SECURITIES AND EXCHANGE COMMISSION

FORM SB-2/A

Optional form for registration of securities to be sold to the public by small business issuers
[amend]

Filing Date: **1997-12-18**
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FILER

TAG IT PACIFIC INC

CIK:**1047881**| IRS No.: **954654481** | State of Incorp.:**DE** | Fiscal Year End: **0831**
Type: **SB-2/A** | Act: **33** | File No.: **333-38397** | Film No.: **97740653**
SIC: **2750** Commercial printing

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3820 SOUTH HILL STREET
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3820 SOUTH HILL STREET
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2132349606

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON DECEMBER 18, 1997

REGISTRATION NO. 333-38397

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 2
TO
FORM SB-2

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

TAG-IT PACIFIC, INC.
(Name of Small Business Issuer in its Charter)

DELAWARE	2759	95-4654481
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

3820 SOUTH HILL STREET
LOS ANGELES, CALIFORNIA 90037
(213) 234-9606
(Address and Telephone Number of Principal Executive Offices)

3820 SOUTH HILL STREET
LOS ANGELES, CALIFORNIA 90037
(213) 234-9606
(Address of Principal Place of Business or Intended Principal Place of Business)

MARK DYNE, CHAIRMAN
TAG-IT PACIFIC, INC.
3820 SOUTH HILL STREET
LOS ANGELES, CALIFORNIA 90037
(213) 234-9606
(Name, Address and Telephone number of Agent for Service)

COPIES TO:

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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:
AS SOON AS PRACTICABLE AFTER THE EFFECTIVE DATE OF THIS REGISTRATION STATEMENT.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If the delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. / /

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED(1)	PROPOSED MAXIMUM OFFERING PRICE PER SHARE(2)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(2)	AMOUNT OF REGISTRATION FEE(3)
Common Stock, $0.001 par value............	1,642,000	$8.00	$13,136,000	$3,876

(1) Includes 192,000 shares of Common Stock issuable upon exercise of an option granted to the Underwriters to cover over-allotments of shares, if any.

(2) Estimated solely for the purpose of calculating the registration fee under Rule 457(a).

(3) A registration fee of $4,230 was paid with the initial filing of the Registration Statement.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

SUBJECT TO COMPLETION DATED DECEMBER 18, 1997

THIS PRELIMINARY PROSPECTUS AND THE INFORMATION CONTAINED HEREIN ARE SUBJECT TO COMPLETION OR AMENDMENT. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. UNDER NO CIRCUMSTANCES SHALL THIS PRELIMINARY PROSPECTUS CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF THESE SECURITIES, IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF SUCH JURISDICTION.

1,450,000 SHARES

TAG-IT PACIFIC, INC.

COMMON STOCK

Of the 1,450,000 shares of common stock, par value $0.001 per share (the "Common Stock"), offered hereby (the "Offering"), 1,280,000 shares are being sold by Tag-It Pacific, Inc. (the "Company") and 170,000 shares are being sold by a stockholder (the "Selling Stockholder"). See "Principal and Selling Stockholders." The Company will not receive any proceeds from the sale of shares by the Selling Stockholder. Prior to this Offering, there has been no public market for the Common Stock. It is currently estimated that the initial public offering price will be between $5.00 and $8.00 per share. See "Underwriting" for a discussion of the factors to be considered in determining the initial public offering price. The Common Stock has been approved for listing on the American Stock Exchange under the symbol "TAG," subject to notice of issuance.

SEE "RISK FACTORS" BEGINNING ON PAGE 8 OF THIS PROSPECTUS FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED BY PROSPECTIVE PURCHASERS OF THE COMMON STOCK OFFERED HEREBY.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

<TABLE>
<CAPTION>

<S>	PRICE TO PUBLIC <C>	UNDERWRITING DISCOUNTS AND COMMISSIONS(1) <C>	PROCEEDS TO COMPANY(2) <C>
Per Share..	$	$	$
Total(3)...	$	$	$

<CAPTION>

<S>	PROCEEDS TO SELLING STOCKHOLDER <C>
Per Share..	$
Total(3)...	$

</TABLE>

(1) Excludes additional compensation to the Underwriters in the form of warrants granted to the Representatives of the Underwriters to purchase 100,000 shares of Common Stock, exercisable over a period of four years commencing one year from the date of this Prospectus (the "Representatives' Warrants"). In addition, the Company and the Selling Stockholder have agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended (the "Securities Act").

(2) Before deducting estimated expenses of $875,000 payable by the Company, including the Representatives' non-accountable expense allowance, certain consulting fees to be paid following the closing of the Offering and expenses of the Selling Stockholder. See "Principal and Selling Stockholders" and "Underwriting."

(3) The Company has granted the Underwriters a 45-day option to purchase up to an additional 192,000 shares of Common Stock, solely to cover over-allotments, if any (the "Over-Allotment Option"). If the Underwriters exercise this option in full, the total Price to Public, Underwriting Discounts and Commissions, Proceeds to Company and Proceeds to Selling Stockholder will be $, $, $ and $, respectively. See "Underwriting."

The shares of Common Stock are offered severally by the Underwriters named herein, subject to prior sale, when, as and if delivered to and accepted by the Underwriters, and subject to the right of the Underwriters to reject any order in whole or in part and certain other conditions. It is expected that delivery of the certificates for the Common Stock will be made against payment therefor at the offices of Cruttenden Roth Incorporated, Irvine, California or through the facilities of the Depository Trust Company, on or about December   , 1997.

[LOGO]

JOSEPHTHAL & CO. INC.

THE DATE OF THIS PROSPECTUS IS   1997

[PICTURES]

INSIDE FRONT COVER OF PROSPECTUS:

Collage of customer logos.

[PICTURES]

INSIDE FOLD OUT SPREAD (2 PAGES) OF PROSPECTUS:

Pictures of the following product groups:

HANG TAGS - POCKET FLASHERS - SIZE STICKERS - BAR CODE TAGS

WOVEN - EMBROIDERED LABELS - JEAN PATCHES

GIFT SET - HOLIDAY PACKAGING

LEATHER GOODS - ACCESSORY PACKAGING

LICENSED & PRIVATE LABEL STATIONERY - BACKPACKS

JEWELRY PACKAGING

DESIGNER SHOPPING BAGS

WATCH - EYEWEAR PACKAGING

METAL LOGO BUTTONS - ZIPPERS

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN, OR OTHERWISE AFFECT THE PRICE OF THE COMMON STOCK, INCLUDING BY ENTERING STABILIZING BIDS, EFFECTING SYNDICATE COVERING TRANSACTIONS OR IMPOSING PENALTY BIDS.

PROSPECTUS SUMMARY

THE FOLLOWING SUMMARY IS QUALIFIED IN ITS ENTIRETY BY THE MORE DETAILED INFORMATION, INCLUDING "RISK FACTORS" AND THE CONSOLIDATED FINANCIAL STATEMENTS AND NOTES THERETO, APPEARING ELSEWHERE IN THIS PROSPECTUS. THE STATEMENTS WHICH ARE NOT HISTORICAL FACTS CONTAINED IN THIS PROSPECTUS ARE FORWARD-LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES, INCLUDING THOSE DESCRIBED UNDER "RISK FACTORS." EXCEPT AS OTHERWISE INDICATED, ALL INFORMATION IN THIS PROSPECTUS (I) GIVES EFFECT TO THE CONSUMMATION ON OCTOBER 17, 1997 OF THE CONSOLIDATION, WHICH AS DESCRIBED UNDER "THE COMPANY," COMBINED THE COMPANY'S SUBSIDIARIES UNDER A SINGLE HOLDING COMPANY, (II) REFLECTS THE CONVERSION INTO 384,402 SHARES OF COMMON STOCK OF A CONVERTIBLE PROMISSORY NOTE IN THE PRINCIPAL AMOUNT OF $875,000 PAYABLE TO CERTAIN STOCKHOLDERS AT A PRICE OF $2.28 PER SHARE, (III) HAS BEEN ADJUSTED TO REFLECT THE CHANGE OF THE STATUS OF PACIFIC TRIM & BELT, INC., A CALIFORNIA CORPORATION, FROM AN S CORPORATION TO A C CORPORATION FOR INCOME TAX PURPOSES, AND (IV) ASSUMES THAT THE UNDERWRITERS' OVER-ALLOTMENT OPTION AND REPRESENTATIVES' WARRANTS ARE NOT EXERCISED.

THE COMPANY

Tag-It Pacific, Inc. (the "Company") is a single-source provider of complete brand identity programs to manufacturers of fashion apparel and accessories as well as specialty retailers and mass merchandisers. Such programs communicate a certain lifestyle, image or identity and enable the Company's customers to promote and differentiate their product line or brand. The Company's programs allow its customers, such as Guess?, Calvin Klein, Quiksilver, Carole Little, The Limited, Sony Signatures and Warner Bros., as well as licensees of Yves Saint Laurent, Kenneth Cole, Geoffrey Beene and Pierre Cardin, to outsource most aspects of a brand identity program, including value-added design, materials procurement and manufacturing and distribution coordination of creative packaging, tag, and trim products.

The Company designs and produces high quality paper, metal and injection molded boxes, woven and leather labels, paper hanging and bar-coded tags, metal jean buttons, and custom shopping bags. The Company also designs and produces specialty private label and licensed stationery as well as related accessories and backpacks. The Company designs approximately 70% of the products it sells. The Company's design capabilities, combined with the Company's experience in materials procurement, and manufacturing and distribution coordination enable the Company to provide customers with complete design solutions for entire product lines that meet not only aesthetic demands, but also functional and cost parameters.

The majority of the Company's revenues are related to the apparel and accessory markets, both of which are large and growing. The increasing number of fashion-driven apparel and accessory producers and products has made it more difficult for manufacturers to differentiate their products from those of competitors. As a result, manufacturers of fashion-driven consumer products have increased their emphasis on specialty packaging, value-added tags and other promotional material in order to compete for consumer attention in the retail environment. This emphasis on product differentiation has created strong demand for creative image enhancements such as bright, colorful and otherwise highly distinguishable and attractive logos, point-of-sale packaging and signage, tags and labels. In addition, short product life cycles for fashion-driven items, advances in printing and packaging technology, and the diverse geographic locations of specialty packaging or printing vendors and apparel or accessory manufacturers, combine to make the design and execution of complete brand identity programs increasingly more complex. The difficulties associated with executing a program which coordinates these many facets are creating demand for the programs offered by the Company.

There are a large number of vendors with varying capabilities serving the printing, packaging and trim markets. Apparel and accessory manufacturers often find themselves consuming excessive time, effort and expenses attempting to manage in-house brand identity programs and ship floor-ready packaged products to retailers throughout the global marketplace. To take advantage of the large expanding demand for, and address the increasingly complicated requirements of, effective brand identity programs, the Company has

positioned itself as a fully-integrated single-source provider of complete brand identity programs with creative design personnel, sales representatives, assembly workers, program managers and global production and distribution coordinators in Los Angeles, New York, Mexico and Hong Kong. Because specialty packaging or printing vendors are usually specialized in limited product areas, management believes that the Company, with its innovative design and global manufacturing and distribution coordination capabilities, is well positioned to become a recognized single-source provider and a market leader.

The Company's growth strategy includes the following elements: (i) expand its customer base by promoting its single-source solution and in-house design, materials procurement, and manufacturing and distribution coordination capabilities, (ii) increase customer penetration by targeting additional product lines within existing accounts, (iii) expand its marketing programs and network of sales offices, (iv) broaden its target customer base for products to include cosmetics and specialty foods manufacturers, (v) pursue private label opportunities, and (vi) remain opportunistic with respect to strategic acquisitions.

The Company was formed to serve as the parent holding company for each of Tag-It, Inc., a California corporation ("Tag-It"), Tag-It Printing & Packaging Ltd., a British Virgin Islands corporation ("Tag-It Hong Kong"), Tag It de Mexico, S.A. de C.V., a qualified Maquiladora ("Tag-It Mexico"), A.G.S. Stationery, Inc., a California corporation ("AGS Stationery") and Pacific Trim & Belt, Inc., a California corporation ("Pacific Trim") (collectively the "Subsidiaries"). Reference to the Company hereafter includes all of the Subsidiaries.

THE OFFERING

<TABLE>
<S> <C>

Common Stock offered by:	
The Company....................................	1,280,000 shares
The Selling Stockholder........................	170,000 shares
Common Stock to be outstanding after the Offering......................................	3,750,011 shares(1)
Use of Proceeds................................	To repay certain indebtedness; develop a national sales network; acquire certain fixed assets; establish domestic woven label capability; increase inventories to maximize efficiencies; and for working capital and general corporate purposes. See "Use of Proceeds."
Proposed American Stock Exchange Symbol..........	"TAG"

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(1) Excludes (i) an estimated 357,631 shares of Common Stock issuable upon exercise of outstanding options and warrants, and (ii) 302,500 shares of Common Stock reserved for issuance pursuant to options that may be granted in the future under the Company's 1997 Stock Incentive Plan. See "Management--Stock Incentive Plan," "Description of Capital Stock--Warrants," "Underwriting" and "Shares Eligible for Future Sale."

SUMMARY CONSOLIDATED FINANCIAL AND OPERATING DATA
(IN THOUSANDS EXCEPT FOR PER SHARE DATA)

<TABLE>
<CAPTION>

FISCAL YEAR ENDED
AUGUST 31,

<S>	<C> 1996	<C> 1997
INCOME STATEMENT DATA:		
Net sales	$ 14,738	$ 19,539
Cost of goods sold	10,090	12,546
Gross profit	4,648	6,993
Selling, general and administrative expenses	4,973	5,897
Write-off of printing division	--	232
Total operating expenses	4,973	6,129
Income (loss) from operations	(325)	864
Interest expense	465	810
Income (loss) before provision for income taxes	(790)	54
Provision for income taxes(1)	--	113
Net loss	$ (790)	$ (59)
Net loss per share	$ (.37)	$ (.03)
Weighted average shares outstanding	2,165	2,165
Pro forma net loss per share(2)	$ --	$ (.02)
Pro forma weighted average shares outstanding(2)	--	2,550

</TABLE>

<TABLE>
<CAPTION>

<S>	AUGUST 31, 1997 ACTUAL <C>	PRO FORMA(2) <C>	AS ADJUSTED(3) <C>
BALANCE SHEET DATA:			
Cash	$ 148	$ 148	$ 6,705
Working capital	(1,807)	(932)	5,775
Total assets	5,350	5,445	12,002
Total liabilities	7,491	6,711	5,311
Stockholders' equity (capital deficiency)	(2,141)	(1,266)	6,691

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(1) The Provision for income taxes is the result of the Subsidiaries filing separate tax returns in years prior to the Consolidation. See "The Company."

(2) To reflect the conversion of a convertible promissory note in the principal amount of $875,000 into 384,402 shares of Common Stock.

(3) As adjusted for sale of 1,280,000 shares of Common Stock by the Company at an assumed offering price of $7.50 per share in the Offering.

THE COMPANY

The Company was incorporated in Delaware in September 1997. The Company was formed to combine several existing related operating entities formed by Harold, Colin and Mark Dyne under a single holding company for the purposes of creating a simplified and unified corporate structure, securing capital for the benefit of all of the individual entities, capturing within the holding company overall operating efficiencies and developing an integrated sales and marketing network. The Company combines Tag-It, Tag-It Hong Kong, Tag-It Mexico, AGS Stationery and Pacific Trim, all of which were related through common stockholders, shared facilities, and certain shared personnel.

Tag-It Pacific L.L.C., a Delaware limited liability company ("Tag-It Pacific LLC"), has (i) acquired directly, and in the case of AGS Stationery, indirectly through AGS Holdings L.L.C., a Delaware limited liability company ("AGS

Holdings"), in a single transaction all of the outstanding capital stock of each of the Subsidiaries for an aggregate of 2,470,001 membership units of Tag-It Pacific LLC, and (ii) assumed outstanding warrants to purchase equity securities of certain Subsidiaries which will become exercisable for 62,076 membership units of Tag-It Pacific LLC at a weighted average exercise price of $0.7299 per unit in a stock-for-unit exchange (the "Exchange"). At the time of the Exchange, Pacific Trim converted from an S corporation to a C corporation for tax purposes. Immediately prior to the effectiveness of this Prospectus, the 2,470,001 outstanding membership units of Tag-It Pacific LLC will be converted to 2,470,001 shares of Common Stock of the Company and outstanding warrants to acquire units will be converted into warrants to acquire 62,076 shares of Common Stock of the Company (the Exchange and such conversion are referred to as the "Consolidation.")

Tag-It, founded in May 1991, designs and produces hang tags and specialty packaging products. In October 1994, Tag-It's founders expanded Tag-It's offshore raw material sourcing capabilities and Asian distribution infrastructure by forming Tag-It Hong Kong. In 1996, Tag-It expanded into the licensed and private label stationery business. Also in 1996, to gain the benefits of a larger and more cost-effective in-house labor force, Tag-It commenced operations in Mexico through Tag-It Mexico, a qualified "Maquiladora" under Mexico's Border Industrialization Program. Tag-It, Tag-It Hong Kong and Tag-It Mexico, although separate corporate entities, have always operated as a single functional enterprise.

In December 1995, AGS Stationery was formed for the limited purpose of designing, manufacturing and marketing Guess? brand stationery products pursuant to an exclusive license covering the United States, Canada, Mexico, Australia and parts of Asia. AGS Stationery is operated separately from the other stationery operations of Tag-It due to provisions of the Guess? license which mandate that voting and management control of AGS Stationery be maintained by Mark Dyne and Colin Dyne. See "Risk Factors--Dependence upon Guess? License."

Pacific Trim was founded in November 1987 and shares its principal offices and facilities with Tag-It and AGS Stationery. Pacific Trim has been treated as an S corporation for tax purposes since its inception. Due to its S corporation status and the existence of third party shareholders not associated with the Dyne family, Pacific Trim, although operated at the same location as Tag-It and AGS Stationery in Los Angeles and sharing certain overhead and infrastructure resources and certain sales and marketing personnel, has operated as a separate entity for financial reporting, financing and legal purposes.

As a result of the Exchange, Pacific Trim's S corporation status was terminated. Through the date immediately preceding the date of the termination of its S corporation status (the "Termination Date"), Pacific Trim's earnings will be taxed for federal income tax purposes directly to its shareholders, rather than to the Company. Other than a tax imposed on S corporations by the State of California (currently 1.5% of income), state income taxes on earnings also have been the responsibility of the shareholders of Pacific Trim. On the Termination Date, Pacific Trim became subject to federal and state corporate income taxes. See Note 7 of Notes to Financial Statements.

Approximately $92,000 of the proceeds of the Offering will be distributed to Pacific Trim's shareholders to permit them to pay income taxes attributable to the earnings of Pacific Trim prior to the Termination Date.

Immediately prior to the Exchange, the Company and the Pacific Trim shareholders entered into a tax indemnification agreement (the "Tax Agreement") relating to their respective income tax liabilities. Because the Company became fully subject to corporate income taxation on the earnings of Pacific Trim after the Termination Date, the reallocation of income and deductions between the period during which Pacific Trim was treated as an S corporation and the period following the Termination Date may increase the taxable income of one party while decreasing that of another party. Accordingly, the Tax Agreement is intended to assure that taxes are borne by the Company and the shareholders of Pacific Trim only to the extent that such parties received the related income. The Tax Agreement generally provides that, if an adjustment is made to the taxable income of Pacific Trim for a year in which it was treated as an S corporation, the Company will indemnify the Pacific Trim shareholders and the Pacific Trim shareholders will indemnify the Company against any increase in the indemnified party's income tax liability (including interest, penalties and related costs and expenses), to the extent such increase results in a corresponding decrease in the income tax liability of the indemnifying party for that year. The Company has also indemnified the Pacific Trim shareholders against any increase in income tax liability as a result of their receipt of an indemnification payment under the Tax Agreement. Any payment made by the Company to the Pacific Trim shareholders pursuant to the Tax Agreement may be considered by the Internal Revenue Service or state taxing authorities to be non-deductible by the Company for income tax purposes.

The Exchange will be treated as a reorganization of companies under common control and will be accounted for in a manner similar to a pooling of interests. All information set forth in this Prospectus gives effect to the Consolidation and the conversion of Pacific Trim to a C corporation for tax purposes, including all financial information which is presented on a consolidated basis.

The Company maintains its principal executive offices at 3820 South Hill Street, Los Angeles, California 90037. The telephone number of its principal executive offices is (213) 234-9606.

RISK FACTORS

IN ADDITION TO THE OTHER INFORMATION IN THIS PROSPECTUS, THE FOLLOWING RISK FACTORS SHOULD BE CONSIDERED CAREFULLY IN EVALUATING THE COMPANY AND ITS BUSINESS BEFORE PURCHASING THE SHARES OF COMMON STOCK OFFERED HEREBY. THIS PROSPECTUS CONTAINS FORWARD-LOOKING STATEMENTS REGARDING THE INTENT, BELIEF AND CURRENT EXPECTATIONS OF THE COMPANY, ITS DIRECTORS AND ITS OFFICERS, INCLUDING STATEMENTS WITH RESPECT TO THE USE OF PROCEEDS OF THE OFFERING AND TRENDS AFFECTING THE COMPANY'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS. PROSPECTIVE INVESTORS ARE CAUTIONED THAT SUCH FORWARD-LOOKING STATEMENTS ARE NOT GUARANTEES OF FUTURE PERFORMANCE AND INVOLVE RISKS AND UNCERTAINTIES AND THAT ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE ANTICIPATED IN THESE FORWARD-LOOKING STATEMENTS AS A RESULT OF VARIOUS FACTORS. THE ACCOMPANYING INFORMATION CONTAINED IN THIS PROSPECTUS, INCLUDING THE INFORMATION SET FORTH BELOW AND UNDER "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS," AND "BUSINESS" IDENTIFIES IMPORTANT FACTORS THAT COULD CAUSE SUCH DIFFERENCES.

MANAGEMENT OF BUSINESS CHANGES; POTENTIAL GROWTH; POTENTIAL ACQUISITIONS

The Subsidiaries have been operated under family management since inception and have recently significantly expanded their operations. Such expansion has placed, and any future expansion, internally or through acquisitions, will place, significant demands on the Company's management, operational, administrative, financial and accounting resources. Successful management of the Company's operations will require the Company to continue to implement and improve its financial and management information and reporting systems and procedures on a timely basis. The Company's ability to manage its future growth, if any, will also require it to hire and train new employees, including management and operating personnel, and motivate and manage its new employees and integrate them into its overall operations and culture. The Company recently has made additions to its management team and is in the process of expanding its accounting staff and improving its financial and management information and reporting systems to adapt to its new role as a public company, a process which is expected to continue following the Offering. The Company's failure to manage implementation of its growth strategies and to implement and improve its financial and management information and reporting systems would have a material adverse effect on the Company's results of operations and its ability to implement its growth strategy.

In the future, the Company may acquire complementary companies, products or technologies, although no specific acquisitions currently are pending or under negotiation. Acquisitions involve numerous risks, including adverse short-term effects on the combined business' reported operating results, impairments of goodwill and other intangible assets, the diversion of management's attention, the dependence on retention, hiring and training of key personnel, the amortization of intangible assets and risks associated with unanticipated problems or legal liabilities.

POTENTIAL FLUCTUATIONS IN QUARTERLY OPERATING RESULTS; SEASONALITY

The Company may in the future experience significant quarterly fluctuations in sales, operating income and cash flows as a result of certain factors, including the volume and timing of customer orders received during the quarter, the timing and magnitude of customers' marketing campaigns, the loss of a major customer, the availability and pricing of materials for the Company's products, increased selling, general and administrative expenses incurred in connection with acquisitions or the introduction of new products, the costs and timing of any future acquisitions, the timing and magnitude of capital expenditures, and changes in the Company's product mix or in the relative contribution to sales of the various Subsidiaries. Due to the foregoing factors, it is possible that in some future quarter the Company's operating results may be below the expectations of public market analysts and investors. In such event, the price of the Company's Common Stock would likely be materially and adversely affected. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

In addition, most of the Company's customers are in the apparel industry, which historically has been subject to substantial cyclical variations. The Company's business has experienced and is expected to

continue to experience significant seasonality, in part due to customer buying patterns. In recent years, the Company generally has had stronger demands for its products during the quarters ending in November, May and August, and significantly weaker demand in the quarter ending in February. A recession in the general economy or uncertainties regarding future economic prospects that affect consumer spending habits could have a material adverse effect on the Company's financial condition and results of operations.

REQUIREMENT FOR INTEGRATED INFORMATION SYSTEM

The Consolidation and resulting centralized management of the Subsidiaries, implementation of the Company's growth strategies and the general strains of the Company's new role as a public company will place significant demands on the Company's financial and management information and reporting systems and require that the Company significantly expand and improve its financial and operating controls. Additionally, the Company must effectively integrate the information systems of Hong Kong and Mexico with its principal offices in Los Angeles. Although the Company intends to apply a portion of the proceeds of the Offering to the implementation and improvement of its financial and management information and reporting systems and staff, there are no assurances that the Company will be successful in doing so, and the Company's failure to improve its financial and management information and reporting systems could have a material adverse effect on the Company's results of operations and its ability to implement its business strategy.

DEPENDENCE ON KEY CUSTOMERS; ABSENCE OF LONG-TERM CONTRACTS WITH CUSTOMERS

The Company's two largest customers, Guess? and Swank (a licensee of Yves Saint Laurent, Kenneth Cole, Geoffrey Beene and Pierre Cardin), accounted for approximately 18.3% and 11.1%, respectively, of the Company's net sales (on a consolidated basis) for the year ended August 31, 1997, and approximately 15.1% and 11.4%, respectively, of the Company's net sales (on a consolidated basis) for the year ended August 31, 1996. There can be no assurance that the Company will be able to maintain the current level of sales derived from these or any other customer in the future.

The Company generally does not enter into long-term sales contracts with its customers requiring them to make purchases from the Company. The Company's sales are generally evidenced by a purchase order and similar documentation limited to a specific sale. As a result, a customer from whom the Company generates substantial revenue in one period may not be a substantial source of revenue in a subsequent period. In addition, the Company's customers generally have the right to terminate their relationships with the Company without penalty and on little or no notice. In the absence of such long-term contracts, there can be no assurance that these customers will continue to engage the Company to design and produce products, and thus there can be no assurance that the Company will be able to maintain a consistent level of sales.

The termination of the Company's business relationship with any of its significant customers or a material reduction in sales to a significant customer could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business--Customers."

DEPENDENCE ON KEY PERSONNEL

The Company's success has and will continue to depend to a significant extent upon certain key management and design and sales personnel, many of whom would be difficult to replace, particularly Colin Dyne, its Chief Executive Officer and Harold Dyne, its President, neither of whom is bound by an employment agreement or the subject of key man insurance. The Company has no current plan to enter into employment agreements with Colin Dyne or Mark Dyne, but does intend to obtain $1 million key man life insurance on Colin Dyne. The loss of the services of one or more of these key executives and other key employees could have a material adverse effect on the Company, including the Company's ability to establish and maintain client relationships. The Company's future success will depend in large part upon its

ability to identify, attract, assimilate, retain and motivate personnel with a variety of design, sales, operating and managerial skills. There can be no assurance that the Company will be able to retain and motivate its managerial, design, sales and operating personnel or attract additional qualified members to management, design or sales staff. See "Business--Employees" and "Management."

CONTROL BY EXISTING STOCKHOLDERS

Upon consummation of the Offering, the Company's officers and directors (and their affiliates), will own approximately 48.1% of the Company's outstanding shares (approximately 45.9% assuming the full exercise of the Over-Allotment Option); and the Dyne family (Harold Dyne, Mark Dyne, Colin Dyne, Larry Dyne and Jonathan Burstein) will own approximately 47.8% of the Company's outstanding shares (approximately 45.5% assuming the full exercise of the Over-Allotment Option). As a result, these stockholders, or the Dyne family acting as a group, will be able to control the Company and its operations, including the election of at least a majority of the Company's Board of Directors and thus the policies of the Company. The voting power of these stockholders could also serve to discourage potential acquirors from seeking to acquire control of the Company through the purchase of the Common Stock, which might have a depressive effect on the price of the Common Stock. See "Management," "Principal and Selling Stockholders," and "Description of Capital Stock."

ACCESS TO FINANCING AND REPLACEMENT OF FACTORS

Historically, the Company has been capital constrained. The Company's working capital has been provided primarily through related party loans and factoring arrangements, with both related and unrelated parties. See "Certain Transactions." Factoring of its receivables has substantially increased the Company's cost of funds, restricted the Company's ability to sell to customers not approved by the Company's factors, and, in management's opinion, limited the Company's growth potential. Under the Company's factoring arrangements, the amount of cash available to the Company is tied directly to the level of the Company's shipments and the credit quality of the Company's customers. The amount of cash available to the Company has been, and may continue to be, adversely affected by delays in shipment, economic trends in the packaging and garment industry, interest rate fluctuations and the lending policies of the Company's factors. Many of these influences are beyond the Company's control. Following the Offering, the Company expects to replace its factoring relationships with more cost effective asset based financing. However, no assurance can be given that the Company will be able to obtain such financing or any other financing at rates and on terms more favorable to the Company than its current factoring arrangements. Even if the Company is able to obtain alternative financing on acceptable terms, any decrease or material limitation on the amount of capital available to the Company under such arrangements will limit the ability of the Company to expand its sales levels and, therefore, would have a material adverse effect on the Company's financial position, operating results and cash flows. In addition, any significant increases in interest rates will increase the cost of financing to the Company and would have a material adverse effect on the Company's financial position, operating results and cash flows.

DEPENDENCE ON LIMITED ASSEMBLY FACILITIES

Certain of the Company's products are assembled or finished at the foreign assembly facilities of the Company. Since the Company does not currently operate duplicate facilities in different geographic areas, a disruption of the Company's manufacturing operations resulting from various factors, including human error, foreign trade disruptions, import restrictions, labor disruptions, embargos, government intervention or a natural disaster such as fire, earthquake or flood, could cause the Company to cease or limit its assembly or finishing operations and consequently could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business--Procurement, Assembly and Finishing."

LIMITED SOURCES OF SUPPLY

The Company generally does not have long-term agreements with its key sources of supply. Lead times for materials ordered by the Company can vary significantly and depend on factors such as the specific supplier, contract terms and demand for particular materials at a given time. From time to time, the Company has experienced fluctuations in materials prices and disruptions in supply. Shortages or disruptions in the supply of materials, or the inability of the Company to procure such materials from alternate sources at acceptable prices in a timely manner, could lead to the loss of customers due to the failure to timely meet orders which in turn could result in a material adverse effect on the Company's business, financial condition and results of operations.

FLUCTUATING PAPER COSTS AND PAPER SHORTAGES

The cost of paper is a principal component of the price the Company charges for its paper products, including its high quality paper boxes, custom shopping bags, hang tags, packaging and stationery products. Historically, the Company has been able to pass on to its customers any increase or decrease in the cost of paper, and therefore maintain its gross margins on paper products during fluctuations in the cost of paper. There can be no assurance, however, that the

Company will continue to be able to pass increases in paper costs to its customers. To the extent that the Company's customers are unwilling to absorb increases in paper costs, the Company's results of operations could be materially adversely affected.

While capacity in the paper industry has remained relatively stable in recent years, increases or decreases in demand for paper have led to corresponding pricing changes and, in periods of high demand, to limitations on the availability of certain grades of paper, including grades utilized by the Company. Any disruption in the Company's paper sources could cause shortages in needed materials which could have a material adverse effect on the Company's results of operations. Although the Company actively manages its paper supply and has established strong relationships with its paper suppliers, the Company does not have any long-term agreements with its key paper suppliers and there can be no assurance that the Company's sources of paper supply will be adequate or, in the event that such sources are not adequate, that alternative sources can be developed in a timely manner.

COMPETITION

The industries in which the Company competes are highly competitive and fragmented and include numerous local and regional companies that provide some or all of the services offered by the Company. The Company also competes with United States and international design companies, distributors and manufacturers of tags, packaging products and trims. Some of the Company's competitors, including Paxar, Inc., RVL, Inc., Copac International Packaging, Inc., Universal Button, Inc., and Scovill Fasteners, Inc., have greater name recognition, longer operating histories and, in many cases, substantially greater financial and other resources than the Company.

In addition, new competitors, potentially with substantially greater resources than the Company, may arise and may develop products which compete with the Company's products. Moreover, there can be no assurance that new or proprietary technology will not be introduced by an existing or new competitor that may make some of the Company's products or services obsolete. To the extent that the Company is unable to compete successfully against its existing and future competitors, its business, operating results and financial condition would be materially adversely affected. While the Company believes that it competes effectively within the value-added design and packaging industry, there are numerous factors that could reduce the Company's ability to compete effectively. See "Business--Competition."

DEPENDENCE UPON GUESS? LICENSE

The Company, through AGS Stationery, manufactures Guess? stationery products pursuant to an exclusive license with Guess? entered into as of March 1, 1996. Net sales of Guess? stationery products

accounted for 10.9% of the Company's consolidated net sales in fiscal year 1997. The Guess? license terminates on December 31, 2001, but may be renewed by the Company through December 31, 2006 so long as the Company is not in breach of the license and generates the required amount of minimum net sales for the two contract years prior to renewal. Guess? may terminate the license before its term expires upon the occurrence of certain events, including (i) if the Company commits a breach of the license and fails to cure that breach within any applicable cure period, (ii) if net sales for any contract year do not meet or exceed the minimum net sales required for such contract year, (iii) if, following any consolidation, sale or merger of AGS Stationery, Mark Dyne and Colin Dyne do not retain, directly or indirectly, the power to vote or direct the voting of more than fifty percent of the outstanding voting securities of AGS Stationery, or (iv) if Colin Dyne leaves the employment of AGS Stationery or otherwise fails to devote the vast majority of his time and efforts to the daily management of AGS Stationery's business, or Mark Dyne ceases to exert, on a regular basis, actual and bona fide management control and oversight over AGS Stationery's business. The Company has structured the Consolidation in order to assure that Mark Dyne and Colin Dyne continue to control the management of AGS Stationery, and Guess? has been notified of this structure and has not objected. See "The Company." The termination of the Guess? license could have a material adverse effect on the Company's business, operating results and financial condition. Additionally, Guess? has certain approval rights over the various aspects of the design, manufacture, marketing and distribution of products under the license and consequently may delay the distribution of products bearing its proprietary marks. There can be no assurance that the Company will not be subject to delays resulting from disagreements with, or an inability to obtain approvals from Guess?. See "Business-- Products--Private Label and Specialty Licenses."

RISK OF PRODUCT RETURNS

The Company incurs expenses as a result of the return of products by customers, particularly in connection with customers of the Company's licensed stationery business. Such returns may result from sale or return arrangements, defective goods, inadequate performance relative to customer expectations, shipping errors and other causes which are outside the Company's control. Generally, returned items have limited or no value and Company will be forced to bear the cost of such returns. Product returns could result in loss of revenue or delay in market acceptance, diversion of development resources, damage to the Company's reputation, and increases service and warranty costs. Any significant increase in the rate of product returns could have a material adverse effect on the Company's financial position, operating results, and cash flows.

INTERNATIONAL BUSINESS

During 1997, approximately 40% of the Company's products were purchased, assembled or finished outside the United States, principally in Hong Kong and Mexico, and the Company intends to continue to purchase, assemble or finish a similar or greater percentage of its products outside of the United States in the future. The Company's international business is subject to numerous risks, including the need to comply with a wide variety of foreign and United States export and import laws, changes in export or import controls, tariffs and other regulatory requirements, the imposition of governmental controls, political and economic instability, trade restrictions, the difficulty of administering business overseas and general economic conditions. The inability of a contractor or supplier to ship orders in a timely manner could cause the Company to miss the delivery date requirements of its customers for those items, which could result in the cancellation of orders, refusal to accept deliveries or a reduction in sales price. Although the Company's international operations are denominated principally in United States dollars, purchases from foreign vendors may also be affected by changes in demand resulting from fluctuations in interest and currency exchange rates. There can be no assurance that these factors will not have a material adverse effect on the Company's business and results of operations. In addition, the Company cannot predict the effects the above risks will have on its business arrangements with its contractors or suppliers. If any such risks were to render the conduct of business in a particular country undesirable or impractical, or if the

Company's current contractors or suppliers were to cease doing business with the Company for any reason, the Company's financial position, operating results and cash flows could be adversely affected. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Sovereignty over Hong Kong was transferred from the United Kingdom to The People's Republic of China on July 1, 1997. If the business climate in Hong Kong were to experience an adverse change as a result of the transfer, the Company believes it could relocate its production and sourcing facilities outside Hong Kong and replace the products currently produced in Hong Kong with products produced elsewhere without a material adverse effect on the Company's financial condition or results of operations. Nevertheless, there can be no assurance that the Company would be able to do so.

SHARED RESPONSIBILITIES OF CHAIRMAN

The Company's Chairman, Mark Dyne, also serves as Chief Executive Officer and Chairman of Brilliant Digital Entertainment, Inc. ("Brilliant"), as the joint managing director of Sega Ozisoft Pty., Limited ("Sega Ozisoft"), a director of Monto Holdings Pty. Ltd. ("Monto Holdings") and Nu-Metro Multimedia Pty. Ltd. ("Nu-Metro"), and a co-owner and director of Packard Bell Australia Pty. Ltd. ("Packard Bell NEC Australia"). Mr. Dyne is a shareholder of Sega Enterprises (Australia) Pty., Ltd., which operates a $70 million interactive indoor theme park in Darling Harbor in Sydney, Australia. Brilliant is a production and development studio involved in the production of a new generation of digital entertainment that is being distributed over the internet and on CD-ROM. Sega Ozisoft is an Australia-distributor of software products for many leading publishers, Monto Holdings is a private investment holding company, Nu-Metro is a South African based distributor of multi-media software products and Packard Bell NEC Australia is one of the leading manufacturers and distributors of personal computers through the Australian mass merchant channel. Mr. Dyne is not required to spend a certain amount of time at the Company nor is he able to devote his full time and resources to the Company.

FUTURE CAPITAL NEEDS; UNCERTAINTY OF ADDITIONAL FUNDING

The Company anticipates that its existing capital resources, together with the net proceeds of the Offering, will be adequate to satisfy its capital requirements for at least the next 18 months. The Company's future capital requirements will depend, however, on many factors, including but not limited to, results of operations, the size and timing of future acquisitions, if any, and the availability of additional financing. To the extent that existing resources and future earnings are insufficient to fund the Company's activities, the Company may need to raise additional funds through debt or equity financings. No assurance can be given that such additional financing will be available or that, if available, it can be obtained on terms favorable to the Company and its stockholders. In addition, any equity financing could result in dilution to the Company's stockholders. The Company's inability to obtain adequate funds would adversely affect the Company's operations and ability to implement its strategy. See "--Access to Financing and Replacement of Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

HOLDING COMPANY STRUCTURE

The Company is a holding company with no substantial operations and, consequently, is dependent on dividends and other payments from the Subsidiaries for virtually all of its cash flow, including cash flow for management salaries and overhead, to service debt, to make equity investments and to finance its growth. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

MANAGEMENT'S DISCRETION AS TO USE OF PROCEEDS

The Company's management will have broad discretion as to the application of the net proceeds to the Company from the sale of Common Stock in the Offering. The net proceeds to the Company are estimated to be approximately $8.0 million (assuming no exercise of the Over-Allotment Option). The Company expects to use approximately $1.57 million of the net proceeds to repay outstanding indebtedness (of which $1.52 million will be used to repay indebtedness to related parties), approximately $1.0 million to develop a national sales and marketing network, including hiring additional sales personnel, approximately $1.25 million to acquire fixed assets, including bar-code equipment, prototype fabrication equipment, and equipment to upgrade the Company's information systems, approximately $500,000 to establish domestic woven label capacity for rapid turnaround of samples and short-run production and approximately $1.0 million to finance increased inventory levels to maximize efficiency and volume discounts. The balance of the net proceeds will be used for working capital and general corporate purposes. The Company may change the allocation of these proceeds in response to developments in the industries in which it operates and changes in the Company. See "Use of Proceeds."

NO EARTHQUAKE INSURANCE

The Company's principal executive offices are located in Los Angeles, California--an area which often experiences earthquakes. The Company faces the risks that it may experience uninsured property damage and/or sustain interruption of its business and operations. The Company does not currently carry insurance against earthquake-related risks.

LIMITED PROPRIETARY PROTECTION

The Company relies on trademark, trade secret and copyright laws to protect its designs and other proprietary property. The Company does not have United States or foreign patents or patent applications currently pending. If litigation is necessary in the future to enforce the Company's intellectual property rights, to protect the Company's trade secrets or to determine the validity and scope of the proprietary rights of others, such litigation could result in substantial costs and diversion of resources and could have a material adverse effect on the Company's business, operating results and financial condition. Ultimately, the Company may be unable, for financial or other reasons, to enforce its rights under intellectual property laws and the laws of certain countries in which the Company's products are or may be distributed may not protect the Company's products and intellectual rights to the same extent as the laws of the United States.

The Company believes that its products do not infringe any validly existing proprietary rights of third parties. Although the Company has received no communication from third parties alleging the infringement of proprietary rights of such parties, there can be no assurance that third parties will not assert infringement claims in the future and the Company could be subject to such claims in the future. Any such third party claims, whether or not meritorious, could result in costly litigation or require the Company to enter into royalty or licensing agreements. There can be no assurance that any such licenses would be available on acceptable terms, if at all, or that the Company would prevail in any such litigation. If the Company were found to have infringed upon the proprietary rights of third parties, it could be required to pay damages, cease sales of the infringing products and redesign or discontinue such products, any of which could have a material adverse effect on the Company's business, operating results and financial condition.

IMMEDIATE AND SUBSTANTIAL DILUTION

The proposed initial public offering price of $7.50 per share is substantially higher than the book value per outstanding share of Common Stock. Specifically, investors will sustain immediate dilution of $5.72 per share (or 76%) based on the pro forma net tangible book value of the Company at August 31, 1997 of $6,691,163. Investors in the Offering therefore will bear a disproportionate part of the financial risk

associated with the Company's business while effective control will remain with existing stockholders and management. Additional dilution may occur upon the exercise of outstanding stock options and warrants. See "Dilution" and "Principal and Selling Stockholders."

ABSENCE OF PRIOR PUBLIC MARKET; POSSIBLE VOLATILITY OF STOCK PRICE; ARBITRARY DETERMINATION OF OFFERING PRICE

Prior to the Offering, there has been no public market for the Common Stock. Although the Company has received approval for trading of the Common Stock on the American Stock Exchange, there can be no assurance that an active trading market for the Common Stock will develop as a result of the Offering or, if a trading market does develop, that it will continue or be sustained after the Offering. In the absence of such a market, investors may be unable readily to liquidate their investment in the Common Stock. The trading price of the Common Stock could be subject to wide fluctuations in response to quarter to quarter variations in operating results, news announcements relating to the Company's business (including innovations or new product introductions by the Company or its competitors), changes in financial estimates by securities analysts, the operating and stock price performance of other companies that investors may deem comparable to the Company as well as other developments affecting the Company or its competitors. In addition, the market for equity securities in general has been volatile and the trading price of the Common Stock could be subject to wide fluctuations in response to general market trends, changes in general conditions in the economy or the financial markets and other factors which may be unrelated to the Company's operating performance. The public offering price of the shares of Common Stock will be determined by arms-length negotiations between the Company, Selling Stockholder and Cruttenden Roth Incorporated and Josephthal & Co. Inc., as representatives of the Underwriters (the "Representatives") and will not necessarily bear any relationship to the Company's assets, book value, earnings history or other investment criteria. There can be no assurance that the shares offered hereby will trade at market prices in excess of the initial public offering price. See "Underwriting."

SHARES ELIGIBLE FOR FUTURE SALE

Future sales of Common Stock by existing stockholders could adversely affect the prevailing market price of the Common Stock and the Company's ability to raise capital in the equity markets. Upon completion of the Offering, the Company will have 3,750,011 shares of Common Stock outstanding (3,942,011 if the Over-Allotment Option is exercised in full). Of those shares, the 1,450,000 shares of Common Stock offered hereby (1,642,000 if the Over-Allotment Option is exercised in full) will be freely tradeable without restriction or further registration under the Securities Act, unless purchased by "affiliates" of the Company as that term is defined in Rule 144 under the Securities Act ("Rule 144"). The remaining 2,300,011 shares of Common Stock outstanding are "restricted securities," as that term is defined by Rule 144, and are also subject to the holding period, volume and manner of sale limitations of Rule 144. Under certain lock-up agreements, the officers, directors and stockholders of the Company have agreed that they will not, directly or indirectly, sell, assign or otherwise transfer any shares of Common Stock owned by them for a period of 365 days after the effective date of this Prospectus, without the prior written consent of Cruttenden Roth Incorporated. Upon expiration of the lock-up agreements, such 2,300,011 shares of Common Stock will become eligible for sale, subject to compliance with the volume and manner of sale limitations of Rule 144. See "Shares Eligible for Future Sale" and "Underwriting."

The Company intends to file a registration statement under the Securities Act to register the shares of Common Stock reserved for issuance pursuant to the Company's 1997 Stock Incentive Plan (the "1997 Plan"). See "Management--Stock Incentive Plan." This registration statement will become effective immediately upon filing. As of November 26, 1997, options to purchase 260,000 shares of Common Stock and warrants to purchase 97,631 shares of Common Stock (including warrants to purchase an estimated 35,555 shares issued to Troop Meisinger Steuber & Pasich, LLP (the "TMS&P Warrants")) had been granted, none of which had been exercised. See "Description of Capital Stock--Warrants." The availability for sale, as well as actual sales, of currently outstanding shares of Common Stock, and shares of Common Stock issuable upon the exercise of options and warrants, may depress the prevailing market price for the Common Stock and could adversely affect the terms upon which the Company would be able to obtain additional equity financing.

ENVIRONMENTAL REGULATIONS

Certain of the Subsidiaries use hazardous materials in their manufacturing operations. As a result, the Company is subject to federal, state and local regulations governing the storage, use and disposal of such materials. The use and disposal of hazardous materials involves the risk that the Company could be required to incur substantial expenditures for preventive or remedial action, reduction of chemical exposure, or waste treatment or disposal. The liability in the event of an accident or the costs of such actions could exceed the Company's resources or otherwise have a material adverse effect on the Company's business, financial condition or results of operations.

EFFECT OF CERTAIN CHARTER PROVISIONS; ANTI-TAKEOVER EFFECTS OF CERTIFICATE OF INCORPORATION, BYLAWS AND DELAWARE LAW

The Company's Board of Directors has the authority to issue up to 3,000,000 shares of Preferred Stock and to determine the price, rights, preferences, privileges and restrictions, including voting rights, of those shares without any further vote or action by the stockholders. The Preferred Stock could be issued with voting, liquidation, dividend and other rights superior to those of the Common Stock. Following the Offering, no shares of Preferred Stock of the Company will be outstanding, and the Company has no present intention to issue any shares of Preferred Stock. However, the rights of the holders of Common Stock will be subject to, and may be adversely affected by, the rights of the holders of any Preferred Stock that may be issued in the future. The issuance of Preferred Stock, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of making it more difficult for a third party to acquire a majority of the outstanding voting stock of the Company. Further, certain provisions of the Company's Certificate of Incorporation and Bylaws and of Delaware law could delay or make more difficult a merger, tender offer or proxy contest involving the Company. See "Description of Capital Stock--Preferred Stock" and "Description of Capital Stock--Anti-Takeover Provisions."

USE OF PROCEEDS

The net proceeds to the Company from the sale of the 1,280,000 shares of Common Stock offered by the Company hereby are estimated to be $8.0 million (approximately $9.3 million if the Over-Allotment Option granted to the Underwriters by the Company is excercised in full), at an assumed initial public offering price of $7.50 per share and after deducting the estimated offering expenses and underwriting discounts and commissions payable by the Company.

The Company expects to use the estimated net proceeds (i) to repay certain indebtedness, which was incurred to fund the working capital requirements of the Company's operations, of which $1.52 million will be paid to certain related parties (the "Related Party Indebtedness"); (ii) to develop a national sales and marketing network, including hiring of additional sales personnel; (iii) to acquire fixed assets, including bar-code equipment, prototype fabrication equipment, and equipment to upgrade the Company's information systems; (iv) to finance increased inventory levels to maximize efficiency and volume discounts; and (v) to establish domestic woven label capability for rapid turnaround of samples and short-run production. The balance of the net proceeds will be used for working capital and general corporate purposes.

The Company anticipates allocating the net proceeds of the Offering among the foregoing uses approximately as follows:

<TABLE>
<CAPTION>

APPLICATION	AMOUNT OF NET PROCEEDS	PERCENTAGE OF NET PROCEEDS
<S>	<C>	<C>
Repayment of indebtedness..	$1,570,000	19.7%
Develop national sales and marketing network......................	1,000,000	12.6
Acquire fixed assets...	1,250,000	15.7
Increase inventory levels..	1,000,000	12.6

Establish domestic woven label capability	500,000	6.3
Working capital and general corporate purposes	2,637,000	33.1
Total	$7,957,000	100.0%

</TABLE>

The Company is also conducting the Offering to create a market for its Common Stock, to facilitate future access by the Company to the public equity markets and to enhance the Company's public image and credibility to support its marketing efforts, particularly its plans to create a national sales presence in the United States.

Until the net proceeds of the Offering are used, the Company intends to invest them in United States government securities, short-term certificates of deposit, money market funds or other short-term interest bearing investments. The Company's management will have broad discretion as to the application of the net proceeds to the Company from the sale of Common Stock in the Offering. The Company may change the allocation of these proceeds in response to developments in the industries in which it operates and changes in the Company.

As of December 17, 1997, the Related Party Indebtedness consisted of approximately, (i) $10,000 owed by Tag-It to Harold Dyne with an interest rate of 10.0% per annum, (ii) $15,000 owed by Tag-It to Mark Dyne with an interest rate of 7.5% per annum, (iii) $300,000 owed by AGS Stationery to Monto Holdings Pty. Ltd. ("Monto Holdings") with an interest rate of 7.5% per annum, (iv) $124,626 owed by Pacific Trim to Monto Holdings with an interest rate of 10.0% per annum, (v) $715,000 owed by Tag-It to NPM Investments, Inc. with an interest rate of 7.5% per annum, secured by all of the assets of Tag-It, (vi) $16,000 owed by Tag-It to Pacific Western, Inc. ("Pacific Western") with an interest rate of 7.5% per annum, (vii) $6,000 owed by Pacific Trim to Pacific Western with an interest rate of 7.5% per annum, (viii) $126,972 owed by Tag-It to NPM Investments, Inc. with an interest rate of 7.5% per annum, (ix) $100,000 owed by Tag-It to Harold Dyne with an interest rate equal to the interest rate on the indebtedness owed by Harold Dyne to Mercantile National Bank (11.75% as of October 15, 1997),

(x) $110,000 owed by Pacific Trim to Monto Holdings with an interest rate of 7.5% per annum, and (xi) 12,000 owed by AGS Stationery to Monto Holdings with an interest rate of 7.5% per annum. Except for the indebtedness of Tag-It and Pacific Trim to Pacific Western, all of the Related Party Indebtedness is due and payable on the fifteenth day following delivery of written demand for payment which may be delivered at any time following December 31, 1998. The indebtedness of Tag-It and Pacific Trim to Pacific Western is due and payable on the fifteenth day following delivery of a written demand for payment.

The non-Related Party Indebtedness to be repaid by the Company consists of (i) $25,200 owed by Pacific Trim to ECD International, Inc. with an interest rate of 10.0% per annum and which is due and payable on the fifteenth day following the date of delivery of written demand for payment, and (ii) $15,897 owed by Pacific Trim to Raymond Spiro with an interest rate of 10.0% per annum and which is due and payable on the fifteenth day following the date of delivery of written demand for payment.

DIVIDEND POLICY

The Company has no current intention to pay dividends on its Common Stock following the Offering and intends to follow a policy of retaining earnings to finance the growth of its business. Additionally, several of the Company's current credit facilities limit or prohibit the payment of dividends unless certain conditions are satisfied. Any future determination to pay dividends will be at the discretion of the Board of Directors of the Company and will be dependent on the Company's results of operations, financial condition, contractual and legal restrictions and other factors deemed relevant by the Board of Directors at that time.

DILUTION

The consolidated pro forma net tangible book value of the Common Stock as of August 31, 1997, was $(1,265,837) or $(.51) per share. Consolidated net tangible book value per share is equal to the total tangible assets of the Company, less total pro forma liabilities, divided by the pro forma number of shares of Common

Stock outstanding. After giving effect to the sale of the 1,280,000 shares offered by the Company hereby (at an assumed initial offering price of $7.50 per share) and assuming net proceeds to the Company of $7,957,000 (after deducting underwriting discounts and commissions and estimated offering expenses), the pro forma consolidated net tangible book value for the Common Stock as of August 31, 1997, would have been $6,691,163, or $1.78 per share. This represents an immediate increase in consolidated net tangible book value of $2.29 per share to existing stockholders and an immediate dilution of $5.72 per share to new investors purchasing shares in the Offering. The following table illustrates this per share dilution:

<TABLE>

<S>	<C>	<C>
Assumed initial public offering price.......................		$ 7.50
Consolidated pro forma net tangible book value per share as of August 31, 1997..	$ (.51)	
Increase per share attributable to new investors............	$ 2.29	
Pro forma consolidated net tangible book value per share as of August 31, 1997, as adjusted...........................		$ 1.78
Dilution per share to new investors.........................		$ 5.72

</TABLE>

The following table summarizes, with respect to existing holders of Common Stock and new investors, a comparison of the number of shares of Common Stock acquired from the Company, the percentage ownership of such shares, the total consideration, the percentage of total consideration and the average price per share.

<TABLE>
<CAPTION>

	SHARES OF COMMON STOCK ACQUIRED		TOTAL CONSIDERATION		AVERAGE PRICE PER SHARE
	NUMBER	PERCENT	AMOUNT	PERCENT	
<S>	<C>	<C>	<C>	<C>	<C>
All existing stockholders..................	2,470,011	65.87%	$ 960,000	9.09%	$ .39
New investors..............................	1,280,000	34.13	9,600,000	90.91	7.50
	3,750,011	100.00%	$10,560,000	100.00%	$ 2.81

</TABLE>

The foregoing tables and calculations assume no exercise of outstanding options and warrants. At November 26, 1997, 260,000 shares of Common Stock were subject to outstanding options at a weighted average exercise price of $6.00 per share and 97,631 shares of Common Stock (including warrants to purchase an estimated 35,555 shares of Common Stock under the TMS&P Warrants) were subject to outstanding warrants at a weighted average exercise price of $2.65 per share. If all of the currently exercisable options and warrants are exercised, an additional 162,631 shares would be issued and the dilution to new investors would decrease to $5.63 per share.

CAPITALIZATION

The following table sets forth the capitalization of the Company at August 31, 1997 and as adjusted to give effect to the sale of the 1,280,000 shares of Common Stock offered by the Company hereby at an assumed offering price of $7.50 per share and the application of the estimated net proceeds therefrom (after deducting underwriting discounts and commissions and estimated offering expenses). See "Use of Proceeds." This table should be read in conjunction with the Consolidated Financial Statements and related notes contained therein and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this Prospectus.

<TABLE>
<CAPTION>

	AUGUST 31, 1997		
	ACTUAL	PRO FORMA(1)	AS ADJUSTED(2)

<S> <C> <C> <C>

Current Liabilities	$6,280,780	$5,405,780	$5,255,478
Total long-term debt, less current portion	55,315	55,315	55,315
Notes payable to related parties, less current portion	1,249,698	1,249,698	-0-
Stockholders' deficiency:			
Preferred Stock, $.001 par value; 3,000,000 shares authorized; no shares issued and outstanding	--	--	--
Common Stock; $.001 par value; 15,000,000 shares authorized; shares issued and outstanding, 2,085,609, 2,470,011 and 3,750,011	2,086	2,086	3,366
Additional paid-in capital	82,914	957,914	8,913,634
Accumulated deficit	(2,225,837)	(2,225,837)	(2,225,837)
Total Stockholders Equity (Capital Deficiency)	(2,140,837)	(1,265,837)	6,691,163
Total Liabilities and Stockholders Equity	$5,444,956	$5,444,956	$12,001,956

</TABLE>

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(1) Assumes conversion of a convertible promissory note in the principal amount of $875,000 into 384,402 shares of Common Stock.

(2) As adjusted for sale of 1,280,000 shares of Common Stock by the Company at an assumed offering price of $7.50 per share in the Offering.

SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data have been derived from the Company's consolidated financial statements, which financial statements for the years ended August 31, 1996 and 1997 have been audited by BDO Seidman, LLP, independent certified public accountants. The consolidated financial statements as of August 31, 1996 and 1997, and for each of the years in the two-year period ended August 31, 1997, and the report thereon, are included elsewhere in this Prospectus. The selected consolidated financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Financial Statements and related notes and other financial information included elsewhere in this Prospectus.

<TABLE>
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	FISCAL YEAR ENDED AUGUST 31,	
	1996	1997
	(IN THOUSANDS, EXCEPT FOR PER SHARE DATA)	
<S>	<C>	<C>
INCOME STATEMENT DATA:		
Net sales	$ 14,738	$ 19,539
Cost of goods sold	10,090	12,546
Gross profit	4,648	6,993
Selling, general and administrative expenses	4,973	5,897
Write-off of printing division	--	232
Total operating expenses	4,973	6,129
Income (loss) from operations	(325)	864
Interest expense	465	810
Income (loss) before provision for income taxes	(790)	54
Provision for income taxes(1)	--	113
Net loss	($ 790)	$ (59)
Net loss per share	$ (.37)	$ (.03)

Weighted average shares outstanding	2,165	2,165
Pro forma net loss per share(2)	$ --	$ (.02)
Pro forma weighted average shares ourstanding(2)	--	2,550

</TABLE>

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<S>	AUGUST 31, 1997 <C> ACTUAL	<C> PRO FORMA(2)	<C> AS ADJUSTED(3)
BALANCE SHEET DATA:			
Cash	$ 148	$ 148	$ 6,705
Working capital	(1,807)	(932)	5,775
Total assets	5,350	5,445	12,002
Total liabilities	7,491	6,711	5,311
Stockholders' equity (capital deficiency)	(2,141)	(1,266)	6,691

</TABLE>

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(1) The provision for income taxes is the result of the Subsidiaries filing separate tax returns in years prior to the reorganization.

(2) To reflect the conversion of a convertible promissory note in the principal amount of $875,000 into 384,402 shares of Common Stock.

(3) As adjusted for sale of 1,280,000 shares of Common Stock by the Company at an assumed offering price of $7.50 per share in the Offering.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THE FOLLOWING DISCUSSION AND ANALYSIS SHOULD BE READ IN CONJUNCTION WITH THE SELECTED FINANCIAL DATA, CONSOLIDATED FINANCIAL STATEMENTS AND NOTES THERETO AND THE OTHER FINANCIAL INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS. MOREOVER, THIS PROSPECTUS CONTAINS FORWARD-LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. THE COMPANY'S ACTUAL RESULTS MAY DIFFER SIGNIFICANTLY FROM THE RESULTS DISCUSSED IN THE FORWARD-LOOKING STATEMENTS. FACTORS THAT MIGHT CAUSE OR CONTRIBUTE TO SUCH DIFFERENCES INCLUDE, BUT ARE NOT LIMITED TO, THOSE DISCUSSED IN "RISK FACTORS."

OVERVIEW

The Company is a single source provider of complete brand identity programs to manufacturers of fashion apparel and accessories as well as specialty retailers and mass merchandisers.

Revenues for all product lines are recognized at the time of product shipment. Cost of goods sold consists primarily of raw material purchases, direct labor, certain art and design costs associated with the product development process, die and printing plate charges, finishing costs, freight-in costs and royalties associated with the Guess? license. The Company develops photographic films, dies and designs art images which are used for various products. Development costs associated with films, dies or designs art images which are deemed to have no future use are expensed as incurred, while development costs associated with films, dies or designs art images which are deemed to have future use are capitalized and are amortized over three years on a straight line basis.

Historically, the Company has been capital constrained. The Company's working capital has been provided primarily through related party loans and factoring arrangements. Factoring of its receivables has substantially increased the cost of funds, restricted the Company's ability to sell to customers not approved by the Company's factors, and, in management's opinion, limited the Company's growth potential. In addition, meeting its factoring obligations, has required cash which would otherwise have been used by the Company for cost efficient raw material purchases and to further expand its business. For example, in fiscal 1997, the Company purchased approximately $3.5 million of paper products used in its business, but because of capital constraints, was frequently unable to take advantage of volume purchase discounts which would have lowered its overall cost of materials and cost of goods sold. From the proceeds of this Offering, the Company plans to repay substantially all of its debt and discount its factoring arrangements which will substantially reduce interest expense. In addition, the Company plans to take advantage of volume material purchase discounts which management believes will enhance the Company's profitability.

Beginning in September 1996, the Company implemented several strategies which contributed to a 32.6% growth in net sales in fiscal 1997 and which are anticipated to facilitate further growth in net sales. These strategies included the establishment of an assembly operation in Mexico, which enabled the Company to attract significant new business and to conduct assembly operations at a lower cost, the start-up of the Company's private-label and licensed stationery business and the expansion of its sales and marketing efforts.

The Company plans to change its fiscal year end from August 31 to December 31 following the completion of the Offering.

RESULTS OF OPERATIONS

The following tables sets forth, for the periods indicated, certain selected statement of operations data expressed as a percentage of net sales:

<TABLE>
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	YEAR ENDED AUGUST 31, 1996	YEAR ENDED AUGUST 31, 1997
Net sales	100.0%	100.0%
Cost of goods sold	68.5	64.2
Gross profit	31.5	35.8
Selling, general and administrative expenses	33.7	30.2
Income (loss) from operations	(2.2)%	4.4%

</TABLE>

COMPARISON OF FISCAL YEAR ENDED AUGUST 31, 1996 AND AUGUST 31, 1997

NET SALES. Net sales increased approximately $4.8 million or 32.6% to $19.5 million for the fiscal year ended August 31, 1997 from $14.7 million for the prior fiscal year. A substantial portion of the net sales increase was due to increased sales of hang tag and specialty packaging products to the Company's two largest customers, Guess? and Swank, sales to new customers including Calvin Klein Jeans as well as the hang tag and label sales pursuant to the Warner Bros. Looney Tunes licensing agreement. Increases in specialty packaging and custom shopping bag sales is directly related to the opening of the Mexico facility which provided the Company with greater assembly and finishing capacity at lower costs. Other sales increases were attributable to the commencement of sales of the Guess? licensed stationery.

GROSS PROFIT. Gross profit increased approximately $2.4 million or 50.5% to $7.0 million for the fiscal year ended August 31, 1997 from $4.6 million for the prior fiscal year. Gross margin as a percentage of net sales increased to approximately 35.8% for the 1997 fiscal year as compared to 31.5% for the prior fiscal year. The increase in gross margin is attributable to improved overhead absorption and substantial labor and other cost savings associated with production of specialty packaging and high quality shopping bags at the Company's Mexico facility.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased approximately $923,000 or 18.6% to $5.9 million for the fiscal year ended August 31, 1997 from $5.0 million for the prior fiscal year; however, as a percentage of net sales, these expenses declined to 30.2% in fiscal 1997 compared to 33.7% in the prior period. Increases in expenses were attributable to a higher level of sales, marketing and other general expenses associated with the launching of the Guess? stationery line and other private label and licensed stationery business, and higher selling expenses associated with increased sales of hang tag and specialty packaging products.

Direct art costs capitalized as part of the Company's art designs total $45,732 and $134,256 for the years ended August 31, 1996 and 1997, respectively. Amortization of capitalized art costs of $7,622 and $37,620 for the 1996 and

1997 fiscal years, respectively, are included in cost of goods sold. Capitalized costs to develop photographic films and dies equaled $225,718 and $246,825 for the years ended August 31, 1996 and 1997, respectively. Amortization of capitalized film and die costs of $45,865 and $104,011 for the 1996 and 1997 fiscal years, respectively, are included in selling, general and administrative expenses.

PRINTING DIVISION EXPENSE. The Company incurred approximately $232,000 of incremental printing costs associated with the operation of its captive printing division which was closed during fiscal 1997.

INTEREST EXPENSE. Interest expense increased approximately $346,000 or 74.4% to $811,000 for the fiscal year ended August 31, 1997 from $465,000 for the prior fiscal year. This increase is attributable to increased factoring expenses associated with increased sales.

PROVISION FOR INCOME TAXES. The provision for income taxes increased to approximately $113,000 for the fiscal year ended August 31, 1997 as compared with no tax provision for the prior fiscal year. Notwithstanding the Consolidation, operating losses from AGS Stationery were not available to offset taxable income of the Company's other Subsidiaries and in future periods may only be used to offset future AGS Stationery profits.

NET LOSS. Net loss was $59,000 for the fiscal year ended August 31, 1997 as compared to a net loss of approximately $790,000 for the prior fiscal year.

QUARTERLY RESULTS

The Company's quarterly operating results have varied in the past and can be expected to vary in the future. Fluctuations in operating results generally are caused by a number of factors, including the volume and timing of customer orders received during the quarter, the timing and magnitude of customers' marketing campaigns, the loss of a major customer, the availability and pricing of materials for the Company's products, increased selling, general and administrative expenses which may be incurred in connection with acquisitions or the introduction of new products, the costs and timing of any future acquisitions, the timing and magnitude of capital expenditures, and changes in the Company's product mix or in the relative contribution to sales of the various Subsidiaries.

The following table presents certain data for each of the Company's last four fiscal quarters. This information has been derived from unaudited Consolidated Financial Statements which, in the opinion of management, include all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of such information. These operating results are not necessarily indicative of results for any future period.

<TABLE>
<CAPTION>

	THREE MONTHS ENDED (AMOUNTS IN THOUSANDS)			
	NOVEMBER 30, 1996	FEBRUARY 28, 1997	MAY 31, 1997	AUGUST 31, 1997
<S>	<C>	<C>	<C>	<C>
STATEMENT OF OPERATIONS DATA:				
Net sales	$ 4,890	$ 4,443	$ 4,067	$ 6,139
Cost of goods sold	3,341	2,859	2,567	3,779
Gross profit	1,549	1,584	1,500	2,360
Selling, general and administrative expenses	1,560	1,569	1,304	1,696
Income (loss) from operations	$ (11)	$ 15	$ 196	$ 664
AS A PERCENTAGE OF NET SALES:				
Cost of goods sold	68.3%	64.4%	63.1%	61.6%
Gross profit	31.7%	35.6%	36.9%	38.4%
Selling, general and administrative expenses	31.9%	35.3%	32.1%	27.6%
Income (loss) from operations	(0.2)%	0.3%	4.8%	10.8%

</TABLE>

LIQUIDITY AND CAPITAL RESOURCES

During 1995 and 1996 the Company satisfied its working capital requirements primarily through cash flows generated from operations, borrowings under factoring agreements with Heller Financial, Inc. ("Heller Financial") and

Safcor, Inc. ("Safcor") and related party borrowings. Generally, the Company's borrowing requirements have been somewhat seasonal, with the peak working capital needs occurring at the end of the calendar year.

Pursuant to the terms of its factoring agreements, the Company's factors purchase the Company's eligible accounts receivable and assume the credit risk only with respect to those accounts for which the factors have given prior approval. Where the Company's factors do not assume the credit risk for a

receivable, the collection risk associated with the receivable remains with the Company and if the factor, in its discretion, determines to advance against the receivable, the customer's payment obligation is recorded as a Company receivable and the advance from the factor is recorded as a current liability. As of August 31, 1997, the amount factored without recourse was $1,326,383 and the net amount due to the factor recorded as a current liability was $94,786.

As of August 31, 1997 the Company had outstanding related party debt of approximately $2.16 million. All related party debt is due and payable on the fifteenth day following the date of delivery of written demand for payment which may be delivered at any time after December 31, 1998. On October 16, 1997, NPM Investments, Inc. exercised its conversion rights under a convertible debenture in the amount of $875,000, which was converted into 384,402 shares of Common Stock, or 15.6% of the fully diluted shares outstanding at the time. As a result of such conversion, the remaining outstanding related party debt was $1.29 million.

Net cash (used in) provided by operating activities was approximately ($1,230,000) and $236,000 for fiscal years 1996 and 1997, respectively. The increase in net cash used in operating activities during 1996 resulted primarily from the operating losses incurred relating to the start up of the Guess? licensed stationery line including operating expenses and the purchases of inventory. The decrease in net cash used in operating activities during 1997 resulted primarily from increased trade credit and increased inventory and higher accounts payable and accrued expenses. In addition, the Company used cash to increase inventory during 1997 to support the Guess? stationery launch and increased customer orders for hang tags and specialty packaging.

Net cash used in investing activities for fiscal years 1996 and 1997 was $463,000 and $610,000, respectively. Those activities related primarily to capital expenditures related to the leasing of equipment and expenditures for office and assembly equipment in connection with the Mexico facility.

Net cash provided by financing activities was approximately $1,685,000 and $433,000 for 1996 and 1997, respectively. The net cash provided by financing activities in 1996 was provided primarily by borrowings from related parties and net advances from factors. Net cash in 1997 was provided by borrowings from related parties and offset by decreases in net advances from factors.

The Company is continually evaluating various financing strategies to be utilized in expanding its business and to fund future growth or acquisitions. The Company's future capital requirements will depend, however, on many factors, including but not limited to, results of operations, the size and timing of future acquisitions, if any, and the availability of additional financing. To the extent that existing resources and future earnings are insufficient to fund the Company's activities, the Company may need to raise additional funds through debt or equity financings. No assurance can be given that such additional financing will be available or that, if available, it can be obtained on terms favorable to the Company and its stockholders. In addition, any equity financing could result in dilution to the Company's stockholders. The Company's inability to obtain adequate funds would adversely affect the Company's operations and ability to implement its strategy.

Management of the Company anticipates that the net proceeds from the Offering, combined with cash flow from operations, will provide adequate liquidity to fund its business growth plans and its operations for at least the next 18 months. The Company intends to use a portion of the net proceeds from the Offering to satisfy all obligations existing under the Heller Financial and Safcor factoring arrangements and to repay all outstanding Related Party Indebtedness.

NEW ACCOUNTING STANDARDS

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share" ("Statement 128"), which is effective for financial statements issued for the periods after December 15, 1997, including interim periods. Statement 128 requires the restatement of all prior period earnings per share ("EPS") data presented. Some of the changes made to current EPS standards include (i) eliminating the presentation of primary EPS and replacing it with basic EPS, with the principal difference being that common stock equivalents are not considered in computing basic EPS; (ii) eliminating the modified treasury stock method and the three percent materiality provision; and (iii) revising the contingent share provision and the supplemental EPS data requirements. Statement 128 also requires dual presentation of basic and diluted EPS on the face of the income statement, as well as a reconciliation of the numerator and denominator used in the two computations of EPS. Basic EPS is defined by Statement 128 as net income from continuing operations divided by the average number of common shares outstanding without the consideration of common stock equivalents which may be dilutive to EPS. The Company does not expect the adoption will have a material effect on its EPS calculation.

In 1997 the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 129, "Disclosure of Information about Capital Structure" ("Statement 129"), which is effective for financial statements ending after December 15, 1997. Statement 129 reinstates various securities disclosure requirements previously in effect under Accounting Principles Board Opinion No. 15, which has been superseded by Statement 128. The Company does not expect adoption of Statement 129 to have a material effect, if any, on its consolidated financial position or results of operation.

During June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("Statement 130"), which is effective for financial statements with fiscal years beginning after December 15, 1997. Statement 130 establishes standards for reporting and display of comprehensive income and its components in a full set of general purpose financial statements. The Company has not determined the effect on its consolidated financial position or results of operations, if any, from the adoption of this statement.

During June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 131, "Disclosure about Segments of an Enterprise and Related Information" ("Statement 130"), which is effective for financial statements with fiscal years beginning after December 15, 1997. The new standard requires that public business enterprises report certain information about operating segments in complete sets of financial statements of the enterprise and in condensed financial statements of interim periods issued to stockholders. It also requires that public business enterprises report certain information about their products and services, the geographic areas in which they operate and their major customers. The Company does not expect adoption of Statement 131 to have a material effect, if any, on its consolidated results of operation.

YEAR 2000 MODIFICATIONS

The Company is currently reviewing its computer systems in order to evaluate if any modifications are necessary for the year 2000. The Company currently does not anticipate that any material modifications or expenditures will be required in its computer systems for the year 2000.

BUSINESS

GENERAL

Tag-It Pacific, Inc. (the "Company") is a single-source provider of complete brand identity programs to manufacturers of fashion apparel and accessories as well as specialty retailers and mass merchandisers. Such programs communicate a certain lifestyle, image or identity and enable the Company's customers to promote and differentiate their product line or brand. The Company's programs allow its customers, such as Guess?, Calvin Klein Jeans, Quiksilver, Carole Little, The Limited, Sony Signatures and Warner Bros, as well as licensees of Yves Saint Laurent, Kenneth Cole, Geoffrey Beene and Pierre Cardin, to outsource most aspects of a brand identity program, including value-added design, materials procurement, and manufacturing and distribution coordination of creative packaging, tag, and trim products.

The Company designs and produces high quality paper, metal and injection molded boxes, woven and leather labels, paper-hanging and bar-coded tags, metal jean buttons, and custom shopping bags. The Company also designs and produces specialty private label and licensed stationery as well as related accessories and backpacks. The Company designs approximately 70% of the products it sells. The Company's design capabilities, combined with the Company's experience in materials procurement, and manufacturing and distribution coordination enable the Company to provide customers with complete design solutions for entire product lines that meet not only aesthetic demands, but also functional and cost parameters.

INDUSTRY BACKGROUND

The majority of the Company's revenues are related to the apparel and accessory markets, both of which are large and growing. According to The TOPLINE REPORT published by the NPD Group, Inc., annual apparel sales in 1996 in the United States equaled $161.4 billion, up from $152.5 billion in 1995. The increasing number of fashion-driven apparel and accessory producers and products has made it more difficult for manufacturers to differentiate their products from those of competitors. As a result, these manufacturers have increased their emphasis on specialty packaging, value-added tags and other promotional material in order to compete for consumer attention in the retail environment. This emphasis on product differentiation has created strong demand for creative image enhancements such as bright, colorful and otherwise highly distinguishable and attractive logos, point-of-sale packaging and signage, tags and labels. For example, the primary distinction among many brand oriented products such as designer jeans are woven and leather labels, buttons and trims. Where designer jeans are displayed by retail stores, the trims, hang tags and pocket tags are used to attract customer attention, as well as to provide important consumer information. Similarly, wallets and designer jewelry, which are in many cases difficult to visually distinguish, are often differentiated by specially designed boxes, which then become a significant factor in attracting consumer attention.

Short product life cycles for fashion-driven items, advances in printing and packaging technology, and the diverse geographic locations of specialty packaging or printing vendors and apparel or accessory manufacturers, combine to make the design and execution of complete brand identity programs increasingly more complex. Manufacturers demand complex assortments of specialty packaging, hang tags, labels and trim items compliant with a number of color, materials, printing, bar coding and other quality standards and timely delivery that can generally only be provided by a single vendor able to coordinate its manufacturing and distribution on a world-wide basis. While apparel and accessory manufacturers are actively involved in the design and manufacture of their proprietary product lines, the design and production of critical point-of-sale differentiators are ancillary to their primary business and are often out-sourced to multiple separate vendors typically overseen by the manufacturer or a separate vendor agency. Apparel and accessory manufacturers who oversee their own multi-vendor brand identify programs often find themselves consuming excessive time, effort and expenses attempting to manage in-house brand identity programs and ship floor-ready packaged products to retailers throughout the global marketplace.

The difficulties associated with executing a program which coordinates these many facets are creating demand for the single source programs offered by the Company.

THE TAG-IT PACIFIC SOLUTION

To take advantage of the large expanding demand for, and address the increasingly complicated requirements of, effective brand identity programs, the Company has positioned itself as a fully-integrated single-source provider of complete brand identity programs with creative design personnel, sales representatives, assembly workers, program managers and global production and distribution coordinators and with offices located in Los Angeles, New York, Mexico and Hong Kong. Because specialty packaging or printing vendors usually specialize in limited product areas, management believes that the Company, with its innovative designs and its global manufacturing and distribution coordination, is well positioned to become a recognized single-source provider and a market leader.

TAG-IT PACIFIC GROWTH STRATEGY

The Company's growth strategy includes the following elements: (i) expand its customer base by promoting its single-source solution and in-house design, materials procurement, and manufacturing and distribution coordination capabilities, (ii) increase customer penetration by targeting additional product lines within existing accounts, (iii) expand its marketing programs and network of sales offices, (iv) broaden its target customer base for products to include cosmetics and specialty foods manufacturers, (v) pursue private label opportunities, and (vi) remain opportunistic with respect to strategic acquisitions.

EXPAND THE COMPANY'S CUSTOMER BASE BY PROMOTING ITS SINGLE SOURCE SOLUTIONS AND IN-HOUSE DESIGN, MANUFACTURING AND DISTRIBUTION COORDINATION CAPABILITIES. The Company plans to expand its reputation as a single source provider of specialty packaging and tag and trim needs. The Company's design capabilities, combined with the Company's experience in materials procurement, and manufacturing and distribution coordination enable the Company to provide customers with a complete design solution for entire product lines that meet not only aesthetic demands, but also functional and cost parameters. Because of its single source provider capability, the Company's customers do not have to maintain the same level of oversight as is required for numerous separate vendors, allowing the customer to realize an internal cost savings in addition to the competitive pricing offered by the Company.

INCREASE CUSTOMER PENETRATION BY TARGETING ADDITIONAL PRODUCT LINES WITHIN EXISTING ACCOUNTS. The Company intends, through increased account coverage and client monitoring, to further penetrate each individual customer account it currently services with additional products and services. The Company plans to increase sales by actively marketing its total solution design capabilities to new and existing clients.

EXPAND ITS MARKETING PROGRAMS AND NETWORK OF SALES OFFICES. The Company intends to continue developing a sales and marketing network to offer its fully integrated design, manufacturing and distribution capabilities in the key apparel and accessory manufacturing centers in the United States and possibly in Asia and South America.

BROADEN ITS TARGET CUSTOMER BASE FOR PRODUCTS TO INCLUDE COSMETICS AND SPECIALTY FOODS MANUFACTURERS. The Company has begun to exploit its experience in the apparel and accessories industry to other industries and applications such as specialty packaging tags and labels for cosmetics and specialty food products, all of which should provide new business opportunities not previously pursued by the Company.

PURSUE PRIVATE LABEL OPPORTUNITIES. The Company has produced lines of private label stationery for Quiksilver, and its Roxy division, and has developed private label expertise in connection with its Guess? stationery license. The Company intends to pursue private label design and manufacturing projects for additional customers with well established brand recognition.

REMAIN OPPORTUNISTIC WITH RESPECT TO STRATEGIC ACQUISITIONS. While historically the Company has grown solely through internal efforts, the Company may in the future pursue selected strategic acquisitions. In this regard, the Company will seek acquisition targets that build additional internal product expertise or bring in-house certain manufacturing capabilities that are currently performed by third party vendors. The Company is not currently considering any acquisition candidate.

DESIGN AND DEVELOPMENT

The Company estimates that 70% of the products sold by the Company are also designed by the Company. The Company believes that its products are distinguished by the innovative designs developed by its in-house creative staff. The Company's expertise in material procurement and manufacturing coordination of the products it designs enables the Company to design products that meet not only aesthetic demands, but also functional and cost parameters. The Company believes that specialty design companies, with limited sourcing or manufacturing experience, create designs that often cannot be implemented because of difficulties in the manufacturing process, the expenses of required materials, or because the resulting product is not functional. The Company's products are designed to function within the limitations imposed by the applicable manufacturing framework, and, because of its manufacturing and sourcing experience, time consuming delays arising from the coordination of independent design houses and manufacturing facilities are minimized. This not only reduces development and production costs, but also decreases the total time to market.

The Company's product development begins with the creation of a distinctive design that embodies a customer's corporate image and existing trademarks. Although the designs developed by the Company are consistent with the customer's image, they are distinct to each particular product. The Company will typically create a comprehensive design presentation for a customer focused on a discrete product tag, packaging, trim or label assignment or for an entire packaging, tag and labeling program for a line of products. From the presentation, the client is able to select from numerous prototypes generated by the Company the particular design and product style and image. The Company will then coordinate the manufacture, assembly, finishing and distribution of all packaging, tag, label and trim products to the customer's locations. The Company believes that its in-house ability to create customized prototypes for customer marketing presentations is a significant competitive advantage.

All of the Company's design work is done in-house by its team of seven designers, who include graphic artists and prototype fabricators. All design services for specialty packaging, hang tags, woven labels, metal jean buttons and trims, and licensed and private label stationery is performed by the Company's art department located in Los Angeles. In addition, all film, die making and pre-production is completed at the Company's Los Angeles facilities.

The Company's design team uses computer assisted design techniques employing a sophisticated Scitex color separating and color control system to produce all color separations for its printed products. The Company provides these color separations to its contract manufacturers worldwide to ensure that the Company's finished products, wherever manufactured, have color and appearance uniformity.

Many woven labels designed by the Company are manufactured offshore. The Company plans to use a portion of the net proceeds of the Offering to establish a woven label manufacturing capability in the United States for rapid turn around of samples and short-run production.

PROCUREMENT, ASSEMBLY AND FINISHING

The Company creates all product artwork, and any necessary films, dies and molds, which are used to manufacture its products. All bar-code printing, assembly and finishing of high quality paper boxes, custom shopping bags and point-of-sale packaging signage is performed internally by the Company. The Company also assembles multi-part jean buttons. All other products designed and sold by the Company are produced by third party vendors. The Company intends to continue to outsource high risk production to qualified

vendors, particularly with respect to manufacturing activities that require substantial investment in capital equipment.

Through its Hong Kong facility, the Company produces and distributes bar-coded hang tags, distributes apparel packaging and coordinates the manufacturing and distribution of the full range of the Company's products. The Hong Kong facility supplies several significant packaging programs, services customers located in Asia and the Pacific Rim and sources products for the Company's Los Angeles operations. Through its assembly and finishing facility in Mexico, the Company completes the assembly and finishing of many of its packaging products and has commenced distributing products to Mexico based manufacturers.

The Company purchases raw materials from several qualified material suppliers and has developed a knowledge of the best materials, prices and vendors for particular products and raw materials. Because of its raw material procurement capabilities and knowledge, the Company is able to produce a broad range of packaging styles at various price points which meet a customer's budget and product pricing parameters.

The Company's customers generally book orders for speciality packaging, hang tags or woven labels for an entire season. Although the Company will produce the entire order, it allows its customers to draw down and pay for finished items in inventory, on an as needed basis. Although the Company from time to time holds significant inventory and bears the cost of doing so, all customers are obligated by contract to pay the full purchase order price of the inventory by a specified date, regardless of when or whether they accept delivery. The Company prefers to purchase certain paper stock and finished product in bulk, but, as a result of cash constraints raw materials have generally been purchased on an as needed basis. This has resulted in less than optimal pricing for raw material and finished goods purchases, and has required multiple runs to fulfill customers' orders, increasing labor cost and management burden. The Company intends to use a portion of the net proceeds of this Offering to purchase certain materials in bulk in order to realize the benefits of volume discounts and single production runs. See "Use of Proceeds," "Risk Factors--Limited Sources of Supply" and "--Fluctuating Paper Costs and Paper Shortages."

SALES AND MARKETING

The Company's principal products are currently sold through a combination of its own sales force (five representatives based in Los Angeles and two based in New York) and three independent sales representatives and one sales manager who focuses on sales of licensed and private label stationery products. Additionally, the Company has three major account managers who service three of the Company's significant customers and who have first hand knowledge of those customers' practices. The Company believes that its in-house design and prototype development capabilities allow its sales representatives to make effective customer presentations with actual prototypes and examples of the Company's innovative designs. The Company believes that these in-house design and prototype development capabilities provide the Company with a significant competitive advantage.

The Company's senior executives have developed strong relationships with its major customers at senior levels and actively participate in marketing and sales functions and development of overall strategy. The Company also builds upon its top-level relationships through its account managers who are responsible for enhancing these existing relationships through a high level of responsiveness and attention. When the Company becomes the outsourcing vendor for a customer's packaging or tag requirements, the Company attempts to position itself as a department of the customer's procurement operation.

The Company plans to expand its overall team approach for the sales and marketing of its products to include regional sales vice presidents located in major apparel centers who will be assigned account coverage and make calls on senior merchandising officers of major manufacturers and field representatives who will interface with the manufacturing and distribution personnel of these major customers. These team sales efforts will be supported by the Company's in-house account representatives who will provide

customer service to all accounts, and coordinate order fulfillment. The Company considers a high level of customer service essential to its success.

It is anticipated that a portion of the net proceeds of this Offering will be used to expand the Company's sales force. The Company initially plans to expand its sales network into major apparel and accessory centers in the United States and possibly in Asia and South America.

PRODUCTS

SPECIALTY PACKAGING. The Company's specialty packaging products include high quality paper boxes, metal tins, injection-molded packaging items and high quality shopping bags. These products are designed and produced individually or as part of a program where the Company designs and develops an entire coordinated packaging line for a client. The Company's specialty packaging is used for a wide variety of products, such as wallets, watches, sunglasses, belts, undergarments and gift sets.

HANG TAGS AND PRINTED APPAREL PACKAGING AND TRIMS. The Company's hang tags, pocket flashers, waistband tickets, size stickers and bar-coded hang tags are attached to products by manufacturers and retailers to identify and promote their products, allow automated data collection and provide brand identification and consumer information such as UPC bar code, manufacturer's suggested retail price, size, fabric content and care instructions.

The Company's customized woven, leather, synthetic, embroidered and novelty labels and tapes are designed for and printed on or woven in a wide range of fabrics and other materials and produced on various types of high-speed equipment. The Company's labels are used primarily for product identification and consumer information on apparel.

The Company offers its customers a full range of logo and non-logo hardware trim for their apparel. The hardware product line includes jean buttons, jean rivets, snaps, metal sew-on buttons as well as an assortment of logo hardware which is designed to customize the products of the Company's customers. The Company believes it has the ability to supply its customers with all of their hardware needs. The Company leases its customers machinery to attach buttons, rivets and snaps produced by the Company. This equipment is used exclusively for the Company's products. The revenues generated from these leases are not material to the Company's operations.

PRIVATE LABEL. The Company designs and manufactures private label product lines, including book bags, ring binders, composition books, stationery, metal pencil tins and date books. Many of the Company's apparel and accessory customers are major brand names and are potential customers for the Company's private label business.

SPECIALTY LICENSES. The Company has entered into licensing arrangements with companies which have high brand recognition among consumers. The Company's licensing arrangements allow the Company to manufacture products utilizing such companies' trademarks, brand names or other intellectual property. The Company currently produces stationery products under a license from Guess?. In 1996, the Company was awarded the exclusive packaging license for Batman and Superman licensed apparel by Warner Bros. Consumer Products. Under this arrangement, any licensee of Warner Bros. selling products bearing the Batman or Superman logos must purchase all product hang tags, woven labels and printed labels from the Company. The Company is also one of a limited number of approved vendors permitted to supply hang tags, woven labels and printed labels for LOONEY TUNES AND BABY LOONEY TUNES licensed products. In addition, the Company recently secured from the Sony Signatures division of Sony Pictures Entertainment, Inc. the hang tag business for all consumer products associated with the release of the upcoming feature films GODZILLA, JEANNIE, and ZORRO and the GHOSTBUSTERS television series. The Company intends to obtain additional licenses as they become available on appropriate terms and conditions.

CUSTOMERS

The Company has more than 125 customers, including well-known apparel manufacturers, such as Guess?, Calvin Klein Jeans, Quiksilver, Carole Little, licensees of Yves Saint Laurent, Kenneth Cole, Geoffrey Beene and Pierre Cardin, specialty retailers such as American Eagle Outfitters and Miller's Outpost and mass merchant retailers, such as Office Max and J.C. Penney, and the promotional arms of large entertainment companies such as Sony Signatures Inc. and Warner Bros. Consumer Products. For the fiscal year ended August 31, 1997, Guess? and Swank (a licensee of Yves Saint Laurent, Kenneth Cole, Geoffrey Beene and Pierre Cardin) represented 18.3% and 11.1%, respectively, of the Company's total sales. The Company does not have long-term contracts with its customers requiring them to use its products or services. The Company does not believe that the loss of any single customer other than Guess? or Swank would have a material adverse effect upon the Company's consolidated financial position or results of operations. See "Risk Factors--Dependence on Key Customers; Absence of Long-Term Contracts with Customers."

The following table describes the products provided by the Company for its significant customers.

PACKAGING AND STATIONERY PRODUCTS
<TABLE>
<CAPTION>

NAME OF CUSTOMER	PACKAGING PRODUCTS: PAPER BOXES	SHOPPING BAGS	PLASTIC PACKAGING	METAL TINS	STATIONERY PRODUCTS: BACK TO SCHOOL	BACKPACKS	ACCESSORIES GIFT PACKS
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Guess?......................................	X	X	X		X*	X*	X*
Swank	X	X		X			
Quiksilver..................................	X			X	X		
Warner Bros.	X		X	X			
Baby Guess?.................................	X	X					
Nordstrom	X			X			
Sony Signature..............................					X		
Gymboree	X			X			
Signal Apparel..............................	X						
XOXO	X	X					

</TABLE>

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* These products are produced under license from Guess? for resale to Guess? retail stores and other customers.

APPAREL RELATED PRODUCTS
<TABLE>
<CAPTION>

NAME OF CUSTOMER	BAR CODE PRINTING	HANG TAGS/ POCKET FLASHERS	BOXES	JEAN BUTTONS	RIVETS	WOVEN LABELS
Guess?..............................	X	X	X	X	X	X
Swank			X			
Quiksilver..........................	X	X		X		X
Gymboree	X	X	X			
Warner Bros.........................	X	X	X			X
Baby Guess?	X	X	X	X	X	X
Signal Apparel......................	X	X	X			
Carole Little	X	X		X		
Paul Davril.........................	X	X				
Sony Signatures	X	X				X
Calvin Klein Jeans..................	X	X				
Miller's Outpost	X	X		X	X	X
Express.............................	X	X		X	X	
JC Penny				X	X	X
Azteca*.............................	X	X		X	X	X
Honda				X		
Chorus Line.........................		X		X		X
Dr. Martens		X		X	X	X
A4Moshay (licensee of Converse)......						
Z-Cavaricci					X	
Outlaw Jeans........................		X		X	X	X
Union Bay/Nautica				X	X	
Enc/Kellwood........................		X				X
Paris Blues		X		X		X

<CAPTION>

NAME OF CUSTOMER	LEATHER-PVC PATCHES	SNAPS	ZIPPERS
Guess?..............................	X	X	
Swank		X	
Quiksilver..........................			
Gymboree			
Warner Bros.........................			
Baby Guess?	X	X	
Signal Apparel......................			
Carole Little			
Paul Davril.........................			
Sony Signatures			
Calvin Klein Jeans..................			
Miller's Outpost	X		

Express..............................			
JC Penny	X		
Azteca*.............................	X		
Honda		X	X
Chorus Line.........................			X
Dr. Martens	X	X	X
A4Moshay (licensee of Converse)......	X	X	
Z-Cavaricci			X
Outlaw Jeans........................	X		
Union Bay/Nautica			
Enc/Kellwood........................			
Paris Blues	X		X

</TABLE>

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* The Company supplies Calvin Klein Jeans, American Eagle Outfitters and other branded products to Azteca.

COMPETITION

The industries in which the Company competes are highly competitive and fragmented and include numerous local and regional companies that provide some or all of the services offered by the Company. The Company also competes with United States and international design companies, distributors and manufacturers of tag, trim and packaging products. Some of the Company's competitors, including Paxar, Inc., RVL, Inc., Copac International Packaging, Inc., Universal Button, Inc., and Scovill Fasteners, Inc. have greater name recognition, longer operating histories and, in many cases, substantially greater financial and other resources than the Company. See "Risk Factors--Competition."

The Company believes that competitive factors in the market are generally design capability, price, quality, service and delivery lead times. The Company believes that it is competitive with respect to all of these factors. Because of the Company's integrated material procurement and production capabilities, the Company is able to effectively compete for business particularly where the various functional requirements in packaging production are separately sourced.

EMPLOYEES

As of August 31, 1997, the Company had approximately 390 employees located at its various facilities, with 57 employees in Los Angeles, nine employees in Hong Kong and the balance of employees in Mexico. All of the Company's employees based in Los Angeles, other than executive officers and senior management are provided by an employee leasing company that has responsibility for payroll and human resources functions. The Company has determined that leasing employees offers advantages over directly employing its workforce, including reduction of management time and effort required to be devoted to multistate payroll administration, payroll tax and reporting, health insurance program oversight and other administrative functions.

The Company's labor force located in the United States and Hong Kong are non-union. The employees at the Company's Mexico facilities are represented by the Sindicato "Mexico Moderno" De Trabajadores De La Baja California, C.R.O.M. In addition to its salaried and hourly workforce, the Company employs additional workers, on a temporary basis, throughout the year at its Mexico facilities depending upon current production and assembly requirements. The temporary work force ranges from zero to approximately one hundred employees at any one time throughout the year. The Company believes that it has satisfactory employee and labor relations.

The Company believes that its future success will depend in large part upon its ability to recruit and retain qualified employees, particularly in the area of product operations and sales and marketing. See "Risk Factors--Management of Business Changes; Potential Growth; Potential Acquisitions" and "-- Dependence on Key Personnel."

The Company intends to hire additional key personnel in the near future, particularly in the areas of production operations and sales and marketing. Specifically, the Company plans to use a portion of the net proceeds of this Offering to hire additional sales representatives, in-house account managers and additional operations staff.

All of the Company's key employees are located in Los Angeles, California.

PROPERTIES

The Company's headquarters is located in Los Angeles, California, in the center of the apparel manufacturing district. It occupies approximately 18,145 square feet of administrative, preproduction and warehouse space pursuant to a lease which expires on April 30, 2000 and provides for a current annual rental of approximately $108,870. The Company's Los Angeles premises are leased from D.P.S. Associates, a general partnership in which Harold Dyne is a general partner. Adjacent to the headquarters, the Company leases an additional 5,000 square feet of office and warehouse space for the business of AGS

Stationery. This lease expires on September 30, 1998 and the current annual rental is approximately $31,200.

In addition to the Los Angeles facilities, Tag-It Hong Kong leases approximately 3,000 square feet of office and warehouse space located in Fo Tan. The lease expires on May 22, 1998 and provides for a current monthly rental of approximately $3,770. Tag-It Mexico leases approximately 15,000 square feet of production and warehouse space located in Tijuana, Mexico. The lease expires on November 14, 1999, and the current monthly rental is $4,500. The lease may be renewed for an additional one year term. In addition, Pacific Trim leases approximately 800 square feet of office and showroom space located in New York, New York. The current term of the lease expires on April 30, 1998 and provides for a current monthly rental of $1,400. The lease may be renewed through April 30, 1999 at a monthly rental of $1,500.

The Company is currently studying its office and production requirements. It is anticipated that a portion of the proceeds from the Offering may be used to relocate the Company's operations to larger facilities during the first or second quarters of 1998. The Company does not believe that there will be any adverse impact in terminating its current lease agreements for any of its leased properties in Los Angeles.

LEGAL PROCEEDINGS

Certain claims, suits and complaints which arise in the ordinary course of the Company's business have been filed or are pending against the Company. The Company believes that it has meritorious defenses to such claims or that such matters either are adequately reserved for, are covered by insurance, or would not, after taking into account the reserves established and/or insurance in place, have a material adverse effect on the Company's consolidated financial condition or results of operations, if adversely determined against the Company.

MANAGEMENT

DIRECTORS AND EXECUTIVE OFFICERS

Information with respect to the directors and executive officers of the Company as of November 20, 1997 is as follows:

<TABLE>
<CAPTION>

NAME	AGE	POSITION
Mark Dyne(1)	36	Chairman of the Board
Colin Dyne(1)	34	Chief Executive Officer and Director; Chief Executive Officer of Tag-It
Harold Dyne(1)	65	President and Director; Chief Executive Officer of Pacific Trim
Francis Shinsato	46	Chief Financial Officer
Jonathan Markiles(2)	33	Executive Vice President, Strategic Planning and Business Development, and Secretary
Jonathan Burstein(3)	31	Executive Vice President, Sales and Marketing
Diana Maranon*(4)(5)	39	Director
Brent Cohen*(4)(5)	39	Director
Michael Katz*	56	Director
Paul Markiles*(2)	64	Director

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* These individuals currently do not serve in the positions indicated. The Company intends to appoint these individuals to these positions prior to the

consummation of the Offering.

(1) Colin Dyne and Mark Dyne are brothers. Harold Dyne is their Father.

(2) Jonathan Markiles is the son of Paul Markiles.

(3) Jonathan Burstein is Harold Dyne's son-in-law and Colin Dyne's and Mark Dyne's brother-in-law.

(4) Member of the Audit Committee effective upon appointment as a director.

(5) Member of the Compensation Committee effective upon appointment as a director.

MARK DYNE has served as Chairman of the Board of Directors of the Company since September 1997. Mr. Dyne currently is Chairman of the Board of Directors and Chief Executive Officer of Brilliant Digital Entertainment, Inc., a position he has held since October 1996, Joint Managing Director of Sega Ozisoft Pty. Limited, a company he helped found in 1982, a director of Monto Holdings Pty. Ltd. and Nu-Metro Multimedia Pty. Ltd., and a co-owner and director of Packard Bell Australia Pty. Ltd. From June 1995 through May 1997, Mr. Dyne served as Co-Chief Executive Officer of Sega Enterprises (Australia) Pty., Ltd., which operates a $70 million interactive indoor theme park in Darling Harbor in Sydney, Australia.

COLIN DYNE has served as Chief Executive Officer and Director of the Company since October 1997. Mr. Dyne founded Tag-It in 1991 with his father, Harold Dyne, and has served as its President since inception. Prior to founding Tag-It in 1991, Mr. Dyne worked in numerous positions within the stationery products industry, including owning and operating retail stationery businesses and servicing the larger commercial products industry through contract stationery and printing operations.

HAROLD DYNE has served as President and Director of the Company since October 1997. Mr. Dyne, founder of Pacific Trim, one of the Subsidiaries, has served as Chief Executive Officer of Pacific Trim since it was founded in 1987. Mr. Dyne has been involved in the apparel industry since 1958, when he founded the Union Fasteners Corporation in South Africa. In 1971, he formed a joint venture with YKK Zipper Manufacturing Company in Southern Africa.

FRANCIS SHINSATO was appointed Chief Financial Officer of the Company in November 1997. Prior to joining the Company, from February 1997 through October 1997, Mr. Shinsato was an independent accounting and information systems consultant. From January 1996 until February 1997, Mr. Shinsato was the Controller of Centon Electronics, Inc., a privately held computer memory manufacturer where he was responsible for financial statement preparation and credit and collection management. From 1985 to 1995, Mr. Shinsato served as the Vice President of Finance and Controller of Newport Electronics, Inc. and oversaw all financial, accounting and management information systems. Newport Electronics, Inc. is a designer and manufacturer of test and measurement equipment and was a publicly traded company until 1992. Mr. Shinsato is a certified public accountant.

JONATHAN MARKILES is Executive Vice President, Strategic Planning and Business Development, and Secretary of the Company. Mr. Markiles joined Tag-It in May 1994 as its General Manager where he has been responsible for production, distribution and international operations. Prior to joining Tag-It, Mr. Markiles received his M.B.A. from the University of Southern California in May 1994. From 1987 until August 1992, Mr. Markiles held various operational positions with Windshields America, Inc., a national chain of autoglass stores.

JONATHAN BURSTEIN is Executive Vice President, Sales and Marketing of the Company. From 1987 until the present, Mr. Burstein has been employed by Pacific Trim, where he has been responsible for managing many of Pacific Trim's largest customer accounts and supervising Pacific Trim's sales force. Mr. Burstein also has been responsible for implementing systems and protocols in the purchasing department as well as developing and managing Pacific Trim's key supply lines.

DIANA MARANON will be elected a director of the Company prior to the consummation of the Offering. Ms. Maranon is the President and Managing Director of Averil Associates, Inc. ("Averil Associates"), a financial advisory firm and member of the National Association of Securities Dealers, and serves as a director of Brilliant Digital Entertainment, Inc., a production and development studio involved in the production of a new generation of digital entertainment, and Micronet Technology, Inc., a company involved in the development of data storage products. Prior to founding Averil Associates in 1994, Ms. Maranon was a Vice President with Wasserstein Perella & Co., Inc., an investment banking firm, with whom she started in 1988. From 1985 to 1988, Ms. Maranon practiced securities law with Skadden Arps Slate Meagher & Flom. Ms. Maranon is a member of the State Bar of California.

BRENT COHEN will be elected a director of the Company prior to the consummation of the Offering. Mr. Cohen has served as President of the Consumer Products and International divisions of Packard Bell NEC, Inc., since 1996. From 1987 to 1996, Mr. Cohen served in various positions with Packard Bell, culminating with the position of Chief Financial Officer and Chief Operating Officer prior to his election to his current office. Prior to joining Packard Bell NEC, Inc., Mr. Cohen was employed with Ernst & Young.

MICHAEL KATZ will be elected a director of the Company prior to the consummation of the Offering. From 1987 to the present, Mr. Katz has served as President, Chief Operating Officer and director of Transducer Controls Corporation, a manufacturer of position and pressure transducers. During the same period, Mr. Katz also served as President, Chief Operating Officer and director of Tedea-Huntleigh, Inc., a manufacturer of lode-cells and force-cells. Since September 1996, Mr. Katz has held the position of Chairman of the Board of Filtomat, Inc., a manufacturer of automatic industrial water filters.

PAUL MARKILES will be elected a director of the Company prior to the consummation of the Offering. Prior to his retirement in 1991, Mr. Markiles served as President and Chief Executive Officer of Windshields America, Inc., a subsidiary of South African Breweries. Mr. Markiles was responsible for the founding and expansion of Windshields America into a national chain of over 120 retail autoglass stores.

BOARD OF DIRECTORS

The Board of Directors is divided into three classes, designated Class I, Class II and Class III. Brent Cohen and Diana Maranon will serve as the Class I directors. This class will stand for election at the 1998 annual stockholders meeting. Harold Dyne, Michael Katz and Paul Markiles will serve as the Class II directors. This class will stand for election at the 1999 annual stockholders meeting. Colin Dyne and Mark Dyne currently are the Class III directors. This class will stand for election at the 2000 annual stockholders meeting. At each annual meeting of stockholders, successors of the class of directors whose term expires at that annual meeting are elected for a three-year term or until their successors have been elected and qualified. If the number of directors is changed, any increase or decrease is to be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible. Directors may be removed from office only for cause by the affirmative vote of a majority of the outstanding shares of Common Stock. Vacancies on the Board of Directors may be filled only by a majority of the directors then in office.

BOARD COMMITTEES

The Company's Board of Directors maintains an Audit Committee and a Compensation Committee. The Audit Committee's functions include recommending to the Board of Directors the engagement of the Company's independent certified public accountants, reviewing with those accountants the plan and results of their audit of the financial statements and determining the independence of the accountants. The Compensation Committee reviews and makes recommendations with respect to compensation of officers and key employees, and is currently responsible for the grant of options and other awards under the Company's Stock Incentive Plan. See "--Stock Incentive Plan."

DIRECTOR COMPENSATION

Nonemployee directors of the Company currently are paid $1,500 for their personal attendance at any meeting of the Board and $500 for attendance at any telephonic meeting of the Board or at any meeting of a committee of the Board. Directors also are reimbursed for their reasonable travel expenses incurred in attending Board or committee meetings. The Company intends to grant to each of Ms. Maranon and Messrs. Cohen, Katz and Markiles, effective upon commencement of their services as directors, options to purchase 15,000 shares, 20,000 shares, 15,000 shares and 15,000 shares, respectively, of Common Stock at an exercise price of $6.00 per share.

EXECUTIVE COMPENSATION

The following table sets forth both cash and noncash compensation paid or to be paid by the Company, directly and/or through its subsidiaries, to, Colin Dyne, the Chief Executive Officer of the Company, and Harold Dyne, the President of the Company and the Chief Executive Officer of Pacific Trim, and each other executive officer whose compensation exceeded $100,000 (the "Named Executive Officers") for the fiscal year ended August 31, 1997. No other officer received compensation in excess of $100,000 for the fiscal year ended August 31, 1997.

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	FISCAL YEAR ENDED AUGUST 31,	ANNUAL COMPENSATION SALARY	BONUS	OTHER ANNUAL COMPENSATION
Colin Dyne, Chief Executive Officer	1997	$ 227,340	--	$ 22,773(1)
Harold Dyne, President	1997	$ 214,334	--	$ 24,832(1)
Jonathan Burstein, Executive Vice President, Sales and Marketing	1997	$ 152,981	--	$ 12,393(1)

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(1) Represents car allowance and medical insurance.

EMPLOYMENT CONTRACTS

None of the Named Executive Officers have employment agreements with the Company and their employment may be terminated at any time. See "Risk Factors--Dependence on Key Personnel."

STOCK INCENTIVE PLAN

The Company adopted a Stock Incentive Plan (the "1997 Plan") in October 1997. Each executive officer, other employee, non-employee director or consultant of the Company or any of its subsidiaries is eligible to be considered for the grant of awards under the 1997 Plan. A maximum of 562,500 shares of Common Stock may be issued pursuant to awards granted under the 1997 Plan, subject to certain adjustments to prevent dilution. Any shares of Common Stock subject to an award which for any reason expires or terminates unexercised are again available for issuance under the 1997 Plan.

The 1997 Plan will be administered by the Company's Board of Directors or by a committee of two or more directors appointed by the Board of Directors (the "Administrator"). Subject to the provisions of the 1997 Plan, the Administrator will have full and final authority to select the executives and other employees to whom awards will be granted thereunder, to grant the awards and to determine the terms and conditions of the awards and the number of shares to be issued pursuant thereto.

AWARDS. The 1997 Plan authorizes the Administrator to enter into any type of arrangement with an eligible employee that, by its terms, involves or might involve the issuance of (1) shares of Common Stock, (2) an option, warrant, convertible security, stock appreciation right or similar right with an exercise or conversion privilege at a price related to the Common Stock, or (3) any other security or benefit with a value derived from the value of the Common Stock. The maximum number of shares of Common Stock with respect to which options or rights may be granted under the 1997 Plan to any participant in any year is 140,625, subject to certain adjustments to prevent dilution.

Awards under the 1997 Plan are not restricted to any specified form or structure and may include arrangements such as sales, bonuses or other transfers of stock, restricted stock, stock options, reload stock options, stock purchase warrants, other rights to acquire stock or securities convertible into or redeemable for stock, stock appreciation rights, phantom stock, dividend equivalents, performance units or performance shares. An award may consist of one such arrangement or two or more such arrangements in tandem or in the alternative. An award may provide for the issuance of Common Stock for any lawful consideration, including services rendered or, to the extent permitted by applicable state law, to be rendered. Currently, Delaware law does not permit the issuance of common stock for services to be rendered.

An award granted under the 1997 Plan may include a provision conditioning or accelerating the receipt of benefits, either automatically or in the discretion of the Administrator, upon the occurrence of specified events, including a change of control of the Company, an acquisition of a specified percentage of the voting power of the Company or a dissolution, liquidation, merger, reclassification, sale of substantially all of the property and assets of the Company or other significant corporate transaction. Any stock option

granted to an employee may be an incentive stock option within the meaning of Section 422 of the Code or a nonqualified stock option.

An award under the 1997 Plan may permit the recipient to pay all or part of the purchase price of the shares or other property issuable pursuant to the award, and/or to pay all or part of the recipient's tax withholding obligations with respect to such issuance, by delivering previously owned shares of capital stock of the Company or other property, or by reducing the amount of shares or other property otherwise issuable pursuant to the award. If an option granted under the 1997 Plan permitted the recipient to pay for the shares issuable pursuant thereto with previously owned shares, the option may grant the recipient the right to "pyramid" his or her previously owned shares, i.e., to exercise the option in successive transactions, starting with a relatively small number of shares and, by a series of exercises using shares acquired from each transaction to pay the purchase price of the shares acquired in the following transaction, to exercise the option for a larger number of shares with no more investment than the original share or shares delivered.

As of the date hereof, the Board has granted options covering an aggregate of 260,000 shares of Common Stock to certain directors and officers of the Company, with an exercise price of $6.00 per share. The directors' options were granted effective at such time as each director joins the Board of Directors and will be immediately fully vested. The options granted to officers vest either in four equal annual installments commencing on the date of grant or in 48 equal monthly installments commencing on the date of grant.

PLAN DURATION. The 1997 Plan became effective upon its adoption by the Board of Directors and approved by the Company's stockholders on October 1, 1997, and, unless sooner terminated by the Board of Directors, will terminate on October 1, 2007. No awards may be made after such date, nor may any shares of Common Stock be issued pursuant to any award made after such date, although any award that was duly granted on or prior to such date may thereafter be exercised or settled in accordance with its terms. See "Principal and Selling Stockholders."

AMENDMENTS. The Administrator may amend the 1997 Plan at any time and in any manner, subject to the following: (1) no recipient of any award may, without his or her consent, be deprived thereof or of any of his or her rights thereunder or with respect thereto as a result of such amendment or termination; and (2) if any rule or regulation promulgated by the Securities and Exchange Commission (the "Commission"), the Internal Revenue Service or any national securities exchange or quotation system upon which any of the Company's securities are listed requires that any such amendment be approved by the Company's stockholders, then such amendment will not be effective until it has been approved by the Company's stockholders.

FORM S-8 REGISTRATION. The Company intends to file a registration statement under the Securities Act to register the 562,500 shares of Common Stock reserved for issuance under the 1997 Plan. Such registration statement is expected to be filed shortly following the date of this Prospectus and will become effective immediately upon filing with the Commission. Shares issued under the 1997 Plan after the effective date of such registration statement generally will be available for sale to the public without restriction, except for agreed lock-up provisions and except for shares issued to affiliates of the Company, which will remain subject to the volume and manner of sale limitations of Rule 144. See "Shares Eligible For Future Sale."

LIMITATION OF LIABILITY AND INDEMNIFICATION MATTERS

The Company's Certificate of Incorporation and its Bylaws provide for the indemnification by the Company of each director, officer and employee of the Company to the fullest extent permitted by the Delaware General Corporation Law, as the same exists or may hereafter be amended. Section 145 of the Delaware General Corporation Law provides in relevant part that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the

right of the corporation) by reason of the fact that such person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful.

In addition, Section 145 provides that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that such person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Delaware Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Delaware Court of Chancery or such other court shall deem proper. Delaware law further provides that nothing in the above-described provisions shall be deemed exclusive of any other rights to indemnification or advancement of expenses to which any person may otherwise be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise.

The Company's Certificate of Incorporation also provides that a director of the Company shall not be liable to the Company or its stockholders for monetary damages for breach of fiduciary duty as a director, to the greatest extent permitted by the Delaware General Corporation Law. Section 102(b)(7) of the Delaware General Corporation Law provides that a provision so limiting the personal liability of a director shall not eliminate or limit the liability of a director for, among other things: breach of the duty of loyalty; acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of the law; unlawful payment of dividends; and transactions from which the director derived an improper personal benefit.

The Company has entered into separate but identical indemnity agreements (the "Indemnity Agreements") with each director of the Company and certain of its officers (the "Indemnitees"). Pursuant to the terms and conditions of the Indemnity Agreements, the Company has agreed to indemnify each Indemnitee against any amounts which he or she becomes legally obligated to pay in connection with any claim against him or her based upon any action or inaction which he or she may commit, omit or suffer while acting in his or her capacity as a director and/or officer of the Company or its subsidiaries, provided, however, that Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company and, with respect to any criminal action, had no reasonable cause to believe Indemnitee's conduct was unlawful.

At the present time, there is no pending litigation or proceedings involving a director, officer, employee or other agent of the Company in which indemnification would be required or permitted. The Company is not aware of any threatened litigation or proceedings which may result in a claim for such indemnification.

CERTAIN TRANSACTIONS

The information set forth herein briefly describes certain transaction between the Company and certain affiliated parties. Future transactions with affiliated parties will be approved by a majority of the Company's disinterested directors and will be on terms no less favorable to the Company than those that could be obtained from unaffiliated parties.

D.P.S. Associates, a general partnership in which Harold Dyne is a general partner, is the lessor of the Company's executive offices located at 3820 South Hill Street in Los Angeles, California pursuant to a Lease Agreement (the "D.P.S. Lease") with Pacific Trim, a wholly owned subsidiary of the Company. Harold Dyne is the President and a director of the Company and the Chief Executive Officer of Pacific Trim. The D.P.S. Lease provides for a base rent of $9,072 per month and expires on April 30, 2000.

Harold Dyne, the President and a director of the Company and the Chief Executive Officer of Pacific Trim, and Colin Dyne, the Chief Executive Officer and a director of the Company and the Chief Executive Officer of Tag-It, each have personally guaranteed certain obligations of Pacific Trim and Tag-It under various equipment lease agreements with Saddleback Financial Corporation and Quail American Corp. As of August 31, 1997, the total amount outstanding under these equipment lease agreements was approximately $202,000. Harold Dyne also has guaranteed Pacific Trim's obligations under its lease agreement for the premises located at 262 W. 38th Street, New York, New York. The lease provides for an annual base rent of $16,800.

Certain affiliated parties have made loans to the Subsidiaries to be used for general working capital purposes, all of which are evidenced by promissory notes executed by the respective Subsidiary and are due and payable on the fifteenth day following the date written demand for payment is made by the holder thereof at any time after December 31, 1998. The loans include (i) a loan by Harold Dyne in June 1991 of $10,000 to Tag-It at an interest rate of 10.0% per annum, (ii) a loan by Mark Dyne in January 1997 of $15,000 to Tag-It at an interest rate of 7.5% per annum, (iii) a loan by Monto Holdings in February 1996 of $300,000 to AGS Stationery at an interest rate of 7.5% per annum, (iv) a loan by Monto Holdings in January 1995 of $124,626 to Pacific Trim at an interest rate of 10.0% per annum, (v) a loan by NPM Investments, Inc. in August 1996 of $715,000 to Tag-It at an interest rate of 7.5% per annum, which loan is secured by all of the assets of Tag-It, (vi) a loan by Pacific Western, Inc. in May 1996 of $16,000 to Tag-It at an interest rate of 7.5% per annum, and (vii) a loan by Pacific Western, Inc. in June 1996 of $6,000 to Pacific Trim at an interest rate of 7.5% per annum. Mark Dyne, the Chairman of the Board of the Company holds a significant equity interest in Monto Holdings, NPM Investments, Inc. and Pacific Western, Inc. A company controlled by Alan Saloner is the general partner of the Saloner Family Investments Limited Partnership, which is a stockholder of the Company, and Alan Saloner holds a significant equity interest in NPM Investments, Inc.

In addition, in August 1996, NPM Investments, Inc. made an additional loan of $875,000 to Tag-It, without interest, pursuant to a convertible secured promissory note (the "Convertible Note") which was secured by all of the assets of Tag-It. Mark Dyne and Alan Saloner hold significant equity interests in NPM Investments, Inc. The proceeds of the loan were used for working capital purposes. In October 1997, the Convertible Note was converted by NPM Investments, Inc. into shares of Common Stock of Tag-It, Tag-It Hong Kong and AGS Stationery which in the aggregate represent 384,402 shares of Common Stock.

In September and October 1997, NPM Investments, Inc. made an additional loan of $126,972 to Tag-It to fund expenses incurred in connecton with the Offering. The loan bears simple interest at a rate of 7.5% per annum, is due and payable on the fifteenth day following the date of delivery by NPM Investments, Inc. of written demand therefor and is expected to be repaid upon the closing of the Offering.

In September 1996, Harold Dyne borrowed $100,000 from Mercantile National Bank, which loan was guaranteed by Tag-It. The term loan matures on May 17, 1999 and had an outstanding principal balance of approximately $81,552 as of October 10, 1997. In September 1996, the $100,000 borrowed by Mr. Dyne was

lent to Tag-It for working capital purposes at the same interest rate payable on Mr. Dyne's loan from Mercantile National Bank (11.75% as of October 15, 1997). The loan from Mr. Dyne to Tag-It is due and payable on the fifteenth day following the date written demand for payment is made by Mr. Dyne at any time after December 31, 1998.

In October and November 1997, Monto Holdings made additional loans of $12,000 to AGS Stationery and $110,000 to Pacific Trim, respectively, to fund expenses incurred in connection with the Offering. The loans bear simple interest at a rate of 7.5% per annum, are due and payable on the fifteenth day following the date of delivery by Monto Holdings of written demand therefor at any time after December 31, 1998 and are expected to be repaid upon the closing of the Offering.

Harold Dyne and Colin Dyne have each guaranteed the obligations of Tag-It under a term loan with Mercantile National Bank. The term loan matures on June 8, 1998 and had an outstanding principal balance of approximately $66,374 as of October 10, 1997.

As of October 15, 1997, Harold Dyne was indebted to Pacific Trim in the aggregate amount of $22,649. This indebtedness is evidenced by a promissory note dated August 31, 1997 in the principal amount of $19,649, which currently does not bear interest, and a promissory note dated October 15, 1997 in the principal amount of $3,000, which bears interest at a rate of 7.5% per annum and is due and payable on December 31, 1998.

As of October 15, 1997, Colin Dyne was indebted to Tag-It in the aggregate amount of $77,631. This indebtedness is evidenced by a promissory note dated August 31, 1997 in the principal amount of $71,542, which is due and payable in four bi-annual installments of $17,886 on June 30, 1998, December 31, 1998, June 30, 1999 and December 31, 1999, and a promissory note dated October 15, 1997 in the principal amount of $6,089, which is due and payable on December 31, 1998. Both promissory notes bear interest at a rate of 7.5% per annum.

Harold Dyne and Colin Dyne have each guaranteed the obligations of Tag-It under a Consulting Agreement and an Agreement for the Repurchase of Stock with Frank M. Peck, a former shareholder of Tag-It. The Consulting Agreement provides that until December 31, 1998, Frank Peck will receive a monthly consulting fee in the amount of $11,900 subject to certain adjustments based on the aggregate annual compensation paid by Tag-It to Colin Dyne and Harold Dyne.

In June 1997, AGS Stationery entered into a Collection Date Factoring Agreement (the "Safcor Agreement") with Safcor, Inc. ("Safcor"). Alan Saloner, the general partner of the Saloner Family Investments Limited Partnership, a significant stockholder of the Company, is an officer and director of Safcor. Pursuant to the Safcor Agreement, AGS Stationery has agreed to sell to Safcor all accounts relating to the sale of goods or the rendering of services by AGS Stationery for a purchase price equal to the gross amount of each account, less all discounts and credits and a factoring commission of 1.5% of the net amount of the account. In addition, Safcor has the right, in its sole discretion, to provide customers of AGS Stationery with credit lines for the purchase of AGS Stationery's products. As of October 15, 1997, receivables advanced by AGS Stationery to Safcor totalled $1,272,115, and amounts paid by Safcor to AGS Stationery for such receivable totalled $751,738. The Safcor Agreement may be terminated by either party upon 60 days prior written notice to the other party.

In 1994, Jonathan Markiles, as compensation for employment services, received a warrant (the "Markiles Warrants") to purchase 14 shares of Tag-It Common Stock which, upon the Consolidation, became exercisable for 39,235 shares of Common Stock at a price of $.7136 per share. In the event the shares of Common Stock underlying the Markiles Warrants are not freely tradeable under the Securities Act, the Company has agreed to register these shares on Form S-3 or Form S-8. The Markiles Warrants provide for piggyback registration rights and expire on December 31, 2002.

Averil Associates, Inc., ("Averil Associates") a financial advisory firm founded and controlled by Diana Maranon, has, since January 1, 1996, performed various services for AGS Stationery and the

Company including investigation of strategic financing and other corporate growth initiatives. Ms. Maranon is a director of the Company. As consideration for such services, AGS Stationery has paid to Averil Associates the aggregate amount of $26,123, including out of pocket expenses. As additional compensation for services rendered, AGS Stationery has granted to Chloe Holdings, Inc. ("Chloe"), an affiliate of Averil Associates, warrants (the "Chloe Warrants") to purchase up to 135 shares of Common Stock of AGS Stationery, and the Company has agreed to pay to Averil Associates an additional $175,000 upon consummation of the Offering. Effective upon the Consolidation, the Chloe Warrants became exercisable for 22,841 shares of Common Stock of the Company. The Chloe Warrants are immediately exercisable. In the event the shares of Common Stock underlying the Chloe Warrants are not freely tradeable under the Securities Act, the Company has agreed to register these shares on Form S-3. The Company plans to continue to engage Averil Associates; however, the Company is unable to currently estimate the extent to which it will use Averil Associates in the future.

PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth certain information regarding the beneficial ownership of the Company's Common Stock as of October 20, 1997, and as adjusted to reflect the sale of 1,280,000 shares of Common Stock by the Company and the sale of 170,000 shares of Common Stock by the Selling Stockholder offered by this Prospectus, for (i) each person who is known to the Company to be the beneficial owner of more than 5% of the outstanding Common Stock, (ii) each of the Company's directors, (iii) each of the Named Executive Officers, and (iv) all directors and executive officers of the Company as a group. The address of each person listed is in care of the Company, 3820 South Hill Street, Los Angeles, California 90037, unless otherwise set forth below such person's name.

	SHARES BENEFICIALLY OWNED PRIOR TO OFFERING(1)			SHARES BENEFICIALLY OWNED AFTER THE OFFERING	
NAME OF BENEFICIAL OWNER	NUMBER OF SHARES	PERCENT OF CLASS	NUMBER OF SHARES OFFERED	NUMBER OF SHARES	PERCENT OF CLASS
Harold Dyne(2)	789,507	32.0%	170,000	619,507	16.5%
Colin Dyne(2)	584,541	23.7	--	584,541	15.6
Mark Dyne(2)	461,401	18.7	--	461,401	12.3
Saloner Family Investments Limited Partnership	160,168	6.5	--	160,168	4.3
Jonathan Burstein	75,788	3.1	--	75,788	2.0
Jonathan Markiles(3)(4)	53,248	2.1	--	53,248	1.4
Diana Maranon(5)	37,841	1.5	--	37,841	1.0
Brent Cohen(6)	20,000	*	--	20,000	*
Michael Katz(7)	15,000	*	--	15,000	*
Paul Markiles(3)(7)	15,000	*	--	15,000	*
All of the directors and executive officers as a group (nine persons)(8)	2,052,326	79.0	170,000	1,882,326	48.6

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* Represents less than 1% of outstanding Common Stock.

(1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission that deem shares to be beneficially owned by any person who has or shares voting or investment power with respect to such shares. Unless otherwise indicated, the persons named in this table have sole voting and sole investment power with respect to all shares shown as beneficially owned, subject to community property laws where applicable. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of Common Stock subject to options or warrants held by that person that are currently exercisable or exercisable within 60 days of October 20, 1997 are deemed outstanding. Such shares, however, are not deemed outstanding for the purposes of computing the percentage ownership of each other person. Accordingly, the beneficial ownership percentages shown above exceed 100%.

(2) Colin Dyne and Mark Dyne are brothers. Harold Dyne is their Father.

(3) Paul Markiles and Jonathan Markiles are father and son.

(4) Includes 39,235 shares of Common Stock reserved for issuance upon exercise of Markiles Warrants, which are currently exercisable.

(5) Includes 15,000 shares of Common Stock reserved for issuance upon exercise of stock options which are currently exercisable and 22,841 shares of Common Stock reserved for issuance upon exercise of the Chloe Warrants, which are currently exercisable.

(6) Represents 20,000 shares of Common Stock reserved for issuance upon exercise of stock options which are currently exercisable.

(7) Represents 15,000 shares of Common Stock reserved for issuance upon exercise of stock options which are currently exercisable.

(8) Includes the shares of Common Stock referred to in footnotes (4), (5), (6) and (7) above.

DESCRIPTION OF CAPITAL STOCK

The Company is authorized to issue 15,000,000 shares of Common Stock, par value $0.001 per share, and 3,000,000 shares of Preferred Stock, par value $0.001 per share. At October 20, 1997, the Company had 2,470,011 shares of Common Stock outstanding held by 12 holders of record. The following statements are brief summaries of certain provisions relating to the Company's capital stock.

COMMON STOCK

The holders of Common Stock are entitled to one vote for each share held of record on all matters on which the holders of Common Stock are entitled to vote. The holders of Common Stock are entitled to receive ratably dividends when, as and if declared by the Board of Directors out of funds legally available therefor. In the event of liquidation, dissolution or winding up of the Company, the holders of Common Stock are entitled subject to the rights of holders of Preferred Stock issued by the Company, if any, to share ratably in all assets remaining available for distribution to them after payment of liabilities and after provision is made for each class of stock, if any, having preference over the Common Stock.

The holders of Common Stock have no preemptive or conversion rights and they are not subject to further calls or assessments by the Company. There are no redemption or sinking fund provisions applicable to the Common Stock. The outstanding shares of Common Stock are, and the Common Stock issuable pursuant to this Prospectus will be, when issued, fully paid and nonassessable.

PREFERRED STOCK

The Board of Directors has the authority to issue the authorized and unissued Preferred Stock in one or more series with such designations, rights and preferences as may be determined from time to time by the Board of Directors. Accordingly, the Board of Directors is empowered, without stockholder approval, to issue Preferred Stock with dividend, liquidation, conversion, voting or other rights which adversely affect the voting power or other rights of the holders of the Company's Common Stock. In the event of issuance, the Preferred Stock could be utilized, under certain circumstances, as a way of discouraging, delaying or preventing an acquisition or change in control of the Company. The Company does not currently intend to issue any shares of its Preferred Stock.

WARRANTS

In connection with its engagement of Troop Meisinger Steuber & Pasich, LLP ("TMS&P") as counsel to the Company, the Company has agreed to issue to TMS&P warrants (the "TMS&P Warrants") to purchase such number of shares of Common Stock of the Company as is equal to the quotient of (i) 120% of the actual fees, costs and disbursements billed by TMS&P in connection with the Offering, divided by (ii) an amount equal to 90% of the initial public offering price of a share of Common Stock in the Offering. The TMS&P Warrants will be granted upon the closing of the Offering or, if the Offering is not successful, on such date as the Company decides not to continue with the Offering. Each TMS&P Warrant will be immediately exercisable and will expire five years following the date of grant unless the Company decides not to continue with the Offering, in which case they will expire one year following the date of grant. Each TMS&P Warrant provides for piggyback registration rights. See "--Registration Rights."

Pursuant to an agreement with Averil Associates, the Company issued the Chloe Warrants to purchase 22,841 shares of Common Stock with an exercise price of $.7578 per share. In the event the shares of Common Stock underlying the Chloe Warrants are not freely tradeable pursuant to an exemption from registration under the Securities Act of 1933, as amended, (the "Securities Act"), the Company has agreed to register these shares on Form S-3. Additionally, the Chloe Warrants provide for piggyback registration rights. See "--Registration Rights." These warrants expire on December 31, 2002.

In 1994, Jonathan Markiles, as compensation for employment services, received the Markiles Warrants to purchase 14 shares of Tag-It Common Stock which, upon the Consolidation, became exercisable for 39,235 shares of Common Stock at a price of $.7136 per share. In the event the shares of Common Stock underlying the Markiles Warrants are not freely tradeable under the Securities Act, the Company has agreed to register these shares on Form S-3 or Form S-8. The Markiles Warrants also provide for piggyback registration rights and expire on December 31, 2002.

All of the warrants granted to TMS&P, Chloe and Jonathan Markiles are entitled to equitable adjustments in the purchase price and in the number of shares of Common stock and/or other securities deliverable upon exercise thereof in the event of a stock dividend, stock split, reclassification, reorganization, consolidation or merger.

ANTI-TAKEOVER PROVISIONS

The Company's Certificate of Incorporation provides that the Company's Board of Directors is classified into three classes of directors. The Certificate of Incorporation also provides that all stockholder action must be effected at a duly called meeting of stockholders and not by a consent in writing. In addition, the Company's Certificate of Incorporation and Bylaws provide that only the Company's Chief Executive Officer, President, Chairman of the Board or a majority of the members of the Company's Board of Directors may call a special meeting of stockholders. In addition, directors may not be removed without cause. These provisions of the Certificate of Incorporation and Bylaws could discourage potential acquisition proposals and could delay or prevent a change in control of the Company. Such provisions also may have the effect of preventing changes in the management of the Company. See "Risk Factors--Effect of Certain Charter Provisions; Antitakeover Effects of Certificate of Incorporation, Bylaws and Delaware Law."

SECTION 203 OF THE DELAWARE GENERAL CORPORATION LAW

The Company is subject to the provisions of Section 203 of the Delaware General Corporation Law. That section provides, with certain exceptions, that a Delaware corporation may not engage in any of a broad range of business combinations with a person or affiliate, or associate of such person, who is an "interested stockholder" for a period of three years from the date that such person became an interested stockholder unless: (i) the transaction resulting in a person becoming an interested stockholder, or the business combination, is approved by the board of directors of the corporation before the person becomes an interested stockholder; (ii) the interested stockholder acquires 85% or more of the outstanding voting stock of the corporation in the same transaction that makes it an interested stockholder (excluding shares owned by persons who are both officers and directors of the corporation, and shares held by certain employee stock ownership plans); or (iii) on or after the date the person becomes an interested stockholder, the business combination is approved by the corporation's board of directors and by the holders of at least 66 2/3% of the corporation's outstanding voting stock at an annual or special meeting, excluding shares owned by the interested stockholder. An "interested stockholder" is defined as any person that is (a) the owner of 15% or more of the outstanding voting stock of the corporation or (b) an affiliate or associate of the corporation and was the owner of 15% or more of the outstanding voting stock of the corporation at any time within the three-year period immediately prior to the date on which it is sought to be determined whether such person is an interested stockholder.

REGISTRATION RIGHTS

After the Offering, the holders of the Representatives' Warrants, TMS&P Warrants, the Chloe Warrants and the Markiles Warrants will be entitled to certain rights with respect to registration of such shares under the Securities Act. If the Company proposes to register any of its securities under the Securities Act at least 180 days subsequent to the Offering, the holders of the TMS&P Warrants, the Chloe Warrants and the Markiles Warrants are entitled to notice of such registration and are entitled to include the shares underlying their respective warrants in such registration, provided, among other conditions, that

the underwriters of any offering have the right to limit the number of shares included in such registration. In addition, in the event the shares of Common Stock underlying the Chloe Warrants or the Markiles Warrants are not freely tradeable pursuant to an exemption from registration under the Securities Act, the Company has agreed to register such shares on Form S-3 or Form S-8. For a description of the Representatives' Warrants, see "Underwriting."

TRANSFER AGENT

The Company's transfer agent and registrar for its Common Stock is American Stock Transfer and Trust Corporation, 40 Wall Street, New York, New York 10005.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to the Offering, there has been no public market for the Company's Common Stock. Sale of substantial amounts of Common Stock in the public market could adversely affect the market price of the Common Stock.

Upon completion of the Offering, based on the number of shares outstanding as of December 17, 1997, the Company will have outstanding an aggregate of 3,750,011 shares of Common Stock, assuming no exercise of the Underwriters' Over-Allotment Option and no exercise of outstanding options and warrants. Of these shares, the 1,450,000 shares sold in the Offering will be freely tradeable without restriction or further registration under the Securities Act, unless held by "affiliates" of the Company, as that term is defined in Rule 144 under the Securities Act. The remaining 2,300,011 shares of Common Stock held by existing stockholders are "restricted" securities within the meaning of Rule 144 under the Securities Act. Restricted securities may be sold in the public market only if registered or if they qualify for an exemption from registration under Rules 144, 144(k) or 701 promulgated under the Securities Act, which rules are summarized below.

All holders of the Company's securities outstanding prior to the Offering will, prior to the Offering, be subject to "lock-up" provisions providing that such holders will not offer to sell, contract to sell or otherwise sell, dispose of, loan, pledge or grant any rights with respect to, any shares of Common Stock, or any options or warrants to purchase Common Stock, or any securities convertible into or exercisable for Common Stock, of the Company for 365 days after the effective date of the Offering without the prior written consent of the Representatives. As a result of these contractual restrictions, notwithstanding possible earlier eligibility for sale under the provisions of Rules 144, 144(k) and 701, no shares will be eligible for immediate sale on the effective date of the Offering and, unless earlier released from the lock-up provisions, 2,300,011 currently outstanding shares of Common Stock will be eligible for sale 365 days after the effective date of the Offering, subject in all cases to the volume limitations of Rules 144 and 701 summarized below.

Additionally, pursuant to Rules 144 and 701, beginning one year after the effective date of the Offering, upon the expiration of contractual lock-up provisions with the Company, an aggregate of approximately 211,381 shares will be vested and eligible for sale upon the exercise of outstanding stock options and warrants.

In general, under Rule 144 as currently in effect, beginning 90 days after the Offering, a person (or persons whose shares must be aggregated) who has beneficially owned restricted shares for at least one year, will be entitled to sell in any three-month period a number of shares that does not exceed the greater of (i) 1% of the then outstanding shares of Common Stock (approximately 37,500 shares immediately after the Offering) or (ii) the average weekly trading volume during the four calendar weeks immediately preceding the date on which notice of the sale is filed with the Securities and Exchange Commission. Sales pursuant to Rule 144 are subject to certain requirements relating to manner of sale, notice and availability of current public information about the Company. A person (or persons whose shares must be aggregated) who is not deemed to have been an affiliate of the Company at any time during the 90 days immediately preceding the sale and who has beneficially owned his or her shares for at least two years is entitled to sell such shares pursuant to Rule 144(k) without regard to the limitations described above. In general, under Rule 701 under the Securities Act as currently in effect, any non-affiliate employee, consultant or advisor of the Company who acquires shares from the Company in connection with a compensatory stock or option plan or other written agreement related to compensation is eligible to resell such shares 90 days after the effective date of the Offering in reliance on Rule 144, but without compliance with certain restrictions contained in Rule 144.

At December 17, 1997, the Company had reserved an aggregate of 562,500 shares of Common Stock for issuance pursuant to the 1997 Plan, and options to purchase 260,000 shares were outstanding under the 1997 Plan. The Company intends to file a registration statement under the Securities Act to register the

562,500 shares of Common Stock reserved for issuance under the 1997 Plan. Such registration statement is expected to be filed shortly following the date of this Prospectus and will become effective immediately upon filing with the Securities and Exchange Commission. Shares issued under the 1997 Plan after the effective date of such registration statement generally will be available for sale to the public without restriction, except for the 365-day lock-up provisions and shares issued to affiliates of the Company, which will remain subject to the volume and manner of sale limitations of Rule 144. See

"Underwriting." Additionally, after the Offering, TMS&P, Chloe and Jonathan Markiles will be entitled to certain rights with respect to registration under the Securities Act of the shares of Common Stock underlying the TMS&P Warrants, the Chloe Warrants and the Markiles Warrants, respectively.

UNDERWRITING

The Underwriters named below, for whom Cruttenden Roth Incorporated and Josephthal & Co. Inc. are acting as the representatives (the "Representatives"), have agreed severally, subject to the terms and conditions contained in an Underwriting Agreement ("Underwriting Agreement"), to purchase from the Company and the Selling Stockholder the number of shares of Common Stock indicated below opposite their respective names at the proposed public offering price less the estimated underwriting discounts and commissions set forth on the cover page of this Prospectus. The Underwriting Agreement provides that the obligations of the Underwriters are subject to certain conditions, and that the Underwriters are committed to purchase all of such shares (other than those covered by the Over-Allotment Option), if any are purchased.

<TABLE>
<CAPTION>

UNDERWRITER	NUMBER OF SHARES
<S>	<C>
Cruttenden Roth Incorporated	--
Josephthal & Co. Inc.	--
Total	1,450,000

</TABLE>

The Underwriters initially propose to offer the shares of Common Stock offered hereby to the public at the price to public set forth on the cover page of this Prospectus. The Underwriters may allow a concession to selected dealers who are members of the National Association of Securities Dealers, Inc. ("NASD") not in excess of $ per share, and the Underwriters may allow, and such dealers may re-allow, to members of the NASD, a concession not in excess of $ per share. After the public offering, the price to public, the concession and the re-allowance may be changed by the Representatives.

The Company has granted the Over-Allotment Option to the Underwriters, exercisable within 45 days after the date of this Prospectus, to purchase up to an additional 192,000 shares of Common Stock at the proposed initial price to public, less the estimated underwriting discounts and commissions, set forth on the cover page of this Prospectus. The Underwriters may exercise the option only for the purpose of covering over-allotments. To the extent that the Underwriters exercise the Over-Allotment Option, each Underwriter will be committed, subject to certain conditions, to purchase from the Company that number of additional shares of Common Stock which is proportionate to such Underwriter's initial commitment.

The Company has also agreed to sell to the Representatives warrants to purchase up to 100,000 shares of Common Stock (the "Representatives' Warrants"). The Representatives' Warrants will be exercisable for a period of four years, commencing one year after the date of this Prospectus, at an initial per share exercise price equal to 120% of the price to public set forth on the cover page of this Prospectus. Neither the Representatives' Warrants nor the shares of Common Stock issuable upon exercise thereof may be transferred, assigned or hypothecated until one year from the date of this Prospectus, except that they may be assigned, in whole or in part, (i) to individuals who are either officers or partners of the Representatives, or (ii) by will or the laws of descent and distribution or (iii) to certain successor of the Representatives. Any profit realized by the Representatives on the sale of securities issuable upon exercise of the Representatives' Warrants may be deemed to be additional compensation.

The holder of the Representatives' Warrants will have no voting, dividend or other rights as a stockholder of the Company unless and until the exercise of the Representatives' Warrants. The number of securities deliverable upon any exercise of the Representatives' Warrants or their underlying securities and the exercise price of the Representatives' Warrants are subject to adjustment to protect against any dilution upon the occurrence of certain events, including issuance of stock dividends, stock splits, subdivision or combination of outstanding stock and reclassification of stock.

The Company has agreed with the Representatives to register the Representatives' Warrants and/or the underlying shares for resale, on one such occasion at any time during the four-year period commencing one year following the date of this Prospectus upon written demand by the Representatives. The Company has agreed with the Representatives that if, during the four-year period commencing one year following the date of this Prospectus, the Company registers any of its Common Stock for sale pursuant to a registration statement (with the exception of Form S-4, Form S-8 or other inappropriate form), it will use its best efforts, upon request of any of holder of the Representatives' Warrants and/or the underlying shares, to include such securities as a part of the registration statement. The Company will bear all the costs, except underwriting discounts and the Representatives' legal fees, for any registration.

The Representatives will also receive at the closing of the Offering a non-accountable expense allowance equal to 2% of the aggregate public offering price of the shares of Common Stock sold in the Offering including proceeds from the Over-Allotment Option, if exercised. The Representatives' expenses in excess of the non-accountable expenses allowance, including their legal expenses, will be borne by the Representatives. To the extent that the expenses of the Representatives are less than the non-accountable expense allowance, the excess shall be deemed to be compensation to the Representatives.

The Company, and its executive officers, directors and its stockholders have agreed that for a period of 365 days after the date of this Prospectus they will not, directly or indirectly, offer, sell, contract to sell, grant any option to sell, or otherwise dispose of shares of Common Stock or other securities which are substantially similar to the Common Stock or securities convertible into or exercisable or exchangeable for or any rights to purchase or acquire Common Stock or securities which are substantially similar to the Common Stock without the prior written consent of the Representatives.

Prior to this Offering, there has been no public market for the Common Stock and there can be no assurance that a regular trading market will develop upon the completion of this Offering. The public offering price will be determined by arms-length negotiations between the Company, the Selling Stockholder and the Representatives and will not necessarily bear any relationship to assets, book value, earnings history or other investment criteria. The primary factors considered in determining such offering price included the trading price for the Company's Common Stock, the history of and prospects for the industry in which the Company competes, market valuation of comparable companies, market conditions for public offerings, the history of and prospects for the Company's business, the Company's past and present operations and earnings and the trend of such earnings, the prospects for future earnings of the Company, the Company's current financial position, an assessment of the Company's management, the general condition of the securities markets, the demand for similar securities of comparable companies and other relevant factors. There can be no assurance, however, that the prices at which the Common Stock will trade in the public market following the Offering will not be lower than the initial public offering price.

The Company and the Selling Stockholder have agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act or to contribute to payments which the Underwriters may be required to make in respect thereof.

The Representatives have advised the Company that they do not expect any sales by the Underwriters to accounts over which they exercise discretionary authority.

The foregoing is a brief summary of the provisions of the Underwriting Agreement and does not purport to be a complete statement of its terms and conditions. The Underwriting Agreement has been filed as an exhibit to the Registration Statement of which this Prospectus is a part.

Certain persons participating in the Offering may overallot or effect transactions which stabilize, maintain or otherwise affect the market price of the Common Stock at levels above those which might otherwise prevail in the open market, including by entering stabilizing bids, effecting syndicate covering transactions or imposing penalty bids. A stabilizing bid means the placing of any bid, or the effecting of any purchase, for the purpose of pegging, fixing or maintaining the price of the Common Stock. A syndicate covering transaction means the placing of any bid on behalf of the underwriting syndicate or the effecting

of any purchase to reduce a short position created in connection with the Offering. A penalty bid means an arrangement that permits the Underwriters to reclaim a selling concession from a syndicate member in connection with the Offering when shares of Common Stock sold by the syndicate member in connection with the Offering are purchased in syndicate covering transactions. Such transactions may be effected on the American Stock Exchange, in the over-the-counter market, or otherwise. Such stabilizing, if commenced, may be discontinued at any time.

LEGAL MATTERS

Counsel for the Company, Troop Meisinger Steuber & Pasich, LLP, Los Angeles, California, have rendered an opinion to the effect that the Common Stock offered by the Company upon sale will be duly and validly issued, fully paid and non-assessable. Troop Meisinger Steuber & Pasich, LLP holds warrants to purchase approximately 35,555 shares of Common Stock of the Company. Graham & James LLP, San Francisco, California, has acted as counsel to the Underwriters in connection with certain legal matters relating to this Offering.

EXPERTS

The consolidated financial statements of the Company at August 31, 1997 and 1996, and for the years then ended, appearing in this Prospectus and Registration Statement have been audited by BDO Seidman, LLP, independent certified public accountants, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given upon the authority of such firm as experts in accounting and auditing.

ADDITIONAL INFORMATION

The Company has filed with the Securities and Exchange Commission in Washington, D.C., a Registration Statement under the Securities Act for the shares offered by this Prospectus. This Prospectus does not contain all of the information set forth in the Registration Statement and the exhibits included with the Registration Statement. Statements contained in this Prospectus as to the contents of any contract or any other document referred to are not necessarily complete, and with respect to any contract or other document filed as an exhibit to the Registration Statement, reference is made to the exhibit for a more complete description of the matter involved, and each such statement is qualified in its entirety by this reference. For further information about the Company and the shares offered by this Prospectus, reference is hereby made to the Registration Statement and exhibits included with the Registration Statement. A copy of the Registration Statement, including exhibits, may be inspected without charge at the Securities and Exchange Commission's principal office in Washington, D.C., and copies of all or any part thereof may be obtained from the Public Reference Section of the Securities and Exchange Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, upon payment of certain prescribed rates.

Upon consummation of the Offering, the Company will become subject to the information requirements of the Exchange Act and, in accordance therewith, will file reports and other information with the Securities and Exchange Commission in accordance with its rules. These reports and other information concerning the Company may be inspected and copied at the public reference facilities referred to above as well as certain regional offices of the Securities and Exchange Commission.

The Securities and Exchange Commission maintains a Web Site which contains reports, proxy and information statements and other information regarding issuers that file electronically with the Securities and Exchange Commission (such as the Company) at http:\\www.sec.gov.

The Company intends to furnish to its stockholders annual reports containing consolidated financial statements audited by its independent auditors and quarterly reports containing unaudited consolidated financial statements for each of the first three quarters of each fiscal year.

TAG-IT PACIFIC, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

<TABLE>
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</TABLE>

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors
Tag-It Pacific, Inc.
Los Angeles, California

We have audited the accompanying consolidated balance sheets of Tag-It Pacific, Inc. as of August 31, 1996 and 1997, and the related consolidated statements of operations, stockholders' deficiency and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tag-It Pacific, Inc. at August 31, 1996 and 1997, and the results of their operations and their cash flows for each of the years then ended in conformity with generally accepted accounting principles.

/s/ BDO Seidman, LLP

Los Angeles, California
October 17, 1997.

TAG-IT PACIFIC, INC. (NOTE 1)

CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	AUGUST 31, 1996	AUGUST 31, 1997	PROFORMA (SEE NOTE 12)
<S>	<C>	<C>	<C>
ASSETS (NOTE 6)			
Current Assets:			
Cash	$ 89,873	$ 148,062	
Accounts receivable (Note 11)	1,430,022	1,990,206	
Due from related parties (Note 12)	75,372	102,092	
Inventories (Note 3)	1,206,026	2,017,503	
Prepaid expenses and other current assets	217,400	215,678	
Total current assets	3,018,693	4,473,541	
Property and equipment, net (Note 4)	606,558	922,262	
Other assets	54,963	49,153	
Total Assets	$ 3,680,214	$ 5,444,956	
LIABILITIES AND STOCKHOLDERS' DEFICIENCY			
Current Liabilities:			
Bank overdrafts	$ 175,647	$ 251,115	
Due to factor, net (Note 2)	563,927	94,786	
Current portion of long-term debt (Note 5)	180,136	158,176	
Current portion of notes payable to related parties (Note 6)	1,179,953	912,898	$ 37,898
Accounts payable	2,696,837	3,294,442	
Accrued expenses	775,691	1,569,363	
Total current liabilities	5,572,191	6,280,780	5,405,780

Long-term debt, less current portion (Note 5)	189,660	55,315	
Notes payable to related parties, less current portion	--	1,249,698	
Total Liabilities	5,761,851	7,585,793	6,710,793
Commitments and contingencies (Note 10)			
Stockholders' Deficiency (Notes 8 and 12)			
Preferred stock, $.001 par value; 3,000,000 shares authorized; no shares issued and outstanding	--	--	
Common stock; $.001 par value; 15,000,000 shares authorized; 2,085,609 shares issued and outstanding (2,470,011 shares pro forma)	2,086	2,086	
Additional paid-in capital	82,914	82,914	957,914
Accumulated deficit	(2,166,637)	(2,225,837)	
Total stockholders' deficiency	(2,081,637)	(2,140,837)	(1,265,837)
Total Liabilities and Stockholders' Deficiency	$ 3,680,214	$ 5,444,956	$ 5,444,956

</TABLE>

See accompanying notes to consolidated financial statements.

TAG-IT PACIFIC, INC. (NOTE 1)
CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

	YEARS ENDED AUGUST 31,	
	1996	1997
<S>	<C>	<C>
Net sales (Note 11)	$ 14,738,041	$ 19,539,411
Cost of goods sold	10,090,538	12,546,541
Gross profit	4,647,503	6,992,870
Selling, general and administrative expenses	4,973,058	5,896,543
Write-off of printing division (Note 9)	--	231,803
Total operating expenses	4,973,058	6,128,346
Income (loss) from operations	(325,555)	864,524
Interest expense	464,805	810,681
Income (loss) before income taxes	(790,360)	53,843
Provision for income taxes (Note 7)	--	113,043
Net loss	$ (790,360)	$ (59,200)
Historical information (Note 1):		
Net loss per share	$ (.37)	$ (.03)
Weighted average shares outstanding	2,165,246	2,165,246
Pro forma information (Note 1):		
Net loss per share		$ (.02)
Weighted average shares outstanding		2,549,648

</TABLE>

See accompanying notes to consolidated financial statements

TAG-IT PACIFIC, INC. (NOTE 1)
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIENCY
YEARS ENDED AUGUST 31, 1996 AND 1997

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	PREFERRED STOCK SHARES	PREFERRED STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	TOTAL
Balance, August 31, 1995...	2,085,609	$ 2,086	--	$	$ 82,914	$ (1,376,277)	$ (1,291,277)
Net loss................	--	--	--	--	--	(790,360)	(790,360)
Balance, August 31, 1996...	2,085,609	2,086	--		82,914	(2,166,637)	(2,081,637)
Net loss................	--	--	--	--	--	(59,200)	(59,200)
Balance, August 31, 1997...	2,085,609	$ 2,086	--	$	$ 82,914	$ (2,225,837)	$ (2,140,837)

See accompanying notes to consolidated financial statements.

TAG-IT PACIFIC, INC. (NOTE 1)
CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEARS ENDED AUGUST 31, 1996	1997
Increase (decrease) in cash		
Cash flows from operating activities:		
Net loss..	$ (790,360)	$ (59,200)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization..	144,484	268,047
Changes in operating assets and liabilities:		
Accounts receivables..	(584,525)	(560,184)
Inventories..	(525,117)	(811,477)
Other assets..	(8,065)	5,810
Prepaid expenses and other current assets..................................	(117,088)	1,722
Accounts payable..	271,355	597,605
Accrued expenses..	379,074	793,672
Net cash (used in) provided by operating activities.............................	(1,230,242)	235,995
Cash flows from investing activities:		
Loans to related parties..	25,503	(26,720)
Acquisition of property and equipment..	(488,360)	(583,751)
Net cash used in investing activities..	(462,857)	(610,471)
Cash flows from financing activities:		
Bank overdraft..	26,759	75,468
Net advances from factor..	734,987	(469,141)
Proceeds from long-term debt..	369,796	--
Payments on long-term debt..	--	(156,305)
Proceeds from notes payable to related parties.................................	588,946	1,716,672
Repayments of notes payable to related parties.................................	(34,996)	(734,029)
Net cash provided by financing activities.......................................	1,685,492	432,665
Net increase (decrease) in cash...	(7,607)	58,189
Cash at beginning of year..	97,480	89,873
Cash at end of year..	$ 89,873	$ 148,062

Supplemental Disclosure of Cash Flow Information
Cash paid during the year for:

Interest	$	260,220	$	566,599
Income Taxes	$	30,204	$	19,404

</TABLE>

See accompanying notes to consolidated financial statements.

YEARS ENDED AUGUST 31, 1996 AND 1997

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND BASIS OF PRESENTATION

Tag-It Pacific, Inc. (the "Company") was incorporated in September 1997 and was formed to combine several existing related operating entities under a single holding company.

The Company combines Tag-It, Inc., a California corporation ("Tag-It"); Tag-It Printing & Packaging Ltd., a British Virgin Islands corporation ("Tag-It Hong Kong"); Tag It de Mexico S.A. de C.V. ("Tag-It Mexico"); A.G.S. Stationery, Inc., a California corporation ("AGS Stationery"); and Pacific Trim & Belt, Inc., a California corporation ("Pacific Trim") (collectively, the "Subsidiaries").

On October 17, 1997, Tag-It Pacific L.L.C., a Delaware limited liability company ("Tag-It Pacific LLC"), acquired all of the outstanding capital stock of each of the Subsidiaries for an aggregate of 2,470,001 membership units of Tag-It Pacific LLC and assumed outstanding options and warrants to purchase equity securities of certain Subsidiaries in a stock-for-unit exchange (the "Exchange"). Immediately prior to the expected effectiveness of the Company's initial public offering, the outstanding membership units of Tag-It Pacific LLC will be converted to 2,470,001 shares of Common Stock of the Company (the Exchange and such conversion are referred to as the "Conversion").

The accompanying consolidated financial statements consist of the Subsidiaries presented on a consolidated basis to give effect to the Conversion as of the earliest period presented and treated as a reorganization of entities under common control accounted for in a manner similar to a pooling of interests. Accordingly, all references to shares of Common Stock and related share prices have assumed the effects of the Conversion.

All significant intercompany accounts and transactions have been eliminated in consolidation.

NATURE OF BUSINESS

The Company operates in one reportable business segment, apparel and accessory industry. The Company provides labels, hang tags, buttons and other trimmings to apparel manufacturers. The Company also designs, produces and markets specialty stationery products under license agreements for branded stationery products. The Company has production facilities in the United States, Hong Kong and Mexico. The Company's products are sold in the United States and Hong Kong. Sales in Hong Kong were $2,030,245 and $2,119,582 for the years ended August 31, 1996 and 1997, respectively.

REVENUE RECOGNITION

Sales are recorded at the time of shipment.

INVENTORIES

Inventories are stated at the lower of cost (first-in, first-out) or market (net realizable value).

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Major improvements and replacements of property and equipment are capitalized. Maintenance and repairs are charged to expense as incurred. Upon retirement or other disposition of property and equipment, applicable cost and accumulated depreciation and

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
amortization are removed from the accounts and any gains or losses are included in results of operations. The Company capitalizes the cost of films, dies, molds and art designs. The cost capitalized includes direct material and direct labor cost.

Depreciation of property and equipment is computed using the straight-line method based on estimated useful lives ranging from three to seven years. Leasehold improvements are amortized using the straight-line method over the term of the lease or the estimated life of the related improvements, whichever is shorter.

INCOME TAXES

The Company uses the liability method of accounting for income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." Deferred income taxes are recognized based on the differences between financial statement and income tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances are established, when necessary to reduce deferred tax assets to the amount expected to be realized. The provision for income taxes represents the tax payable for the period and the change during the year in deferred tax assets and liabilities.

Income taxes have been provided on a separate company basis. Pacific Trim has elected to be treated as an S corporation under the Internal Revenue Code for the years ended August 31, 1996 and 1997. In lieu of corporate income taxes, the stockholders of an S corporation are taxed on their proportionate share of the corporation taxable income. The S corporation was terminated on October 16, 1997 in conjunction with the Exchange. Therefore, no provision or benefit for income taxes has been included in the accompanying consolidated financial statements for this S corporation.

NET LOSS PER SHARE

Historical net loss per share is based on the weighted average number of shares outstanding as if the reorganization took place at the beginning of each period presented and after giving pro forma effect to the Conversion in connection with the initial public offering and includes the weighted average effect of options which occurred below the expected offering price per share in accordance with SAB 83.

Pro forma net loss per share is based on the weighted average number of shares outstanding and after giving pro forma effect to the Conversion in connection with the initial public offering and includes the weighted average effect of options and the debt conversion subsequent to year end which occurred below the expected offering price per share in accordance with SAB 83.

STOCK-BASED COMPENSATION

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), establishes a fair value method of accounting for stock-based compensation plans and for transactions in which a company acquires goods or services from non-employees in exchange for equity instruments. SFAS 123 also gives the option to account for stock-based employee compensation in accordance with Accounting Principles Board Opinion No. 25 ("APB 25"), "Accounting for Stock issued to Employees," or SFAS 123. The Company has chosen to account for stock-based compensation utilizing the

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
intrinsic value method prescribed in APB 25 and not the method established by SFAS 123. Accordingly, compensation cost for stock options is measured as the excess, if any, of the fair market price of the Company's stock at the measurement date over the amount an employee must pay to acquire stock.

When SFAS 123 is not adopted related to stock-based employee compensation, SFAS 123 requires that companies present in a footnote the effect of measuring the cost of stock-based employee compensation at the grant date based on the value of the award and recognize this cost over the service period. The value of the stock-based award is determined using a pricing model whereby compensation cost is the excess of the fair value of the option as determined by the model at grant date or other measurement date over the amount an employee must pay to acquire the stock.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value. DUE TO FACTOR: Due to the short-term nature and variable interest rates under the factor agreements, the fair value approximates the carrying value. ACCOUNTS RECEIVABLE: Due to the short-term nature of the receivables, the fair value approximated the carrying value. DUE FROM RELATED PARTIES AND NOTES PAYABLE TO RELATED PARTIES: Due to the related party nature of the loan and notes, the fair value cannot be determined. LONG-TERM DEBT: Estimated based upon current market borrowing rates for loans with similar terms and maturities.

NEW ACCOUNTING PRONOUNCEMENTS

The Statement of Financial Accounting Standard Number 128 ("SFAS No. 128"), "Earnings Per Share" ("EPS"), is effective for financial statements issued for the periods ending after December 15, 1997, including interim periods. The SFAS No. 128 requires restatement of all prior period EPS data presented. The new standard also requires a reconciliation of the numerator and denominator of the basic EPS computation to the numerator and denominator of the diluted EPS computation. The Company does not expect the adoption will have a material effect on its EPS calculation.

Statement of Financial Accounting Standards No. 129, "Disclosure of Information about Capital Structure" ("SFAS No. 129") effective for financial statements ending after December 15, 1997. The new standard reinstates various securities disclosure requirements previously in effect under Accounting Principles Board Opinion No. 15, which has been superseded by SFAS No. 128. The Company does not expect adoption of SFAS No. 129 to have a material effect, if any, on its consolidated financial position or results of operations.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS No. 130") is effective for financial statements with fiscal years beginning after December 15, 1997. Earlier application is permitted. SFAS No. 130 establishes standards for reporting and display of comprehensive income and its components in a full set of general-purpose financial statements.

Statement of Financial Accounting Standards No. 131, "Disclosure about Segments of an Enterprise and Related Information" ("SFAS No. 131") is effective for financial statements beginning after December 15, 1997. The new standard requires that public business enterprises report certain information about operating segments in complete sets of financial statements of the enterprise and in condensed financial statements of interim periods issued to stockholders. It also requires that public business enterprises report certain information about their products and services, the geographic areas in which they operate and their major customers. The Company does not expect adoption of SFAS No. 131 to have a material effect, if any, on its consolidated results of operations.

2. DUE TO FACTOR

The Company assigns its qualified accounts receivable without recourse under its two factoring agreements. The Company pays a fixed commission and may borrow up to 80% of its eligible accounts receivable. Interest is charged at 2.5% over the prevailing reference rate (8.5% at August 31, 1997). Factored accounts receivable without recourse amounted to $1,016,995 and $1,326,383 at August 31, 1996 and 1997, respectively. In addition, the Company receives advances from the factors relating to receivables factored with recourse. The amounts due to the factor at August 31, 1996 and 1997 were $563,927 and $94,786, respectively.

3. INVENTORIES

Inventories consist of the following:

<TABLE>
<CAPTION>

<S>	AUGUST 31, 1996 <C>	AUGUST 31, 1997 <C>
Raw materials	$ 108,750	$ 269,539
Work-in-process	354,625	458,079
Finished goods	742,651	1,289,885
	$ 1,206,026	$ 2,017,503

</TABLE>

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<TABLE>
<CAPTION>

<S>	AUGUST 31, 1996 <C>	AUGUST 31, 1997 <C>
Furniture and fixtures	$ 214,753	$ 343,725
Machinery and equipment	387,750	427,797
Leasehold improvements	162,211	195,822
Films, dies, molds and art designs	271,450	652,571
	1,036,164	1,619,915
Accumulated depreciation and amortization	(429,606)	(697,653)
	$ 606,558	$ 922,262

</TABLE>

5. LONG-TERM DEBT

Long-term debt consist of the following:

<TABLE>
<CAPTION>

<S>	AUGUST 31, 1996 <C>	AUGUST 31, 1997 <C>
Payable to a former shareholder dated October 1994 with monthly payments of $11,900, interest imputed at 10.75% maturing December 1998	$ 293,541	$ 176,649
Note payable to, an unrelated company, dated September 30, 1995, payable on demand with interest accruing at 10%	25,200	25,200
Other	51,055	11,642

	369,796	213,491
Current portion	180,136	158,176
	$ 189,660	$ 55,315

Aggregate maturities of long-term debt in the next five years are as follows:

YEAR	AMOUNT
1999	$ 49,433
2000	2,880
2001	3,002
	$ 55,315

The estimated fair value of long term debt, is $364,492 and $210,118 at August 31, 1996 and 1997.

6. NOTES PAYABLE TO RELATED PARTIES

Notes payable to related parties consist of the following:

	AUGUST 31,	
	1996	1997
Six notes payable issued in 1996 and four notes payable issued in 1997 to companies which are owned by officers and directors of the Company with no monthly payments and interest accrued ranging from 7.5% to 10% annually, due and payable on the fifteenth day following delivery of written demand for payment which may be delivered at any time following December 31, 1998	$ 1,132,099	$ 446,626
Five notes payable to officers and directors of the Company with no monthly payments and interest ranging from 7.5% to prime plus 3.5% annually, due and payable on the fifteenth day following delivery of written demand for payment which may be delivered at any time following December 31, 1998	47,854	125,970
Note payable to NPM Investments, Inc., which is a majority owned by the Chairman of the Company. The note, dated August 1996 requires no monthly payments and interest accrues at 7.5% annually, maturing on December 31, 1998, collateralized by the assets of Tag-It, Inc	--	715,000
Note payable to NPM Investments, Inc., which is majority owned by the Chairman of the Company. The note, dated August 23, 1996 was made without interest and no maturity date. The note was converted to 384,402 shares on October 16, 1997. See Note 12	--	875,000
	1,179,953	2,162,596
Less: Current maturities of notes payable	1,179,953	912,898

	$ --	$ 1,249,698

</TABLE>

7. INCOME TAXES

The components of the provision for income taxes are as follows:

<TABLE>
<CAPTION>

	YEARS ENDED AUGUST 31, 1996	1997
Current:		
Federal	$ --	$ --
State	--	6,920
	--	6,920

</TABLE>

7. INCOME TAXES (CONTINUED)

<TABLE>

Deferred:		
Federal	$ --	$ 76,899
State	--	29,224
	--	106,123
	$ --	$ 113,043

</TABLE>

A reconciliation of the statutory Federal income tax rate with the Company's effective income tax rate is as follows:

<TABLE>
<CAPTION>

	YEARS ENDED AUGUST 31, 1996	1997
Federal statutory rate	$ (268,722)	$ 18,307
Change in valuation allowance	471,070	194,074
Meals and entertainment	3,040	--
State taxes net of federal benefit	(100,172)	(55,896)
Pro forma effect of taxes on S-Corp	(105,216)	(43,442)
	$ --	$ 113,043

</TABLE>

The primary components of temporary differences which give rise to the Company's deferred assets and deferred tax liabilities are as follows:

<TABLE>
<CAPTION>

AUGUST 31,

	1996	1997
Deferred tax assets:		
Net operating loss carryforwards	$ 513,489	$ 659,662
Other temporary differences	1,331	5,482
Valuation allowance	(471,070)	(665,144)
Total deferred tax assets	43,750	--
Deferred tax liabilities:		
Depreciation	(43,750)	(106,123)
Net deferred tax asset (liability)	$ --	$ (106,123)

A valuation allowance has been established for the deferred tax assets which management has determined are not more likely than not to be realizable.

At August 31, 1997, the Company has Federal and state net operating loss ("NOL") carryforwards of approximately $1,540,000 and $1,462,000 respectively. The Federal NOL is available to offset future taxable income through 2011, and the state NOL expires in 2001. The Company's ability to utilize the NOL carryforwards are dependent upon the Company's ability to generate taxable income in future periods and may be limited due to restrictions imposed to under Federal and state laws upon a change in ownership. The NOL's stated above are subject to separate return year loss limitations.

8. STOCK OPTIONS AND WARRANTS

STOCK OPTIONS

In June 1994, one executive officer was granted options to purchase 39,235 shares of the Company's Common Stock at $.71 per share, the estimate fair value of the Common Stock on the grant date. The options vest immediately and are exercisable through their expiration date of December 2002.

WARRANTS

In connection with certain professional services provided by a related party (see Note 12), the Company issued warrants in January, 1996 to purchase 22,841 shares of the Company's Common Stock at an exercise price of $.76 per share. The exercise price was the Company's estimate of the fair value of the Common Stock on the date of grant. The shares of Common Stock underlying the warrants vest immediately and are exercisable through their expiration date of December 2002.

In connection with certain professional services provided by the Company's counsel, the Company agreed to issue warrants in October, 1997 to purchase approximately 35,555 shares of common stock at an exercise price of approximately $6.00 per share. The warrants vest immediately and expire five years following the grant date.

STOCK INCENTIVE PLAN

On October 1, 1997, the Company adopted the 1997 Stock Incentive Plan (the "1997 Plan"), which authorized the granting of a variety of stock-based incentive awards. A total of 562,500 shares of Common Stock have been reserved for issuance under the 1997 Plan. The 1997 Plan is administered by the Board of Directors, or a committee appointed by the Board of Directors, who determine the recipients and terms of the awards granted. In September, October and November, 1997, the Company granted options to purchase 260,000 shares of Common Stock at an exercise price of $6.00 per share, the estimated fair value of the Common Stock on the grant date. The options vest immediately and are exercisable through their expiration date in 2007.

9. WRITE-OFF OF PRINTING DIVISION

In September, 1996, the Company acquired a printing operation located in Southern California. The results of the printing division were evaluated during the year and management decided to dispose of this division. Accordingly, the Company incurred $231,803 of incremental printing costs associated with this division during the year ended August 31, 1997.

10. COMMITMENTS AND CONTINGENCIES

LEASES

The Company is a party to a number of non-cancelable operating lease agreements involving buildings and equipment which expire at various dates. The future minimum lease commitments as of August 31, 1997 are as follows:

YEAR ENDING AUGUST 31,	AMOUNT
1998	$ 459,650
1999	343,808
2000	240,585
2001	63,032
2002	36,125
Total minimum payments	$ 1,143,200

Total rental expense for the years ended August 31, 1996 and 1997 aggregated $212,644 and $416,832, respectively.

ROYALTIES

Under a license agreement with a major customer, the Company is required to pay royalties of 7% on licensed stationery products. Royalty expense of $26,250 and $139,278 is included in the statement operations for the years ended August 31, 1996 and 1997.

CONTINGENCIES

The Company is subject to certain legal proceedings and claims arising in connection with its business. In the opinion of management, there are currently no claims that will have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

11. MAJOR CUSTOMERS

Two customers accounted for 11.38 % and 15.09%, respectively of consolidated net sales for the year ended August 31, 1996 and 11.12% and 18.34% for the year ended August 31, 1997. The related amount of accounts receivable due from these customers amounted to $268,419 and $116,736 at August 31, 1996, and $695,162 and $441,240 at August 31, 1997.

12. RELATED PARTY TRANSACTIONS

The President and director of the Company is the general partner of D.P.S. Associates, a general partnership, which is the lessor of the Company's executive offices in Los Angeles, California, pursuant to a lease agreement with Pacific Trim. The lease provides for base rent of $9,072 per month and expires in April 2000.

The President and the Chief Executive Officer of the Company have personally guaranteed certain obligations of Tag-It and Pacific Trim under various equipment lease agreements which approximated $202,000. The President of the Company has also guaranteed Pacific Trim's obligations under its lease agreement for the premises in New York which provides for annual base rent of $16,800.

12. RELATED PARTY TRANSACTIONS (CONTINUED)

In August 1996, NPM Investments, Inc. made a loan of $875,000 to Tag-It, without interest, pursuant to a convertible secured promissory note (the "convertible note") which was secured by all of the assets of Tag-It. The Chairman of the Board of the Company holds a significant equity interest in NPM Investments, Inc. In October 1997, the convertible note was converted, based on the original terms of the Convertible Note, which was based on the fair market value at the time of the issuance by NPM Investments, Inc. into fully paid non-assessable shares of Common Stock of Tag-It, Tag-It Hong Kong and AGS Stationery, which represent 384,402 shares of Common Stock of the Company. The unaudited pro forma August 31, 1997 balance sheet information has been presented to reflect the Company's financial position, assuming that the aforementioned debt conversion had occurred on August 31, 1997.

In September 1996, the President of the Company borrowed $100,000 from Mercantile National Bank, which loan was guaranteed by Tag-It. The term loan matures October 10, 1999. In September 1996, the $100,000 borrowed by the President of the Company was lent to Tag-It at the same interest rate payable on the President's loan to the bank. The loan from the President to Tag-It is due and payable on the fifteenth day following the date written demand for payment is made by the President.

The CEO and President of the Company have each guaranteed the obligations of Tag-It under a term loan with Mercantile National Bank which matures June 8, 1998.

In June 1997, AGS Stationery entered into a Collection Date Factoring Agreement (the "Safcor Agreement") with Safcor, Inc. ("Safcor"). An officer and director of Safcor is a stockholder of the Company. Pursuant to the Safcor Agreement, AGS Stationery has agreed to sell to Safcor all accounts receivable related to the sale of goods or the rendering of services by AGS Stationery for a purchase price equal to the gross amount of each account, less all discounts and credits and a factoring commission of 1.5% of the net amount of the account. In addition, Safcor has the right, at its sole discretion, to provide customers of AGS Stationery with the credit lines for the purchase of AGS Stationery's products. The Safcor Agreement may be terminated by either party upon 60 days prior written notice to the other party. Total factoring commissions paid to Safcor amounted to $18,309 for the year ended August 31, 1997.

A Director of the Company controls a financial advisory firm, Averil Associates, Inc. ("Averil Associates"), which has performed various services for the Company including investigation of strategic financing and other corporate growth initiatives. As consideration of such services, AGS Stationery paid the aggregate amount of $26,123, plus out of pocket expenses. As additional compensation for such services, AGS Stationery has granted to Chloe Holdings, Inc., an affiliate of Averil Associates, warrants to purchase up to 135 Shares of Common Stock of AGS Stationery. Effective upon consolidation, the Chloe Warrants became exercisable for 22,841 shares of the common stock of the Company (see Note 8) and the Company has agreed to pay Averil Associates an additional $175,000 upon consummation of the offering.

13. SUBSEQUENT EVENTS

In September 1997, NPM Investments, Inc. made an additional loan of $126,000 to the Company. The loan bears interest at 7.5% per annum and is due December 31, 1998.

The Company has entered into a letter of intent with an underwriter to sell shares of the Company in an Initial Public Offering.

The Company intends to change its fiscal year end to December 31.

NO DEALER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THE OFFER MADE IN THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY, ANY OF THE UNDERWRITERS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF ANY OFFER TO BUY ANY SHARES OF COMMON STOCK OTHER THAN THE SHARES OF COMMON STOCK TO WHICH IT RELATES OR AN OFFER TO, OR A SOLICITATION WOULD BE UNLAWFUL. NEITHER THE DELIVERY OF THIS

PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

TABLE OF CONTENTS

UNTIL , 1998 (25 DAYS AFTER THE COMMENCEMENT OF THE OFFERING), ALL DEALERS EFFECTING TRANSACTIONS IN THE REGISTERED SECURITIES, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS.THIS IS IN ADDITION TO THE OBLIGATION OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OF SUBSCRIPTIONS.

1,450,000 SHARES

TAG-IT PACIFIC, INC.

COMMON STOCK

PROSPECTUS

[LOGO]

JOSEPHTHAL & CO. INC.

, 1997

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 24. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Registrant's Certificate of Incorporation and its Bylaws provide for the indemnification by the Registrant of each director, officer and employee of the Registrant to the fullest extent permitted by the Delaware General Corporation Law, as the same exists or may hereafter be amended. Section 145 of the Delaware General Corporation Law provides in relevant part that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that such person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful.

In addition, Section 145 provides that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that such person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Delaware Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Delaware Court of Chancery or such other court shall deem proper. Delaware law further provides that nothing in the above-described provisions shall be deemed exclusive of any other rights to indemnification or advancement of expenses to which any person may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise.

The Registrant's Certificate of Incorporation provides that a director of the Registrant shall not be liable to the Registrant or its stockholders for monetary damages for breach of fiduciary duty as a director. Section 102(b)(7) of the Delaware General Corporation Law provides that a provision so limiting the personal liability of a director shall not eliminate or limit the liability of a director for, among other things: breach of the duty of loyalty; acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of the law; unlawful payment of dividends; and transactions from which the director derived an improper personal benefit.

The Registrant has entered into separate but identical indemnity agreements (the "Indemnity Agreements") with each director of the Registrant and certain officers of the Registrant (the "Indemnitees"). Pursuant to the terms and conditions of the Indemnity Agreements, the Registrant has indemnified each Indemnitee against any amounts which he or she becomes legally obligated to pay in connection with any claim against him or her based upon any action or inaction which he or she may commit, omit or suffer while acting in his or her capacity as a director and/or officer of the Registrant or its subsidiaries, provided,

however, that such Indemnitee acted in good faith and in a manner such Indemnitee reasonably believed to be in or not opposed to the best interests of the Registrant and, with respect to any criminal action, had no reasonable cause to believe such Indemnitee's conduct was unlawful.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

Reference is made to the following documents filed as exhibits to this Registration Statement regarding relevant indemnification provisions described above and elsewhere herein:

<TABLE>
<CAPTION>

DOCUMENT	EXHIBIT NUMBER
<S>	<C>
Registrant's Certificate of Incorporation..................................	3.1
Registrant's Bylaws..	3.2

Registrant's Form of Indemnification Agreement..............................	10.1
Tax Indemnification Agreement...	10.12

</TABLE>

ITEM 25. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table itemizes the expenses incurred by the Registrant in connection with the issuance and distribution of the securities being registered. All the amounts shown are estimates except the Securities and Exchange Commission registration fee, the NASD filing fee and the American Stock Exchange fee:

<TABLE>
<CAPTION>

<S>	<C>
Registration fee--Securities and Exchange Commission...........................	$ 4,230
NASD filing fee..	1,896
American Stock Exchange fee..	25,000
Accounting fees and expenses...	150,000
Legal fees and expenses (other than blue sky)..................................	200,000
Blue sky fees and expenses, including legal fees...............................	15,000
Printing; stock certificates...	80,000
Transfer agent and registrar fees..	5,000
Consulting fees..	175,000
Non-accountable expense allowance..	192,000
Non-accountable expense allowance for Over Allotment Option....................	28,800
Miscellaneous..	26,874
Total..	$ 903,800

</TABLE>

ITEM 26. RECENT SALES OF UNREGISTERED SECURITIES

In September 1997 the Company issued 10 shares of Common Stock for $10 to Colin Dyne. The issuance of these shares was exempt from registration pursuant to Section 4(2) of the Act as a transaction not involving any public offering.

In October 1997, Tag-It Pacific, LLC issued 2,470,001 membership units (the "LLC Units") in exchange for: (i) all of the outstanding shares of Common Stock of Pacific Trim & Belt, Inc., a California corporation, owned by Harold Dyne and three other shareholders; (ii) all of the outstanding shares of Common Stock of Tag-It, Inc., a California corporation, owned by Mark Dyne, Harold Dyne, Colin Dyne and four other shareholders; (iii) all of the outstanding shares of Common Stock of Tag-It Printing & Packaging Ltd., a British Virgin Islands corporation, owned by Mark Dyne and three other shareholders; and (iv) all of the outstanding shares of Common Stock of A.G.S. Stationery, Inc., a California corporation, owned by Mark Dyne, Harold Dyne, Colin Dyne and three other shareholders. Pursuant to the Exchange Agreement, each of the recipients of the LLC Units represented that (i) it was acquiring the LLC Units for its own account with the present intention of holding such securities for investment

purposes only and not with a view to, or for sale in connection with, any distribution of such securities (other than a distribution in compliance with all applicable federal and state securities laws); (ii) it is an experienced and sophisticated investor and has such knowledge and experience in financial and business matters that it is capable of evaluating the relative merits and the risks of an investment in the LLC Units and of protecting its own interests in connection with this transaction; (iii) it is willing to bear and is capable of bearing the economic risk of an investment in the LLC Units; and (iv) it is an "accredited investor" as that term is defined under Rule 501(a)(8) of Regulation D promulgated by the Commission under the Securities Act. No brokers, underwriters or finders were involved in the Exchange. The issuance and sale of these securities was exempt from the registration and prospectus delivery requirements of the Securities Act pursuant to Section 4(2) of the Securities Act (in accordance with Rule 506 of Regulation D) as a transaction not involving any public offering.

In October 1997, the Company issued warrants to purchase shares of common stock of the Company to Troop Meisinger Steuber & Pasich, LLP. In February 1996, A.G.S. Stationery, Inc. issued warrants to purchase 135 shares of Common Stock of A.G.S. Stationery, Inc. to Chloe Holdings, Inc. ("Chloe"), which warrants became exercisable for 22,841 shares of Common Stock of the Company upon the consummation of the acquisition of A.G.S. Stationery, Inc. by the Company. In 1994, Tag-It, Inc. issued warrants to Jonathan Markiles to purchase 14 shares of Common Stock of Tag-It, Inc., which warrants became exercisable for 39,235 shares of Common Stock of the Company upon the consummation of the acquisition of Tag-It, Inc. by the Company. Each of Troop Meisinger Steuber & Pasich, LLP, Chloe and Jonathan Markiles represented that (i) it acquired the warrants for its own account with the present intention of holding such warrants for investment purposes only and not with a view to, or for sale in connection with, any distribution of such warrants (other than a distribution in compliance with all applicable federal and state securities laws); (ii) it is an experienced and sophisticated investor and has such knowledge and experience in financial and business matters that it is capable of evaluating the relative merits and the risks of an investment in the warrants and of protecting its own interests in connection with the transaction at issue; (iii) it is willing to bear and is capable of bearing the economic risk of an investment in the warrants; and (iv) the Company made available, prior to the date of its warrant agreement, to it the opportunity to ask questions of the Company and its officers, and to receive from the Company and its officers information concerning the terms and conditions of the warrant and the warrant agreement and to obtain any additional information with respect to the Company, its business, operations and prospects, as reasonably requested by it; and (v) it is an "accredited investor" as that term is defined under Rule 501(a)(8) of Regulation D promulgated by the Commission under the Securities Act. The issuance and sale of these securities was exempt from the registration and prospectus delivery requirements of the Securities Act pursuant to Section 4(2) of the Securities Act (in accordance with Rule 506 of Regulation D) as a transaction not involving any public offering.

ITEM 27. EXHIBITS.

<TABLE>
<CAPTION>

EXHIBIT NUMBER	EXHIBIT DESCRIPTION
<C>	<S>
1.1	Form of Underwriting Agreement.*
1.2	Form of Representatives' Warrants.*
2.1	Exchange Agreement, dated October 17, 1997.*
3.1	Certificate of Incorporation of Registrant.*
3.2	Bylaws of Registrant.*
4.1	Specimen Stock Certificate of Common Stock of Registrant.
5.1	Opinion and Consent of Troop Meisinger Steuber & Pasich, LLP.*
10.1	Form of Indemnification Agreement.*
10.2	Manufacturing License Agreement, dated as of March 1, 1996, between Guess?, Inc. and AGS Inc.+*

</TABLE>

<TABLE>
<CAPTION>

EXHIBIT NUMBER	EXHIBIT DESCRIPTION
<C>	<S>
10.3	Collection Date Factoring Agreement, dated June 13, 1997, between A.G.S. Stationery, Inc. and Safcor, Inc.*
10.4	Lease Agreement, dated May 1, 1994, between D.P.S. Associates and Pacific Trim & Belt, Inc.*
10.5	Lease Agreement, dated September 6, 1996, between S & S Partnership and Tag-It, Inc.*
10.6	Lease Agreement, dated June 8, 1996, between Lea Tai Property Development Limited and Tag-It Printing & Packaging Ltd.*
10.7	Lease Agreement, dated March 17, 1997, between Palobueno N.V. Ltd. and Pacific Trim & Belt, Inc.*
10.8	Collection Date Factoring Agreement, dated June 24, 1991, between Tag-It, Inc. and Heller Financial, Inc.*
10.9	Promissory Note, dated June 6, 1997, between Tag-It, Inc. and Mercantile National Bank; Commercial Guaranty, dated June 6, 1997, provided by Harold Dyne for the benefit of Mercantile National Bank; and Commercial Guaranty, dated June 6, 1997, provided by Colin Dyne for the benefit of Mercantile National Bank.*
10.10	Promissory Note, dated September 13, 1996, between Harold Dyne and Mercantile National Bank; Change in Terms Agreement, dated May 16, 1997, between Harold Dyne and Mercantile National Bank; and Commercial Guaranty, dated May 16, 1997, provided by Tag-It, Inc. for the benefit of Mercantile National Bank.*
10.11	Domestic Collection Date Factoring Agreement, dated August 6, 1996, between A.G.S. Stationery, Inc. and Heller Financial, Inc.*
10.12	Tax Indemnification Agreement between Pacific Trim & Belt, Inc. and Harold Dyne, Jonathan Burstein, Raymond Spiro and Stan Magnus.*
10.13	Equipment Lease Guaranty, Lease No. CPL7B17, provided by Colin Dyne for the benefit of Quail American Corp.*
10.14	Equipment Lease Guaranty, Lease No. 09532-0196, provided by Harold Dyne for the benefit of Saddleback Financial Corporation.*
10.15	Equipment Lease Guaranty, Lease No. ADV5I02, provided by Harold Dyne for the benefit of Quail American Corp.*
10.16	Equipment Lease Guaranty, Lease No. N6F08B, provided by Harold Dyne and Colin Dyne for the benefit of Quail American Corp.*

10.17	Equipment Lease Guaranty, Lease No. CPL7B17, provided by Harold Dyne for the benefit of Quail American Corp.*
10.18	Equipment Lease Guaranty, Lease No. Q6DO1, provided by Harold Dyne for the benefit of Quail American Corp.*
10.19	Equipment Lease Guaranty, Lease No. JLA7H07, provided by Colin Dyne for the benefit of Quail American Corp.*
10.20	Equipment Lease Guaranty, Lease No. JLA7H07, provided by Harold Dyne for the benefit of Quail American Corp.*
10.21	Equipment Lease Guaranty provided by Harold Dyne and Colin Dyne for the benefit of Quail American Corp.*
10.22	Promissory Note, dated September 30, 1996, provided by Tag-It, Inc. to Harold Dyne.*
10.23	Promissory Note, dated June 30, 1991, provided by Tag-It, Inc. to Harold Dyne.*
10.24	Promissory Note, dated January 31, 1997, provided by Tag-It, Inc. to Mark Dyne.*
10.25	Promissory Note, dated February 29, 1996, provided by A.G.S. Stationery, Inc. to Monto Holdings Pty. Ltd.*
10.26	Promissory Note, dated January 19, 1995, provided by Pacific Trim & Belt, Inc. to Monto Holdings Pty. Ltd.*
10.27	Convertible Promissory Note, dated August 23, 1996, provided by Tag-It, Inc. to NPM Investments, Inc.*

</TABLE>

<TABLE>
<CAPTION>

EXHIBIT NUMBER	EXHIBIT DESCRIPTION
<C>	<S>
10.28	Promissory Note, dated August 23, 1996, provided by Tag-It, Inc. to NPM Investments, Inc.*
10.29	Registrant's 1997 Stock Incentive Plan.*
10.30	Form of Nonstatutory Stock Option Agreement.*
10.31	Promissory Note, dated August 31, 1997, provided by Colin Dyne to Tag-It, Inc.*
10.32	Promissory Note, dated August 31, 1997, provided by Harold Dyne to Pacific Trim & Belt, Inc.*
10.33	Promissory Note, dated October 15, 1997, provided by Colin Dyne to Tag-It, Inc.*
10.34	Promissory Note, dated October 15, 1997, provided by Harold Dyne to Pacific Trim & Belt, Inc.*
10.35	Formation Agreement of AGS Holdings L.L.C., dated as of October 17, 1997.*
10.36	Promissory Note, dated October 21, 1997, provided by Tag-It, Inc. to NPM Investments, Inc.
10.37	Guaranty of Colin Dyne and Harold Dyne in favor of Frank Peck.*
10.38	Engagement Letter, dated January 1, 1996, between Averil Associates, Inc. and A.G.S. Stationery, Inc., d.b.a. Guess Stationery, and Indemnification Agreement, dated January 1, 1996, between Averil Associates, Inc. and A.G.S. Stationery, Inc., d.b.a. Guess Stationery.*
10.39	Warrant Agreement, dated June 1, 1994, between Jonathan Markiles and Tag-It, Inc.*
10.40	Warrant Agreement, dated February 1, 1996, between A.G.S. Stationery, Inc. and Chloe Holdings, Inc.*
10.41	Form of Warrant Agreement between the Company and Troop Meisinger Steuber & Pasich, LLP.*
10.42	Promissory Note between Pacific Western, Inc. and Tag-It, Inc.*
10.43	Promissory Note between Pacific Western, Inc. and Pacific Trim & Belt, Inc.*
10.44	Contract for Manufacturing Services between USA and Mexico, between Tag-It, Inc. and Tag It de Mexico, S.A. de C.V.*
10.45	Form of Lock-up Agreement.*
10.46	Lease Agreement, dated November 15, 1997, between Mr. Abraham Beteeh Moussan and Tag It de Mexico, S.A. de C.V.*
10.47	Domestic Labor Regulations of Tagit de Mexico, SA de CV.*
10.48	Promissory Note, dated October 15, 1997, provided by A.G.S. Stationery Inc. to Monto Holdings Pty. Ltd.
10.49	Promissory Note, dated November 4, 1997, provided by Pacific Trim & Belt, Inc. to Monto Holdings Pty. Ltd.
11	Computation of Earnings.*
21.1	List of Subsidiaries of Registrant.*
23.1	Consent of Troop Meisinger Steuber & Pasich, LLP (included in its opinion to be filed as Exhibit 5.1 hereto).*
23.2	Consent of BDO Seidman, LLP.
24.1	Power of Attorney (included in signature page).*
27	Financial Data Schedule.*
99.1	Consent of Brent Cohen as nominee.*
99.2	Consent of Diana Maranon as nominee.*
99.3	Consent of Michael Katz as nominee.*
99.4	Consent of Paul Markiles as nominee.*

</TABLE>

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* Previously filed.

\+ Certain portions of this agreement have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for an order granting confidential treatment pursuant to Rule 406 of the General Rules and Regulations under the Securities Act of 1933, as amended.

ITEM 29. UNDERTAKINGS.

The undersigned Registrant hereby undertakes:

(a) To provide to the underwriter at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers, and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer of controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by a controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(c) The undersigned registrant hereby undertakes that:

(1) For the purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the Offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form SB-2 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Los Angeles, State of California, on December 18, 1997.

<TABLE>
<S> <C> <C>

TAG-IT PACIFIC, INC.

By: /s/ COLIN DYNE

Colin Dyne
CHIEF EXECUTIVE OFFICER

</TABLE>

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates stated.

SIGNATURE	TITLE	DATE
* Mark Dyne	Chairman of the Board	December 18, 1997

/s/ COLIN DYNE

------------------------------ Chief Executive Officer December 18, 1997
Colin Dyne and Director

*
------------------------------ President and Director December 18, 1997
Harold Dyne

*
Chief Financial Officer
------------------------------ (Principal Financial December 18, 1997
Francis Shinsato Officer)

*By /s/ COLIN DYNE

HIS ATTORNEY-IN-FACT

EXHIBIT INDEX

<TABLE>
<CAPTION>

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3.2	Bylaws of Registrant.*	
4.1	Specimen Stock Certificate of Common Stock of Registrant.	
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10.17	Equipment Lease Guaranty, Lease No. CPL7B17, provided by Harold Dyne for the benefit of Quail American Corp.*	
10.18	Equipment Lease Guaranty, Lease No. Q6DO1, provided by Harold Dyne for the benefit of Quail American Corp.*	

</TABLE>

<TABLE>
<CAPTION>

EXHIBIT NUMBER	EXHIBIT DESCRIPTION	SEQUENTIALLY NUMBER PAGE

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10.19	Equipment Lease Guaranty, Lease No. JLA7H07, provided by Colin Dyne for the benefit of Quail American Corp.*	
10.20	Equipment Lease Guaranty, Lease No. JLA7H07, provided by Harold Dyne for the benefit of Quail American Corp.*	
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10.26	Promissory Note, dated January 19, 1995, provided by Pacific Trim & Belt, Inc. to Monto Holdings Pty. Ltd.*	
10.27	Convertible Promissory Note, dated August 23, 1996, provided by Tag-It, Inc. to NPM Investments, Inc.*	
10.28	Promissory Note, dated August 23, 1996, provided by Tag-It, Inc. to NPM Investments, Inc.*	
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10.30	Form of Nonstatutory Stock Option Agreement.*	
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10.32	Promissory Note, dated August 31, 1997, provided by Harold Dyne to Pacific Trim & Belt, Inc.*	
10.33	Promissory Note, dated October 15, 1997, provided by Colin Dyne to Tag-It, Inc.*	
10.34	Promissory Note, dated October 15, 1997, provided by Harold Dyne to Pacific Trim & Belt, Inc.*	
10.35	Formation Agreement of AGS Holdings L.L.C., dated as of October 17, 1997.*	
10.36	Promissory Note, dated October 21, 1997, provided by Tag-It, Inc. to NPM Investments, Inc.	
10.37	Guaranty of Colin Dyne and Harold Dyne in favor of Frank Peck.*	
10.38	Engagement Letter, dated January 1, 1996, between Averil Associates, Inc. and A.G.S. Stationery, Inc., d.b.a. Guess Stationery, and Indemnification Agreement, dated January 1, 1996, between Averil Associates, Inc. and A.G.S. Stationery, Inc., d.b.a. Guess Stationery.*	
10.39	Warrant Agreement, dated June 1, 1994, between Jonathan Markiles and Tag-It, Inc.*	
10.40	Warrant Agreement, dated February 1, 1996, between A.G.S. Stationery, Inc. and Chloe Holdings, Inc.*	
10.41	Form of Warrant Agreement between the Company and Troop Meisinger Steuber & Pasich, LLP.*	
10.42	Promissory Note between Pacific Western, Inc. and Tag-It, Inc.*	
10.43	Promissory Note between Pacific Western, Inc. and Pacific Trim & Belt, Inc.*	
10.44	Contract for Manufacturing Services between USA and Mexico, between Tag-It, Inc. and Tag It de Mexico, S.A. de C.V.*	
10.45	Form of Lock-up Agreement.*	

</TABLE>

<TABLE>
<CAPTION>

EXHIBIT NUMBER	EXHIBIT DESCRIPTION	SEQUENTIALLY NUMBER PAGE
<C>	<S>	<C>
10.46	Lease Agreement, dated November 15, 1997, between Mr. Abraham Beteeh Moussan and Tag It de Mexico, S.A. de C.V.*	
10.47	Domestic Labor Regulations of Tagit de Mexico, SA de CV.*	
10.48	Promissory Note, dated October 15, 1997, provided by A.G.S. Stationery Inc. to Monto Holdings Pty. Ltd.	
10.49	Promissory Note, dated November 4, 1997, provided by Pacific Trim & Belt, Inc. to Monto Holdings Pty. Ltd.	
11	Computation of Earnings.*	
21.1	List of Subsidiaries of Registrant.*	
23.1	Consent of Troop Meisinger Steuber & Pasich, LLP (included in its opinion to be filed as Exhibit 5.1 hereto).*	
23.2	Consent of BDO Seidman, LLP.	
24.1	Power of Attorney (included in signature page).*	
27	Financial Data Schedule.*	
99.1	Consent of Brent Cohen as nominee.*	
99.2	Consent of Diana Maranon as nominee.*	
99.3	Consent of Michael Katz as nominee.*	
99.4	Consent of Paul Markiles as nominee.*	

</TABLE>

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* Previously filed.

\+ Certain portions of this agreement have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for an order granting confidential treatment pursuant to Rule 406 of the General Rules and Regulations under the Securities Act of 1933.

EXHIBIT 4.1

TAG-IT PACIFIC, INC.

NUMBER SHARES

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

SEE REVERSE FOR CERTAIN DEFINITIONS
CUSIP 873774 10 3

This certifies that

is the record holder of

FULLY PAID AND NONASSESSABLE SHARES OF COMMON STOCK, $.001 PAR VALUE, OF

------------------------------TAG-IT PACIFIC, INC.------------------------------

transferable on the books of the Corporation by the holder hereof in person of by duly authorized attorney upon surrender of this certificate properly endorsed. This certificate is not valid until countersigned by the Transfer Agent and registered by the Registrar.

WITNESS the facsimile seal of the Corporation and the facsimile signatures of its duly authorized officers.

Dated:

/s/ Jonathan Markiles
Secretary

/s/ Mark Dyne
Chairman

[SEAL OF TAG-IT PACIFIC, INC.]

COUNTERSIGNED AND REGISTERED
AMERICAN STOCK TRANSFER AND TRUST COMPANY
TRANSFER AGENT AND REGISTRAR

BY

AUTHORIZED SIGNATURE

PROMISSORY NOTE

$126,972

Los Angeles, California
October 21, 1997

For good and valuable consideration, the receipt and sufficiency of which is acknowledged, the undersigned, Tag-It, Inc., a California corporation ("Payor"), hereby promises to pay to NPM Investments, Inc. ("Payee"), or order, the principal sum of One Hundred Twenty Six Thousand Nine Hundred Seventy Two Dollars ($126,972) with simple interest thereon at a rate of Seven and One-Half percent (7.5%) per annum from the date hereof. All payments on this Note shall be made at such address as the holder of this Note may advise Payor in writing, in lawful money of the United States of America.

All interest and the entire principal amount of this Note shall be payable to Payee on the fifteenth day following the date of delivery by Payee to Payor of written demand therefor at any time following December 31, 1998 (the "Maturity Date"). This Note may be prepaid in whole or in part at any time without penalty.

Payor hereby waives presentment for payment, protest, notice of protest and notice of nonpayment of this Note. In the event that any suit or proceeding is instituted by the holder of this Note for collection hereof, the holder of this Note shall be entitled to repayment by the Payor of all costs and expenses incurred in connection therewith, including court costs and attorneys' fees, regardless of whether a lawsuit is instituted. This Note may be extended or renewed by the holder hereof, at the holder's option, but no such extension or renewal shall be effective unless made in writing, and Payor acknowledges that it is not entitled to any such extension or renewal and has been given no assurance of any nature with respect thereto. No failure on the part of the holder of this Note to exercise, or delay in exercising, any right, remedy or privilege under this Note shall operate as a wavier thereof, nor shall a single or partial exercise thereof preclude any further exercise of such right, remedy, power or privilege. The waiver by the holder of this Note of any default hereunder shall not be deemed, nor shall the same constitute, waiver of any subsequent default on the part of Payor of a same or different nature. This Note shall be governed by the laws of the State of California.

Tag-It, Inc.,
a California corporation

By: /s/ Colin Dyne

Colin Dyne
Its: President

PROMISSORY NOTE

$12,000 Los Angeles, California
October 15, 1997

For good and valuable consideration, the receipt and sufficiency of which is acknowledged, the undersigned, A.G.S. Stationery, Inc., a California corporation ("Payor"), hereby promises to pay to Monto Holdings Pty. Ltd. ("Payee"), or order, the principal sum of Twelve Thousand Dollars ($12,000) with simple interest thereon at a rate of Seven and One-Half percent (7.5%) per annum from the date hereof. All payments on this Note shall be made at such address as the holder of this Note may advise Payor in writing, in lawful money of the United States of America.

All interest and the entire principal amount of this Note shall be payable to Payee on the fifteenth day following the date of delivery by Payee to Payor of written demand therefor (the "Maturity Date") at any time following December 31, 1998. This Note may be prepaid in whole or in part at any time without penalty.

Payor hereby waives presentment for payment, protest, notice of protest and notice of nonpayment of this Note. In the event that any suit or proceeding is instituted by the holder of this Note for collection hereof, the holder of this Note shall be entitled to repayment by the Payor of all costs and expenses incurred in connection therewith, including court costs and attorneys' fees, regardless of whether a lawsuit is instituted. This Note may be extended or renewed by the holder hereof, at the holder's option, but no such extension or renewal shall be effective unless made in writing, and Payor acknowledges that it is not entitled to any such extension or renewal and has been given no assurance of any nature with respect thereto. No failure on the part of the holder of this Note to exercise, or delay in exercising, any right, remedy or privilege under this Note shall operate as a wavier thereof, nor shall a single or partial exercise thereof preclude any further exercise of such right, remedy, power or privilege. The waiver by the holder of this Note of any default hereunder shall not be deemed, nor shall the same constitute, waiver of any subsequent default on the part of Payor of a same or different nature. This Note shall be governed by the laws of the State of California.

A.G.S. Stationery, Inc.,
a California corporation

By: /s/ Colin Dyne

Colin Dyne
Its: President

PROMISSORY NOTE

$110,000 Los Angeles, California
November 4, 1997

For good and valuable consideration, the receipt and sufficiency of which is acknowledged, the undersigned, Pacific Trim & Belt, Inc., a California corporation ("Payor"), hereby promises to pay to Monto Holdings Pty. Ltd. ("Payee"), or order, the principal sum of One Hundred Ten Thousand Dollars ($110,000) with simple interest thereon at a rate of Seven and One Half percent (7.5%) per annum from the date hereof, which amount has been or will be funded by Payee to Payor as follows: (a) Twenty Thousand Dollars ($20,000) on the date hereof; (b) Fifty Thousand Dollars ($50,000) on November 6, 1997; and (c) Forty Thousand Dollars ($40,000) on November 10, 1997. All payments on this Note shall be made at such address as the holder of this Note may advise Payor in writing, in lawful money of the United States of America.

All interest and the entire principal amount of this Note shall be payable to Payee on the fifteenth day following the date of delivery by Payee to Payor of written demand therefor at any time after December 31, 1998 (the "Maturity Date"). This Note may be prepaid in whole or in part at any time without penalty.

Payor hereby waives presentment for payment, protest, notice of protest and notice of nonpayment of this Note. In the event that any suit or proceeding is instituted by the holder of this Note for collection hereof, the holder of this Note shall be entitled to repayment by the Payor of all costs and expenses incurred in connection therewith, including court costs and attorneys' fees, regardless of whether a lawsuit is instituted. This Note may be extended or renewed by the holder hereof, at the holder's option, but no such extension or renewal shall be effective unless made in writing, and Payor acknowledges that it is not entitled to any such extension or renewal and has been given no assurance of any nature with respect thereto. No failure on the part of the holder of this Note to exercise, or delay in exercising, any right, remedy or privilege under this Note shall operate as a wavier thereof, nor shall a single or partial exercise thereof preclude any further exercise of such right, remedy, power or privilege. The waiver by the holder of this Note of any default hereunder shall not be deemed, nor shall the same constitute, waiver of any subsequent default on the part of Payor of a same or different nature. This Note shall be governed by the laws of the State of California.

Pacific Trim & Belt, Inc.,
a California corporation

By: /s/ Harold Dyne

Harold Dyne
Its: Chief Executive Officer

EXHIBIT 23.2

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors
TAG-IT PACIFIC, INC.
Los Angeles, California

We hereby consent to the use in the Prospectus constituting a part of this Registration Statement of our report dated October 17, 1997, relating to the consolidated financial statements of Tag-It Pacific, Inc.

We also consent to the reference to us under the caption "Experts" in the Prospectus.

BDO SEIDMAN, LLP

Los Angeles, California
December 17, 1997