claim to the Claims Administrator, at the
4 address indicated in the Notice, postmarked not later than January 21, 2010. Such
5 deadline may be further extended by Court order. Proofs of Claim shall be deemed
6 to have been submitted when postmarked, if mailed by first class, or registered or
7 certified mail, postage prepaid, addressed in accordance with the instructions given
8 in the Proof of Claim. All other Proofs of Claim shall be deemed to have been
9 submitted at the time they are actually received by the Claims Administrator.

10 20. To be valid, a Proof of Claim must: (1) be completed in a manner that
11 permits the Claims Administrator to determine the eligibility of the claim as set
12 forth in the Proof of Claim; (2) include the release by the Claimant of all Released
13 Parties as set forth in the Stipulation; and (3) be signed with an affirmation that the
14 information is true and correct. All Class Members who do not submit valid and
15 timely Proofs of Claim shall be forever barred from receiving any payments from
16 the Net Settlement Fund, but will in all other respects be subject to and bound by
17 the provisions of the Stipulation and Final Order and Judgment, if entered.

18 21. Any member of the Class who timely and properly objects to the
19 Settlement, the Plan of Allocation, the application for attorneys' fees and
20 reimbursement of expenses, and/or the Class Representative application for
21 reimbursement of time and expenses, or who otherwise wishes to be heard, may
22 appear in person or by his, her, or its attorney, at his, her, or its own expense, at the
23 Hearing and present evidence or argument that may be proper or relevant;
24 *provided, however*, that no person other than the parties and their counsel shall be
25 heard, and no papers, briefs, pleadings, or other documents submitted by any
26 person shall be considered by the Court unless on or before November 23, 2009
27 such person files with the Court and serves upon counsel listed below: (1) a written

1 statement of such person’s objections to any matters before the Court concerning
 2 this Settlement; (2) the grounds therefore or the reasons that such person desires to
 3 appear and be heard, as well as all documents or writings such person desires the
 4 Court to consider; (3) whether that person intends to present any witnesses; and (4)
 5 the person’s purchases, acquisitions and sales of Tag-It common stock made
 6 during the Class Period, including the dates, the number of shares of Tag-It
 7 common stock purchased, acquired or sold, the price(s) paid or received per share
 8 of Tag-It common stock for each such purchase, acquisition or sale, and whether
 9 such person continues to hold such Tag-It common stock at the time the statement.
 10 Counsel to be served with such papers are:

11 Peter M. Stone, Esq. 12 Jay C. Gandhi, Esq. Paul Hastings Janofsky & Walker LLP 13 695 Town Center Drive, 17th Floor 14 Costa Mesa, CA 92626-1924 e-mail: peterstone@paulhastings.com 15 jaygandhi@paulhastings.com	Howard M. Privette, Esq. Paul Hastings Janofsky & Walker LLP 515 South Flower Street Twenty Fifth Floor Los Angeles, CA 90071 0705 e-mail: howardprivette@paulhastings.com
16 Marian P. Rosner, Esq. Wolf Popper LLP 17 845 Third Avenue 18 New York, New York 10022 19 e mail: IRRep@wolfpopper.com	Lionel Z. Glancy, Esq. Glancy Binkow & Goldberg LLP 1801 Avenue of the Stars, Suite 311 Los Angeles, California 90067 e mail: info@glancylaw.com

20 22. Any Class Member who does not object to the Settlement, and/or the
 21 Plan of Allocation or any other matter to be heard at the Settlement Hearing in the
 22 manner provided for herein shall be deemed to have waived such objection and
 23 shall forever be foreclosed from making any objection to the fairness, adequacy or
 24 reasonableness of the proposed Settlement and the Plan of Allocation, or to the
 25 application by Plaintiffs’ counsel for an award of attorneys fees and payment of
 26 expenses, or to the award to the Lead Plaintiff pursuant to the Private Securities
 27 Litigation Reform Act, or to the Final Order and Judgment to be entered approving
 28 the Settlement.

1 23. If the Settlement is approved, all Class Members will be bound by the
2 proposed Settlement provided for in the Stipulation, and by any judgment or
3 determination of the Court affecting Class Members, regardless of whether or not
4 such Class Members submit a Proof of Claim.

5 24. If this Settlement, including any amendment made in accordance with
6 the Stipulation, is not approved by the Court or shall not become effective for any
7 reason whatsoever, the Settlement (including any modification thereof) made with
8 the consent of the parties as provided for in the Stipulation, and any actions taken
9 or to be taken in connection therewith (including this Order and any judgment
10 entered herein), shall be terminated and shall become void and of no further force
11 and effect except as set forth in the Stipulation.

12 25. Pending final determination of whether the Settlement should be
13 approved, all proceedings in the action against the Released Parties, other than
14 such proceedings as may be necessary to carry out the terms and conditions of the
15 Settlement, are hereby stayed and suspended until further order of this Court.
16 Pending final determination whether the Settlement should be approved, the Class
17 Representative and all members of the Class are barred and enjoined from
18 commencing, prosecuting, continuing, or asserting any action asserting any claims
19 against the Released Parties that are or relate in any way to the Settled Claims as
20 defined in the Stipulation.

21 26. The Released Persons shall have no responsibility or liability
22 whatsoever with respect to the Plan of Allocation or Lead Counsel's application
23 for an award of attorneys' fees and payment of litigation expenses or Lead
24 Plaintiff's application for reimbursement of reasonable time and expenses. The
25 Plan of Allocation, Lead Counsel's application for an award of attorneys' fees and
26 payment of litigation expenses, and Lead Plaintiff's application for reimbursement
27 of reasonable time and expenses will be considered separately from the fairness,
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1 reasonableness and adequacy of the settlement. At or after the Settlement Hearing,
2 the Court will determine whether Lead Counsel's proposed Plan of Allocation
3 should be approved, the amount of attorneys' fees and litigation expenses to be
4 awarded to Lead Counsel, and Lead Plaintiff's application for reimbursement of
5 reasonable time and expenses. Any appeal from any orders relating to the Plan of
6 Allocation or Lead Counsel's application for an award of attorneys' fees and
7 litigation expenses, or Lead Plaintiff's application for reimbursement of reasonable
8 time and expenses, or reversal or modification of any order(s) thereon, shall not
9 operate to terminate or cancel the settlement, or affect or delay the finality of
10 Judgment approving the Stipulation and the settlement of the Action set forth
11 therein.

12 27. The contents of the Settlement Fund shall be deemed and considered
13 to be in *custodia legis* of the Court, and shall remain subject to the jurisdiction of
14 the Court, until such time as the contents of those funds shall be distributed
15 pursuant to the Stipulation and/or further order(s) of the Court.

16 28. Neither the Stipulation nor any terms or provisions contained in the
17 Stipulation, nor any negotiations, statements, or proceedings in connection
18 therewith, nor any action undertaken pursuant thereto shall be construed as, or
19 deemed to be evidence of, an admission or concession on the part of any Defendant
20 or any other person of any liability, wrongdoing, or fault by them, or any of them,
21 and shall not be offered or received in evidence in any action or proceeding, or be
22 used in any way as an admission, concession, or evidence of any liability,
23 wrongdoing, or fault of any nature, and shall not be construed as, or deemed to be
24 evidence of, an admission or concession that the Class Representative, any member
25 of the Class, or any other person, has or has not suffered any damage.

26 29. Any party making submissions to the Court in support of approval of
27 the Settlement or the Plan of Allocation, or in support of Lead Counsel's
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1 application for an award of attorneys' fees and reimbursement of litigation
2 expenses, or for an award under the Private Securities Litigation Reform Act to
3 Lead Plaintiff, shall do so by seven (7) calendar days before the date scheduled for
4 the Settlement Hearing.

5 30. Only Class Members, Plaintiff's Counsel, and the Lead Plaintiff shall
6 have any right to any portion of, or any rights in the distribution of the Settlement
7 Fund unless otherwise ordered by the Court or as otherwise provided for above or
8 in the Stipulation.

9 31. The Court authorizes payment out of the Settlement Fund of notice
10 and administration expenses in accordance with the Stipulation.

11 32. As set forth in the Stipulation, the proceeds of the Settlement Fund
12 may be used to pay all reasonable costs and expenses in providing the Notice,
13 Proof of Claim forms, and the Summary Notice to the Class, locating Class
14 Members, soliciting claims, assisting with the filing of the claims, administering
15 and distributing the Net Settlement Fund, processing Claim Forms, and paying
16 taxes, escrow fees and costs. In the event the Court does not approve the
17 Settlement, or it otherwise fails to become effective, neither Lead Plaintiff nor any
18 of his counsel shall have any obligation to repay any amounts actually and properly
19 incurred or disbursed for such purposes.

20 33. There shall be no distribution of the Net Settlement Fund to Class
21 Members who filed valid Proof of Claims until a plan of allocation is finally
22 approved and is affirmed on appeal or is no longer subject to review by appeal or
23 *certiorari* and the time for any petition for rehearing, appeal, or review has
24 expired.

25 34. The Court may, for good cause, extend any deadlines set forth in this
26 order without further notice to Class Members.

27 35. The Court reserves the right to adjourn or continue the Settlement
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1 Hearing or any adjournment or continuance thereof, including the consideration of
2 the application for attorneys' fees and reimbursement of litigation expenses,
3 without further notice of any kind to Class Members.

4 36. The Court reserves the right to approve the Settlement at or after the
5 Settlement Hearing with such modification as may be consented to by the Parties
6 and without further notice to the Class.

7 37. The court retains jurisdiction of this Litigation to consider all further
8 applications or matters arising out of or connected with the proposed Settlement.

9 DATED: August 24, 2009



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12 The Honorable Manuel L. Real
13 UNITED STATES DISTRICT JUDGE
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