

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

FORM 10-Q

(March One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended: **March 31, 2010**

OR

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from: _____ to _____

Commission file number: 333-47924

BLASTGARD INTERNATIONAL, INC.

(Exact name of small business issuer as specified in its charter)

Colorado

(State or other jurisdiction of incorporation or organization)

84-1506325

(IRS Employer Identification No.)

2451 McMullen Booth Road, Suite 242, Clearwater, Florida 33759-1362

(Address of principal executive offices)

(727) 592-9400

(issuer's telephone number)

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the 12 preceding months (or such shorter period that the registrant was required to submit and post such file). Yes No

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Accelerated Filer

Accelerated Filer

Smaller Reporting Company

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of May 10, 2010 the issuer had 50,586,142 shares of \$.001 par value common stock outstanding.

Transitional Small Business Disclosure Format (Check one): Yes No

BLASTGARD INTERNATIONAL, INC.

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

BLASTGARD INTERNATIONAL, INC.
CONDENSED BALANCE SHEET

Assets	March 31, 2010 <i>(unaudited)</i>	December 31, 2009
Current assets:		
Cash	\$ 2,511	\$ 1,739
Receivables:		
Trade, net	9,558	—
Inventory	66,984	67,126
Prepaid expenses	915	—
Total current assets	<u>79,968</u>	<u>68,865</u>
Property and equipment, net	232	320
Other assets:		
Intangible assets, net	25,794	26,277
Deferred costs	198,386	179,112
Deposits	300	817
	<u>\$ 304,680</u>	<u>\$ 275,391</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Current maturities on convertible notes payable, net of unamortized discount of \$0 and \$0 respectively	\$ 634,292	\$ 634,292
Line of credit	94,492	91,380
Accounts payable	190,341	139,603
Accrued payroll	191,310	111,956
Short term portion of settlement payable	56,250	75,000
Related party loans	18,245	26,544
Total current liabilities	<u>1,184,930</u>	<u>1,078,775</u>
Long term portion of settlement payable	—	—
Total liabilities	<u>1,184,930</u>	<u>1,078,775</u>
Shareholders' equity		
Preferred stock, \$.001 par value; 1,000 shares authorized, -0- shares issued and outstanding	—	—
Common stock, \$.001 par value; 100,000,000 shares authorized, 50,586,142 and 50,086,142 shares issued and outstanding respectively	50,586	50,086
Additional paid-in capital	12,400,749	12,351,249
Retained deficit	<u>(13,331,585)</u>	<u>(13,204,719)</u>
Total shareholder's equity	<u>(880,250)</u>	<u>(803,384)</u>
	<u>\$ 304,680</u>	<u>\$ 275,391</u>

See accompanying notes to condensed financial statements

BLASTGARD INTERNATIONAL, INC.
CONDENSED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended March 31,	
	2010	2009
Revenues:		
Sales	\$ 25,555	\$ 12,091
Cost of goods sold	23,797	6,703
Gross profit	1,758	5,388
Operating expenses:		
General and administrative	121,732	258,346
Research and development	—	10,818
Depreciation and amortization	571	518
Total operating expenses	122,303	269,682
Operating loss	(120,545)	(264,294)
Non-operating income/(expense):		
Royalty Expense	(99)	—
Interest income	—	1
Other income	6,446	1,200
Rental income	—	—
Bad debt expense	—	—
Interest expense	—	—
Amortized debt issue costs.	—	—
Amortized debt discount	—	—
Other	(12,668)	(8,049)
Loss before income taxes	(126,866)	(271,142)
Income tax provision	—	—
Net loss	\$ (126,866)	\$ (271,142)
Basic and diluted loss per share	\$ —	\$ (0.01)
Basic weighted average common shares outstanding	50,363,920	42,557,478
Diluted weighted average common shares outstanding	50,363,920	42,557,478

This is OK, no dilution.

See accompanying notes to condensed financial statements

BLASTGARD INTERNATIONAL, INC.
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2009 AND THE THREE MONTHS ENDED MARCH 31, 2010

Description	Common Stock No. of Shares	Common Stock Par Value	Additional Paid in Capital	Retained Deficit	Total
Balance 12/31/08	42,369,978	42,370	11,957,148	(12,506,498)	(506,980)
Sale of stock	3,000,000	3,000	87,000	—	90,000
Stock in lieu of salary	1,500,000	1,500	148,500	—	150,000
Conversion of debt	3,116,134	3,116	90,369	—	93,485
Stock for services	100,000	100	3,900	—	4,000
Discount on convertible debt assumed	—	—	64,332	—	64,332
2009 loss	—	—	—	(698,221)	(698,221)
Balance, 12/31/09	50,086,112	50,086	12,351,249	(13,204,719)	(803,384)
Stock for services	500,000	500	49,500	—	50,000
1st Qtr loss	—	—	—	(126,866)	(126,866)
Balance, 3/31/10	50,586,112	\$ 50,586	\$ 12,400,749	\$ (13,331,585)	\$ (880,250)

See accompanying notes to condensed financial statements

BLASTGARD INTERNATIONAL, INC.
CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three Months Ended March 31,	
	2010	2009
Cash flows from operating activities:		
Net loss	\$ (126,866)	\$ (271,142)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	571	518
Stock-based compensation	50,000	56,250
Changes in operating assets and liabilities:		
Accounts receivable	(9,558)	261,700
Inventory	142	(2,365)
Other operating assets	(398)	2,068
Accounts payable and accruals	111,342	38,714
Indebtedness to a related party	(8,299)	6,766
Net cash provided by (used) in operating activities	16,934	92,509
Cash flows from investing activities:		
Payments for deferred costs	(19,274)	(8,484)
Net cash used in investing activities	(19,274)	(8,484)
Cash flow from financing activities:		
Net payments on line of credit	3,112	(82,881)
Net cash used in financing activities	3,112	(82,881)
Net change in cash	772	1,144
Cash, beginning of period	1,739	1,477
Cash, end of period.	\$ 2,511	\$ 2,621
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	\$ 2,171	\$ 8,049
Income taxes	\$ —	\$ —

See accompanying notes to condensed financial statements

BLASTGARD INTERNATIONAL, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

(1) Basis of Presentation

The Condensed Balance Sheet as of March 31, 2010, the Condensed Statement of Changes in Stockholders' Equity for the three months ended March 31, 2010 and the Condensed Statements of Operations for the three months ended March 31, 2010 and 2009, and Cash Flows for the three months ended March 31, 2010 and 2009 have been prepared by us without audit. In the opinion of Management, the accompanying unaudited consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary to present fairly in all material respects our financial position as of March 31, 2010 and results of operations for the three months ended March 31, 2010 and 2009, and cash flows for the three months ended March 31, 2010 and 2009. The results of operations and cash flows for the three months ended March 31, 2010 are not necessarily indicative of the results to be expected for the full year.

This report should be read in conjunction with our Form 10-K for our fiscal year ended December 31, 2009.

BlastGard International, Inc. (the "Company") was incorporated on September 26, 2003 as BlastGard Technologies, Inc. ("BTI") in the State of Florida, to design and market proprietary blast mitigation materials. The Company created, designs, develops and markets proprietary blast mitigation materials. The Company's patent-pending BlastWrap® technology effectively mitigates blast effects and suppresses post-blast fires. The Company sub-contracts the manufacturing of products to licensed and qualified production facilities.

The Company went public through a shell merger on January 31, 2004. On March 31, 2004, the Company changed its name to BlastGard International, Inc.

Going Concern

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. As shown in the accompanying financial statements, the Company has incurred recurring losses and has used significant cash in support of its operating activities. These factors, among others, may indicate that the Company will be unable to continue as a going concern.

The financial statements do not include any adjustments relating to the recoverability of assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. The Company's continuation as a going concern was dependent upon its ability to generate sufficient cash flow to meet its obligations on a timely basis and ultimately to attain profitability. The Company plans to generate the necessary cash flows with increased sales revenue over the next 12 months. However, should the Company's sales not provide sufficient cash flow; the Company has plans to raise additional working capital through debt and/or equity financings. There was no assurance the Company will be successful in producing increased sales revenues or obtaining additional funding through debt and equity financings.

Accounting Pronouncements

We have reviewed accounting pronouncements and interpretations thereof that have effectiveness dates during the periods reported and in future periods. We believe that there are no new or impending standards that may have an impact on our future filings. The applicability of any standard is subject to the formal review of our financial management and certain standards are under consideration.

Convertible debt

On June 22, 2006, we borrowed the principal amount of \$1,200,000 (the "June 2006 Debt") from two non-affiliated persons (the "Lenders") due June 22, 2008. The holders of this June 2006 Debt were issued subordinated convertible promissory notes and common stock purchase warrants in various classes. Pursuant to an agreement dated as of August 7, 2007 (the "August 2007 Agreement"), Robert F. Rose Investments and two other non-affiliated parties (collectively hereinafter referred to as the "Purchasers") entered into an agreement with the Lenders to purchase the June 2006 Debt, which transaction was personally guaranteed by Mr. Rose. Upon the completion of said transaction, the Purchasers had agreed to automatically convert their June 2006 Debt into shares of our Common Stock at \$.30 per share. To date, \$795,000 of the \$1,200,000 has been completed and converted into our Common Stock at \$.30 per share and \$50,000 in principal was paid back. Pursuant to an agreement dated as of September 21, 2007, the Purchasers agreed to assign the remaining \$355,000 to be purchased pursuant to the August 2007 Agreement to five non-affiliated persons (collectively hereinafter referred to as the "Assignees") and the Assignees deposited \$355,000 in escrow with Lenders' attorney, as Escrow Agent. Subsequently, the Assignees notified the Escrow Agent that it should not release the escrowed funds from escrow and demanded the return of their funds. Said \$355,000 was the subject of a legal dispute and to our knowledge such funds were being held in escrow by the Lenders' attorneys. Although there was a dispute as to the rights and obligations of the parties pursuant to the aforementioned agreements and the possible conversion of the June 2006 Debt into shares of our Common Stock, we had continued to make the quarterly interest payments on the June 2006 Debt so as to avoid any claim of default. However, on June 22, 2008, the June 22, 2006 debt became due and payable and no payment of principal or accrued interest thereon was made by us. It was management's position, although no assurance can be given in this regard, that we do not owe the lenders the \$355,000 and that we were obligated to deliver 1,183,333 shares of common stock to the assignees upon conversion thereof. Recently, we have learned that the lenders and the assignees agreed to settle their dispute and to release the funds from escrow with the net result that the lenders continue to own the June 2006 Debt and they have made demand for payment of all principal and accrued interest thereon from BlastGard. While we dispute that we owe the lenders the \$355,000 plus interest since the case was settled without our consent as a third party beneficiary, the June 2006 Debt is shown (without accrued interest which could range from 8% per annum to a default interest rate of 15% per annum) on our consolidated balance sheet convertible at a price that could be as low as \$.03 per share in order to reflect the worst case scenario.

(2) Notes Payable

Convertible Promissory Notes

On December 2, 2004, the Company entered into agreements to borrow an aggregate principal amount of \$1,420,000 and to issue to the investors secured convertible notes and common stock purchase warrants. The Company's convertible promissory notes payable consist of the following at March 31, 2010:

\$500,000 convertible promissory note issued December 2, 2004, due on November 30, 2009, 8% annual interest rate, net of unamortized Discount of \$0	\$ 150,166
\$93,096 convertible promissory note (1/4 of previous outstanding notes) issued December 2, 2004, due November 30, 2009, 8% interest Net of unamortized discount of \$0	93,096
\$50,000 convertible promissory note issued December 2, 2004, due on November 30, 2009, 8% annual interest rate, net of unamortized Discount of \$0	17,325
\$50,000 convertible promissory note issued December 2, 2004, due on November 30, 2009, 8% annual interest rate, net of unamortized Discount of \$0	15,241
\$10,000 convertible promissory note issued December 2, 2004, due on November 30, 2009, 8% annual interest rate, net of unamortized Discount of \$0	3,464
	<u>279,292</u>
Less: current maturities	(279,292)
	\$ -

Each note carries a default interest rate of 15% per annum. Aggregate monthly payments of 1.2% of the principal amount were paid from November 1, 2005 through April 30, 2006, then aggregate monthly payments of 3% of the principal amount were originally payable from May 1, 2006 through October 31, 2006, and then aggregate monthly payments of 6% of the principal amount were originally payable commencing November 1, 2006 through October 31, 2007. However, as a result of the June 22, 2006 debt financing, the payment arrangements were modified. Monthly payments of interest only (8%) based on the principal amount were paid from June 1, 2006 through May 31, 2007, and then aggregate monthly payments of 6% of the principal amount were paid from June 1, 2007 through March 31, 2008. A Modification Agreement was entered into in March 2007 so that each Note became due and payable on March 20, 2008. Pursuant to a further Modification Agreement and a \$150,000 payment towards principal, the balance of the unpaid principal of the Notes and any unpaid interest thereon was due and payable on August 29, 2008. However, pursuant to a Revised and Amended Sixth Waiver and Modification Agreement dated as of September 16, 2008, the Senior Lenders received the payment of default interest calculated at the rate of 21% per annum (versus 8%) for the period April 1, 2008 through September 30, 2008 as consideration to extend the Maturity Date of the Notes to November 1, 2008. Accordingly, all accrued interest had been paid in full as of September 30, 2008. Commencing October 1, 2008 and thereafter, the interest rate shall revert to an amount equal to 8% per annum. In addition, the holders of the December 2004 Debt agreed to convert an aggregate of \$124,093 in principal and accrued interest therein at a conversion price of \$.10 per share.

The individual note holders have the right, at their option, to convert the principal amount of the note, together with all accrued interest thereon in accordance with the provisions of and upon satisfaction of the conditions contained in the note, into fully paid and non-assessable shares of the Company's common stock at a conversion price per share set forth below, subject to adjustment in certain circumstances if the notes were then outstanding, such as a stock split, combination or dividend; or in the event the Company issues shares of common stock for consideration of less than the exercise price. From March 20, 2008 through October 20, 2008, the Note holder could have elected at any time to convert through the Maturity Date of the Notes and thereafter until the Notes were paid in full, the unpaid principal of the Notes and the accrued interest thereon at a 10% discount (15% discount if the average trading volume per day over the ten preceding trading days prior to a conversion date was 60,000 shares per day or less) to the fair market value of the Company's Common Stock. The fair market value of the Company's Common Stock was defined as the average of the closing sales price of the Company's Common Stock on the OTC Electronic Bulletin Board for the ten trading days preceding each respective conversion date of the Note(s). Notwithstanding anything contained herein to the contrary, the Notes shall not at any time be convertible at a conversion price below \$.10 per share (the "Floor Price") or above a ceiling price of \$.25 per share (the "Ceiling Price"). In October 2008, the conversion price was fixed at \$.10 per share pursuant to anti-dilution provisions of the Note. During March 2009, the holders of certain senior convertible securities originally issued on December 2, 2004, extended the due date of the debt to November 30, 2009 in exchange for the issuance of Class G warrants to purchase 1,800,000 shares of common stock in the Company. The 2004 Debt is currently in arrears as payment of the unpaid principal and accrued interest was not made on November 30, 2009 or any subsequent date thereof. In March 2009, the conversion price of the Notes was also lowered to \$.03 per share. Concurrently, the Class A, C, D, E and F warrants held by these investors were cancelled and an equal number of Class G warrants were issued as replacements.

In May, 2009, \$93,097 of the Notes and \$388 in interest was converted at \$.03 per share into 3,116,164 shares of the Company's Common Stock, reducing the principal balance of the debt underlying the 2004 Notes to \$279,292 as of December 31, 2009.

The notes are secured by all of the Company's assets until the notes have been fully paid or fully converted into common stock.

In March 2009 the Company issued 1,800,000 warrants to new investors who assumed one half of the 2004 debt from the existing holders. The Company used the Black-Scholes model to estimate the value of these warrants at \$58,612. The assumptions used to value the warrants are as follows:

Risk-free interest rate	1.0%
Dividend yield	0.00%
Volatility factor	194.26%
Weighted average expected life	1.61 years

The relative fair value of these warrants was calculated at \$44,579. This relative fair value was recorded as a discount to the assumed debt and will be amortized to interest over the remaining life of the loans. The relative fair value of previously issued detachable warrants associated with the convertible notes was charged to additional paid-in capital with a corresponding discount on the convertible notes payable. The discount was amortized over the original life of the debt.

At March 31, 2010, there were 9,292,158 warrants outstanding and exercisable associated with the 2004 debt. These warrants were valued at \$302,569.

(3) Subordinated Convertible Notes Payable

On June 22, 2006, we borrowed the principal amount of \$1,200,000 (the "June 2006 Debt") from two non-affiliated persons (the "Lenders") due June 22, 2008. The holders of this June 2006 Debt were issued subordinated convertible promissory notes and common stock purchase warrants in various classes. Pursuant to an agreement dated as of August 7, 2007 (the "August 2007 Agreement"), Robert F. Rose Investments and two other non-affiliated parties (collectively hereinafter referred to as the "Purchasers") entered into an agreement with the Lenders to purchase the June 2006 Debt, which transaction was personally guaranteed by Mr. Rose. Upon the completion of said transaction, the Purchasers had agreed to automatically convert their June 2006 Debt into shares of our Common Stock at \$.30 per share. To date, \$795,000 of the \$1,200,000 has been completed and converted into our Common Stock at \$.30 per share and \$50,000 in principal was paid back. Pursuant to an agreement dated as of September 21, 2007, the Purchasers agreed to assign the remaining \$355,000 to be purchased pursuant to the August 2007 Agreement to five non-affiliated persons (collectively hereinafter referred to as the "Assignees") and the Assignees deposited \$355,000 in escrow with Lenders' attorney, as Escrow Agent. Subsequently, the Assignees notified the Escrow Agent that it should not release the escrowed funds from escrow and demanded the return of their funds. Said \$355,000 was the subject of a legal dispute and to our knowledge such funds were being held in escrow by the Lenders' attorneys. Although there was a dispute as to the rights and obligations of the parties pursuant to the aforementioned agreements and the possible conversion of the June 2006 Debt into shares of our Common Stock, we had continued to make the quarterly interest payments on the June 2006 Debt so as to avoid any claim of default. However, on June 22, 2008, the June 22, 2006 debt became due and payable and no payment of principal or accrued interest thereon was made by us. It was management's position, although no assurance can be given in this regard, that we do not owe the lenders the \$355,000 and that we were obligated to deliver 1,183,333 shares of common stock to the assignees upon conversion thereof. Recently, we have learned that the lenders and the assignees agreed to settle their dispute and to release the funds from escrow with the net result that the lenders continue to own the June 2006 Debt and they have made demand for payment of all principal and accrued interest thereon from BlastGard. While we dispute that we owe the lenders the \$355,000 plus interest since the case was settled without our consent as a third party beneficiary, the June 2006 Debt is shown (without accrued interest which could range from 8% per annum to a default interest rate of 15% per annum) on our consolidated balance sheet convertible at a price that could be as low as \$.03 per share in order to reflect the worst case scenario.

The Company's subordinated, convertible promissory notes payable consist of the following at March 31, 2010:

\$600,000 subordinated, convertible promissory note issued June 22, 2006, due on June 22, 2008, 8% annual interest rate, net of unamortized discount of \$0	\$ 355,000
Less: current maturities	(355,000)
	<u>\$ —</u>

These notes are subordinated to the convertible promissory notes listed above, which are collateralized by all of the Company's assets until the notes have been fully paid or fully converted into common stock.

The individual note holders have the right, at their option, to convert the principal amount of the note into fully paid and non-assessable shares of the Company's common stock at a conversion price per share that may be as low as \$.03 per share, subject to adjustment in certain circumstances if the notes are then outstanding, such as a stock split, combination or dividend; or in the event the Company issues shares of common stock for consideration of less than the exercise price.

Carrying value of subordinated, convertible notes payable

Pursuant to SFAS 133, options embedded in contracts containing the price of a specific equity instrument are not clearly and closely related to an investment in an interest-bearing note and the embedded derivative must be separated from the host contract. At March 31, 2010, \$355,000 in principal of the subordinated convertible notes was still outstanding as were a portion of the warrants. See "Note 1." As a result, the Company bifurcated the option resulting from the conversion feature and classified it as a derivative liability pursuant to SFAS 133. The derivative expires with the original debt.

The following table presents the allocation of proceeds from the financing and the subsequent revaluation of the warrants and derivative liability.

Principal balance of the notes	\$ 1,200,000
Less debt discounts:	
Fair value of warrants	(768,000)
Fair value of conversion option	(432,000)
Plus amortization of discounts to December 31, 2007	552,490
Less the conversion of debt	(795,000)
Plus the revaluation of discount and conversion option	494,676
Plus amortization of discounts in 2008	152,834
Principal payment in 2008	(50,000)
Carrying value at March 31, 2010	<u>\$ 355,000</u>

Detachable common stock warrants issued with subordinated convertible promissory notes

The warrants are detachable and are valued separately from the convertible notes payable. Therefore, the total fair value of the warrants, \$1,200,000, was charged to additional paid-in capital with a corresponding discount on the convertible notes payable. Changes to the value of the warrants are also charged to additional paid-in capital and discount on convertible notes payable. The remaining discount was amortized over the life of the debt. At March 31, 2010 there were 7,457,126 warrants outstanding and exercisable associated with the 2006 debt. These warrants were valued at \$182,012.

Debt issue costs

The subordinated, convertible debt discounts and related debt issue costs have been fully amortized.

(4) **Shareholders' Equity**

Preferred stock

The Company is authorized to issue 1,000 shares of \$.001 par value preferred stock. The Company may divide and issue the Preferred Shares in series. Each Series, when issued, shall be designated to distinguish them from the shares of all other series. The relative rights and preferences of these series include preference of dividends, redemption terms and conditions, amount payable upon shares of voluntary or involuntary liquidation, terms and condition of conversion as well as voting powers.

Share-based payment

During the three months ended March 31, 2010, the Company issued 500,000 shares of common stock in lieu of cash compensation to its 2 outside board members. The company recognized \$50,000 in share based compensation from this transaction.

All options were issued and vested before 2010. No additional compensation expense was recognized during 2010. The following table represents stock option activity as of and for the three months ended March 31, 2010:

	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Life</u>	<u>Aggregate Intrinsic Value</u>
Options Outstanding – December 31, 2009	4,186,667	\$.10	2.9 years	1,505,033
Granted	—			
Exercised	—			
Forfeited/expired/cancelled	(766,667)	.10		
Options Outstanding – March 31, 2010	3,420,000	\$ 0.10	1.9 years	1,374,700
Outstanding Exercisable – December 31, 2009	3,420,000	\$ 0.10	2.9 years	1,405,500
Outstanding Exercisable – March 31, 2010	3,420,000	\$ 0.10	1.9 years	1,374,700

(5) **Line of Credit**

The Company borrowed approximately \$98,000 against its \$100,000 credit line, which was secured by a personal guarantee of its Chief Financial Officer. Currently, \$94,492 was owed pursuant to the line of credit (inclusive of interest) at March 31, 2010.

(6) **Income Taxes**

The Company records its income taxes in accordance with Statement of Financial Accounting Standard No. 109, "Accounting for Income Taxes". The Company incurred net operating losses during all periods presented resulting in a deferred tax asset, which was fully allowed for; therefore, no income tax benefit or expense has been presented.

(7) **Commitments and Contingencies**

Office Lease

The Company entered into a new lease agreement in January 1, 2009 for office space in Clearwater Florida. Rental payments under the new lease were \$300 per month on a month to month basis. Rent expense for the three months ended March 31, 2010 and 2009 was approximately \$900 and \$900, respectively.

Litigation

Verde Partners Family Limited Partnership

The Company was served with a lawsuit that was filed on September 12, 2005 in the Second Judicial District Court in Washoe County, Nevada as case number CV-05-02072. The plaintiff in the lawsuit was Verde Partners Family Limited Partnership ("Verde"). The lawsuit makes a variety of claims and contends that the Company and certain officers of the Company misappropriated certain technology, including two patents, and seeks damages "in excess of \$10,000". The action was removed to federal court in Nevada. A motion was pending to have the case dismissed as to Blastgard International, Inc., and all other defendants, for lack of personal jurisdiction. There was also a motion pending for a more definite statement in that three of the claims by Verde were conclusory, vague and ambiguous.

On July 14, 2006, the United States District Court rendered its decision in this case. It was ordered and adjudged that the motion to dismiss the individual defendants and the motion to dismiss the BlastGard defendants was granted. Defendants' motion for a more definite statement was moot. The Court entered judgment on July 17, 2007 in favor of all Defendants and against the Plaintiff. The Plaintiff had 30 days from the date of the judgment (July 17) to file a notice of appeal. No notice was filed.

On July 19, 2006, the Company filed a lawsuit in the Circuit Court of the Sixth Judicial Circuit in Pinellas County, Florida. The Defendants in the lawsuit were Sam Gettle, Guy Gettle and Verde Partners Family Limited Partnership ("Verde"). The lawsuit contends that the Defendants have committed defamatory acts against BlastGard International and its products. The lawsuit also asks for a declaration that BlastGard International was not liable for the acts complained of in the Nevada action. On BlastGard's affirmative claims for defamation, the Florida action seeks injunctive relief and damages in excess of \$15,000, exclusive of attorney's fees and costs. Sam Gettle, Guy Gettle, and Verde counter claimed in the lawsuit alleging the same bad acts complained of in the Nevada action. The counterclaim seeks an award of unspecified damages and injunctive relief.

On April 2, 2009, the Company entered into a Settlement Agreement to settle our outstanding civil litigation. The Company will pay the sum of \$125,000 over 18 months. The first monthly payment was paid within 30 days after the Defendants deliver to the Company's counsel an original executed version of the Agreement and a promissory note in the amount of the remaining principal balance to bear interest in the amount of 6% per annum. Upon Verde's receipt of the payment and promissory note, the parties shall jointly dismiss with prejudice all litigation between them, including the Pinellas County action and the Federal action. The company and Verde also entered into a license agreement whereby BlastGard obtains a fully paid up non-exclusive license for the 2 Verde patents for the remaining life of those

patents in exchange for the Company paying Verde a 2% royalty for the life of the patents, on the sales price received by BlastGard for BlastGard's portion of all blast mitigation products sold by the company (the royalty was **not** on any third-party's portion of any product containing blast mitigation products sold by BlastGard). The parties also agreed not to file any complaints with any state, federal or international agency or disciplinary body regarding any of the other parties or any person affiliated with any of the other parties or otherwise make negative statements about them (in other words, a broad non-disparagement clause). The company and Verde also signed mutual general releases (excepting the obligations above) and a covenant not to sue. At March 31, 2010, the Company was in arrears on six monthly payments on the settlement.

(8) Inventory

The Company's manufacturing is sub-contracted to a BlastGard-licensed and qualified production facility. This method facilitates customer interaction in design, quality and distribution to affect the greatest level of satisfaction and usefulness of the BlastWrap® product. Our inventory is made up of raw materials, work in progress and finished goods. Out inventory is maintained at our manufacturing facilities.

	<u>March 31,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
	(unaudited)	
Raw materials	\$ 17,185	\$ 17,185
Work in process	\$ -	\$ -
Finished Goods	\$ 49,799	\$ 49,941
	<u>\$ 66,984</u>	<u>\$ 67,126</u>

(9) Subsequent events

Subsequent to March 31, 2010, the lenders and the assignees of the 2006 debt have agreed to settle their dispute and to release the funds from escrow with the net result that the lenders continue to own the June 2006 Debt and they have made demand for payment of all principal and accrued interest thereon from BlastGard. While we dispute that we owe the lenders the \$355,000 plus interest since the case was settled without our consent as a third party beneficiary, the June 2006 Debt is shown (without accrual interest which could range from 8% per annum to a default interest rate of 15% per annum) on our consolidated balance sheet convertible at a price that could be as low as \$.03 per share in order to reflect the worst case scenario.

PART I – FINANCIAL INFORMATION

ITEM 2. MANAGEMENT'S PLAN OF OPERATION

Statements contained herein that are not historical facts are forward-looking statements as that term is defined by the Private Securities Litigation Reform Act of 1995. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, the forward-looking statements are subject to risks and uncertainties that could cause actual results to differ from those projected. The Company cautions investors that any forward-looking statements made by the Company are not guarantees of future performance and those actual results may differ materially from those in the forward-looking statements. Such risks and uncertainties include, without limitation: well-established competitors who have substantially greater financial resources and longer operating histories, regulatory delays or denials, ability to compete as a start-up company in a highly competitive market, and access to sources of capital.

The following discussion should be read in conjunction with the Company's financial statements and notes thereto included elsewhere in this Form 10-Q. Except for the historical information contained herein, the discussion in this Form 10-Q contains certain forward looking statements that involve risks and uncertainties, such as statements of the Company's plans, objectives, expectations and intentions. The cautionary statements made in this Form 10-Q should be read as being applicable to all related forward-looking statements wherever they appear herein. The Company's actual results could differ materially from those discussed here.

The financial information furnished herein has not been audited by an independent accountant; however, in the opinion of management, all adjustments (only consisting of normal recurring accruals) necessary for a fair presentation of the results of operations for the period ended March 31, 2010, have been included.

Reorganization with BlastGard Technologies, Inc.

On January 31, 2004, pursuant to an Agreement and Plan of Reorganization, we acquired 100% of the issued and outstanding common stock of BlastGard Technologies, Inc., a Florida corporation, from BlastGard Technologies' shareholders, in exchange for an aggregate of 18,200,000 (adjusted to reflect subsequent stock split) shares of our common stock. BTI is a development stage company that was created to develop, design, manufacture, and market proprietary blast mitigation materials. BlastGard Technologies' patent-pending BlastWrap® technology is designed to effectively mitigate blasts and suppress fires resulting from explosions. As a result of the Reorganization Agreement, a change in control and change in management of the Company occurred and BTI became a wholly-owned subsidiary of the Company. The Reorganization Agreement also provided that the Company hold a shareholders meeting to (i) change the name of the corporation to BlastGard® International, Inc., and (ii) approve a reverse split of the outstanding common stock on a 5:1 basis. A Special Shareholder meeting was held on March 12, 2004, and both proposals were approved. The name change and the reverse split of the outstanding common stock became effective on March 31, 2004.

BlastGard Technologies was formed on September 26, 2003, and was a development stage company. BTI acquired its only significant asset, a patent application for BlastWrap®, in January 2004, from co-inventors John L. Waddell, Jr., our former Chief Operating Officer and President, and James F. Gordon, our Chairman and President, who assigned the patent to BlastGard Technologies in consideration of the consummation of the Reorganization Agreement. For accounting purposes, we assigned no monetary value to the patent application that was assigned to BlastGard Technologies. Our current management team, which was the management team of BlastGard Technologies prior to the reorganization, had operated a corporation called BlastGard, Inc., which was dissolved in 2004. BlastGard, Inc. had a license from a third-party to certain technology which is different from the technology owned by BlastGard Technologies.

Pursuant to the Reorganization Agreement, BlastGard Technologies became a wholly-owned subsidiary of our company. However, for accounting purposes, the acquisition was treated as a recapitalization of BlastGard Technologies, with our company the legal surviving entity.

Results of Operations

Since emerging from our development stage operations in 2005, our BlastGard MTR blast mitigated trash receptacles have been sold to government service advantage ("GSA") clients located in the United States. We received orders for MTRs from AmTrak, the U.S. Holocaust Memorial Museum, GSA for Federal Buildings, NYC Transit, major airport and for BlastWrap® from the Naval Weapons Station Earle, Sandia National Labs, and several domestic and international entities. A major U.S. airport ordered 156 BlastGard MTR Blast Mitigated Receptacles, which order resulted in gross revenues to the Company of over \$700,000. For the quarter ended March 31, 2010, we recognized sales of \$25,555 and a gross profit of \$1,900. For the three months ended March 31, 2009, we recognized sales of \$12,091 and a gross profit of \$5,388.

[Mike - read this paragraph and fix it.] For the quarter ended March 31, 2010, sales consisted of one consulting contract with relatively high contract labor costs, which reduced our gross profit margin for the period.. Our overall operating expenses dropped from the prior first quarter. Our general and administrative costs were \$121,732 and our research and development costs were \$0 for the three months ended March 31, 2010 compared to \$258,356 and \$10,818 respectively for the three months ended March 31, 2009. See "Recent Developments."

Our net loss for the quarter ended March 31, 2010 was \$(126,866) as compared to \$(271,142) for the comparable period of the prior year. The decreases in net loss are due to a decrease in operating expenses.

Business Prospects/Recent Developments

On February 13, 2008, we introduced a new product for perimeter and structure protection. The BlastGard Barrier System ("BBS") is an innovative combination of three patented technologies, an HDPE cellular core, **BlastWrap**® and an aesthetically pleasing novel fascia system. **BBS** has extraordinary blast, ballistic, fragment, shaped charge jet and breaching resistance capabilities and it is beautiful, low cost, configurable and "stealthy". The cellular core material, patented by the U.S. Army, has been used extensively by the U.S. military and commercial clients worldwide for building roads, for shoring up unstable roads, for extensive soil stabilization projects and for revetments and barriers. After the core is placed and filled, **BlastWrap**® is attached to the "threat side(s)" of the **BBS** structure, and finally, the fascia system encloses the entire structure, thereby creating an effective "stealth" characteristic for the entire BBS structure...that is, the extreme capabilities of this system are not at all visually apparent. BlastGard's new high-capacity Clients with concerns about heavy blast, breaching, ballistic, fragment and shaped charge jet threats to their facilities can now effectively address all of those threats with our economical solution." Optional electronic security capabilities can also be integrated into the system.

On February 25, 2008, we introduced a new product for Airport Security, transit stations, convention centers, and other transportation centers' with security requirements, the BlastGard® Gard Cart. The BlastGard® MBR Gard Cart (Mobile Suspect Package Removal Unit), which houses BlastGard's MBR 300, provides security personnel with an effective tool for safe removal of an explosive device *after it is discovered*. The MBR Gard Cart contains and protects against all lethal threats posed by the detonation of an improvised explosive device (IED) and also provides rapid removal of the threat using a Mobile Removal Unit Cart. When a suspect package or device is discovered, the airports now have a safe means of securing that package and removing it from public exposure until the bomb squad arrives. In this way, the MBR Gard Cart can help prevent long airport facility shut-down times presently experienced when a suspect package is discovered.

On September 22, 2008 BlastGard announced an agreement with U. S. Explosive Storage to provide them with BlastWrap for insensitive munitions packaging of ammunition storage, ordnance storage, pyrotechnics storage, and other explosive materials storage, utilized, among other things, for military, governmental, and commercial use. BlastGard and U.S. Explosive are joining forces to create storage and transportation boxes that will prevent sympathetic detonation through BlastWrap's unique proprietary technology. Initial testing was completed the week of March 23, 2009. The US ARMY Department of Defense Explosive Safety Board ("DDESB") sponsored 2 of our tests for the purpose of getting DDESB certification. DDESB wants ISO certified blast mitigated containers for major storage and special ISO containers to store grenades, etc. We will be installing BlastWrap inside storage boxes and inside the magazines. U.S. Explosives is forecasting sales of \$5-6 million in year one and approximately \$8 million in year two. The BlastWrap component in the new product line represents approximately \$1.8 million in year one and \$2.4 million in year two.

In February 2009, Precision Operations Systems India Pvt. Ltd., which has been supplying security, surveillance, counter surveillance and special ops equipment to various Government entities in India, purchased BGI's MBR (mitigated bomb receptacle) for testing. Precision is our commercial representative for India and represented BlastGard at the 12th India International Security Expo, which was held from February 22-25, 2010. We anticipate additional sales in 2010.

In March 2009, BlastGard entered into a commercial representative agreement with Lindner & Co. as our exclusive sales and marketing representative for Iraq. Lindner's alliance with an Iraqi company, which has a credentialed history with US Corps of Engineers, KBR, and other Iraqi national companies as well as business relationships with companies in Saudi Arabia, the Emirates, Jordan and other Middle Eastern countries, will operate in Iraq as the authorized installer for BlastGard in Iraq.

On July 17, 2008 BlastGard announced receipt of a formal purchase agreement for 156 BlastGard MTR blast mitigated receptacles valued at approximately \$700,000 for a major United States airport. BlastGard's blast mitigating receptacles were installed throughout the facility and this very important transaction has opened the door to the Airport Security market for our Blast Mitigating Receptacles. Receptacles, which are a necessity for waste management, pose a serious threat to public safety considering how easily they can conceal an explosive device. The installation of these blast mitigating receptacles is another step toward USA airport's emphasis on safety, reliability, enhanced cleanliness and improved customer service. In addition to a \$2,000,000 order from Miami Airport, which is pending the securing of grant funds, we are attempting to secure funding for pending MTR orders from Houston Airport, San Francisco Airport, and Chicago Airport.

Various Product Lines Identified For BlastWrap® - We have Several Completed and Finished Products

We are currently manufacturing our core product, BlastWrap®, for sale in various forms to non-affiliated third-parties. The primary application for BlastWrap® is as an intermediate good for numerous civilian and military applications and uses.

Our technology is being customized for specific industries and applications. We have examined the various markets where explosions occur, selected targeted applications and focused on development of products for those businesses and agencies at risk. While designing finished products engineered with BlastWrap®, we have taken into account that some products must be portable, while others will remain at a fixed location. Some products have been designed to contain identified explosive agents, while others are designed to mitigate unidentified explosive threats. With these standards in mind, we have developed or are developing the following product lines to address the needs of customers and targeted markets:

- Mitigated Bomb Receptacles and MBR Gard Cart;
- Blast Mitigated Unit Load Device ("BMULD") – LD3 Container;
- Lining – Aircraft;
- Insensitive Munitions (IM) Weapons Container;
- Mitigated Trash Receptacle; and
- BlastGard Barrier System ("BBS").

MBR 300 and MBR Gard Cart

The BlastGard Mitigated-Bomb Receptacle (MBR 300) is intended to provide airport security personnel with an effective tool, if and when an explosive is discovered. The MBR 300 will dramatically contain and protect against all lethal threats posed by the detonation of an IED; namely, primary fragments, secondary fragments, mechanical effects (shock/blast pressure) and thermal effects (contact and radiation burn) from the fireball, after burn and resultant post-blast fires. If a suspect package or bomb is discovered, the airports will use the MBR 300 as a safe means of securing that package until the bomb squad arrives, or remove the suspicious device from the area, allowing airport operations to continue.

The BlastGard® MBR Gard Cart (Mobile Suspect Package Removal Unit), which houses BlastGard's MBR 300, provides security personnel with an effective tool for safe removal of an explosive device *after it is discovered*. The MBR Gard Cart contains and protects against all lethal threats posed by the detonation of an improvised explosive device (IED) and also provides rapid removal of the threat using a Mobile Removal Unit Cart. When a suspect package or device is discovered, the airports now have a safe means of securing that package and removing it from public exposure until the bomb squad arrives. In this way, the MBR Gard Cart can help prevent long airport facility shut-down times presently experienced when a suspect package is discovered. The United States Transportation Security Administration has worked hard to secure U.S. airports against a range of threats that includes attacks against both aircraft and ground facilities. The largest and most visible investment made by the agency has been in enhancing the passenger screener force and in massively expanding the number of explosive detection systems (EDS) required to examine checked luggage for bombs. Effective security, therefore, includes not only deterrent and preventive measures but also efforts to mitigate casualties, damage, and disruption. Since deterrence and prevention are sometimes difficult to achieve given the nature of terrorism and the inherent vulnerabilities of public transportation, great emphasis is also placed upon the mitigation of casualties through design of facilities and upon effective, rapid response that ensures safety while minimizing disruption. We believe that the MBR 300 is an ideal incident / security management technology for airports when dealing with bomb threats and suspicious objects or packages, especially in passenger carryon baggage.

Twin-Aisle (containerized) Aircraft – Blast Mitigated Unit Load Devices (BMULDs)

LD3 Cargo Containers are used primarily on twin aisle/wide body aircraft such as the B747. These luggage or cargo containers are manufactured by a few well-established companies throughout the world. The market is extremely competitive with low margins. In accordance with an agreement with Nordisk Aviation Products, we have combined our BlastWrap® blast-mitigating technology with Nordisk's LD3 containers to create superior blast mitigating products for the air cargo and unit loading device (ULD) market called BlastGard BMULD. ULDs are pallets and containers used to load luggage, freight, and mail onto wide-body aircraft that facilitate the bundling of cargo into large units. The alliance has developed a new line of ULDs that include BlastWrap®. The introduction of this product line enables us to provide the airline industry an important new line of defense to increase airline safety of passengers and crewmembers. This revolutionary new container design incorporating BlastWrap® will prevent shock holing of the fuselage, effectively retaining the structural integrity of the aircraft; prevent post-blast fires and conflagration in the hold; and add little or only negligible weight to the ULD.

Lining – Single-Aisle (non-containerized) Aircraft

Working in conjunction with aircraft and shipping manufacturers, we are designing products and component assemblies to be used in the cargo holds of single-aisle aircraft. Due to the heightened security surrounding aircraft safety, we are diligently working to demonstrate the effectiveness of our product on this large sector which is estimated at about 70% of the commercial fleet.

Insensitive Munitions (IM) Weapons Containers

Weapons containers require specialty design. We have developed several of these containers for evaluation and testing by the United States, United Kingdom and other military clients. Although we do not have a development or supply contract with any military agencies at this time, we anticipate important prototype testing of these designs will ensue in 2009 with our strategic partner Lancer Systems and with the National Warheads and Energetics Consortium (NWECC) / Defense Ordnance Technology Consortium (DOTC). This product line will have numerous versions for military weapons including bombs, rockets, medium and large caliber ammunition and missiles. In addition, in September 2008, we announced an agreement with U. S. Explosive Storage to provide them with BlastWrap for insensitive munitions packaging of ammunition storage, ordnance storage, pyrotechnics storage, and other explosive materials storage, utilized, among other things, for military, governmental, and commercial use. Prototype testing is planned to begin in the 4th quarter of 2008. We will be installing BlastWrap inside storage boxes and inside the magazines. U.S. Explosives is forecasting sales of \$5-6 million in year one and approximately \$8 million in year two. The BlastWrap component in the new product line represents approximately \$1.8 million in year one and 2.4 million in year two with ever increasing sales on a year over year basis.

Trash Receptacles

We have four models of mitigated trash receptacles, the BlastGard® MTR 81, MTR 91, MTR 96 and MTR 101. These containers have been designed and proof tested to drastically mitigate blast pressures and thermal output and to capture bomb fragments.

Vehicle Improvised Explosive Devices and Mine Protection

Military vehicles (such as MRAPs, HMMWVs, HEMMT, M915 and FMTV) are or can be "up-armored" for improvised explosive devices and land mine protection. BlastGard® and Colt Rapid Mat LLC have developed and are now offering a new product called BATS. These specialty Colt Rapid Mat fiberglass-cased BlastWrap® products are easy to retro-fit to armored vehicles to provide protection for occupants from blast thermal output and head, neck and spine injuries from blast pressures. Initial durability testing of BATS by the Nevada Automotive Test Center (NATC) for the Office of Naval Research has been concluded successfully. Further testing awaits selection and funding by NATC/ONR for blast testing. An important additional partner in these vehicle applications is Cellular Materials International, Inc. which has a periodic cellular material shown to be effective in managing the heavy G-loads typical of under-vehicle blast threats.

BlastGard Barrier System (“BBS”) High-Capacity Wall System for Perimeter and Structure Protection

The BBS product is an innovative combination of three patented technologies, an HDPE cellular core, **BlastWrap**® and an aesthetically pleasing novel fascia system. BBS has extraordinary blast, ballistic, fragment, shaped charge jet and breaching resistance capabilities and it is beautiful, low cost, configurable and “stealthy”. The cellular core material, patented by the U.S. Army, has been used extensively by the U.S. military and commercial clients worldwide for building roads, for shoring up unstable roads, for extensive soil stabilization projects and for revetments and barriers. After the core is placed and filled, **BlastWrap**® is attached to the “threat side(s)” of the **BBS** structure, and finally, the fascia system encloses the entire structure, thereby creating an effective “stealth” characteristic for the entire **BBS** structure that is, the extreme capabilities of this system are not at all visually apparent. Clients with concerns about heavy blast, breaching, ballistic, fragment and shaped charge jet threats to their facilities can now effectively address all of those threats with our economical solution. Optional electronic security capabilities can also be integrated into the system.

In summary, we have developed either finished products or working prototypes of BlastWrap® products for each of the product lines described above. All of these products have been successfully tested and evaluated in-house, by third-parties and by interested clients and strategic partners. Prototypes may require further modifications based on the test results and client and partner feed-back. However, we have the following products that are completed and finished products, available for sale that we are currently manufacturing and marketing:

- The core product, BlastWrap®;
- BlastGard® MTR (mitigated trash receptacle);
- BlastGard MBR 300 (mitigated bomb receptacle) and MBR Gard Cart;
- BMULD (Blast Mitigated Unit Load Device - LD3 Container); and
- BlastGard Barrier System (“BBS”) high-capacity wall system for perimeter and structure protection.

Liquidity and Capital Resources.

At March 31, 2010, we had cash of \$2,511, working capital of \$(1,104,962), an accumulated deficit of \$(13,331,585) and shareholder equity of \$(880,250).

For the three months ended March 31, 2010, net cash provided by operating activities was \$16,934 primarily due to our net loss of \$(126,866), offset by stock based compensation and an increase in our accounts payables and accruals. During the three months ended March 31, 2010, we used cash in investing activities for payment of deferred costs of \$(19,274). During the three months ended March 31, 2010, we used cash in financing activities of \$3,112 for net payments on our credit line. For the quarter ending March 31, 2009, net cash used in operating activities was \$92,509 primarily due to our net loss of \$(271,142), partially offset by collections of \$261,700 in accounts receivable. During the quarter ended March 31, 2009, we used cash in investing activities for payment of deferred costs of \$(8,484).

At March 31, 2010, we had cash of \$2,511. As of May 15, 2010, we had cash of approximately \$1,197 and we owed approximately \$279,292 in principal and approximately \$7,407 in accrued interest to the holders of our December 2004 Debt. Further, the original lenders of our 2006 Debt are of the belief that we owe them \$355,000 plus accrued interest thereon, which debt we dispute as being outstanding due to certain agreements entered into which would have resulted in the conversion of the 2006 Debt at \$.30 per share into common stock from the Company being a third party beneficiary of said agreements, which agreements were later terminated without our written consent. As described below, we issued Class G Warrants to purchase 1,800,000 shares of the Company to a third party to purchase one-half of the principal amount of the Notes from the December 2004 Note Holders and extended the due date of the Notes through November 30, 2009. These notes are in arrears. We have accrued interest past the due date but have not made any payments on principal or accrued interest thereon.

We anticipate that our future liquidity requirements will arise from the need to finance our accounts receivable and inventories, and from the need to fund our growth from operations, current debt obligations and capital expenditures. The primary sources of funding for such requirements are expected to be cash generated from operations and raising additional capital from the sale of equity and/or debt securities. However, we can provide no assurances that we will be able to generate sufficient cash flow from operations and/or obtain additional financing on terms satisfactory to us, if at all, to remain a going concern. Our continuation as a going concern is dependent upon our ability to generate sufficient cash flow to meet our obligations on a timely basis and ultimately to attain profitability. The Company is attempting to obtain cash to finance its operations through the sale of equity, debt borrowing and/or through the receipt of product licensing fees. We can provide no assurances that financing will be available to us on terms satisfactory to us, if at all, or that we will be able to continue as a going concern. Further, we can provide no assurances that a mutually acceptable licensing agreement will be entered into on terms satisfactory to us, if at all. In this respect, see “Note 1 – Going Concern” in our financial statements for additional information as to the possibility that we may not be able to continue as a “going concern.”

To date, we have relied on management's ability to raise capital through equity private placement financings to fund our operations. We estimate that we will require between \$1.0 million and \$1.5 million in additional financing and cash flow from operations to support our operations and to meet our debt obligations as they become due and payable over the next 15 months of operations. We can provide no assurances that cash generated from operations will occur or additional financing will be obtained on terms satisfactory to us, if at all, or that additional debt conversions will occur.

Recent Developments

On October 17, 2008, in order to reduce the Company's monthly expenses, the Board and its Chief Executive Officer, Andrew McKinnon, agreed to pay Mr. McKinnon his monthly salary, effective December 1, 2008, pursuant to his employment contract in BlastGard common stock based on a 15% discount to the fair market value of the Company's Common Stock based on the ten preceding trading days prior to the conversion date. The fair market value of the Company's Common Stock is defined as the average of the closing sales price of the Company's Common Stock on the OTC Electronic Bulletin Board for the ten trading days proceeding the last day of each month (conversion date of the monthly salary). The salary conversion shall not at any time be convertible at a conversion price below \$.10 per share (the "Floor Price"). Between December 2008 and August 31, 2009, the Company issued Mr. McKinnon 187,500 shares of restricted Common Stock per month based upon the Floor Price of \$.10 per share for a total of 1,500,000 shares.

On August 10, 2009, the Board of Directors accepted the resignation of Andrew McKinnon from the position of Chief Executive Officer of the Corporation and elected Michael J. Gordon to replace Mr. McKinnon as Chief Executive Officer.

As of March 31, 2010, BlastGard's salary accruals and benefits to its executive officers totaled \$153,940 and its other account payable totaled \$399,896. Excluding our cash needs to meet these and other debt obligations, we have a monthly cash budget broken down as follows:

salaries and benefits:	\$	17,000
legal fees (patents & Verde)		11,000
professional fees		8,000
office overhead		3,000
Travel		5,000
research and development		3,000
Miscellaneous		3,000
Total	\$	<u>50,000</u>

On March 10, 2009, the Company lowered the exercise price of its issued and outstanding Class A, C, D, E and F Warrants to an exercise price of \$.03 per share on a temporary basis until the close of business on March 20, 2009, which was later extended to March 30, 2009 (the "Warrant Reduction Period"). Subsequent to that date, the exercise price of the aforementioned classes of Warrants reverted to \$.10 per share. During the Warrant Reduction Period, none of these Warrants were exercised. During the Warrant Reduction Period, the holders of certain outstanding Senior convertible securities originally issued on December 2, 2004 (the "2004 Debt") granted BlastGard an extension of the due date of their 2004 Debt until the close of business on November 30, 2009, in exchange for the issuance of Class G Warrants to purchase 1,800,000 restricted shares of Common Stock of the Company. Contemporaneously, certain other person(s) were assigned these Warrants and sold one-half of their \$372,000 of outstanding principal of the notes and related security agreements and guarantees at a purchase price of about \$186,000. Each Class G Warrant entitles the holder to purchase one share of the Company's Common Stock at an exercise price of \$.03 per share through the close of business on June 22, 2011. Since March 2009, the 2004 Debt is convertible at \$.03 per share. On May 22, 2009, \$93,097.25 of the outstanding principal and \$387.69 in interest was converted into 3,116,164 shares of the Company's Common Stock.

During the Warrant Reduction Period, the Company cancelled Class A, C, D, E and F Warrants totaling the rights to purchase 11,000,334 shares of the Company's Common stock and issued an equal number of Class G Warrants in exchange thereof. Currently, the Company has outstanding the following Warrants:

Class of Warrant	Number of Warrants Outstanding
Undefined	—
Class A	—
Class C	1,921,500
Class D	324,000
Class E	162,000
Class F	2,097,620
Class G	12,244,164

All shares of Common Stock issuable upon exercise of the aforementioned Warrants contain an appropriate restrictive legend. Exemption from registration for the issuance of the Class G Warrants as replacement Warrants and 3,116,164 shares of Common Stock issued upon conversion of the Notes were exempt under Section 3a(9) of the Securities Act of 1933, as amended (the "1933 Act"). The issuance of 1,800,000 Warrants to the Senior convertible debt holders was exempt under Section 4(2) of the Securities Act.

During 2009, the Board of Directors approved the issuance of 3,000,000 restricted shares of Common Stock of the Company at a purchase price of \$.03 per share (\$90,000 in the aggregate). Mr. McKinnon, the Company's then CEO, purchased the shares via a Subscription Agreement. Approximately \$1,200 of the subscription price was paid in exchange for services rendered and the balance of the subscription price was paid in cash. The issuance of 3,000,000 shares to Mr. McKinnon was exempt under Section 4(2) of the Securities Act.

2007 Private Placement Transactions

Between April 20, 2007 and May 4, 2007, the Company completed two concurrent Offerings and raised a total of \$3,968,810 as described below.

The Company sold 11,529,368 units, each unit consisting of one share of its unregistered Common Stock at \$.30 per share and one-half warrant, with a full warrant exercisable at \$.45 per share in an offshore offering to non-US Persons through D & D Securities Company, its placement agent. The offering raised \$3,458,810 in gross proceeds through the issuance of 11,529,368 shares and 5,764,684 warrants. In addition, the Company issued broker warrants to purchase 1,322,937 units. Exemption from registration is claimed under Regulation S of the Securities Act of 1933, as amended.

The Company also sold 1,700,000 shares of its unregistered Common Stock at \$.30 per share and issued 850,000 warrants exercisable at \$.45 per share, pursuant to a Regulation D offering. The offering raised \$510,000 in gross proceeds. Exemption from registration is claimed under Rule 506 of Regulation D promulgated under Section 4(2) of the Securities Act of 1933, as amended. All of the aforementioned securities have not been registered under the Securities Act and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements. The securities sold pursuant to its concurrent plans of financing contain certain registration rights and penalty warrants for failure to meet certain registration or trading conditions by October 15, 2007. Since the Company did not register these securities or have them listed on one of two Canadian Exchanges by October 15, 2007, the Company issued to each investor an additional 10% in shares of Common Stock and an additional 10% Warrants on what they purchased in the 2007 Private Placement.

Other Recent Financings

Reference is made to our Form 10-K for our fiscal year ended December 31, 2009 for a description of other financings that accrued in December 2004 and June 2006.

Registration Statements

Our recent debt and equity financings are described above. We have in the past and currently relied principally on external financing to maintain our company as a going concern. All of our assets have been used as collateral to secure our indebtedness. Among the many risks of our business and an investment in our company, is the possibility that we will not be able to meet our obligations as they come due and remain as a going concern. We have also agreed to file a registration statement to register for resale by the holders of the June 2006 debt, the number of shares of common stock issuable to them upon conversion of their notes and exercise of their warrants (the obligation to the holders of the June 2006 Debt are collectively referred to as the "Registrable Securities"), as well as to register for resale by Source Capital (and its transferees) and the holders of the December 2004 debt, the shares of common stock issuable upon exercise of their warrants. In September 2006, we obtained an effective registration statement pertaining to (i) a portion of the Registrable Securities, including the (x) shares of common stock issuable upon conversion of the June 2006 Debt based upon a then conversion price of \$.75 per share and (y) warrant shares underlying the (x) Class C and Class F Warrants held by the holders of the June 2006 Debt and (ii) all shares of common stock issuable upon exercise of the warrants held by Source Capital (and its transferees). In September 2006, an amended agreement was entered into by and among the Company and the holders of the June 2006 Debt.

This amendment requires us to register with the SEC the resale of the shares of common stock issuable upon exercise of the Class D and Class E Warrants and an additional 30% of the original Registrable Securities (as defined) upon receipt, in writing, of a written demand from such persons holding at least 51% of the outstanding Registrable Securities. To date, no such written demand has been received by us. Our original Registration Rights Agreement with the holders of the 2006 Debt (except as otherwise amended) requires us to maintain an effective Registration Statement pertaining to all Registrable Securities until all Registrable Securities covered by such Registration Statement have been sold, or may be sold, without volume restriction pursuant to Rule 144(k) (the "Effectiveness Period"). If during the Effectiveness Period, the number of Registrable Securities at any time exceeds 90% of the number of shares of Common Stock then registered in a Registration Statement, then we are required to file as soon as reasonably practicable, but in any case prior to the 30th day following the date on which we first know, or should reasonably have known, that such additional Registration Statement is required, an additional Registration Statement covering the resale by the holders of not less than 130% of the number of such Registrable Securities. The agreement further provides that we may require each selling holder of Registrable Securities to furnish us a certified statement as to the number of shares of common stock beneficially owned by each holder and that during any period that we are unable to meet our obligations under the Registration Statement for the registration of the Registrable Securities solely because any holder fails to furnish us information within three trading days of our request, any liquidated damages that are accruing at such time to such selling holder only shall be tolled and that any event that may otherwise occur solely because of such delay shall be suspended as to such holder only, until such information is delivered to us.

Recently Issued Accounting Pronouncements

During the past two years, the Financial Accounting Standards Board ("FASB") issued a number of new pronouncements, which are described in Note 1, "Recent Accounting Pronouncements" of the Notes to Financial Statements contained in our latest annual report on Form 10-K filed with the Security and Exchange commission on April 14, 2009. Reference is made to these recent accounting pronouncements as if they are set forth therein in their entirety.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices. Our primary exposure to market risk is interest rate risk associated with our short term money market investments. The Company does not have any financial instruments held for trading or other speculative purposes and does not invest in derivative financial instruments, interest rate swaps or other investments that alter interest rate exposure. The Company does not have any credit facilities with variable interest rates.

ITEM 4. CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based closely on the definition of "disclosure controls and procedures" in Rule 13a-15(e). In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and the Company's Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level at the end of our most recent quarter. There have been no changes in the Company's disclosure controls and procedures or in other factors that could affect the disclosure controls subsequent to the date the Company completed its evaluation. Therefore, no corrective actions were taken.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

On September 12, 2005, we were served with a lawsuit that was filed in the Second Judicial District Court in Washoe County, Nevada as case number CV-05-02072 (the “Nevada Action”). The plaintiff in the lawsuit was Verde Partners Family Limited Partnership. The lawsuit makes a variety of claims and contends that BlastGard and certain officers of BlastGard misappropriated certain technology, including two patents, and seeks damage “in excess of \$10,000”. The action was removed to federal court in Nevada. We filed a motion to have the case dismissed as to BlastGard International, Inc., and all other defendants, for lack of personal jurisdiction. There was also a motion for a more definite statement in that three of the claims by Verde are conclusory, vague and ambiguous.

On July 14, 2006, the United States District Court rendered its decision in the Nevada Action. It was ordered and adjudged that the motion to dismiss the individual defendants and the motion to dismiss the BlastGard defendants was granted. Defendants’ motion for a more definite statement is moot. The Court entered judgment on July 17, 2006 in favor of all Defendants and against the Plaintiff. The Plaintiff had 30 days from the date of the judgment to file a notice of appeal and no filing was made.

On July 19, 2006, we filed a lawsuit in the Circuit Court of the Sixth Judicial Circuit in Pinellas County, Florida. The Defendants in the lawsuit are Sam Gettle, Guy Gettle and Verde Partners Family Limited Partnership (“Verde”). The lawsuit contends that the Defendants have committed defamatory acts against BlastGard International and its products. The lawsuit also asks for a declaration that BlastGard International is not liable for the acts complained of in the Nevada action. On BlastGard’s affirmative claims for defamation, the Florida action seeks injunctive relief and damages in excess of \$15,000, exclusive of attorney’s fees and costs. Sam Gettle, Guy Gettle, and Verde counter claimed in the lawsuit alleging the same bad acts complained of in the Nevada action. The counterclaim seeks an award of unspecified damages and injunctive relief. On April 2, 2009, the company entered into a Settlement Agreement to settle our outstanding civil litigation. The company will pay the sum of \$125,000 over 18 months. The first monthly payment was paid within 30 days after the Defendants deliver to the Company’s counsel an original executed version of the Agreement and a promissory note in the amount of the remaining principal balance to bear interest in the amount of 6% per annum. Upon Verde’s receipt of the payment and promissory note, the parties shall jointly dismiss with prejudice all litigation between them, including the Pinellas County action and the Federal action. The company and Verde also entered into a license agreement whereby BlastGard obtains a fully paid up non-exclusive license for the 2 Verde patents for the remaining life of those patents in exchange for the Company paying Verde a 2% royalty for the life of the patents, on the sales price received by BlastGard for BlastGard’s portion of all blast mitigation products sold by the company (the royalty is not on any third-party’s portion of any product containing blast mitigation products sold by BlastGard). The parties also agreed not to file any complaints with any state, federal or international agency or disciplinary body regarding any of the other parties or any person affiliated with any of the other parties or otherwise make negative statements about them (in other words, a broad non-disparagement clause). The company and Verde also signed mutual general releases (excepting the obligations above) and a covenant not to sue. Since entering into the Settlement Agreement in April 2009, the Company has paid Verde a total of \$31,250 and is in arrears for \$44,212.04 as of March 31, 2010.

ITEM 1A. RISK FACTORS

As a Smaller Reporting Company as defined Rule 12b-2 of the Exchange Act and in item 10(f)(1) of Regulation S-K, we are electing scaled disclosure reporting obligations and therefore are not required to provide the information requested by this Item 1A.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

- (a) From January 2010 to March 31, 2010, we had no sales or issuances of unregistered securities, except we made sales or issuances of unregistered securities listed in the table below:

Date of Sale	Title of Security	Number Sold	Consideration Received and Description of Underwriting or Other Discounts to Market Price or Convertible Security, Afforded to Purchasers	Exemption from Registration Claimed	If Option, Warrant or Convertible Security, terms of exercise or conversion
March 2010	Common stock for services	500,000	Outside board compensation	Section 4(2)	Not applicable.

- (b) Rule 463 of the Securities Act is not applicable to the Company.
- (c) In the three months ended March 31, 2010, there were no repurchases by the Company of its Common Stock.

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

Except for the exhibits listed below, other required exhibits have been previously filed with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

Exhibit Number	Description
11.1	Statement re: computation of earnings per share. See condensed consolidated statement of operations and notes thereto.
31.1	Rule 13a-14(a) Certification – Chief Executive Officer and Chief Financial Officer *
32.1	Section 1350 Certification – Chief Executive Officer and Chief Financial Officer *

* Filed herewith.

SIGNATURES

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

BLASTGARD INTERNATIONAL, INC.

Dated: May 15, 2010

By: /s/ Michael J. Gordon
Michael J. Gordon, Chief Executive and Chief Financial
Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. ss.1350, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael J. Gordon, Chief Executive Officer and Chief Financial Officer of BlastGard International, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended March 31, 2010, of BlastGard International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (a) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 15, 2010

/s/ Michael J. Gordon

Michael J. Gordon, Chief Executive Officer and Chief
Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. ss.1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Solely for the purposes of complying with, and the extent required by 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned certifies, in his capacity as the Chief Executive Officer of BlastGard International, Inc., that, to his knowledge, the Quarterly Report of the company on Form 10-Q for the period ended March 31, 2010, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the report fairly presents, in all material respects, the company's financial condition and results of operations.

May 15, 2010

/s/ Michael J. Gordon

Michael J. Gordon, Chief Executive Officer and Chief
Financial Officer

