

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

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)

NOTICE OF PENDENCY AND PROPOSED SETTLEMENT OF CLASS ACTION AND SETTLEMENT HEARING

TO: ALL PERSONS AND ENTITIES WHO PURCHASED OR OTHERWISE ACQUIRED TAG-IT PACIFIC, INC. (NOW KNOWN AS TALON INTERNATIONAL, INC.) ("TAG-IT") COMMON STOCK ON THE OPEN MARKET DURING THE PERIOD BETWEEN MARCH 28, 2003 AND AUGUST 22, 2005, INCLUSIVE ("CLASS PERIOD") AND WHO WERE DAMAGED THEREBY (the "CLASS")

- The Settlement resolves the above-captioned lawsuit (the "Litigation"). The Litigation concerns allegations that investors purchased or acquired Tag-It common stock at allegedly artificially inflated prices on the stock market as a result of Defendants' dissemination of allegedly materially false and misleading statements about, among other things, the loss of its two largest customers, and inventory and accounts receivables problems. Defendants have expressly denied and continue to deny all allegations of wrongdoing or liability whatsoever, and believe they complied with all applicable laws.
- The Settlement provides for a fund of five million seven hundred fifty thousand dollars (\$5,750,000) plus interest earned ("Settlement Fund") for the benefit of class members who purchased or acquired Tag-It common stock during the Class Period on the open market.
- Your legal rights are affected whether or not you act. Read this Notice carefully.
- The Court in charge of this case still has to decide whether to approve the Settlement. Payments will be made if the Court approves the Settlement and after any appeals are resolved. Please be patient.

A federal court authorized this Notice. This is not a solicitation from a lawyer.

YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT	
SUBMIT A PROOF OF CLAIM FORM (by January 21, 2010)	The only way to get a payment. A copy of the Proof of Claim form is enclosed and is also available at www.tag-itclassactionsettlement.com or www.wolfpopper.com .
EXCLUDE YOURSELF (by November 23, 2009)	Get no payment. This is the only option that allows you to ever be part of any other lawsuit about the legal claims in this case.
OBJECT (by November 23, 2009)	File with the Clerk of the Court your written objections about why you do not like the Settlement, the Plan of Allocation, counsel's request for fees and expenses, or the reimbursement to the Lead Plaintiff for time and expenses.
GO TO A HEARING (on December 7, 2009)	Ask to speak in Court concerning the fairness of the Settlement, the Plan of Allocation, counsel's request for fees and expenses, or the reimbursement to the Lead Plaintiff for time and expenses.
DO NOTHING	Get no payment. Give up rights.

SUMMARY NOTICE

Securities and Time Period:

The Settlement relates to Tag-It common stock. In order to be considered part of the Class, you must have purchased or acquired Tag-It common stock during the Class Period on the open market, and not be otherwise excluded.

Settlement Fund and Lead Plaintiff's Statement of Recovery:

The Settlement Fund consists of five million seven hundred and fifty thousand dollars (\$5,750,000) plus interest earned. Plaintiff believes that this Settlement represents a substantial recovery for the Class based on the estimated damages and the risks and delays of proceeding through trial and certain appeals therefrom. Your recovery will depend on the number of shares of Tag-It common stock you purchased or acquired on the open market, and the timing of those transactions. It will also depend on the number of valid Proof of Claim forms that members of the Class submit and the amount of such claims. Assuming that all of the investors who purchased or acquired Tag-It common stock during the Class Period and suffered damages participate in this Settlement, Plaintiff's Counsel estimates that the estimated average distribution will be approximately \$0.38 per share of Tag-It common stock before the deduction of Court-approved fees and expenses as described in Question 18 below and the cost of notice and claims administration. Historically, fewer than all eligible investors submit claims.

Defendants disagree with Lead Plaintiff on the liability of Defendants and on the average amount of damages per share, if any, that would be recoverable if the Lead Plaintiff were to prevail on each claim alleged. Defendants deny that they are liable in any respect or that Lead Plaintiffs suffered any injury. The issues on which the parties disagree include, but are not limited to: (1) whether the statements made or facts allegedly omitted were material, false, misleading, or whether the Defendants are otherwise liable under the securities laws for those statements or omissions; (2) the appropriate economic model for determining the amount by which the prices of Tag-It common stock were allegedly artificially inflated (if at all) during the Class Period; (3) the amount by which the prices of Tag-It common stock were allegedly artificially inflated (if at all) during the Class Period; (4) the effect of various market forces influencing the trading prices of Tag-It common stock at various times during the Class Period; (5) the extent to which external factors, such as general market and industry conditions, influenced the trading prices of Tag-It common stock at various times during the Class Period; (6) the extent to which the various matters that Lead Plaintiff alleged were materially false or misleading influenced (if at all) the trading prices of Tag-It common stock at various times during the Class Period; and (7) the extent to which the various allegedly adverse material facts that Lead Plaintiff alleged were omitted influenced (if at all) the trading prices of Tag-It common stock at various times during the Class Period.

Fees and Expenses:

The fee and expense applications are subject to the approval of the Court. At the Settlement Hearing, Plaintiff's Counsel will request the Court award attorneys' fees of 30% of the Settlement Fund, plus payment of expenses, not to exceed \$250,000, which were incurred in connection with the Litigation, plus interest thereon. (This fee request amounts to less than 50% of the actual time value of more than \$3.7 million spent by Plaintiff's Counsel in the prosecution of the case.) In addition, Lead Plaintiff may seek compensation pursuant to the Private Securities Litigation Reform Act of 1995 ("PSLRA") of a total of \$15,000 for his reasonable expenses incurred (including lost wages) in prosecuting the Litigation. This compensation will be paid from the Settlement Fund. If the amounts requested are awarded by the Court, the average cost per share of Tag-It common stock will be \$0.13 (this amount will vary depending on the number of claims submitted). Class Members are not personally liable for any such fees or expenses. To date, Plaintiff's Counsel have not received any payment for their services in conducting the Litigation nor have counsel been paid for their expenses incurred.

Reasons for the Settlement:

For the Class Representative, the principal reason for the Settlement is the immediate benefit of a cash recovery for the Class. This benefit must be compared to the risk that no recovery or a smaller recovery might be achieved after more motion practice and litigation through a contested trial and certain appeals thereafter, possibly years into the future. For Defendants, who deny all allegations of wrongdoing, the principal reason for the Settlement is to eliminate the expense, risks, and uncertain outcome of the Litigation.

Further Information:

Further information regarding the Litigation and this Notice may be obtained by contacting the Claims Administrator at 877-874-7560, or Lead Counsel at irep@wolfpopper.com, or by visiting www.tag-itclassactionsettlement.com or www.wolfpopper.com. **Please Do Not Call the Court or Tag-It With Questions About the Settlement.**

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BASIC INFORMATION

1. Why did I get this notice package?

You or someone in your family may have purchased or acquired Tag-It common stock on the open market during the Class Period. The Court directed that Class Members be sent this Notice because they have a right to know about a proposed settlement of a class action lawsuit, and about all of their options, before the Court decides whether to approve the Settlement. If the Court approves it and after objections and appeals (if there are any) are resolved, an administrator appointed by the Court will make the payments that the Settlement allows. This package explains the lawsuit, the settlement, your legal rights, what benefits are available, who is eligible for them, and how to get them.

The Court in charge of the case is the United States District Court for the Central District of California, and the case is known as Huberman v. Tag-It Pacific, Inc., et al. The person who sues is called the plaintiff. The Lead Plaintiff, Seth Huberman ("Lead Plaintiff"), was appointed by the Court to supervise the Litigation on behalf of the Class. The people being sued, Tag-It, and certain of its former officers and directors, Colin Dyne, Mark Dyne, Ronda Ferguson and August F. DeLuca (the "Individual Defendants"), are called the Defendants.

2. What is this lawsuit about?

This case was brought as a class action alleging that Defendants violated §§10(b) (and SEC Rule 10b-5 issued thereunder) and 20(a) of the Securities and Exchange Act of 1934, by, among other things, making false and misleading statements in press releases and quarterly and annual reports filed with the U.S. Securities and Exchange Commission, misstating Tag-It's financial condition, accounts receivable, accounts payable and inventory, and falsely stating that Tag-It, notwithstanding the loss of its largest customers, was expanding its customer base, continuing sales growth, and improving gross margins. Plaintiff alleges that largely as a result of the loss of its largest customers, millions of dollars in inventory became obsolete and accounts receivable became uncollectible, and that Tag-It was not continuing profitable sales growth. Plaintiff alleges that Tag-It was having serious cash flow problems and that Defendants undertook efforts to hide Tag-It's deteriorating financial condition and that it was only

towards the end of the Class Period that Tag-It took the steps necessary to write-off its obsolete inventory and to properly write-off or reserve for accounts receivable. Plaintiff alleges that Defendants engaged in this conduct to raise money to prevent Tag-It from going bankrupt. The Complaint further alleges that Lead Plaintiff and other Class Members purchased Tag-It common stock during the Class Period at prices artificially inflated as a result of Defendants' dissemination of materially false and misleading statements.

Defendants deny all allegations of misconduct contained in the Complaint, and deny having engaged in any wrongdoing. Defendants assert that their public statements were accurate at the times made and were not intended to, and did not, defraud purchasers of Tag-It common stock.

On January 24, 2006, the Court appointed Mr. Huberman to serve as the Lead Plaintiff for the Litigation pursuant to 15 U.S.C. §78u-4(b)(3)(B), and approved his selection of Wolf Popper LLP, 845 Third Avenue, New York, NY 10022 as Lead Counsel and Glancy Binkow & Goldberg LLP, 1801 Avenue of the Stars, Suite 311, Los Angeles, CA 90067 to serve as Liaison Counsel for the Class.

On March 13, 2006, Plaintiff filed an Amended Complaint (the "Complaint") against Defendants Tag-It, Colin Dyne (Tag-It's then President and Chief Executive Officer), Mark Dyne (the then Chairman of Tag-It's Board of Directors), Ronda Ferguson (Tag-It's former Chief Financial Officer), and August F. DeLuca (another former Chief Financial Officer of Tag-It).

Defendants moved to dismiss the Complaint pursuant to Federal Rules of Civil Procedure 9(b) and 12(b)(6) and the PSLRA, and on July 17, 2006, the Court denied Defendants' motions. Following the filing with the Court of the parties' Joint Report of Early Meeting pursuant to Rules 16 and 26 of the Federal Rules of Civil Procedure and the Local Rules of the Court on October 10, 2006, Plaintiff commenced discovery on October 11, 2006 by serving his first request for production of documents. By an order entered on December 27, 2006, the Court set a pretrial schedule requiring the completion of discovery by March 19, 2007, other pretrial proceedings, and set the trial for May 1, 2007. Plaintiff filed his motion to have the Litigation certified to proceed as a class action on January 16, 2007. On February 20, 2007, the Court denied the class certification motion. The parties engaged in document review and numerous discovery disputes, as well as extensive motion practice before the Court. On March 12, 2007, Defendants filed a motion for summary judgment, which Plaintiff opposed on March 19, 2007. On April 2, 2007, the Court granted Defendants' motion for summary judgment.

On March 1, 2007, the parties participated in a mediation session in San Francisco with mediator Honorable Daniel Weinstein (Ret.) in an attempt to resolve the Litigation. In advance of the mediation, the parties prepared detailed mediation statements in which they presented their respective views regarding the merits of the Litigation as well as their views concerning available defenses, the evidence and damages analyses. The mediation was unsuccessful.

Plaintiff appealed the Court's grant of summary judgment to Defendants, as well as the Court's denial of Plaintiff's motion for class certification and other adverse rulings by the Court.

On January 16, 2009, the United States Court of Appeals for the Ninth Circuit ("Court of Appeals"), among other things, reversed the dismissal of the Litigation and the grant of summary judgment to Defendants and remanded the action with the direction to grant class certification. *Huberman v. Tag-It Pacific Inc.*, 2009 U.S. App. LEXIS 2780, at *10 (9th Cir. Jan 16, 2009). The Court of Appeals also ordered the Court to "modify the pretrial scheduling order to allow a reasonable period of time to enable the parties to complete discovery."

Following the reversal of the Court's dismissal of the Litigation by the Court of Appeals, on June 15, 2009, the Court entered its pretrial scheduling Order, ordering, among other things, that discovery be completed by July 30, 2009 and that trial commence on September 29, 2009.

On March 27, 2009, the parties participated in another mediation session in San Francisco with mediator Honorable Daniel Weinstein (Ret.) in an attempt to resolve the Litigation. The parties again prepared detailed mediation statements and presented their respective views regarding the merits of the Litigation following the reversal by the Ninth Circuit, as well as their views concerning available defenses, the evidence and damages analyses. The mediation session was unsuccessful. The mediator appointed an independent expert to advise him and the parties regarding potential damages in the Litigation, taking into account the damages arguments of both Plaintiff and Defendants. The parties thereafter conducted further mediation through Judge Weinstein. After these comprehensive arm's-length negotiations, the parties reached the proposed agreement to settle the Litigation, subject to Court approval.

3. Why is this Litigation a class action?

In a class action, one or more people called class representatives (in this case the Lead Plaintiff) sue on behalf of people who have similar claims. All of these people and/or entities are a class or members of the class. Bringing a case, such as this one, as a class action allows adjudication of many similar claims that might be economically too small to bring in individual actions. One court resolves the issues for all members of the class, except for those who exclude themselves from the class.

4. Why is there a settlement?

After almost four years of litigation, the parties reached an agreement to settle this case. The settlement reflects a compromise that resolves the Class' claims without trial. The settlement was reached before a trial, and the Court did not decide in favor of Lead Plaintiff or Defendants. Instead, the lawyers for both sides of the Litigation have negotiated a settlement, with the assistance of a highly respected mediator, the Honorable Daniel Weinstein (Ret.), that they believe is in the best interests of their respective clients. The settlement allows both sides to avoid the risks and cost of lengthy and uncertain litigation and the uncertainty of a trial and appeals, and permits Class Members to be compensated without further delay. The Lead Plaintiff and his attorneys believe that the Settlement is in the best interest of Class Members.

WHO IS IN THE SETTLEMENT

To see if you will get money from this Settlement, you first have to decide if you are a Class Member.

5. How do I know if I am part of the Settlement?

The Class includes all Persons who purchased or acquired Tag-It common stock on the open market between March 28, 2003 and August 22, 2005, inclusive, and who were damaged thereby.

6. Are there exceptions to being included in the Class?

Yes. Excluded from the Class are: Defendants; members of the immediate family of each of the Individual Defendants; any subsidiary or affiliate of Tag-It; the directors, officers, managing directors, principals and partners of Tag-It; any entity in which any excluded person has a controlling interest; and the legal representatives, heirs, successors and assigns of any such excluded person. Also excluded from the Class are those Persons who timely and validly request exclusion from the Class. Persons who purchased all of their Tag-It common stock before April 1, 2005 and sold all those shares of common stock before April 1, 2005, are not members of the Class.

Also, other types of stock or securities of Tag-It are not included in Class. For example, if you purchased Tag-It preferred stock, or purchased Tag-It common stock through a privately-negotiated transaction, through a private placement, directly from Tag-It, or through the conversion of any preferred stock or other convertible security of Tag-It that you owned, those shares of common stock are not included in the Class. Only shares of common stock that were purchased or acquired in an open market transaction through a stock exchange are included in the Class.

7. I'm still not sure if I am included.

If you still are not sure whether you are included, you can ask for free help. You can call the Claims Administrator at 1-877-874-7560 or visit www.tag-itclassactionsettlement.com for more information. If you wish, you may also contact your own attorney.

THE SETTLEMENT BENEFITS

8. What does the Settlement provide?

In exchange for the settlement and dismissal of the Litigation, Defendants' insurance carriers paid the Settlement Fund the sum of five million seven hundred and fifty thousand dollars (\$5,750,000). The Settlement Fund (less certain Court authorized expenses) is being invested in interest-bearing U.S. government securities and that interest is being accrued and reinvested for the benefit of the Class. These funds will be distributed proportionately to eligible Class Members who send in valid Proof of Claim forms, after payment of Plaintiff's Counsel's legal fees and expenses and any award to Lead Plaintiff for his time, expense and effort in representing the Class, and the expenses and the costs of claims administration, including the costs of printing and mailing this Notice and the cost of publishing notice, as approved by the Court.

9. How much will my payment be?

Your share of the fund will depend on the number of shares of Tag-It common stock represented by valid Proof of Claim forms that Class Members send in and the dollar amount of those claims, how many shares of Tag-It common stock you held, and when you bought and sold them. A claim will be calculated as follows: The Settlement Fund less taxes, notice and administration costs, attorneys' fees and litigation expenses ("Net Settlement Fund") will be distributed to Class Members who submit valid, timely Proof of Claim forms ("Claimants") under the Plan of Allocation (the "Plan") described below. The Plan provides that Claimants will be eligible to participate in the distribution of the Net Settlement Fund only if Claimants have a net loss on all their transactions in Tag-It common stock during the Class Period.

To the extent there are sufficient funds in the Net Settlement Fund, each Claimant will receive an amount equal to the Claimant's "Recognized Loss," as defined below. If, however (and as is much more likely), the amount in the Net Settlement Fund is not sufficient to permit payment of the total Recognized Loss of each Claimant, then each Claimant shall be paid the percentage of the Net Settlement Fund that each Claimant's claim bears to the total of the Recognized Losses of all Claimants. Payment in this manner shall be deemed conclusive against all Claimants. The Plan of Allocation has been prepared by Plaintiff's Counsel with the assistance of a damages expert who took into account the report of the expert appointed by the mediator who reviewed the parties' submissions with respect to damages. Defendants do not agree with the characterization that any damages were suffered by Lead Plaintiff or the Class.

HOW YOU GET A PAYMENT – SUBMITTING A CLAIM FORM

10. How can I get a payment?

To qualify for a payment, you must send in a Proof of Claim form. A Proof of Claim form is enclosed with this Notice. You may also get a Proof of Claim form from the Claims Administrator at: Tag-It Class Action Settlement, c/o Rust Consulting, Inc., P.O. Box 2224, Faribault, MN 55021-1624, or from the Internet at either www.tag-itclassactionsettlement.com or www.wolfpopper.com. Read the instructions carefully, fill out the form, include all the documents the form asks for, sign it, and mail it to the Claims Administrator at the above address postmarked not later than January 21, 2010.

11. When would I get my payment?

The Court will hold a Settlement Hearing on December 7, 2009 to decide whether to approve the Settlement. Even if the Court approves the Settlement, there could be objections and there could be appeals. Resolving these can take time, perhaps more than a year. It also takes time for all the Proof of Claim forms to be processed. If there are no appeals and depending on the number of claims submitted, the Claims Administrator could distribute the Settlement Fund within about a year after the deadline for filing the Proof of Claim forms. Please be patient. You can always contact Lead Counsel for information.

12. What am I giving up to get a payment or stay in the Class?

Unless you exclude yourself, you are staying in the Class, and that means you cannot sue, or be part of any other lawsuit against the Defendants about the same issues or the claims that were or could have been raised in the Litigation. To receive the payment under the Settlement, if the Settlement is approved, you must release all “Released Claims” against Defendants and their “Related Parties” (as defined below).

“**Released Claims**” means all rights, demands, liabilities, claims (including “Unknown Claims” as defined in the Stipulation) and causes of action of every nature and description whatsoever, at law or in equity, accrued or unaccrued, whether known or unknown, whether or not concealed or hidden, whether fixed or contingent, liquidated or un-liquidated, matured or un-matured, whether class or individual in nature and whether arising under federal, state, common or foreign law, including, without limitation, claims for negligence, gross negligence, recklessness, breach of duty of care and/or breach of duty of loyalty, fraud, misrepresentation, mismanagement, breach of fiduciary duty, that Lead Plaintiffs or any member of the Class asserted, or could have asserted, arising out of, or relating to, directly or indirectly, the purchase or acquisition of Tag-It common stock on the open market during the Class Period, and the facts, matters, allegations, transactions, events, disclosures, statements, acts or omissions which were alleged or that could have been alleged in the Complaint.

“**Related Parties**” means, with respect to each Defendant, the immediate family members, heirs, executors, administrators, successors, assigns, present and former employees, officers, directors, attorneys, legal representatives, insurers, reinsurers, and agents of each of them, and any person or entity which is or was related to or affiliated with any Defendant or in which any Defendant has or had a controlling interest and the present and former parents, subsidiaries, divisions, affiliates, predecessors, successors, employees, officers, directors, attorneys, assigns, legal representatives, insurers, reinsurers, and agents of each of them.

“**Unknown Claims**” means all claims, demands, rights, liabilities, and causes of action of every nature and description which Lead Plaintiff or any Class Member does not know or suspect to exist in his, her or its favor at the time of the release of the Released Persons which, if known by him, her or it, might have affected his, her or its settlement with and release of the Released Persons, or might have affected his, her or its decision not to object to this settlement with respect to any and all Released Claims. The Parties stipulate and agree that, upon the Effective Date, the Lead Plaintiff shall expressly waive, and each of the Class Members shall be deemed to have waived, and by operation of the Judgment shall have waived, the provisions, rights and benefits of California Civil Code § 1542, which provides: “A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.”

PLAN OF ALLOCATION OF THE SETTLEMENT

13. What is the Plan of Allocation and how will claims be calculated?

The Net Settlement Fund shall be distributed to Class Members who submit acceptable Proofs of Claim (“Authorized Claimants”) in the following manner:

The Claims Administrator shall determine each Authorized Claimant’s share of the Net Settlement Fund based upon the Recognized Loss formula described below. The Recognized Loss formula is intended to equitably apportion the Net Settlement Fund among Class Members. The Recognized Loss formula is not an estimate of what your out-of-pocket losses might be for tax purposes; nor is it an estimate of what a Class Member would have recovered after trial; nor is it the amount that the Authorized Claimant will be paid pursuant to the Settlement. A Class Member’s actual share of the Net Settlement Fund shall be determined pro rata by the ratio of the Class Member’s Recognized Loss divided by the aggregate of the Recognized Loss of all Class Members.

The calculation of each Class Member’s Recognized Loss takes into account when during the Class Period the Class Member purchased Tag-It common stock and when (if at all) the Class Member sold such Tag-It common stock during or after the Class Period.

The amount of a Recognized Loss will depend on when the Class Member purchased and sold Tag-It common stock on the open market. Because the alleged first corrective disclosure concerning the issues alleged in the Complaint was on March 31, 2005, all Class Members who both purchased and sold Tag-It common stock before April 1, 2005 will have a Recognized Loss of zero for those shares.¹

The Recognized Loss for each share of Tag-It common stock purchased on the open market between March 28, 2003 and August 22, 2005, and not sold or sold after August 22, 2005, shall be the lesser of:

- (1) the estimated Artificial Inflation per Share on the date of purchase (as shown on Schedule A below); or
- (2) the difference between the purchase price per share and \$1.13.

The Recognized Loss for each share of Tag-It common stock purchased on the open market between March 28, 2003 and August 22, 2005, and sold between April 1, 2005 and August 22, 2005, shall be the lesser of:

- (1) the difference between the Estimated Artificial Inflation per Share on the date of purchase (as shown on Schedule A) and the Estimated Artificial Inflation per Share on the date of sale (as shown on Schedule A); or

¹ If a person or entity purchased all of their Tag-It common stock on or before March 31, 2005, and sold all of those shares of common stock before April 1, 2005, such person or entity is not a member of the Class. If such person or entity sold some shares of common stock before April 1, 2005, the Recognized Loss for those shares is zero. For the shares sold on or after April 1, 2005, the Recognized Loss will be calculated in accordance with the Plan of Allocation.

(2) the difference between the purchase price per share and the sales price per share.

Schedule A				
Estimated Artificial Inflation per Share				
Purchase Date Range			Estimated Artificial Inflation per Share	
03/28/2003	-	03/31/2005	\$	3.193
04/01/2005	-	05/16/2005	\$	2.093
05/17/2005	-	08/12/2005	\$	0.946
08/15/2005	-	08/22/2005	\$	0.110

Short sales will have no Recognized Loss under the Plan of Allocation, but any recognized gain attributable to such short sales will be used to offset Recognized Losses from other transactions. Furthermore, market gains or losses attributable to short sales will be calculated as part of the market gain or loss calculation.

For Class Members who held Tag-It common stock at the beginning of the Class Period or made multiple purchases or sales during the Class Period, the first in, first out (“FIFO”) method will be applied to such holdings, purchases, and sales for purposes of calculating a claim. Under the FIFO method, sales of Tag-It common stock held at the beginning of the Class Period will be matched in chronological order, first against the Tag-It common stock held at the beginning of the Class Period.

A purchase or sale of Tag-It common stock shall be deemed to have occurred on the “contract” or “trade” date as opposed to the “settlement” or “payment” date.

Tag-It common stock acquired by means of a gift, inheritance, or operation of law shall only be considered if the shares in question were purchased during the Class Period on the open market by the donor, decedent, or transferor, and the donor, decedent, or transferor does not submit a Proof of Claim Form with respect to the shares. In such instances, the recipient must provide documentation of the original purchase on the open market in addition to documentation of the transfer.

The receipt of Tag-It common stock during the Class Period in exchange for securities of any other corporation or entity shall not be deemed a purchase or sale of Tag-It common stock. The receipt of Tag-It common stock upon the conversion of a convertible security, including convertible preferred stock of Tag-It, shall not be deemed a purchase or sale of Tag-It common stock. The receipt of Tag-It common stock pursuant to a private placement offering shall not be deemed a purchase or sale of Tag-It common stock.

To the extent a Claimant had an overall gain from transactions in Tag-It common stock during the Class Period (under FIFO), the value of the Recognized Loss will be zero.

To the extent that a Claimant suffered an overall loss on transactions in Tag-It common stock during the Class Period (under FIFO), but that loss was less than the Recognized Loss calculated above, then the Recognized Loss shall be limited to the amount of the actual loss.

An Authorized Claimant, who purchased Tag-It common stock during the Class Period and sold such common stock either during the Class Period or during the 90-day period immediately subsequent to the Class Period, shall be determined to have an overall gain from transactions in Tag-It common stock during the Class Period, or to have suffered a loss, by calculating: (i) the total amount paid for all Tag-It common stock during the Class Period (the “Total Purchase Amount”); (ii) matching any sale of Tag-It common stock during the Class Period first against the Authorized Claimant’s opening position; and (iii) the total amount received from sales of the remaining shares of Tag-It common stock sold during the Class Period or during the 90-day period immediately after the Class Period (the “Sales Proceeds”). The difference between Sales Proceeds and the Total Purchase Amount shall be deemed an Authorized Claimant’s overall gain (if greater than zero) or loss (if less than zero) on transactions in Tag-It common stock during the Class Period.

No Authorized Claimant whose proportionate share of the Net Settlement Fund is less than \$5.00 shall receive a distribution from the Net Settlement Fund. Rather, that Claimant’s proportionate share of the Net Settlement Fund shall be redistributed among all remaining Authorized Claimants.

Class Members who do not submit acceptable Proofs of Claim will not share in the settlement proceeds. Class Members who did not submit a request for exclusion and do not submit an acceptable Proof of Claim by the deadline for submitting claims, will nevertheless be bound by the Settlement and the Order and Final Judgment of the Court dismissing this Litigation.

Distributions will be made to Authorized Claimants after all claims have been processed and after the Court has finally approved the Settlement. Subject to the approval of the Court, if any funds remain in the Net Settlement Fund by reason of the uncashed checks or otherwise, then, after the Claims Administrator has made reasonable and diligent efforts to have Class Members who are entitled to participate in the distribution of the Net Settlement Fund cash their distributions, any balance remaining in the Net Settlement Fund after the initial distribution of such funds shall be redistributed to Class Members, if feasible, who have cashed their initial distributions and who would receive an amount no less than \$5.00 from such redistribution. If six months after such redistribution any funds shall remain in the Net Settlement Fund, then such balance shall be contributed as follows: any balance shall be donated to a secular § 501(c)(3) organization approved by the Court.

The Court has reserved jurisdiction to allow, disallow or adjust the claim of any Class Member on equitable grounds. Payment pursuant to the Plan shall be conclusive against all Claimants. No Person shall have any claim against Plaintiff's Counsel, Lead Plaintiff, the Claims Administrator, Defendants and their Related Parties, or any Person designated by Plaintiff's Counsel based on distributions made substantially in accordance with the Stipulation and the Settlement contained therein, the Plan of Allocation, or further order(s) of the Court.

EXCLUDING YOURSELF FROM THE CLASS AND THE SETTLEMENT

14. How do I exclude myself from the Class and the Settlement?

You can exclude yourself from the Class and the Settlement. If you do not want a payment from the Settlement, but you want to keep any right to sue Tag-It, or any of the Defendants or any of the Related Parties about the claims you would otherwise be releasing in this Settlement, then you must take steps to exclude yourself from the Settlement. This is called excluding yourself or is sometimes referred to as opting out of the Class. To exclude yourself, you must send a letter by mail saying that you want to be excluded from the Huberman v. Tag-It Pacific, Inc. Litigation.

Your request to be excluded must be signed and must state: (a) your name, address, and telephone number; (b) your purchases and sales of Tag-It common stock on the open market made during the Class Period, including the dates, the number of shares of Tag-It common stock purchased or sold, the price(s) paid or received per share of Tag-It common stock for each such purchase or sale, and whether you continue to hold such Tag-It common stock; (c) the amount or number of shares of Tag-It common stock held as of the beginning of the Class Period on March 28, 2003; and (d) that you wish to be excluded from the Class. You must mail your exclusion request postmarked on or before November 23, 2009 to:

Tag-It Class Action Settlement
c/o Rust Consulting, Inc.
P.O. Box 2224
Faribault, MN 55021-1624

You cannot exclude yourself on the phone or by e-mail. If you ask to be excluded, you will not get any settlement payment, and you cannot object to the Settlement. Also, you will not be legally bound by anything that happens in this lawsuit, and you would not be prevented by this Settlement from suing Defendants and their Related Parties for the Released Claims in the future. However, if you exclude yourself and bring your own lawsuit, you would be subject to all the risks of litigation, including the risk that your lawsuit would be rejected because you filed it too late. If you do not file your request for exclusion on time, you will be legally bound by all the proceedings in this Litigation, including all court orders and judgments in the Litigation, even if you have a lawsuit pending against the Released Persons that covers Released Claims, or if you subsequently start a lawsuit or an arbitration or any other proceedings against any of the Released Persons that are covered by the Released Claims.

15. If I do not exclude myself, can I sue Defendants for the same thing later?

No. Unless you exclude yourself, you give up any right to sue Defendants or their Related Parties for the claims that this Settlement resolves. Remember, the exclusion deadline is November 23, 2009.

16. If I exclude myself, can I get money from this Settlement?

No. If you exclude yourself, unless you retract your exclusion by at least fourteen days prior to the Settlement Hearing, do not send in a Proof of Claim form to ask for any money. Once you exclude yourself, you will receive no cash payment even if you also submit a Proof of Claim form, unless you withdraw your notice of exclusion before the deadline.

THE LAWYERS REPRESENTING YOU

17. Do I have a lawyer in this case?

Pursuant to Orders of the Court dated January 24, 2006 and June 19, 2009, Lead Plaintiff and the Class are represented by the law firms of Wolf Popper LLP, 845 Third Avenue, New York, NY 10022 (Lead Counsel) and Glancy Binkow & Goldberg LLP, 1801 Avenue of the Stars, Suite 311, Los Angeles, CA 90067 (Liaison Counsel) (collectively, "Plaintiff's Counsel"). You will not be separately charged for these lawyers' work. The Court will determine the amount of Plaintiff's Counsel's fees and expenses, which will be paid from the Settlement Fund. If you want to be represented by your own lawyer, you may hire one at your own expense.

18. How will the lawyers be paid?

All fee and expense applications are subject to the approval of the Court. At the Settlement Hearing, Plaintiff's Counsel will request the Court to award attorneys' fees of 30% of the Settlement Fund, plus payment of expenses, not to exceed \$250,000, which were incurred in connection with the Litigation, plus interest thereon. In addition, Lead Counsel are also asking the Court to award a payment of up to \$15,000 to the Court-appointed Lead Plaintiff for the reasonable costs and expenses (including lost wages) directly relating to his prosecuting the Litigation on behalf of the Class. This compensation will be paid from the Settlement Fund. Class Members are not personally liable for any such fees or expenses. To date, Plaintiff's Counsel have not received any payment for their services in conducting the Litigation nor have they been paid for their expenses incurred.

OBJECTING TO THE SETTLEMENT

If you approve of the Settlement, you need do nothing. If you do not approve, you can tell the Court that you do not agree with the Settlement or some part of it.

19. How do I object?

If you are a Class Member (and you have not excluded yourself), and you want to object to the Settlement or any of its terms, the proposed Plan of Allocation, the application by Plaintiff's Counsel for an award of fees and the reimbursement of expenses, and/or the request for an award to the Lead Plaintiff under the Private Securities Litigation Reform Act, the Court will consider your views if you file a proper objection within the deadline below, and according to the following procedures. To object, you must send a signed letter saying that you object to the proposed settlement in "Huberman v. Tag-it Pacific, Inc., Case No. 2:05-cv-07352-R(Ex) (United States District Court for the Central District of California)." Your letter must include your name, address, telephone number and your original signature (no copies). You must also include: (a) a written statement of your objections, (b) the grounds or the reasons for why you object or desire to appear and be heard, as well as copies of all documents or any writings that you wish the Court to consider, (c) whether you intend to present any witnesses; and (d) information about your purchases, acquisitions and sales of Tag-It common stock made during the Class Period, including the dates, the number of shares, the price(s) paid or received per share, and whether you continue to hold such Tag-It common stock.

You must mail such objection, on or before November 23, 2009, to: (1) Clerk of the Court, United States District Court for the Central District of California, 312 North Spring Street, Room G-19, Los Angeles, CA 90012-4701. You must also send a copy of what you send to the Court to the following attorneys on or before November 23, 2009:

Marian P. Rosner, Esq.
Wolf Popper LLP
845 Third Avenue
New York, NY 10022
Email: IRRep@wolffpopper.com

Lionel Z. Glancy, Esq.
Glancy Binkow & Goldberg LLP
1801 Avenue of the Stars, Suite 311
Los Angeles, CA 90067
Email: info@glancylaw.com

Peter Stone, Esq.
Jay Gandhi, Esq.
Paul Hastings Janofsky & Walker LLP
695 Town Center Drive
17th Floor
Costa Mesa, CA 92626
Email: jaygandhi@paulhastings.com

Howard Privette, Esq.
Paul Hastings Janofsky & Walker LLP
515 South Flower Street
Twenty-Fifth Floor
Los Angeles, CA 90071

You may object either on your own or through an attorney that you hire at your own expense. If you do hire an attorney to represent you, your attorney must file a Notice of Appearance with the Clerk of the Court and deliver a copy of that notice to Lead Counsel and Defendants' counsel on or before November 23, 2009.

You do not need to go to the Hearing to have your written objection considered by the Court. At the Hearing, any Class Member who (1) has not previously submitted a request for exclusion from the Class and (2) has complied with the procedures set out for filing with the Court, and provided to the counsel for Lead Plaintiff and Defendants a statement of an intention to appear at the Hearing may also appear and be heard, to the extent allowed by the Court, to state any objection to the Settlement, the Plan of Allocation, Lead Counsel's motion for an award of attorneys' fees and reimbursement of expenses, and/or the proposed award to the Lead Plaintiff. Any such objector may appear in person or arrange, at that objector's expense, for a lawyer to represent the objector at the Hearing.

If you do not follow the directions in this Notice for objecting to the Settlement, you will forfeit all rights that you may have to object to and/or appeal this Settlement unless the Court orders otherwise. You will be bound by the orders and judgments in this lawsuit.

20. What is the difference between objecting to the Settlement and excluding myself from the Settlement?

Objecting is telling the Court that you do not like something about the proposed settlement or any other matter to be considered at the hearing. You can object only if you stay in the Class. Excluding yourself is telling the Court that you do not want to be part of the Class. If you exclude yourself, you have no basis to object because the case no longer applies to you.

THE COURT'S SETTLEMENT HEARING – SCHEDULED FOR DECEMBER 7, 2009

The Court will hold a hearing to decide whether to approve the proposed settlement. You may attend, but you do not have to.

21. When and where will the Court decide whether to approve the Settlement?

The Court will hold a hearing at 10:00 a.m. on December 7, 2009, at the United States District Court for the Central District of California, located at 312 North Spring Street, Los Angeles, CA 90012-4701, in Courtroom 8 ("Settlement Hearing"). At this Settlement Hearing, the Court will consider

whether the Settlement is fair, reasonable and adequate. If there are objections, the Court will consider them. The Court will listen to people who have asked to speak at the hearing. The Court will also decide whether to approve the Plan of Allocation, and the payment of fees, costs and expenses to Plaintiff's Counsel, including the payment under the Private Securities Litigation Reform Act to Lead Plaintiff to compensate him for his time and expenses incurred (including lost wages) in this case. We do not know how long the Settlement Hearing will take or whether the Court will make its decision about the Settlement on that day or sometime later. The Court will take into consideration any written objections filed in accordance with the instructions in the response to question 19. The Court also may listen to people who have properly indicated, within the deadline identified above, an intention to speak at the hearing; but decisions regarding the conduct of the hearing will be made by the Court.

At or after the hearing, the Court will decide whether to approve the Settlement. We do not know how long these decisions will take. You should be aware that the Court may change the date and time of the Hearing. Thus, if you want to come to the hearing, you should check with Lead Counsel before coming to be sure that the date and/or time has not changed.

22. Do I have to come to the hearing?

No. Class Members do not need to appear at the hearing or take any other action to indicate that they approve of the Settlement. Lead Counsel will answer questions the Court may have about the Settlement. But if you would like to attend the hearing, you are welcome to do so, at your own expense. If you send an objection, you do not have to come to Court to talk about it. The Court will consider your written objection, as long as you mailed your objection in on time (see response to question 19). You may also pay your own lawyer to attend, but it is not necessary.

23. May I speak at the hearing?

If you object to the Settlement, you may ask the Court for permission to speak at the hearing. To do so, you must include with your objection (see response to question 19) a statement saying that it is your "Notice of Intention to Appear in *Huberman v. Tag-It Pacific, Inc.*" Persons who intend to object to any part of the Settlement must provide in their written objections any evidence they intend to present at the Hearing and must also include in their written objection the identity of any witnesses they may call to testify and exhibits they intend to introduce into evidence at the hearing.

You cannot speak at the Settlement Hearing if you exclude yourself from the Class or if you have not provided written notice of your intention to speak at the hearing by the deadline above, and in accordance with the procedures described in this Notice.

IF YOU DO NOTHING

24. What happens if I do nothing at all?

If you do nothing, you will not receive any payments from this Settlement. However, unless you exclude yourself, you will not be able to start a lawsuit, or be part of any other lawsuit against the Defendants or their Related Parties about the Released Claims in this case ever again.

GETTING MORE INFORMATION

25. How do I get more information?

For additional, more detailed information concerning the proposed settlement or the matters involved in this Litigation, you may inspect the Stipulation of Settlement dated July 31, 2009 (the "Stipulation"), pleadings, the orders of the Court, and other papers filed in this Litigation at the office of the Clerk of the United States District Court for the Central District of California, 312 North Spring Street, Room G-19, Los Angeles, CA 90012-4701, during regular business hours, or at www.tag-itclassactionsettlement.com. You can also contact Lead Counsel at the address above, or the Claims Administrator at:

Tag-It Class Action Settlement
c/o Rust Consulting, Inc.
P.O. Box 2224
Faribault, MN 55021-1624
Toll-Free: 1-877-874-7560
Email: info@tag-itclassactionsettlement.com

**SPECIAL NOTICE TO SECURITIES BROKERS
AND OTHER NOMINEES**

If you purchased or otherwise acquired Tag-It common stock between March 28, 2003 and August 22, 2005, inclusive, for beneficial owners who are Class Members, THE COURT HAS DIRECTED THAT WITHIN TEN (10) BUSINESS DAYS OF YOUR RECEIPT OF THIS NOTICE, you must either (a) provide the Claims Administrator the name and last known address of each person or entity for whom or which you purchased such Tag-It common stock during the Class Period or (b) request additional copies of the Notice and Proof of Claim forms from the Claims Administrator, which will be provided to you free of charge, and within seven (7) business days of receipt, mail the Notice and Proof of Claim forms by first class mail or e-mail (for those accounts for which you have current e-mail addresses) directly to the beneficial purchasers of Tag-It common stock. If you choose to follow alternative (b), the Court has directed that, upon such mailing, you send a statement to the Claims Administrator confirming that the mailing was made as directed. Additionally, if you elect to mail the Notice directly to your customers, the Court has further directed that you retain the list of names and addresses of the persons and entities to whom the Notice was mailed so that it will be available for future mailings, if necessary, pending the final determination of this action. Upon full compliance with these directives, you may seek reimbursement of the reasonable administrative expenses actually incurred in forwarding the Notice and Proof of Claim forms to beneficial owners, which would not have been incurred but for the obligation to forward the documents. Requests for reimbursement of expenses should be directed to the Claims Administrator and must be accompanied by proper documentation supporting the expenses for which reimbursement is sought. All communications should be directed to the Claims Administrator at the following address:

Tag-It Class Action Settlement
c/o Rust Consulting, Inc.
P.O. Box 2224
Faribault, MN 55021-1624
Toll-Free: 1-877-874-7560
Email: info@tag-itclassactionsettlement.com

***Please do not write or telephone the Court, the Judge, or
the Clerk of the Court regarding this Notice or this Litigation.***

If you have any questions regarding this Notice or the Action, you may contact Lead Counsel by writing: WOLF POPPER LLP, 845 Third Avenue, New York, NY 10022, or email IRRep@wolfpopper.com.

Dated: August 24, 2009

By Order of the United States District Court
For the Central District of California

Tag-It Class Action Settlement
c/o Rust Consulting, Inc.
PO Box 2224
Faribault, MN 55021-1624

IMPORTANT COURT DOCUMENTS