Zagg INC
Form 10-Q
November 14, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark one)

x Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended September 30, 2008, or

o Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from ______________ to _____________.

Commission File No. 000-52211
ZAGG INCORPORATED
(Exact name of registrant as specified in its charter)

Nevada	**20-2559624**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3855 South 500 West, Suite J
Salt Lake City, Utah 84115
(Address of principal executive offices with zip code)

(801) 263-0699
(Registrant's telephone number, including area code)

Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: **Yes x No o.**

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. **o Large accelerated filer o Accelerated filer Non-accelerated filer x Smaller reporting company**

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-25 of the Exchange Act). **Yes o No x**

State the number of shares outstanding of each of the issuer’s classes of common equity, as of the latest practicable date: **19,143,995 common shares as of November 12, 2008.**

ZAGG INCORPORATED AND SUBSIDIARY
FORM 10-Q

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PART I - FINANCIAL INFORMATION

ZAGG INCORPORATED AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

		September 30, 2008		December 31, 2007
ASSETS				
Current assets				
Cash	$	949,833	$	2,129,215
Accounts receivable, net		2,756,822		402,446
Inventories		847,709		447,044
Prepaid advertising		146,729		204,976
Prepaid expenses and other current assets		1,060,177		122,107
Deferred income tax assets		12,829		12,829
Total current assets		5,774,099		3,318,617
Property and equipment, net		464,297		328,077
Deferred income tax assets		-		444,118
Deposits and other assets		58,334		30,547
Intangible assets, net		45,365		46,894
Total assets	$	6,342,095	$	4,168,253
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities				
Notes payable	$	24,060	$	42,090
Accounts payable		1,147,982		505,575
Accrued liabilities		9,799		35,814
Accrued wages and wage related expenses		104,982		95,537
Deferred licensing revenue		108,509		100,911
Deferred income tax liability		122,117		-
Sales returns liability		230,035		23,861
Total current liabilities		1,747,484		803,788
Total liabilities		1,747,484		803,788
Stockholders' equity				
Common stock, $0.001 par value; 50,000,000 shares authorized; 19,093,995 and 18,853,995 shares issued and outstanding, respectively		19,095		18,855
Warrants to purchase common stock		739,338		750,476
Additional paid-in capital		3,613,796		3,341,388
Cumulative translation adjustment		14,495		(3,866)
Retained earnings (deficit)		207,887		(742,388)
Total stockholders' equity		4,594,611		3,364,465

Total liabilities and stockholders' equity	$	6,342,095	$	4,168,253

See accompanying notes to condensed consolidated financial statements.

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ZAGG INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Net sales	$ 6,854,916	$ 1,437,408	$ 12,460,812	$ 3,034,714
Cost of sales	2,416,988	299,027	3,920,003	689,858
Gross profit	4,437,928	1,138,381	8,540,809	2,344,856
Operating expenses:				
Advertising and marketing	1,169,073	227,624	2,483,356	467,410
Selling, general and administrative	1,898,149	1,660,722	4,715,538	2,921,952
Total operating expenses	3,067,222	1,888,346	7,198,894	3,389,362
Income (loss) from operations	1,370,706	(749,965)	1,341,915	(1,044,506)
Other income (expense):				
Interest expense	(796)	(4,132)	(3,470)	(30,231)
Interest and other income	49,139	20,903	178,069	24,988
Total other income (expense)	48,343	16,771	174,599	(5,243)
Income (loss) before benefit (provision) for income taxes	1,419,049	(733,194)	1,516,514	(1,049,749)
Income tax benefit (provision)	(529,306)	(234)	(566,236)	(2,544)
Net income (loss)	$ 889,743	$ (733,428)	$ 950,278	$ (1,052,293)
Basic net income (loss) per common share	$ 0.05	$ (0.04)	$ 0.05	$ (0.07)
Diluted net income (loss) per common share	$ 0.05	$ (0.04)	$ 0.05	$ (0.07)
Weighted average number of shares outstanding - basic	18,981,386	17,631,495	18,956,290	16,131,123
Weighted average number of shares outstanding - diluted	19,436,146	17,631,495	19,290,502	16,131,123

See accompanying notes to condensed consolidated financial statements.

ZAGG INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Nine Months Ended September 30, 2008	September 30, 2007
Cash flows from operating activities		
Net income (loss)	$ 950,278	$ (1,052,293)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Non-cash expense related to stock-based compensation	211,510	800,000
Depreciation and amortization	112,162	58,430
Deferred income tax expense	566,235	2,950
Bad debt expense	56,170	-
Gain on asset disposals	(12,215)	-
Currency exchange loss (gain)	18,361	(54)
Changes in assets and liabilities		
Accounts receivable	(2,410,546)	(74,518)
Inventories	(400,665)	(226,403)
Due from employees	-	3,714
Prepaid advertising	58,247	(205,782)
Prepaid expenses and other current assets	(475,855)	(108,487)
Other assets	(27,787)	(18,593)
Accounts payable	642,404	21,280
Accrued liabilities	(26,015)	(1,288)
Accrued wages and wage related expenses	9,445	(48,766)
Deferred licensing revenues	7,598	8,152
Sales return liability	206,174	(15,401)
Net cash used in operating activities	(514,499)	(857,059)
Cash flows from investing activities		
Payments for intangible assets	(1,800)	(48,764)
Short-term loans	(450,000)	-
Proceeds from disposal of equipment	2,994	-
Purchase of property and equipment	(248,047)	(114,356)
Net cash used in investing activities	(696,853)	(163,120)
Cash flows from financing activities		
Payments on debt	(18,030)	(250,000)
Proceeds from notes payable	-	200,000
Proceeds from issuance of common stock and warrants	50,000	2,798,550
Payments on convertible note payable - officer	-	(50,000)
Net cash provided by financing activities	31,970	2,698,550
Net (decrease) increase in cash and cash equivalents	(1,179,382)	1,678,371

Cash and cash equivalents at beginning of the period		2,129,215		468,382
Cash and cash equivalents at end of the period	$	949,833	$	2,146,753
Supplemental disclosure of cash flow information				
Cash paid during the period for interest	$	3,699	$	16,736

See accompanying notes to condensed consolidated financial statements.

ZAGG INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(Unaudited)

Supplemental schedule of noncash investing and financing activities

For the Nine Months Ended September 30, 2008:

Issued 80,000 shares of common stock for payment of consulting services.

Issued 60,000 shares of common stock to employees.

For the Nine Months Ended September 30, 2007:

Issued 714,286 shares of common stock in conversion of convertible note payable.

Issued 147,853 shares of common stock in conversion of convertible note payable - officer and accrued interest.

Issued 800,000 shares of common stock to employees and consultants.

Issued warrants to purchase 100,000 shares of common stock in connection with note payable.

See accompanying notes to condensed consolidated financial statements.

ZAGG INCORPORATED AND SUBSIDIARY
Notes to Condensed Consolidated Financial Statements
(Unaudited)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying unaudited condensed consolidated financial statements of ZAGG Incorporated (collectively, the "Company" or "ZAGG") have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the following disclosures are adequate to make the information presented not misleading. The Company suggests that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's 2007 Annual Report on Form 10-KSB.

These condensed financial statements reflect all adjustments (consisting only of normal recurring adjustments) that, in the opinion of management, are necessary to present fairly the financial position and results of operations of the Company for the periods presented.

Operating results for the nine months ended September 30, 2008, are not necessarily indicative of the results that may be expected for the year ending December 31, 2008.

Nature of Operations **-** The Company was formed as a Nevada corporation on April 2, 2004, under the name Amerasia Khan Enterprises Ltd ("AKE"). On February 8, 2007, AKE executed an Agreement and Plan of Merger (the "Merger Agreement") by and between AKE and its wholly owned subsidiary, SZC Acquisition, Inc., a Nevada corporation ("Subsidiary") on the one hand, and ShieldZone Corporation, a Utah corporation ("ShieldZone") on the other hand. Pursuant to the Merger Agreement, ShieldZone merged with Subsidiary, with ShieldZone surviving the merger and Subsidiary ceasing to exist (the "Merger").

Following the Merger, ShieldZone was reincorporated in Nevada as a subsidiary of AKE. On March 7, 2007, ShieldZone was merged up and into AKE. At that time, AKE changed its name to ZAGG Incorporated, and the operations of the surviving entity (ZAGG Incorporated) are solely that of ShieldZone. As a result of these transactions, the historical financial statements of ZAGG Incorporated are the historical financial statements of ShieldZone. The fiscal year end of the Company is December 31.

The Company changed its name from ShieldZone Corporation to ZAGG Incorporated to better position it to become a large and encompassing enterprise in the electronics' accessories industry through organic growth and through making targeted acquisitions. The ShieldZone name was very specific to the invisibleSHIELD product line and although the invisibleSHIELD is and will continue to be the Company's core product, the name change will enable the Company the opportunity to easily add new products to its product offering. ZAGG will continue to search out other complimentary proven products and companies that fit the ZAGG lifestyle and strategy for fast growth.

The Company has developed and sells, through the Internet, retail and wholesale distribution channels, patent-pending protective shields under the name of the *invisible*SHIELD™ for electronic devices.

Principles of Consolidation **-** The condensed consolidated financial statements include the accounts of ZAGG Incorporated, and its wholly owned subsidiary ZAGG Europe Ltd. All significant intercompany transactions have been eliminated in consolidation**.**

Business Condition - For the three months ended September 30, 2008 and 2007, the Company generated revenues of $6,854,916 and $1,437,408, respectively, and earned net income of $889,743 and incurred a net loss of ($733,428), respectively. For the nine months ended September 30, 2008 and 2007, the Company generated revenues of $12,460,812 and $3,034,714, respectively, and earned net income of $950,278 and incurred a net loss of ($1,052,293), respectively, and had negative cash flow from operating activities of ($514,499) and ($857,059), respectively. As of September 30, 2008, the Company had stockholders' equity of $4,594,611, retained earnings of $207,887, positive working capital of $4,026,615, accounts payable of $1,147,982, deferred licensing revenue of $108,509, accrued wages of $104,982, sales returns liability of $230,035 and accrued liabilities of $9,799. Management believes that existing cash, along with cash generated from the collection of accounts receivable and the sale of products will be sufficient to meet the Company's cash requirements during the next twelve months.

ZAGG INCORPORATED AND SUBSIDIARY
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Revenue recognition - The Company follows the guidance of the Securities and Exchange Commission's Staff Accounting Bulletin 104 for revenue recognition. In general, the Company records revenue when persuasive evidence of an arrangement exists or product delivery has occurred, the sales price to the customer is fixed or determinable, and collectability is reasonably assured. The Company's revenue is derived from sales of its products to retailers, resellers and end consumers and from the sale of distributor license fees. For sales of product, the Company records revenue when the product is shipped, net of estimated returns and discounts. For license fees, the Company recognizes revenue on a prorated basis over the life of the distribution contract.

The Company follows the guidance of Emerging Issues Task Force (EITF) Issue 01-9 "Accounting for Consideration Given by a Vendor to a Customer" and (EITF) Issue 02-16 "Accounting by a Customer (Including a Reseller) for Certain Considerations Received from Vendors." Accordingly, any incentives received from vendors are recognized as a reduction of the cost of products. Promotional products given to customers or potential customers are recognized as a cost of sales. Cash incentives provided to our customers are recognized as a reduction of the related sale price, and, therefore, are a reduction in sales.

Reserve for Sales Returns and Warranty Liability - The Company's return policy generally allows its end users and retailers to return purchased products for refund or in exchange for new products within 30 days of end user purchase. The Company estimates a reserve for sales returns and records that reserve amount as a reduction of sales and as a sales return reserve liability. The sales return liability was $230,035 at September 30, 2008 and $23,861 at December 31, 2007.

The Company generally provides the ultimate consumer a warranty with each product and accrues warranty expense at the time of the sale based on the Company's prior claims history. Actual warranty costs incurred are charged against the accrual when paid. During the nine months ended September 30, 2008 and 2007, warranty expense and the reserve for warranty liability, respectively, was not material.

Shipping and Handling Costs - Amounts invoiced to customers for shipping and handlings are included in sales and were $744,293 and $199,711 for the nine months ended September 30, 2008 and 2007, respectively. Actual shipping and handling costs to ship products to customers are included in cost of sales and were $901,074 and $279,056 for the nine months ended September 30, 2008 and 2007, respectively.

Stock-based compensation -Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), *Share Based Payment* ("SFAS No. 123R"). SFAS No. 123R establishes the financial accounting and reporting standards for stock-based compensation plans. As required by SFAS No. 123R, the Company recognizes the cost resulting from all stock-based payment transactions including shares issued under its stock option plans in the financial statements based upon the fair value of such equity instruments granted.

Reclassification - Certain amounts in the 2007 condensed consolidated financial statements have been reclassified to conform to the 2008 condensed consolidated financial statement classification. The reclassifications have had no effect on net income reported for the quarter and nine months ended September 30, 2007.

Advertising - Advertising is expensed as incurred. Advertising expenses were $2,483,356 and $467,410 for the nine months ended September 30, 2008 and 2007, respectively**.**

Net Income (Loss) Per Common Share - Basic net income (loss) per share is computed by dividing net income (loss) by weighted average number of shares of common stock outstanding during each period. Diluted net income (loss) per share is computed by dividing net income (loss) by the weighted average number of shares of common stock, common stock equivalents and potentially dilutive securities outstanding during each period.

ZAGG INCORPORATED AND SUBSIDIARY
Notes to Condensed Consolidated Financial Statements
(Unaudited)

The following is a reconciliation of the numerator and denominator used to calculate Basic and Diluted EPS:

		Net Income (Loss)	Weighted Average Shares		Per Share Amount
Three months ended September 30, 2008:					
Basic EPS	$	889,743	18,981,386	$	0.05
Effect of common stock equivalents		—	454,760		
Diluted EPS	$	889,743	19,436,146	$	0.05
Three months ended September 30, 2007:					
Basic EPS	$	(733,428)	17,631,495	$	(0.04)
Effect of common stock equivalents		—	—		
Diluted EPS	$	(733,428)	17,631,495	$	(0.04)

		Net Income (Loss)	Weighted Average Shares		Per Share Amount
Nine months ended September 30, 2008:					
Basic EPS	$	950,278	18,956,290	$	0.05
Effect of common stock equivalents		—	334,212		
Diluted EPS	$	950,278	19,290,502	$	0.05
Nine months ended September 30, 2007:					
Basic EPS	$	(1,052,293)	16,131,123	$	(0.07)
Effect of common stock equivalents		—	—		
Diluted EPS	$	(1,052,293)	16,131,123	$	(0.07)

The calculation above for the three and nine months ended excludes the exercise of the 3,000 stock options and 4,096,953 of the outstanding warrants as of September 30, 2008 and the 152,500 outstanding warrants at September 30, 2007 as the exercise of these stock options and warrants would have an anti-dilutive effect on earnings per share.

NOTE 2 - RECAPITALIZATION

On February 8, 2007 (the “recapitalization date”), the Company executed an Agreement and Plan of Merger (the “Merger Agreement”) by and between Amerasia Khan Enterprises Ltd. (a public shell), now known as ZAGG Incorporated, and its wholly-owned subsidiary, SZC Acquisition Inc., a Nevada corporation (“Subsidiary”) on the one hand and ShieldZone Corporation, (“ShieldZone”) a Utah corporation, on the other hand. Pursuant to the Merger Agreement, Subsidiary was merged into ShieldZone with ShieldZone surviving the merger. In consideration, the stockholders of ShieldZone received 10,175,000 shares of Amerasia Khan Enterprises Ltd., now known as ZAGG Incorporated, common stock which was approximately 69% of the total common shares outstanding just subsequent to the merger but before the simultaneous sale of 785,856 common shares for $275,000 ($0.35 per share) and conversion of a $250,000 convertible promissory note for 714,286 common shares. The Company also issued warrants in conjunction with the sale of the 785,856 common shares and the raise and conversion of the $250,000 convertible promissory note. The Company issued warrants as a fee to purchase 52,500 shares of our common stock at an exercise price of $0.35.

These warrants may be exercised until March 18, 2012, at which time they will expire if not exercised. The warrant holders also have piggyback registration rights. In connection with the merger/recapitalization, the Company is deemed to have issued 4,600,000 common shares to the original stockholders' of Amerasia Khan Enterprises Ltd. Subsequent to the merger/recapitalization, 1,254,000 shares owned by certain original shareholders of Amerasia Khan Enterprises Ltd. were cancelled.

ZAGG INCORPORATED AND SUBSIDIARY
Notes to Condensed Consolidated Financial Statements
(Unaudited)

The merger was accounted for as a recapitalization of ShieldZone, a Utah corporation because on a post-merger basis, the former stockholders of ShieldZone Corporation held a majority of the outstanding common stock on a voting and fully-diluted basis and had Board and management control. As a result, ShieldZone is deemed to be the acquirer for accounting purposes. In March 2007, ShieldZone Corporation was merged into its parent, Amerasia Khan Enterprises Ltd., now known as ZAGG Incorporated, and the name of the surviving entity, Amerasia Khan Enterprises Ltd., was changed to ZAGG Incorporated.

Accordingly the balance sheet just subsequent to the recapitalization date consists of the balance sheets of both companies at historical cost and the statement of operations consists of the historical operations of ShieldZone and the operations of Amerasia Khan Enterprises Ltd., now known as ZAGG Incorporated, from the recapitalization date.

All share and per share data in the accompanying condensed consolidated financial statements have been retroactively changed to reflect the effect of the merger and recapitalization.

NOTE 3 - ACCOUNTS RECEIVABLE, NET

Accounts receivable at September 30, 2008 and December 31, 2007 was as follows:

	September 30, 2008	December 31, 2007
Accounts receivable	$ 2,879,989	$ 436,839
Less: Allowance for doubtful accounts	(123,167)	(34,393)
Accounts receivable, net	$ 2,756,822	$ 402,446

Bad debt expense for the nine months ended September 30, 2008 was $56,170.

NOTE 4 - INVENTORIES

At September 30, 2008 and December 31, 2007 inventories consisted of the following:

	September 30, 2008	December 31, 2007
Finished goods	$ 401,257	$ 230,937
Raw materials	446,452	216,107
	$ 847,709	$ 447,044

NOTE 5 - PROPERTY AND EQUIPMENT

At September 30, 2008 and December 31, 2007, property and equipment consisted of the following:

	Useful Lives	September 30, 2008	December 31, 2007
Computer equipment and software	3 to 5 years	$ 222,598	$ 155,603
Office equipment	3 to7 years	264,339	144,343

Furniture and fixtures	7 years		40,163		15,209
Automobiles	5 years		68,995		47,063
Leasehold improvements	1 to 3.13 years		102,346		91,637
			698,441		453,855
Less: accumulated depreciation			(234,144)		(125,778)
		$	464,297	$	328,077

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ZAGG INCORPORATED AND SUBSIDIARY
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Depreciation expense was $108,833 and $57,351 for the nine months ended September 30, 2008 and 2007, respectively.

NOTE 6 - INTANGIBLE ASSETS

At September 30, 2008, intangible assets consist of legal fees paid in connection with the Company's patent application and amounts paid to secure the Company's Internet addresses. The costs relating to the definite-lived intangible assets are amortized over their estimated useful lives using straight-line amortization. The useful life for Internet addresses is 10 years. As of September 30, 2008, the patent had not been granted. Accordingly, the Company has not begun to amortize the patent costs and will begin amortizing the patent over the legal life of the patent when the patent is granted.

The Company has contractual rights customary in the industry to use its Internet addresses. However, the Company does not have and cannot acquire any property rights to the Internet addresses. The Company does not expect to lose its rights to use the Internet addresses; however, there can be no assurance in this regard and such loss could have a material adverse effect on the Company's financial position and results of operations.

The Company's definite-lived intangible assets are summarized in the table below:

	Useful Life	September 30, 2008	December 31, 2007
Internet addresses	10 years	$ 44,969	$ 43,169
Less: accumulated amortization		(7,539)	(4,210)
		$ 37,430	$ 38,959

Amortization expense was $3,329 for the nine months ended September 30, 2008.

NOTE 7 - STOCKHOLDERS' EQUITY

During the nine months ended September 30, 2008, the Company issued 60,000 shares of its common stock to employees valued at $47,400, or an average of $0.79 per share based on the closing price of the Company's common stock, and recorded as compensation expense in the accompanying financial statements.

On March 6, 2008 the Company granted employee stock options for 507,000 common shares exercisable at $0.65 per share expiring in 5 years and vesting 33% at 12 months, 33% at 24 months and 34% at 36 months. The options were valued at $163,652 or $0.32 per option using a Black-Scholes option pricing method with the following assumptions: market price on grant date of $0.65, expected life of 5 years, volatility of 57% (using historical volatility since the Company's options do not trade to provide an implied volatility) and a discount rate of 1.73%. On May 12, 2008, the Company also granted stock options to a member of its board of directors for 1,000,000 common shares exercisable at $0.60 per share expiring in 5 years and vesting 33% at 12 months, 33% at 24 months and 34% at 36 months. The options were valued at $290,687 or $0.29 per option using the Black-Scholes option pricing method with the following assumptions: market price on grant date of $0.60, expected life of 5 years, volatility of 55% (using historical volatility since the Company's options do not trade to provide an implied volatility) and a discount rate of 1.70%. On September 22, 2008, the Company also granted stock options to an employee for 3,000 common shares exercisable at

$1.13 per share expiring in 5 years and vesting 33% at 12 months, 33% at 24 months and 34% at 36 months. The options were valued at $1,651 or $0.55 per option using the Black-Scholes option pricing method with the following assumptions: market price on grant date of $1.13, expected life of 5 years, volatility of 57% (using historical volatility since the Company's options do not trade to provide an implied volatility) and a discount rate of 0.69%. Based on vesting provisions, for the nine months ended September 30, 2008, the Company expensed $109,710 as compensation expense related to these option grants.

ZAGG INCORPORATED AND SUBSIDIARY
Notes to Condensed Consolidated Financial Statements
(Unaudited)

NOTE 8 - NOTES RECEIVABLE

On March 11, 2008 ZAGG Incorporated entered into an agreement to fund a bridge loan (the “Bridge Loan”) of up to $500,000 to Brighton Partners, LLC. The purpose of the secured loan is to fund the development of a superhero series created by Stan Lee and POW! Entertainment, Inc. in partnership with Brighton Partners, LLC, with the hope that ZAGG will benefit from the marketing exposure and any intellectual property created using ZAGG’s trademarks.

In consideration of the bridge loan, Brighton Partners, LLC executed a secured promissory note with a 3% origination fee and bearing 10% interest for the 90 day term of the note. As of September 30, 2008 the note had not yet been repaid and the Company had not declared Brighton Partners in default under the promissory note. The Company anticipates that the note will be repaid during the fourth quarter of 2008. The loan is collateralized by 100% of the ownership of Brighton until the loan is repaid in full. As part of the transaction, ZAGG entered into a cross-license agreement with Brighton and Pow! Entertainment pursuant to which ZAGG agreed to license its trademarks in exchange for marketing and promotion rights to any property developed under the superhero series that bears ZAGG’s intellectual property. Further under the transaction, we acquired 10% of the membership interest in Brighton. ZAGG will share in the development of the superhero series as a partner of Brighton. At September 30, 2008, the Company had advanced $438,000 to Brighton under the promissory note and has included this amount in prepaid expenses and other current assets in the accompanying condensed consolidated financials. Accrued interest of $96,598 on the promissory note is included in prepaid expenses and other current assets in the accompanying condensed consolidated financial statements.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

From time to time the Company may become subject to proceedings, lawsuits and other claims in the ordinary course of business, including proceedings related to environmental and other matters. Such matters are subject to many uncertainties, and outcomes are not predictable with assurance.

NOTE 10 - SUBSEQUENT EVENTS

On October 1, 2008, the Company issued 50,000 shares of its common stock valued at $48,500, or $0.97 per share based on the closing price of the Company’s common stock, for services to be rendered by a consultant.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Certain statements, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives, and expected operating results, and the assumptions upon which those statements are based, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements generally are identified by the words "believes," "project," "expects," "anticipates," "estimates," "intends," "strategy," "plan," "may," "will," "would," "will be," "will continue," "will likely result," and similar expressions. We intend such forward-looking statements to be covered by the safe-harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and are including this statement for purposes of complying with those safe-harbor provisions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse affect on our operations and future prospects include, but are not limited to: changes in economic conditions, legislative/regulatory changes, availability of capital, interest rates, competition, and generally accepted accounting principles. These risks and uncertainties should also be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise. Further information concerning our business, including additional factors that could materially affect our financial results, is included herein and in our other filings with the SEC.

Our Business

We are a fast-growth company in the consumer technology accessories business. We design, manufacture and distribute protective coverings for consumer electronic and hand-held devices under the brand name invisibleSHIELD™. The invisibleSHIELD is a protective, high-tech film covering, designed for iPods®, laptops, cell phones, digital cameras, PDAs, watch faces, GPS systems, gaming devices, and other items. The product is "cut" to fit specific devices and packaged together with a moisture activating spray called "SHIELD*spray*"™ which makes the invisibleSHIELD adhere to the surface of the device literally "like a second skin" virtually invisible to the eye. The patent-pending invisibleSHIELD is the first scratch protection solution of its kind on the market. The invisibleSHIELD is not ornamental, but rather provides a long lasting barrier to preserve the brand new look of the surface of an electronic device. Currently, ZAGG offers over 2,500 precision pre-cut designs with a lifetime replacement warranty through online channels, resellers, college bookstores, Mac stores, and mall kiosks. The company plans to increase its product lines to offer electronic accessories to its tech-savvy customer base, as well as an expanded array of invisibleSHIELD products for other industries. With over 1,000,000 invisibleSHIELDs sold to date by early adopters, we are poised to introduce the invisibleSHIELD product to mass market consumers worldwide.

Our key product, invisibleSHIELD, is made from a protective, film covering that was developed originally to protect the leading edges of rotary blades of military helicopters. We determined that this same film product could be configured to fit onto the surface of electronic devices and marketed to consumers for use in protecting such devices from everyday wear and tear including scratches, scrapes, debris and other surface blemishes. The film also permits touch sensitivity, meaning it can be used on devices that have a touch-screen interface. The invisibleSHIELD film material is highly reliable and durable since it was originally developed for use in a high friction, high velocity, aerospace context. The film provides long lasting protection for the surface of electronic devices subject to normal wear and tear. The film is a form of polyurethane substance, akin to a very thin, pliable, flexible and durable clear plastic that adheres to the surface and shape of the object it is applied to.

We also sell accessories for electronics devices including power cords, chargers and adapters.

We maintain our corporate offices and operational facility at 3855 South 500 West, Suites B, C, J and R, Salt Lake City, Utah, 84115. The telephone number of the Company is 801-263-0699. Our website addresses are www.invisibleshield.com and www.zagg.com.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Significant estimates include the allowance for doubtful accounts, inventory valuation allowances, sales returns and warranty liability, the useful life of property and equipment and the valuation allowance on deferred tax assets.

Recent Accounting Pronouncements

In February 2008, the FASB issued FSP FAS 157-2, Effective Date of FASB Statement No. 157 (“FSP FAS 157-2”). FSP 157-2 delays the effective date of SFAS 157 for non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). We will adopt FAS 157 for non-financial assets and non-financial liabilities on December 31, 2008, and we do not anticipate this adoption will have a material impact on our financial statements.

In March 2008, the FASB issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133,” which will require increased disclosure about strategies and objectives for using derivative instruments; the location and amounts of derivative instruments in financial statements; how derivative instruments and related hedged items are accounted for under SFAS No 133, “Accounting for Derivative Instruments and Hedging Activities;” and how derivative instruments and related hedged items affect the financial position, financial performance, and cash flows. Certain disclosures will also be required with respect to derivative features that are credit-risk related. SFAS No 161 is effective for us beginning January 1, 2009 on a prospective basis. We do not expect this standard to have a material impact on our consolidated results of operations or financial condition.

Revenue recognition

We follow the guidance of the Securities and Exchange Commission’s Staff Accounting Bulletin 104 for revenue recognition. In general, we record revenue when persuasive evidence of an arrangement exists or product delivery has occurred, the sales price to the customer is fixed or determinable, and collectability is reasonably assured. Our revenue is derived from sales of our products to retailers, resellers and end consumers and from the sale of distributor license fees. For sales of product, we record revenue when the product is shipped, net of estimated returns and discounts. For license fees, we recognize revenue on a prorated basis over the life of the distribution contract.

We follow the guidance of Emerging Issues Task Force (EITF) Issue 01-9 “Accounting for Consideration Given by a Vendor to a Customer” and (EITF) Issue 02-16 “Accounting by a Customer (Including a Reseller) for Certain Considerations Received from Vendors.” Accordingly, any incentives received from vendors are recognized as a reduction of the cost of products. Promotional products given to customers or potential customers are recognized as a cost of sales. Cash incentives provided to our customers are recognized as a reduction of the related sale price, and, therefore, are a reduction in sales.

Reserve for Sales Returns and Warranty Liability

Our return policy generally allows our end users and retailers to return purchased products for refund or in exchange for new products within 30 days of end user purchase. We estimate a reserve for sales returns and record that reserve amount as a reduction of sales and as a sales return reserve liability.

We generally provide the ultimate consumer a warranty with each product and accrue warranty expense at the time of the sale based on our prior claims history. Actual warranty costs incurred are charged against the accrual when paid.

Results of Operations

THREE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

Net sales

Net sales for the quarter ended September 30, 2008 were $6,854,916 as compared to net sales of $1,437,408 for the quarter ended September 30, 2007, an increase of $5,417,508 or 377%.

The significant increase in revenue is mainly attributed to continued strong sales of our *invisible*SHIELD product with approximately 50% of our product being sold through our website to retail customers, 7% being sold through mall carts and kiosks, 38% through wholesale channels and 5% from shipping and handling charges.

Cost of sales

Cost of sales includes raw materials, packing materials and shipping costs. For the quarter ended September 30, 2008, cost of sales amounted to $2,416,988 or approximately 35% of net sales as compared to cost of sales of $299,027 or 21% of net sales for quarter ended September 30, 2007. The increase in cost of sales as a percentage of net revenues for the quarter ended September 30, 2008 as compared to the quarter ended September 30, 2007 is attributable to the overall sales mix shift to wholesale customers which have a lower average selling price than our internet sales which have historically represented a larger percentage of the total sales.

Gross profit

Gross profit for the quarter ended September 30, 2008 was $4,437,928 or approximately 65% of net sales as compared to $1,138,381 or approximately 79% of net sales for the quarter ended September 30, 2007. The decrease in gross profit percentage was again due to the sales mix shift from internet sales to wholesale customers which have a lower average selling price. There are no assurances that we will continue to recognize similar gross profit margins in the future.

Operating expenses

Total operating expenses for the quarter ended September 30, 2008 were $3,067,222, an increase of $1,178,876 from total operating expenses for the quarter ended September 30, 2007 of $1,888,346. The increases are primarily attributable to the following:

· For the quarter ended September 30, 2008, salaries and related taxes decreased by $484,484 to $766,592 from $1,251,076 for the quarter ended September 30, 2008. The decrease is due to the non-cash expense recognized in 2007 for stock-based compensation when we issued 800,000 shares of our common stock to employees and consultants of $800,000 partially offset by increased wage expenses incurred due to the addition of staff as we continue to build the people infrastructure to meet the demand for our product and non-cash expense related to equity based compensation of $80,821.

· For the quarter ended September 30, 2008, marketing, advertising and promotion expenses were $1,169,073, an increase of $941,449 as compared to $227,624 for the quarter ended September 30, 2007. We continue to invest heavily in the development of the invisibleSHIELD brand through internet key word advertising, traditional print media and radio advertising and through the use of coupons. We expect our marketing and advertising expenses to continue to be a significant expenditure as our revenues increase and expect to spend increased funds on adverting and promotion of our products as well as sales training. During fiscal 2008, we intend to continue to expand our marketing efforts related to our products.

· For the quarter ended September 30, 2008, other selling, general and administrative expenses, net of salaries and related taxes described above, were $1,131,557 as compared to $409,646 for the quarter ended September 30, 2007. The increase was attributable to the increase in operations as we implement our business plan and is summarized below:

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	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007
Professional fees	$ 42,441	$ 25,795
Contract labor	183,805	80,421
Insurance	34,468	24,327
Depreciation and amortization	42,069	21,455
Rent	97,028	59,547
Travel and entertainment	46,493	29,518
Telephone and utilities	33,393	20,586
Printing expenses	34,845	12,068
Office supplies	18,536	17,636
Credit card and bank fees	113,063	37,434
Investor relations	103,521	48,185
Commissions	157,676	2,533
Consulting	30,000	--
Other	194,219	30,141
Total	$ 1,131,557	$ 409,646

Income (loss) from operations

We reported income from operations of $1,370,706 for the quarter ended September 30, 2008 as compared to loss from operations of ($749,965) for the quarter ended September 30, 2007, an increase of $2,120,671. The increased income from operations for the quarter ended September 30, 2008 as compared to the quarter ended September 30, 2007 is primarily attributable to our overall increased revenue growth due to increased market penetration and the continued expansion of our distribution channels to include additional retail outlets.

Other income (expense)

For the quarter ended September 30, 2008, total other income was $48,343 compared to other income of $16,771 for the quarter ended September 30, 2007. The increase is primarily attributed to interest income related to short-term loans and interest earned on our bank balances of $48,648.

Net income (loss)

As a result of these factors, we reported net income of $889,743 or $0.05 per share for the quarter ended September 30, 2008 as compared to a net loss of ($733,428) or ($0.04) per share for the quarter ended September 30, 2007.

NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

Net sales

Net sales for the nine months ended September 30, 2008 were $12,460,812 as compared to net sales of $3,034,714 for the nine months ended September 30, 2007, an increase of $9,426,098 or 311%.

The significant increase in product sales is mainly attributed to continued strong sales of our *invisible*SHIELD product with approximately 56% of our product being sold through our website to retail customers, 9% being sold through mall carts and kiosks, 29% through wholesale channels and 6% from shipping and handling charges.

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Cost of sales

Cost of sales includes raw materials, packing materials and shipping costs. For the nine months ended September 30, 2008, cost of sales amounted to $3,920,003 or approximately 31% of net sales as compared to cost of sales of $689,858 or 23% of net sales for the nine months ended September 30, 2007. The increase in cost of sales as a percentage of net revenues for the nine months ended September 30, 2008 as compared to the nine months ended September 30, 2007 is primarily attributable the overall sales mix shift to wholesale customers which have a lower average selling price than our internet sales which have historically represented a larger percentage of the total sales and overall increases in our packaging expenses.

Gross profit

Gross profit for the nine months ended September 30, 2008 was $8,540,809 or approximately 69% of net sales as compared to $2,344,856 or approximately 77% of net sales for the nine months ended September 30, 2007. The decrease in gross profit percentage was primarily attributable to the overall sales mix shift to more wholesale customers and overall increased packaging costs. There are no assurances that we will continue to recognize similar gross profit margins in the future.

Operating expenses

Total operating expenses for the nine months ended September 30, 2008 were $7,198,894, an increase of $3,809,532 from total operating expenses for the nine months ended September 30, 2007 of $3,389,362. The increases are primarily attributable to the following:

· For the nine months ended September 30, 2008, salaries and related taxes increased by $231,193 to $2,136,712 from $1,905,519 for the nine months ended September 30, 2007. The increase is due to the increase in our management and production staff as we continue to build the people infrastructure to meet the demand for our product, the payment of a discretionary bonus of $155,000 during the first quarter to our employees and non-cash expense related to equity based compensation of $157,110, partially offset by the non-cash expense recognized for the nine months ended September 30, 2007 of $800,000 related to the 800,000 shares of our common stock issued to employees and consultants.

· For the nine months ended September 30, 2008, marketing, advertising and promotion expenses were $2,483,356, an increase of $2,015,946 as compared to $467,410 for the nine months ended September 30, 2007. We continue to invest heavily in the development of the invisibleSHIELD brand through internet key word advertising and through traditional print media and radio advertising. During the nine months ended September 30, 2008, we have also printed coupons and handed them out at various trade shows and events wherein customers logged onto our website through a specific link and were able to redeem the coupon. These coupons ran for specific time frames with expiration dates and the redemption of the coupons of $915,113 was recognized as marketing and advertising expense. We expect our marketing and advertising expenses to continue to be a significant expenditure as our revenues increase and expect to spend increased funds on adverting and promotion of our products as well as sales training. During fiscal 2008, we intend to continue to expand our marketing efforts related to our products.

· For the nine months ended September 30, 2008, other selling, general and administrative expenses net of salaries and related taxes described above, were $2,578,826 as compared to $978,203 for the nine months ended September 30, 2007. The increase was attributable to the increase in operations as we implement our business plan and is summarized below:

	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Professional fees	$ 113,053	$ 248,240
Contract labor	480,443	120,650
Insurance	148,650	52,536
Depreciation and amortization	111,413	58,430
Rent	277,574	114,538
Travel and entertainment	139,394	68,565
Telephone and utilities	95,469	44,893
Printing expenses	54,157	31,719
Office supplies	53,023	41,776
Credit card and bank fees	267,192	73,447
Investor relations	235,708	52,584
Commissions	204,263	5,399
Consulting	71,500	38,500
Other	326,987	65,156
Total	$ 2,578,826	$ 1,016,433

Income (loss) from operations

We reported income from operations of $1,341,915 for the nine months ended September 30, 2008 as compared to a loss from operations of ($1,044,506) for the nine months ended September 30, 2007, an increase of $2,386,421. The increased income from operations for the nine months ended September 30, 2008 as compared to the nine months ended September 30, 2007 is primarily attributable the overall increase in sales due to deeper market penetration and continued expansion of the distribution channel for our products combined with the decrease in professional fees that were attributable to our reverse merger transaction in 2007.

Other income (expense)

For the nine months ended September 30, 2008, total other income was $174,599 compared to other expense of ($5,243) for the nine months ended September 30, 2007. The increase is primarily attributed to interest income related to short-term loans, gains recognized on disposition of assets and interest earned on our cash balance of $178,461 and a decrease in interest expense of $26,761.

Net income (loss)

As a result of these factors, we reported net income of $950,278 or $0.05 per share for the nine months ended September 30, 2008 as compared to a net loss of ($1,052,293) or ($0.07) per share for the nine months ended September 30, 2007.

Liquidity and Capital Resources

Liquidity is the ability of a company to generate funds to support its current and future operations, satisfy its liabilities and otherwise operate on an ongoing basis.

At September 30, 2008, we had a cash balance of $949,833.

Our working capital position increased by $1,511,786 to working capital of $4,026,615 at September 30, 2008 from working capital of $2,514,829 at December 31, 2007. This increase in working capital is primarily attributable to the overall increase in accounts receivable of $2,354,376, increased prepaid expenses and other assets of $938,070, increased inventories of $400,665 and decreased accrued liabilities of $26,015, partially offset by decreased cash balances of $1,179,382, increased accounts payable of $642,407, increased sales returns liability of $206,174, increased accrued wages and wage related expenses of $9,445 and increased deferred licensing revenue of $7,598.

Net cash used in operating activities for the nine months ended September 30, 2008 was ($514,499) as compared to cash used in operating activities of ($857,059) for the nine months ended September 30, 2007. For the nine months ended September 30, 2008, net cash used in operating activities was attributable primarily to increased accounts receivable of $2,410,546, increased prepaid expenses and other current assets of $475,855, increased inventories of $400,655, increased other assets of $27,787, decreased accrued liabilities of $26,015, and the gain on disposal of fixed assets of $12,215 partially offset by net income of $950,278, increased accounts payable of $642,404, deferred income tax expense of $566,235, non-cash expense related to stock compensation of $211,510, increased sales return liability of $206,174, depreciation and amortization of $112,162, decreased prepaid advertising of $58,247, bad debt expense of $56,170, foreign currency exchange loss of $18,361, increased accrued wages and wage related expenses of $9,445 and increased deferred licensing revenues of $7,598.

Net cash used in investing activities for the nine months ended September 30, 2008 was ($696,853) attributable to short-term loans made of $450,000, the purchase of property and equipment of $248,047 and payments for intangible assets of $1,800, partially offset by proceeds from the sale of fixed assets of $2,994.

Net cash provided by financing activities for the nine months ended September 30, 2008 was $31,970 attributable to proceeds from the exercise of warrants of $50,000, partially offset by payments on equipment financing of $18,030.

We reported a net decrease in cash for the nine months ended September 30, 2008 of $1,179,382.

For the nine months ended September 30, 2008 and 2007, we generated revenues of $12,460,812 and $3,034,714, respectively and reported net income of $950,278 and incurred a net loss of ($1,052,293), respectively. For the nine months ended September 30, 2008, we had negative cash flow from operating activities of ($514,499), negative cash flow from investing activities of ($696,853) and cash provided by financing activities of $31,970. As of September 30, 2008, we had stockholders' equity of $4,594,611, retained earnings of $207,887, working capital of $4,026,615, accounts payable of $1,147,982, deferred licensing revenue of $108,509, accrued wages and wage related expenses of $104,982, notes payable related to equipment financing of $24,060, accrued liabilities of $9,799 and sales returns liability of $230,035. Management believes that existing cash, along with cash generated from the collection of accounts receivable, short term loans and the sale of products will be sufficient to meet the Company's cash requirements during the next twelve months.

Off Balance Sheet Arrangements

As of September 30, 2008, there were no off balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

A smaller reporting company is not required to provide the information required by this Item.

Item 4T. Controls and Procedures

As of the date of this report, our Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15b under the Securities Exchange Act of 1934. Based on his review of our disclosure controls and procedures, they have concluded that our disclosure controls and procedures are effective in timely alerting them to material information relating to us that is required to be included in our periodic SEC filings. Further, there were no significant changes in the internal controls or in other factors that could significantly affect these disclosure controls after the evaluation date and the date of this report. Nor were there any significant deficiencies or material weaknesses in such disclosure controls and procedures requiring corrective actions. As a result, no corrective actions were taken. We have made no changes in our internal controls over financial reporting in the most recent quarterly reporting period that have materially affected, or are reasonably likely to affect, our internal controls over financial reporting.

Limitations on the Effectiveness of Internal Controls

Our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will necessarily prevent all fraud and material error. An internal control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the internal control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

We are not presently party to any legal proceedings. We are not aware of any pending legal proceeding to which any of our officers, directors, or any beneficial holders of 5% or more of our voting securities are adverse to us or have a material interest adverse to us.

Item 1A: Risk Factors

A smaller reporting company is not required to provide the information required by this Item.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The information set forth below relates to our issuances of securities without registration under the Securities Act during the reporting period which were not previously included in a Current Report on Form 8-K.

During the nine months ended September 30, 2008, we issued 60,000 shares of our common stock to employees valued at $47,400. These shares were issued pursuant to Section 4(2) of the Securities Act. The investors represented their intention to acquire the securities for investment only and not with a view towards distribution. The investors were given adequate information about us to make an informed investment decision. We did not engage in any general solicitation or advertising.

On July 30, 2008, we issued 80,000 shares of our common stock valued at $54,400 for services to be rendered by a consultant. These shares were issued pursuant to Section 4(2) of the Securities Act. The consultants represented their intention to acquire the securities for investment only and not with a view towards distribution. The consultants were given adequate information about us to make an informed investment decision. We did not engage in any general solicitation or advertising.

On October 1, 2008, we issued 50,000 shares of our common stock valued at $48,500 for services to be rendered by a consultant.

Item 3. Defaults Upon Senior Securities

None.

Item 4. **Submission of Matters to a Vote of Security Holders**

None.

Item 5. **Other Information**

None.

Item 6. **Exhibits**

a. Exhibits: The following Exhibits are filed with this Form 10-Q pursuant to Item 601(a) of Regulation S-K:

Exhibit No.	Description of Exhibit
31.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S. C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S. C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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

ZAGG INCORPORATED

Date: November 14, 2008

/s/ ROBERT G. PEDERSEN II

Robert G. Pedersen II,
President and Chief Executive Officer

Date: November 14, 2008

/s/ BRANDON T. O'BRIEN

Brandon T. O'Brien,
Chief Financial Officer
(Principal financial officer)