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VISIBILITY

4TH QUARTER UPDATE

RESEARCH ANALYST

Abhinav Bhatnagar, MBA

AT A GLANCE

TICKER	ZAGG
FISCAL YEAR END	December
SECTOR	Consumer Goods
RECENT PRICE	\$2.26
TARGET PRICE	\$4.25
MARKET CAP	\$43.6M
52-WEEK HIGH	\$2.33
52-WEEK LOW	\$0.56
PRICE/EARNINGS (TTM)	20.7x
PRICE/BOOK (MRQ)	7.4x
PRICE/SALES (TTM)	2.2x
BOOK VALUE PS (MRQ)	\$0.30
SHARES OUTSTANDING	19.28M
FLOAT	11.26M
AVG DAILY VOLUME (3 MOS)	143,376
INSIDER OWNERSHIP	50.6%
CEO	Robert G. Pedersen II

As of April 9, 2009



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Salt Lake City, UT 84115
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www.zagg.com

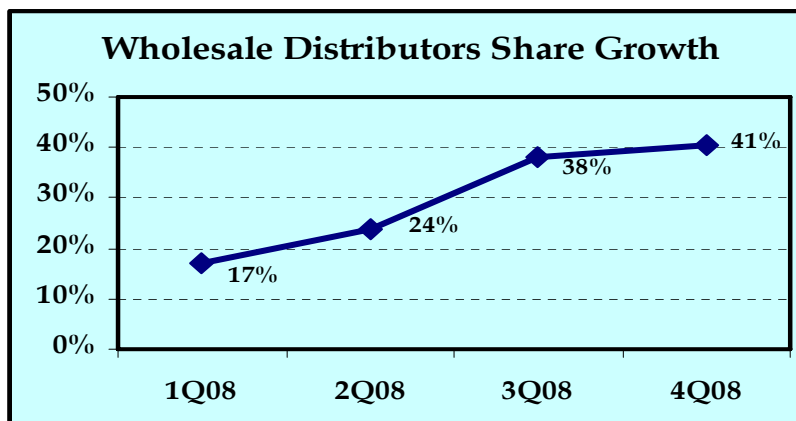
ZAGG Inc. (OTCBB: ZAGG)

APRIL 13, 2009 | TARGET PRICE: \$4.25 | RATING: BUY

INVESTMENT HIGHLIGHTS

ZAGG: Zealous About Great Growth! Another strong quarter and extraordinary 2008. ZAGG reported sharp revenue growth of 285% year-over-year for the year ended December 31, 2008. Total reported revenue of \$19.8 million was marginally higher than our estimate of \$19.2 million. Net income of \$2.1 million or EPS of \$0.11, in 2008 was much higher than our estimate of \$1.4 million, or EPS of \$0.07. For 4Q08, revenue reached \$7.4 million, a year-over-year increase of 250% and a 7% sequential increase, higher than our estimate of \$6.7 million. Sales and marketing efforts in 2008 gained momentum through strategic alliances with large retailers Best Buy and Carphone Warehouse which enabled ZAGG to achieve significant sales growth amid a softer economic environment.

Wholesale distribution rises; ZAGG signs agreements with two new retailers. ZAGG continues to expand its wholesale distributor network in domestic and overseas markets. The share of the wholesale channel in total revenues increased substantially in 2008 reaching 41% in 4Q08 compared to 17% in 1Q08. Collaborations with large distributors, including Best Buy, domestically and Carphone Warehouse in European markets have been the key catalysts thus far, but in the 4Q08 earnings call ZAGG's CEO, Robert Pedersen, spoke of agreements with two new retailers to carry ZAGG products. No details were given, but we can expect to be seeing many more outlets for the invisibleSHIELD and ZAGG audio products in the coming quarters. In previous calls with management, the Company has alluded to plans to expand into newer geographic territories, including China and India, through strategic alliances with major distributors in the next 12-24 months.



Smartphone market continues to grow in 4Q08; represents excellent opportunity. The smartphone market worldwide is growing exponentially, which provides a sizeable opportunity for ZAGG. According to Gartner, Inc., an information technology research company, global Smartphone sales increased 13.9% in 2008 and

3.7% in 4Q08 year-over-year. In a dismal economic environment, this industry growth is a huge positive, and double digit smartphone growth in 2008 is quite impressive. For 2009, market research firm iSuppli Corp. is projecting shipments of smartphones to increase 6-11%. The increasing demand of smartphones globally will undoubtedly help ZAGG enhance its customer base as smartphones are moving toward the use of touch screens rather than a physical keyboard. ZAGG's invisibleSHIELD is an invaluable product for touch screen phones due to the fragile and scratch-prone nature of LCD screens. The invisibleSHIELD was the top selling accessory for the iPhone3G at the phone's launch revealing that consumers recognize the need to protect these expensive devices as well.

ZAGGaudio will add to top-line in 2009. ZAGGaudio is a new brand introduced by ZAGG in 4Q08. The brand marks the company's official entrance into the audio accessories market. ZAGGaudio launched with the award-winning Z.buds earphones which sold 5,000 Z.buds in the first 2 to 3 weeks of release, indicating strong demand for the product. Originally sold with an attached microphone for hands-free cell phone conversations, ZAGG quickly realized they could reach many more consumers at a lower price point by offering the Z.buds without a microphone. ZAGG now offers two separate models of Z.buds, one with a microphone attached to it for speech and a less expensive version without a microphone. This is an excellent example of one of ZAGG's biggest strengths: adaptability. Just a few months after introducing an entirely new product, the Company was able to change their product in order to accommodate a different portion of the market. ZAGG has demonstrated this adaptability throughout their history, developing hundreds of different cuts of the invisibleSHIELD for electronic gadgets. We believe that this adaptability will continue to allow ZAGG to react to changing market conditions quickly and ensure the Company's success.

Growing number of stores and re-sellers increases visibility. ZAGG is increasing both the stores, mall kiosk locations and re-sellers which carry its products and the number of different ZAGG products that each store carries. Initially the Company started with 3 stock keeping units (SKUs) in 300 Best Buy stores; currently, the Company has 10 SKUs in more than 1,000 Best Buy locations. ZAGG maintains 12 SKUs in more than 900 stores of Carphone Warehouse in the UK and intends to increase this number in 2009. In addition, the Company is planning to double its mall kiosk locations and increase the number of re-sellers (totaling 500 in 2008) in the next 12 months. This will give ZAGG products a high level of visibility and result in a growing number of customers.

High website traffic. ZAGG's website had over 4 million unique visitors during FY08 and management expects traffic to increase to up to 20 million for FY09. Management is focusing on getting more visitors to the website and has an effective online marketing strategy in place to support this. Currently, ZAGG's website is ranked in the top 13,000 of the more than 1 billion websites on the internet based on amount of traffic. This extraordinary number of web hits and accompanying online product registration has provided ZAGG the largest database of iPhone and iPod users other than Apple. The Company's database of all users is growing by 50,000 to 100,000 customers per month.

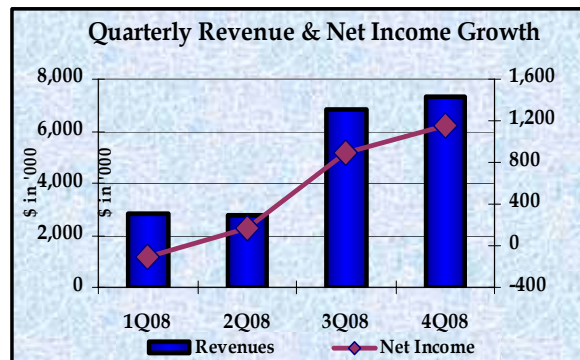
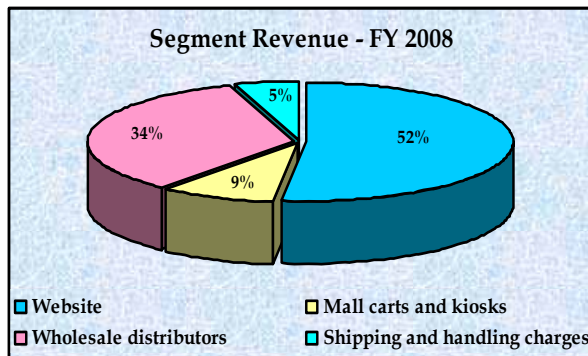
Management has bright outlook on future of Company. Management recently announced that ZAGG is looking to expand the application of its invisibleSHIELD product to protective screens for ATMs, signature pads, schools, restaurants, medical devices and the list goes on. The Company is innovative and always finding new spaces to explore. According to management, their growth trajectory is greater than that of Apple or Google and they believe that they will be a billion dollar company. ZAGG continues to position itself as a leader in the 21st century.

FINANCIAL HIGHLIGHTS

ZAGG reported a significant 285% year-over-year increase in revenue to \$19.8 million in 2008 from \$5.1 million in 2007. For 4Q08, ZAGG reported \$7.4 million in revenue compared to \$2.1 million in 4Q07, a year-over-year increase of 250%. The considerable surge in revenues amid tight market conditions was primarily due to continued strong demand for the invisibleSHIELD. The Company's core product is gaining popularity in the United States and international markets due to its unique competitive advantages and its reasonable price. We believe the Company will be capable of sustaining the current level of sales growth in the next couple of quarters due to the introduction of invisibleSHIELD for new devices, supported by sales from ZAGG's new offerings under ZAGGaudio. In addition, the new agreements with retailers and wholesalers will also act as major revenue drivers in the next 12 months.



Due to increased sales to wholesalers, gross margin declined from 73.9% in FY07 to 66.7% in FY08. However, we do not see this as a problem. Year-over-year revenues increased almost fourfold while operating expenses only doubled. This difference more than offsets the decline in gross margin, as exhibited by increasing net income. However, the Company has been making efforts to raise gross margin closer to previous levels. One of the methods used to help boost gross margin is charging customers with shipping and handling fees, which made up 5% of revenues in FY 2008. We anticipate the Company will be able to sustain the current levels of margins with slight variations in the next 12 months due to increasing sales volumes, with revenue generated from the higher-margin new products.



The Company's operating profit margins increased to 12% in 2008 compared to (24%) in 2007. Total operating cost rose to \$10.8 million in 2008 from \$5.0 million a year earlier, representing a year-over-year increase of 115%. The prime reasons for the higher operating cost are the following:

- Salary and related taxes increased \$469,657 to \$2.9 million in 2008. The Company increased management and production staff in accordance with growing demand for its products.
- ZAGG reported marketing, advertising and promotion expenses of \$4.0 million in 2008 compared to \$944,715 in 2007, a significant increase of almost \$3.0 million, or 321%. Management expects marketing, advertising and promotion expenses will remain in the range of 17–20% over the next year due to continuous investment in marketing invisibleSHIELD and other ZAGG brands, along with new products offerings in the pipeline. In 2008 the Company spent \$1.6 million on coupons having fixed expiry dates distributed at various trade shows. Redemption of coupons was recognized as a marketing and advertising expense.
- Other selling, general and administrative expenses increased 138% to \$3.9 million from \$1.7 million in 2007 primarily attributable to expanding operations of the Company.

For the year ended December 31, 2008, ZAGG reported net income of \$2.1 million, or EPS of \$0.11, compared to a net loss of \$759,511, or EPS of \$(0.05) for the year ended December 31, 2007. This was primarily due to solid revenue growth.

LIQUIDITY AND RESOURCES

ZAGG had cash and cash equivalents of \$1.1 million as of December 31, 2008. The Company's working capital position enhanced significantly to \$5.2 million (current assets – current liabilities) from \$2.5 million in December 2007. Net cash used in operating activities for the 12 months ended December 2008 was \$196,684 compared to \$842,490 for the year ended December 2007. This was mainly attributable to increased accounts receivables and inventory levels, as well as higher prepaid expenses and deferred tax assets. Management believes that existing cash linked with cash generated from the collection of accounts receivable and sale of products coupled with existing lines of credit will be sufficient to meet cash requirements during the next 12 months.



RISKS

One of the biggest risks in investing in small-cap stocks is the possibility of share price dilution due to factors such as exercising options or debt being converted into common stock. Currently, the Company has 1,635,000 options outstanding with a weighted-average exercise price of \$0.65. As of the writing of this report, the Company has 19.28M shares outstanding, and a share price of \$2.26. Thus, there is some risk of options being exercised and subsequent share price depreciation, but we do not feel as though that is a very big risk at the moment. The majority of the holders of these options are investors who we believe will hold their options for a long time. However, we cannot be sure of this, and it is important to understand that there are risks due to warrants. On the positive side, though, any warrants that are exercised will give the Company additional cash to grow and expand.

RECENT DEVELOPMENTS

Selected as Company of the Month in the Browser Report. ZAGG stock has continuously gained with the increasing demand for its flagship product, invisibleSHIELD. ZAGG was named “Company of the Month” in the January 2009 edition of the Browser Report, a monthly subscription-based newsletter that highlights small-cap stocks trading at \$3.00 or less with strong growth potential. The Browser Report recommends a buy rating after careful fundamental analysis of the stock trading on the NYSE, NASDAQ and ALTERNEXT. Management believes that the Company has solid fundamentals and will gain strong market standing in the next 24 months.

Exhibits offerings in national and international shows. In January 2009, ZAGG exhibited its products in Macworld Conference in San Francisco and International CES in Las Vegas. Management believes these events provide excellent opportunities for the Company to enhance its customer base and gain popularity among prospective customers. In April 2009, ZAGG presented invisibleSHIELD and the ZAGGaudio line at CTIA Wireless 2009 in Las Vegas, Nevada.

OUTLOOK FOR 1Q09

We maintain a strong outlook on ZAGG given the significant surge in revenues along with favorable demand for its products in weaker economic conditions. For 1Q09E, we project total revenue of \$7.6 million, and for FY09E we project total revenue of \$31.1 million. We expect COGS of 33–34% and advertising and marketing expenses of 19–21% in FY09E. We estimate net income of \$1.035 million, or EPS of \$0.054, for 1Q09E. For FY09E we estimate net income of \$4.3 million, or EPS of \$0.23.

VALUATION AND CONCLUSION

We believe that recent agreement with new retailers and expected new product launches will positively influence Company revenue in 2009. We reiterate our “Buy” rating on ZAGG but revise our 12-month target price to \$4.25 from our earlier \$3.00 to reflect the impact of an increase in P/E multiple and substantial revenue growth in 2008, as well as expected trajectory of revenues for FY09E with strong fundamentals. ZAGG’s overall growth is not subject to current economic turmoil as evident from its track record. We continue to believe in the ZAGG growth story, and see this stock as a good opportunity for investors to accumulate at the current levels.

Our valuation is based on EPS (fully diluted) estimate of \$0.225 per share for 2009 applied to our P/E multiple of 18.8x, which gives us a fair market value of \$4.23. We have rounded off the fair value to arrive at our revised 12-month price target of \$4.25 per share.



ZAGG PEER GROUP COMPARISON

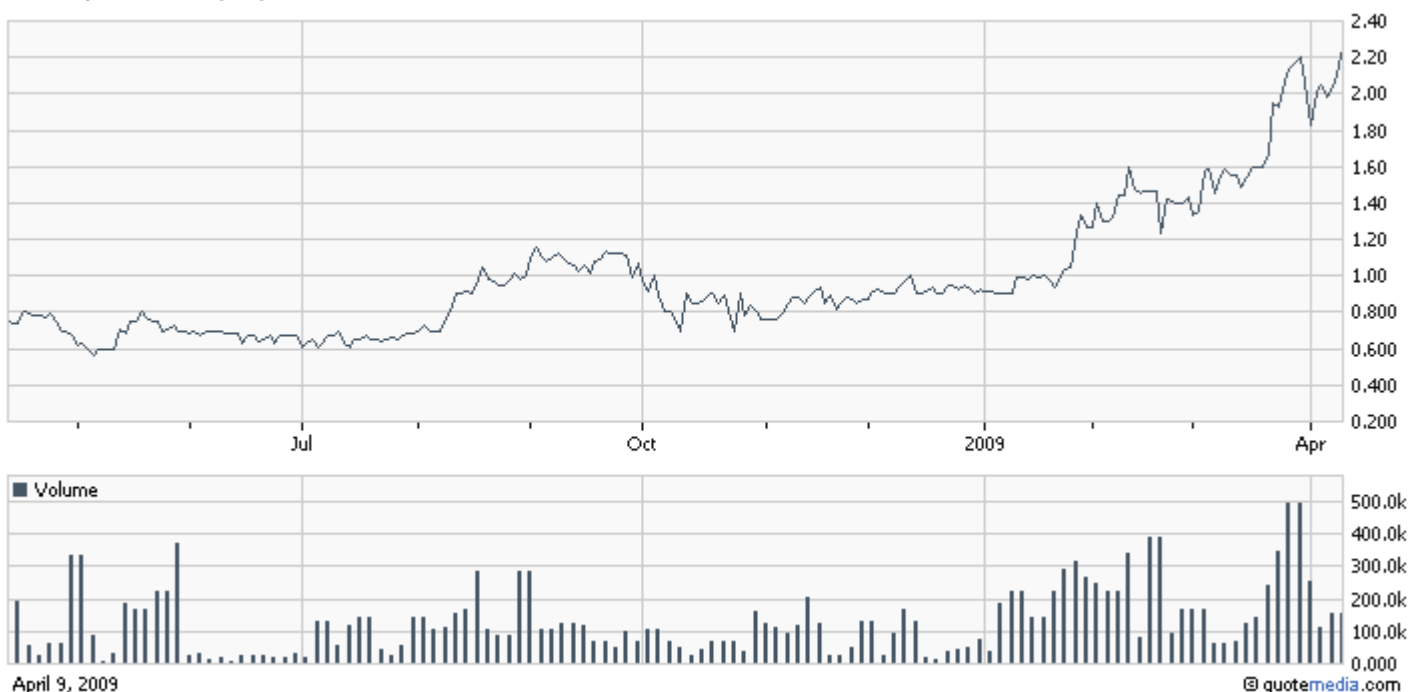
Company	Symbol	Price	Market Cap.	Price to Sales (X)	Price to Book (X)	P/E (X)	Rev's Per Share (TTM)	Book value Per Share
ZAGG Inc.	ZAGG	\$2.05	\$39.53M	1.95	6.58	18.81	\$1.04	\$0.30
iParty Corp.	IPT	\$0.09	\$2.05M	0.02	N/A	N/A	\$3.57	(\$0.26)
Gander Mountain Co.	GMTN	\$2.97	\$71.65M	0.07	0.41	N/A	\$44.06	\$6.90
Overstock.com Inc.	OSTK	\$9.96	\$227.22M	0.27	N/A	N/A	36.43	(\$0.13)

Data as of April 3, 2009

COMPANY OVERVIEW

ZAGG Inc. (OTC BB: ZAGG) is a publicly traded company that designs, manufactures, markets and sells protective coverings, audio accessories and power solutions for consumer electronics and handheld devices under the brand names invisibleSHIELD and ZAGGaudio. The Company's product invisibleSHIELD is a protective film covering designed for iPods, laptops, cell phones, PDAs, watch faces, gaming devices and digital cameras. The Company sells more than 3,000 precision precut designs with a lifetime replacement warranty through online channels, re-sellers, college bookstores, Mac stores and mall kiosks. It also resells consumer electronics and related accessories including cell phones, digital cameras, GPS devices, MP3 players, PDAs, satellite radios, heart rate monitors and other small handheld devices and offers replacement warranty services. The Company primarily operates in the United States and Europe. It is headquartered in Salt Lake City, Utah, and employs 70 full-time and 4 part time employees.

12-MONTH PRICE CHART





Quarterly Income Statement

All Figures in US\$, except share data

FY Ending December 31,	1Q08	2Q08	3Q08	4Q08	2008
Total revenues	2,845,362	2,739,176	6,854,916	7,352,149	19,791,603
Cost of revenues	(777,742)	(712,214)	(2,416,988)	(2,686,774)	(6,593,718)
Gross profit	2,067,620	2,026,962	4,437,928	4,665,375	13,197,885
Advertising and marketing	(790,022)	(484,728)	(1,169,073)	(1,532,192)	(3,976,015)
Selling, general and administrative	(1,504,843)	(1,343,778)	(1,898,149)	(2,096,151)	(6,842,921)
Operating income (loss)	(227,245)	198,456	1,370,706	1,037,032	2,378,949
Interest expense	(1,702)	(972)	(796)	(2,552)	(6,022)
Interest and other income	47,776	81,149	49,139	49,159	227,223
Income before income taxes	(181,171)	278,633	1,419,049	1,083,639	2,600,150
Income taxes	67,000	(103,930)	(529,306)	65,048	(501,188)
Net income (loss)	(114,171)	174,703	889,743	1,148,687	2,098,962
Net income (loss) per share-basic	(0.01)	0.01	0.05	0.06	0.11
Basic weighted average shares outstanding	18,863,885	18,884,105	18,981,386	18,971,399	18,971,399
Net income (loss) per share-diluted	(0.01)	0.01	0.05	0.06	0.11
Diluted weighted average shares outstanding	18,863,885	18,936,055	19,436,146	19,265,229	19,265,229

Yearly Income Statement

All Figures in US\$, except share data

FY Ending December 31,	2006	2007	2008
Total revenues	2,777,036	5,135,715	19,791,603
Cost of revenues	(727,434)	(1,340,850)	(6,593,718)
Gross profit	2,049,602	3,794,865	13,197,885
Salaries and related taxes	(858,869)	(1,582,262)	-
Compensation expense related to stock issuance	-	(845,000)	-
Consulting	(73,750)	(39,100)	-
Settlement fees	(101,750)	(82,729)	-
Advertising and marketing	(415,590)	(944,715)	(3,976,015)
Legal and accounting	(188,985)	(280,496)	-
Other selling, general and administrative	(635,276)	(1,258,113)	(6,842,921)
Operating income (loss)	(224,618)	(1,237,550)	2,378,949
Interest expense	(2,813)	(31,452)	(6,022)
Interest and other income	6,760	60,671	227,223
Income before income taxes	(220,671)	(1,208,331)	2,600,150
Income taxes	79,418	448,820	(501,188)
Net income (loss)	(141,253)	(759,511)	2,098,962
Net income (loss) per share-basic	(0.01)	(0.05)	0.11
Basic weighted average shares outstanding	10,052,808	16,139,177	18,971,399
Net income (loss) per share-diluted	(0.01)	(0.05)	0.11
Diluted weighted average shares outstanding	10,052,808	16,139,177	19,265,229



Balance Sheet					
All Figures in US\$					
FY Ending December 31,	4Q07	1Q08	2Q08	3Q08	4Q08
Assets:					
Current assets					
Cash	2,129,215	1,227,255	475,940	949,833	1,065,652
Accounts receivable, net	402,446	335,251	821,161	2,756,822	3,593,887
Inventories	447,044	684,732	680,509	847,709	1,913,297
Prepaid advertising	204,976	251,808	244,482	146,729	-
Prepaid expenses and other current assets	122,107	689,281	892,121	1,060,177	676,077
Notes receivable	-	-	-	-	513,000
Deferred income tax assets	12,829	12,829	12,829	12,829	81,663
Total current assets	3,318,617	3,201,156	3,127,042	5,774,099	7,843,576
Property and equipment, net	328,077	394,650	447,253	464,297	549,370
Deferred income tax assets	444,118	511,118	407,188	-	4,937
Deposits and other assets	30,547	30,536	30,537	58,334	9,688
Intangible assets, net	46,894	45,815	46,535	45,365	47,344
Total assets	4,168,253	4,183,275	4,058,555	6,342,095	8,454,915
Liabilities and shareholders' equity:					
Current liabilities					
Notes payable	42,090	35,093	29,655	24,060	20,223
Accounts payable	505,575	600,368	236,693	1,147,982	1,626,390
Accrued liabilities	35,814	51,717	41,997	9,799	212,754
Accrued wages and wage related expenses	95,537	96,409	101,283	104,982	121,112
Deferred revenue	100,911	91,453	71,703	108,509	366,590
Deferred income tax liability	-	-	-	122,117	-
Sales returns liability	23,861	36,583	66,658	230,035	291,119
Total current liabilities	803,788	911,623	547,989	1,747,484	2,617,965
Total liabilities	803,788	911,623	547,989	1,747,484	2,617,965
Shareholders' equity					
Common stock, paid-in capital	18,855	18,875	18,895	19,095	19,165
Warrants to purchase common stock	750,476	750,476	750,476	739,338	739,338
Additional paid-in capital	3,341,388	3,362,276	3,422,169	3,613,796	3,808,280
Cumulative translation adjustment	(3,866)	(3,416)	882	14,495	(106,630)
Retained earnings (deficit)	(742,388)	(856,559)	(681,856)	207,887	1,356,574
Total stockholders' equity	3,364,465	3,271,652	3,510,566	4,594,611	5,816,727



Cash Flow Statement					
All Figures in US\$					
FY Ending December 31,	4Q07	1Q08	Annualized 2Q08	3Q08	4Q08
Cash flow from operating activities					
Net income	(759,511)	(114,171)	60,532	950,278	2,098,962
Non-cash expense related to stock-based compensation	845,000	20,908	80,821	211,510	406,064
Depreciation & amortization	86,160	32,164	69,961	112,162	160,269
Deferred income tax (benefit) expense	(449,566)	(67,000)	36,930	566,235	370,347
Expense related to issuance of warrants	82,729	-	-	-	-
Bad debt expense	14,263	-	19,170	56,170	155,695
Gain on asset disposals	-	-	(12,215)	(12,215)	(12,215)
Foreign currency translation adjustment	(3,866)	450	4,748	18,361	(102,764)
Balance sheet:					
Accounts receivable	(295,560)	67,195	(437,885)	(2,410,546)	(3,347,136)
Inventories	(344,522)	(237,688)	(233,465)	(400,665)	(1,466,253)
Prepaid advertising	(204,976)	(46,832)	(39,506)	58,247	204,976
Prepaid expenses and other current assets	(1,927)	(117,174)	(307,799)	(475,855)	(541,755)
Other assets	(18,428)	11	10	(27,787)	20,859
Accounts payable	210,201	94,793	(268,882)	642,404	1,120,815
Accrued liabilities	17,733	15,903	6,183	(26,015)	176,940
Accrued wages and wage related expenses	(26,191)	872	5,746	9,445	25,575
Deferred revenues	14,110	(9,458)	(29,208)	7,598	265,679
Sales return liability	(8,139)	12,722	42,797	206,174	267,258
Net cash flows from operating activities	(842,490)	(347,305)	(1,002,062)	(514,499)	(196,684)
Cash flow from investing activities					
Payments for intangible assets	(48,764)	-	(1,800)	(1,800)	(4,904)
Notes receivable	-	-	-	-	(513,000)
Proceeds from disposal of equipment	-	-	2,994	2,994	2,994
Purchase of property and equipment	(146,463)	(97,658)	(189,972)	(248,047)	(380,102)
Short term loan	-	(450,000)	(450,000)	(450,000)	-
Net cash flows from investing activities	(195,227)	(547,658)	(638,778)	(696,853)	(895,012)
Cash flow from financing activities					
Payments on debt	(250,000)	(6,997)	(12,435)	(18,030)	(21,867)
Proceeds from notes payable	200,000	-	-	-	-
Proceeds from issuance of common stock and warrants	2,798,550	-	-	50,000	50,000
Payments on convertible note payable - officer	(50,000)	-	-	-	-
Net cash flows from financing activities	2,698,550	(6,997)	(12,435)	31,970	28,133
Net increase (decrease) in cash & cash equivalents	1,660,833	(901,960)	(1,653,275)	(1,179,382)	(1,063,563)
Cash & cash equivalents, beginning of period	468,382	2,129,215	2,129,215	2,129,215	2,129,215
Cash & cash equivalents, end of period	2,129,215	1,227,255	475,940	949,833	1,065,652



ZAGG Inc. (ZAGG)

PROJECTED FINANCIAL STATEMENTS

4TH QUARTER UPDATE

Projected Income Statement 2009

All Figures in US\$, except share data

FY Ending December 31,	1Q09E	2Q09E	3Q09E	4Q09E	2009E
Total revenues	7,554,436	7,683,389	7,780,330	8,124,125	31,142,279
Cost of revenues	(2,606,280)	(2,612,352)	(2,528,607)	(2,640,341)	(10,387,580)
Gross profit	4,948,156	5,071,037	5,251,723	5,483,784	20,754,699
Advertising and marketing	(1,548,659)	(1,590,461)	(1,672,771)	(1,624,825)	(6,436,717)
Other selling, general and administrative	(1,926,381)	(1,959,264)	(1,983,984)	(2,031,031)	(7,900,661)
Operating income (loss)	1,473,115	1,521,311	1,594,968	1,827,928	6,417,322
Interest expense	(910)	(809)	(809)	(1,314)	(3,842)
Interest and other income	49,159	49,159	49,159	49,159	196,636
Income before income taxes	1,521,364	1,569,661	1,643,318	1,875,773	6,610,115
Income taxes	(486,836)	(517,988)	(575,161)	(694,036)	(2,274,022)
Net income (loss)	1,034,528	1,051,673	1,068,156	1,181,737	4,336,094
Net income (loss) per share-basic	0.05	0.05	0.06	0.06	0.23
Basic weighted average shares outstanding	19,265,229	19,265,229	19,265,229	19,265,229	19,265,229
Net income (loss) per share-diluted	0.05	0.05	0.06	0.06	0.23
Diluted weighted average shares outstanding	19,265,229	19,265,229	19,265,229	19,265,229	19,265,229

REDCHIP VISIBILITY DISCLOSURE

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