

Company: **BLASTGARD**

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Submission Type: **10QSB**

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Job: **10QSB ENDED MARCH 31 2007**

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Date: **5/15/2007 7:07 PM**

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

**Form 10-QSB**

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended March 31, 2007

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT  
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 84-1506325  
(State or other jurisdiction of incorporation or organization) (IRS Employer Identification No.)

12900 Automobile Blvd., Suite D, Clearwater, Florida 33762  
(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

**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 15, 2007, the issuer had 35,573,616 shares of \$.001 par value common stock outstanding.

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

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**Condensed Balance Sheet**  
**(Unaudited)**  
**March 31, 2007**  
**Assets**

|  |                             |    |             |
|--|-----------------------------|----|-------------|
| Current assets:  |                             |    |             |
| Cash   |                             | \$ | 31,889      |
| Receivables:   |                             |    |             |
| Trade, net   |                             |    | 11,140      |
| Other  |                             |    | 10,278      |
| Inventory  |                             |    | 209,643     |
| Prepaid expenses   |                             |    | 4,445       |
|  | Total current assets        |    | 267,395     |
| Property and equipment, net (Note 2)   |                             |    | 28,888      |
| Other assets:  |                             |    |             |
| Unamortized debt issue costs (Notes 4 and 5)   |                             |    | 142,791     |
| Deferred costs   |                             |    | 83,096      |
| Deposits   |                             |    | 7,272       |
|  |                             | \$ | 529,442     |
| <b>Liabilities and Shareholders' Deficit</b>   |                             |    |             |
| Current liabilities:   |                             |    |             |
| Current maturities on convertible notes payable, net of<br>unamortized discount of \$235,190 (Note 3)      |                             | \$ | 1,085,307   |
| Accounts payable   |                             |    | 124,025     |
| Accrued liabilities  |                             |    | 297,747     |
|  | Total current liabilities   |    | 1,507,079   |
| Long-term debt:  |                             |    |             |
| Subordinated, debt net of unamortized<br>discount of \$692,025 (Note 5)                                    |                             |    | 507,975     |
| Derivative liability (Note 6)  |                             |    | 132,800     |
|  | Total liabilities           |    | 2,147,854   |
| Commitments and contingencies (Note 8)   |                             |    | —           |
| Shareholders' deficit (Note 7):  |                             |    |             |
| Preferred stock, \$.001 par value; 1,000 shares authorized,<br>-0- shares issued and outstanding           |                             |    | —           |
| Common stock, \$.001 par value; 100,000,000 shares authorized,<br>22,110,913 shares issued and outstanding |                             |    | 22,111      |
| Prepaid services for stock   |                             |    | (156,770)   |
| Additional paid-in capital   |                             |    | 6,349,877   |
| Retained deficit   |                             |    | (7,833,630) |
|  | Total shareholder's deficit |    | (1,618,412) |
|  |                             | \$ | 529,442     |

**Condensed Statements of Operations**  
(Unaudited)

**Three Months Ended  
March 30,**

|  | <b>2007</b>  | <b>2006</b>  |
|--|--------------|--------------|
| <b>Revenues:</b>                       |              |              |
| Sales                                  | \$ 106,11    | \$ 377,030   |
| Cost of goods sold                     | 84,396       | 295,599      |
| Gross profit                           | 21,720       | 81,431       |
| <b>Operating expenses:</b>             |              |              |
| Stock-based compensation (Note 7):     |              |              |
| Consulting                             | 67,188       | 6,750        |
| Granted stock options                  | 36,808       | 54,637       |
| General and administrative             | 252,991      | 335,290      |
| Research and development               | 1,363        | 23,266       |
| Depreciation and amortization          | 7,318        | 6,986        |
| Total operating expenses               | 365,668      | 426,929      |
| Operating loss.                        | (343,948)    | (345,498)    |
| <b>Non-operating income/(expense):</b> |              |              |
| Loss on disposal of assets             | —            | (228)        |
| Gain on derivative liability (Note 6)  | 27,200       | —            |
| Interest income                        | 2            | 1,677        |
| Rental income                          | 500          | 2,250        |
| Interest expense (Notes 4 and 5):      |              |              |
| Amortized debt issue costs             | (54,534)     | (13,807)     |
| Amortized debt discount                | (226,978)    | (28,518)     |
| Other                                  | (50,507)     | (27,181)     |
| Loss before income taxes               | (648,265)    | (411,305)    |
| Income tax provision (Note 3)          |              |              |
| Net loss                               | \$ (648,265) | \$ (411,305) |
| Basic and diluted loss per share       | (0.03)       | \$ (0.02)    |
| Basic and diluted weighted average     |              |              |
| common shares outstanding              | 22,110,913   | 22,323,413   |

**Condensed Statements of Cash Flows**  
(Unaudited)

|   | Three Months Ended<br>March 31, |              |
|---|---------------------------------|--------------|
|   | 2007                            | 2006         |
| Cash flows from operating activities:                                       |                                 |              |
| Net loss  | \$ (648,265)                    | \$ (411,305) |
| Adjustments to reconcile net loss to net cash used in operating activities: |                                 |              |
| Depreciation and amortization   | 61,852                          | 20,792       |
| Stock for services  | 67,188                          | —            |
| Stock-based compensation  | 36,808                          | 61,388       |
| Discount on convertible notes payable                                       | 226,978                         | 28,518       |
| Loss on derivative liability  | (27,200)                        | —            |
| Changes in operating assets and liabilities:                                |                                 |              |
| Accounts receivable   | 27,775                          | (175,361)    |
| Inventory   | 56,672                          | 4,853        |
| Other operating assets  | 7,274                           | (55,171)     |
| Accounts payable and accruals   | 220,194                         | 166,635      |
| Indebtedness to a related party   | —                               | 45,000       |
| Net cash provided by (used) in operating activities                         | 29,276                          | (314,651)    |
| Cash flows from investing activities:                                       |                                 |              |
| Payments for deferred costs   | (9,488)                         | (16,090)     |
| Purchases of property and equipment   | (192)                           | (1,665)      |
| Net cash used in investing activities                                       | (9,680)                         | (17,755)     |
| Cash flow from financing activities:  |                                 |              |
| Payments for debt issue costs   | —                               | (23,939)     |
| Net cash used in financing activities                                       | —                               | (23,939)     |
| Net change in cash  | 19,596                          | (356,345)    |
| Cash, beginning of period   | 12,293                          | 361,225      |
| Cash, end of period   | \$ 31,889                       | \$ 4,880     |
| Supplemental disclosure of cash flow information:                           |                                 |              |
| Cash paid during the period for:  |                                 |              |
| Interest  | \$ 26,836                       | \$ 27,181    |
| Income taxes  | \$ —                            | \$ —         |

**(1) Basis of Presentation**

The financial statements presented herein have been prepared by the Company in accordance with the accounting policies in its Form 10-KSB dated December 31, 2006, and should be read in conjunction with the notes thereto.

In the opinion of management, all adjustments (consisting only of normal recurring adjustments) which are necessary to provide a fair presentation of operating results for the interim periods presented have been made. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the year.

Financial data presented herein are unaudited.

**(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 December 31, 2006:

|  |                    |
|--|--------------------|
| \$1,000,000 convertible promissory note issued |                    |
| December 2, 2004, due on October 31, 2007,     |                    |
| 8% annual interest rate, net of unamortized    |                    |
| Discount of \$165,118                          | \$ 764,809         |
| \$200,000 convertible promissory note issued   |                    |
| December 2, 2004, due on October 31, 2007,     |                    |
| 8% annual interest rate, net of unamortized    |                    |
| Discount of \$33,023                           | 152,961            |
| \$100,000 convertible promissory note issued   |                    |
| December 2, 2004, due on October 31, 2007,     |                    |
| 8% annual interest rate, net of unamortized    |                    |
| Discount of \$16,512                           | 76,481             |
| \$100,000 convertible promissory note issued   |                    |
| December 2, 2004, due on October 31, 2007,     |                    |
| 8% annual interest rate, net of unamortized    |                    |
| Discount of \$16,512                           | 76,481             |
| \$20,000 convertible promissory note issued    |                    |
| December 2, 2004, due on October 31, 2007,     |                    |
| 8% annual interest rate, net of unamortized    |                    |
| Discount of \$4,023                            | 14,575             |
|  | <u>1,085,307</u>   |
| Less: current maturities                       | <u>(1,085,307)</u> |
|  | <u>\$ -</u>        |

Each note carries a default interest rate of 15% per annum. Aggregate monthly payments of 1.2% of the principal amount are due commencing November 1, 2005 through April 30, 2006, then aggregate monthly payments of 3% of the principal amount are due commencing May 1, 2006 through October 31, 2006, and then aggregate monthly payments of 6% of the principal amount are due 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 is due commencing June 1, 2006 through May 31, 2007, and then aggregate monthly payments of 6% of the principal amount is due commencing June 1, 2007 through October 31, 2007. Payments will be applied first to accrued interest and then to principal. The balance of the unpaid principal and any unpaid interest is due on October 31, 2007. All accrued interest had been paid in full as of March 31, 2007.

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 of \$.75 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.

The Company can require the holders to convert the notes into shares of common stock if a registration statement for the resale of the underlying shares is effective and the common stock has traded above \$2.50 per shares for ten consecutive days. The amount that the holders can be required to convert is limited to the aggregate dollar volume traded over the past seven trading days (pro-rated among all holders), but no holder is required to convert an amount that results in the holder becoming the beneficial owner of more than 4.99% of the outstanding common stock on the date of conversion.

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

***Detachable common stock warrants issued with convertible promissory notes***

The fair value of detachable Class "A" and Class "B" warrants issued with the convertible notes was charged to additional paid-in capital with a corresponding discount on the convertible notes payable. The discount is amortized over the life of the debt. As the discount is amortized, the reported outstanding principal balance of the notes will approach the remaining unpaid value (\$1,320,497 at March 31, 2007).

As part of a debt financing conducted in June 2006 (see Note 4), the Company re-priced the warrants and issued and additional 666,667 Class "F" warrants. The exercise price on the 473,336 Class "A" warrants was reduced from \$2.09 to \$1.00 per share. The exercise price on the 141,999 Class "B" warrants was reduced from \$3.00 to \$1.50 per share. The fair value of the warrants was increased by \$45,630 as follows:

|   |              |           |                   |
|---|--------------|-----------|-------------------|
| Original fair value of Class "A" warrants, December 2, 2004 |              | \$291,102 |                   |
| Original fair value of Class "B" warrants, December 2, 2004 |              | 41,605    |                   |
| Total original value of warrants, December 2, 2004          |              |           | \$332,707         |
| Fair value of original Class "A" warrants, June 22, 2006    | \$ (117,861) |           |                   |
| Fair value of original Class "B" warrants, June 22, 2006    | (8,520)      |           |                   |
| Total fair value of original warrants, June 22, 2006        |              | (126,381) |                   |
| Fair value of revised Class "A" warrants                    | \$ 153,834   |           |                   |
| Fair value of revised Class "B" warrants                    | 18,177       |           |                   |
| Total fair value of revised warrants, June 22, 2006         |              | 172,011   |                   |
| Net increase in revised Class "A" and "B" warrants          |              |           | 45,630            |
| Total revised value of Class "A" and "B" warrants           |              |           | <u>\$ 378,337</u> |

On June 22, 2006, the Company issued the note holders Class “F” common stock purchase warrants entitling the holders to purchase an aggregate of 666,667 shares of the Company’s common stock at an exercise price of \$0.75 per share. The Class “F” warrants are exercisable for a period of five years. The fair value for the Class “F” warrants was estimated at the date of grant using the Black-Scholes option-pricing model with the following assumptions:

|                                |         |
|--------------------------------|---------|
| Risk-free interest rate        | 5.18%   |
| Dividend yield                 | 0.00%   |
| Volatility factor              | 104.21% |
| Weighted average expected life | 5 years |

The weighted average exercise price and weighted average fair value of the Class “F” warrants were \$0.75 and \$.412, respectively. The fair value of the Class “F” warrants totaled \$274,667.

The initial discount recorded on the convertible promissory notes totaled \$332,707. Following the revaluation of the Class “A” and “B” warrants and the issuance of the Class “F” warrants, the total discount related to the convertible promissory notes increased to \$653,004. As of March 31, 2007, \$417,815 of the discount was amortized to interest expense, reducing the balance of the unamortized discount to \$235,189. Amortization expense on the debt discount totaled \$88,573 for the three months ended March 31, 2007.

***Debt issue costs***

The Company paid its debt placement agent and its attorney a total of \$112,370 and issued detachable Class “A” and “B” warrants in connection with the issuance of the convertible promissory notes. The original fair value of the warrants totaled \$48,709, but increased to \$55,342 following the re-pricing discussed above. The sum of the payments and the fair value of the warrants, resulted in total debt issue costs of \$167,712. Amortization resulting from the debt issue costs is charged to interest expense. Accumulated amortization and amortization expense of the debt issue costs totaled \$166,248 and \$26,268 as of and for the three months ended March 31, 2007, respectively.

The convertible debt discount and related debt issue costs are expected to amortize as follows:

| <b>Date</b>       | <b>Debt Discount</b> | <b>Debt Issue Costs</b> | <b>Totals</b> |
|-------------------|----------------------|-------------------------|---------------|
| December 31, 2007 | \$ 323,763           | \$ 27,732               | \$ 351,495    |

### (3) Subordinated Convertible Notes Payable

On June 22, 2006, the Company entered into agreements to borrow an aggregate principal amount of \$1,200,000 and to issue to the investors subordinated, convertible promissory notes and common stock purchase warrants. The Company's subordinated, convertible promissory notes payable consist of the following at March 31, 2007:

|  |                   |
|--|-------------------|
| \$600,000 subordinated, convertible promissory note<br>issued June 22, 2006, due on June 22, 2008,<br>8% annual interest rate, net of unamortized<br>discount of \$346,013 | \$ 253,987        |
| \$600,000 subordinated, convertible promissory note<br>issued June 22, 2006, due on June 22, 2008,<br>8% annual interest rate, net of unamortized<br>discount of \$346,012 | 253,988           |
|  | <u>507,975</u>    |
| Less: current maturities   | -                 |
|  | <u>\$ 507,975</u> |

These notes are subordinated to the convertible promissory notes listed in Note 3, 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 of \$0.75 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*

The conversion of the subordinated, convertible notes payable is fixed at \$0.75 per share of the Company's common stock. 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. As a result, the Company has bifurcated the option resulting from the conversion feature and has classified it as a derivative liability pursuant to SFAS 133. The following table presents the allocation of proceeds from the financing:

|   |                   |
|---|-------------------|
| Principal balance of the notes          | \$ 1,200,000      |
| Less debt discounts:                    |                   |
| Fair value of warrants (below)          | (675,240)         |
| Fair value of conversion option (below) | (432,000)         |
| Plus amortization of discounts          | 415,215           |
| Carrying value at March 31, 2007        | <u>\$ 507,975</u> |

### ***Detachable common stock warrants issued with subordinated convertible promissory notes***

In connection with the subordinated, convertible promissory notes, the Company issued note holders the following warrants to purchase shares of its common stock:

| <b>Description</b> | <b>Number Issued</b> | <b>Exercise Price</b> | <b>Fair Value</b> | <b>Relative Fair Value</b> |
|--------------------|----------------------|-----------------------|-------------------|----------------------------|
| Class "C" warrants | 1,200,000            | \$ 1.00               | \$ 0.392          | \$ 0.171                   |
| Class "D" warrants | 1,200,000            | \$ 1.50               | \$ 0.360          | \$ 0.157                   |
| Class "E" warrants | 600,000              | \$ 2.00               | \$ 0.337          | \$ 0.147                   |
| Class "F" warrants | 1,066,666            | \$ 0.75               | \$ 0.412          | \$ 0.180                   |
|                    | 4,066,666            |                       |                   |                            |

The warrants are exercisable for a period of five years.

The fair value for the warrants granted in association with the subordinated, convertible debt was estimated at the date of grant using the Black-Scholes option-pricing model with the following assumptions:

|                                |         |
|--------------------------------|---------|
| Risk-free interest rate        | 5.18%   |
| Dividend yield                 | 0.00%   |
| Volatility factor              | 104.21% |
| Weighted average expected life | 5 years |

The weighted average exercise price and weighted average relative fair value of these warrants were \$1.23 and \$.166, respectively. The fair value of all 4,066,666 warrants granted in association with the issuance of the convertible debt totaled \$675,240.

The warrants are detachable and are valued separately from the convertible notes payable. Therefore, the fair value of the warrants, \$675,240, was charged to additional paid-in capital with a corresponding discount on the convertible notes payable. The discount will be amortized over the life of the debt. As the discount is amortized, the outstanding principal balance of the notes will approach their face value of \$1,200,000.

### ***Debt issue costs***

The Company paid its debt placement agent and attorney a total of \$117,000 in connection with the issuance of the subordinated, convertible promissory notes. In addition, the Company issued the placement agent common stock purchase warrants as follows:

| <b>Description</b> | <b>Number Issued</b> | <b>Exercise Price</b> | <b>Fair Value</b> |
|--------------------|----------------------|-----------------------|-------------------|
| Class "C" warrants | 72,000               | \$ 1.00               | \$ 0.392          |
| Class "D" warrants | 72,000               | \$ 1.50               | \$ 0.360          |
| Class "E" warrants | 36,000               | \$ 2.00               | \$ 0.337          |
| Class "F" warrants | 104,000              | \$ 0.75               | \$ 0.412          |
|                    | <u>284,000</u>       |                       |                   |

The placement agent's warrants are exercisable for a period of five years.

The weighted average exercise price and weighted average fair value of these warrants were \$1.16 and \$.384, respectively. The fair value of the 284,000 warrants granted to the debt placement agent totaled \$109,124, which, when added to the \$117,000 paid to the placement agent, resulted in total debt issue costs of \$226,124. Amortization resulting from the debt issue costs is charged to interest expense.

The subordinated, convertible debt discounts and related debt issue costs are expected to amortize over the next two years as follows:

| December 31, | Debt<br>Discount  | Debt Issue<br>Costs | Totals              |
|--------------|-------------------|---------------------|---------------------|
| 2007         | \$ 553,620        | \$ 113,062          | \$ 666,682          |
| 2008         | 276,810           | 56,531              | 333,341             |
|              | <u>\$ 830,430</u> | <u>\$ 169,593</u>   | <u>\$ 1,000,023</u> |

### ***Derivative Financial Instrument***

The Company generally does not use derivative instruments to hedge exposures to cash-flow risks or market-risks that may affect the fair values of its financial instruments. However, certain other financial instruments, such as embedded conversion features, where an embedded option in a debt security contains the price of a specific equity instrument, are bifurcated and are classified as derivative liabilities. Such financial instruments are initially recorded at fair value and subsequently adjusted to fair value at the close of each reporting period.

|  | Derivative<br>Liability | Number of Shares<br>In Which The<br>Derivative Liability<br>Can Be Settled |
|--|-------------------------|--|
| Embedded conversion feature, June 22, 2006     | \$ 432,000              | 1,600,000  |
| Embedded conversion feature, December 31, 2006 | 160,000                 | 1,600,000  |
| Embedded conversion feature, March 31, 2007    | 132,800                 | 1,600,000  |
| Current period change                          | <u>\$ 27,200</u>        |  |

The gain on the derivative liability totaled \$27,200 for the three months ended March 31, 2007.

## **(4) Shareholders' Deficit**

### ***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, 2007 and 2006, the Company recognized \$36,808 and \$0, respectively, in share based compensation from the prior issuance of stock options.

During the three months ended March 31, 2007, the Company recognized \$67,188 in consulting expenses for services prepaid with stock.

At March 31, 2007, there was \$84,674 of unrecognized compensation cost related to share-based payments which is expected to be recognized over a weighted average period of .5 years.

The following table represents stock option activity as of and for the three months ended March 31, 2007:

|   | Number<br>of Shares | Weighted<br>Average<br>Exercise<br>Price | Weighted<br>Average<br>Remaining<br>Contractual Life | Aggregate<br>Intrinsic<br>Value |
|---|---------------------|--|--|---------------------------------|
| Options Outstanding - January 1, 2007     | 4,285,750           | \$ 1.79                                  | 2.75 years   |                                 |
| Granted                                   | -                   | 1.18                                     |  |                                 |
| Exercised                                 | -                   | -  |  |                                 |
| Forfeited/expired/cancelled               | -                   | 1.00                                     |  |                                 |
| Options Outstanding – March 31, 2007      | <u>4,285,750</u>    | <u>\$ 1.59</u>                           | <u>3.24 years</u>                                    | <u>\$ 3,907,000</u>             |
| Outstanding Exercisable – January 1, 2007 | 1,990,750           | \$ 1.79                                  | 2.75 years   |                                 |
| Outstanding Exercisable – March 31, 2007  | 3,875,750           | \$ 1.59                                  | 3.24 years   | \$ 3,279,000                    |

The following table represents our non-vested stock option activity for the three months ended March 31, 2007:

|                                     | Number<br>of Shares | Weighted Average<br>Grant Date<br>Fair Value |
|-------------------------------------|---------------------|--|
| Nonvested options - January 1, 2007 | 410,000             | \$ 0.41                                      |
| Granted                             | -                   | -  |
| Vested                              | -                   | -  |
| Forfeited/expired/cancelled         | -                   | -  |
| Nonvested Options – March 31, 2007  | 410,000             | \$ 0.41                                      |

#### (5) Related Party Transactions

During the three months ended March 31, 2007, the Company borrowed \$97,000 against its \$100,000 credit line, which was secured by its Chief Financial Officer. See Note 8.

#### (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 noncancellable office lease agreement on January 10, 2006. The lease runs from January 1, 2006 through December 31, 2006. The rent for 2007 is month to month and the rental payments for 2007 are \$2,600 per month plus \$182 in taxes. Rental expense for the three months ended March 31, 2007 and 2006 was \$8,346 each quarter.

### ***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 is 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 are 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 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 (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 are Sam Gettle, Guy Gettle and Verde Partners Family Limited Partnership (“Verde”). The lawsuit contends that the Defendants have committed defamatory acts against the Company and its products. The lawsuit also asks for a declaration that the Company is not liable for the acts complained of in the Nevada action. On the Company’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.

As of May 5, 2007 there has been progress on the lawsuit.

## **(8) Subsequent Events**

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 1,710,000 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.

The Company also entered into employment agreements with five corporate officers effective April 1, 2007. These agreements commit the Company to combined salaries of \$950,000 and granted 1,450,000 options as a signing bonuses. One officer also received a cash signing bonus in the amount of \$160,000. The employment agreements also reserve up to 5,800,000 options to be granted as performance bonuses based on certain sales volumes.

Following is a schedule summarizing changes to the Company's equity instruments subsequent to March 31, 2007:

|                            | Common Stock | Stock Options | Stock Warrants |
|----------------------------|--------------|---------------|----------------|
| Balance, 3/31/07           | 22,110,913   | 4,285,750     | 5,970,472      |
| Regulation S offering      | 11,529,370   | -             | 5,764,688      |
| Regulation D offering      | 1,700,000    | -             | 850,000        |
| Broker warrants            | -            | -             | 1,988,815      |
| Employment agreements      | -            | 17,350,000*   | -              |
| Debt Conversion (\$25,000) | 83,333       | -             | -              |
| Debt Settlement            | 150,000      | -             | -              |
| Balance, 5/11/07           | 35,573,616   | 21,635,750    | 14,573,975     |

\* This figure is based on maximum options that could vest over three years based on revenue generated (i.e. - performance options).

In March 2007, we entered into a new Waiver and Modification Agreement with the holders of the December 2004 Debt. Pursuant to said agreement, they waived their right of first refusal to participate in our recently completed financing. Further, the holders of the December 2004 Debt agreed to extend the maturity date of their notes to March 20, 2008 and to refrain for a period of ten months from March 20, 2007 from taking any action to foreclose on its security interest unless the holders, in their sole discretion, determined that the securities are in danger of being compromised. The holders of the December 2004 Debt also agreed to reduce the exercise price and call price of their Class F Warrants to \$.50 per share and \$.73 per share, respectively, and to waive any increase in the number of warrant shares that would otherwise be called for pursuant to the Class F Warrants. In addition, such holders agreed with us to lower the exercise price of their Class A and Class B Warrants to \$.45 per share (and the conversion price of their notes to \$.30 per share). The new Waiver and Modification Agreement became effective on April 20, 2007.

In April 2007, the then holders of the June 2006 Debt agreed to waive their right of first refusal in connection with our recently completed offerings in exchange for 150,000 restricted shares of Common Stock with "piggyback" registration rights contemporaneously with their entering into the April 2007 Agreement.

Source Capital Group, Inc. acted as a finder in connection with the June 2006 transaction. Source Capital was paid 25,000 shares of restricted common stock, a cash fee of \$72,000, which represents 6% of the gross proceeds and a 6% fee of each class of warrants issued in connection with the June 2006 debt financing, which warrants were issued by us and not deducted from those issued to any other party. Each Class of their Warrants are presently exercisable at \$.45 per share except for the Class F Warrants which are exercisable and callable at \$.50 and \$.73, respectively.

During the three months ended March 31, 2007, the Company borrowed \$97,000 against its \$100,000 credit line, which was secured by its Chief Financial Officer. In April 2007, the Company retired this short-term loan.

## **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 that 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-QSB. Except for the historical information contained herein, the discussion in this Form 10-QSB 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-QSB 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, 2007, 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<sup>®</sup> 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<sup>®</sup> 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.

We intend to focus exclusively on the business plan of BlastGard Technologies. 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<sup>®</sup>, in January 2004, from co-inventors John L. Waddell, Jr., our Chief Operating Officer, and President, and James F. Gordon, our Chief Executive Officer, 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 six 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 and for BlastWrap® from the Naval Weapons Station Earle, Sandia National Labs, and several domestic and international entities. However, for the three months ended March 31, 2007, we recognized sales of \$106,116 and a gross profit of \$21,720.

For the quarter ended March 31, 2007, our operating and non operating expenses, including interest expense, were relatively constant over the comparable period of the prior year.

Our net loss for the quarter ended March 31, 2007 was \$648,265 as compared to \$411,305 for the comparable period of the prior year.

BlastGard’s products are currently being tested (or have recently been tested) and evaluated by many military and defense contractors and commercial companies in the United States and abroad as described under Business Prospects. As we experience anticipated growth and expansion of our operations, we will experience an increase in operating expenses and costs of doing business.

## **Business Prospects/Recent Developments**

In March 2007, the UK Defense Ordnance Safety Group (DOSG) completed testing of and are currently analyzing the results of several variants BlastGard has submitted (which use BlastWrap® as the key ingredient) of a new class of insensitive munitions (IM) packaging solutions. These novel packaging systems are designed to prevent mass detonations in ammunition and/or weapons storage and transport by the elimination of sympathetic detonation (SD) leading to catastrophic mass detonation. This results when one detonating unit or energetic material initiates the next, and so on, in a chain reaction. It is also anticipated these IM solutions will dramatically improve fast cook off (the initiation of a unit of ammunition or other energetic store in the event of a fuel fire) and slow cook off performance (the initiation of a unit of ammunition or energetic material by a slowly increasing sustained temperature) as well as meet all of the other IM packaging specifications of NATO and the United States military. With UK Ministry of Defense (“MoD”) funding in place to support the testing and the manufacturing of the successful products, management believes that successful test results will be a prestigious achievement for our Company, allowing us to get our technology into the UK military and to establish an important precedent for other militaries. These tests results are classified.

We have shipped three separate lots of BlastWrap® to the United States Aviation and Missile Research, Development and Engineering Center (“AMRDEC”) in Huntsville, AL for testing in a well known missile system. The project is classified and results of the tests are not published; however, we are told that generally, the results have been “quite impressive”. A fourth order has now been placed by AMRDEC; however, the application is for a different weapon system. This is seen as a positive development.

We have conducted further development design and testing of a series of products for improved blast mitigation protection of rapid deployment barriers, walls, revetments and bunkers (including overhead protection from inbound mortars) for the United States military. Two other companies involved with BlastGard in these wall and bunker developments are Geocell Systems, Inc. of San Francisco and Colt Rapid Mat LLC of Hartford, CT. The three companies sponsored successful testing of the wall protection system at the US Marine Corps base at 29 Palms, CA on October 27, 2006. On November 13, 2006, we received the initial contract from the Marines for shipment of wall and bunker system test articles to the Marine Warfighting Lab at Quantico, VA for more extensive and instrumented testing in second half of May 2007. In addition to the original fiberglass BATS being tested, we will provide the new, lower cost plastic BATS for testing at the same time.

We have extended our development of vehicle protection systems. We are teamed with Colt Rapid Mat LLC as well as VSE Corporation in blast protection systems for tactical wheeled military vehicles. Initial durability tests of an OEM blast mitigation system were successful in December 2006 at the Nevada Automotive Test Center (NATC) outside Carson City, NV. Basic blast testing of our vehicle BATS will start at NATC, probably in the summer of 2007. BlastGard has delayed the vehicle tests for our retrofit system that were expected to be conducted in the Middle East around the end of the year... Results from the NATC blast tests will determine the next steps in testing elsewhere.

In early 2006, BlastGard submitted proposals to the Nigerian Army, which requested BlastWrap®, to be used as a temporary solution for IM packaging. In addition, we offered to provide ATO training, design, support and procedures for facilities, including new, “state of the art” facilities to protect against further disastrous blast events in their weapons depots. As previously reported, BlastGard conducted a series of successful demonstrations for the Nigerian Army Ordnance Corps, demonstrating the effectiveness of BlastWrap® in reducing blast pressure and impulse and for preventing sympathetic detonation. BlastGard submitted proposals for BlastWrap®, for IM packaging, for training programs, for rapid deployment wall and bunker systems, for fire resistance products, and will offer oil pipeline protection systems soon for initial funding by the Nigerian government. On September 17, 2006 ten Generals of the Nigerian Army were killed in an aircraft crash, temporarily but substantially disrupting virtually all Nigerian Army operations. Those killed near the south-eastern town of Obudu include eight major generals and two brigadier generals. Although the 2006 Nigerian government budget includes a line item for initial BlastWrap® requirements, these contracts have not yet been placed. Although the top Army personnel are undergoing an understandable and time-consuming restructuring, we still expect these contracts to be placed in 2007.

To assess the vulnerability of oil and gas pipelines to explosive attack, the Company conducted a series of explosive tests at Bakersfield, CA. The tests graphically illustrate the phenomenon of high explosive shock holing (breaching) of oil pipelines. We tested 24” OD X .375” wall API-5L X42 grade steel line pipe with welded .375” thick end plates (to seal the pipe). The assembly was then filled with water to represent the appropriate hydraulic shock transmission characteristics of a filled oil transmission line. A 2 pound charge of C4 was placed directly on the surface of the pipe and detonated. The charge punched a 6” diameter hole in the side of the pipe and produced a high pressure hydraulic wave in the fluid in the tube which split the end plate welds and distorted the plates. This is a classic example of steel “shock holing” and hydraulic shock transmission. We then placed a 10-1/8” square section of 3” thick BlastWrap® onto an identical section of (filled) line pipe, and placed a second 2 pound charge of C4 directly onto the BlastWrap®, and fired the charge. The pipe was only slightly dented and neither of the end plates was deformed or exhibited split welds. We expect to develop this protection system with an impenetrable tough surface armor, which will make it very difficult for terrorists to destroy exposed oil pipelines (or wellheads and other production equipment) using current methods. The tests we have done prove that BlastWrap® does prevent shock holing, and this capability can be applied to many applications: aircraft fuselages, bridge pillars, suspension cables for bridges, electricity substations and “hardened” buildings. Although the anticipated pipeline protection system development proposal has been delayed, recommencement of this high priority project will likely commence with further funding. We are exploring several options for both the final product development and testing as well as the commercial relationships for the most effective marketing of this product.

In June 2006, we introduced a new line of aviation products. In accordance with a five-year alliance agreement with Nordisk Aviation Products, Inc. (“Nordisk”) signed in October 2005, BlastGard has combined its 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. 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 introduction of this product line enables the Company to provide the airline industry an important new line of defense to increase airline safety of passengers and crewmembers. Nordisk is headquartered in Cape Canaveral, Florida. Nordisk is a manufacturer, repair and leasing company of Unit Loading Devices (“ULD”) engaged in developing, supplying and supporting ULD equipment for the commercial passenger and air freight/cargo airline industry as well as the military, including its engineering support, and Worldwide Service Network. The purpose of the Alliance is to combine Nordisk Services products with the BlastGard® Technology to offer enhanced blast mitigated products to the ULD marketplace with respect to both existing ULD's and newly manufactured ULD's. There are an estimated 600,000 containers in service in the fleet today with approximately 40,000 new units sold each year. Each unit has an average useful life of about 5 years, and we estimate that the total number of units in service will continue to rise over the next 10 years. We are working with the largest ULD container manufacturer in the world to develop a low-cost solution for ‘semi-hardened’ blast mitigation ULD containers that may vastly improve the chances of aircraft survival in the event of a reoccurrence of an airplane explosion in midair as occurred in Lockerbie, Scotland. Initial technical meetings with the primary US flag carriers commenced in August 2006. Current assessment of those meetings along with a new direction from TSA officials will dictate the next steps. Current TSA officials are now more receptive to an alternative approach to ULD-based solutions. Contacts with international carriers will follow these initial efforts.

In July 2006, we introduced a new product for Airport Security, the BlastGard® Mitigated-Bomb Receptacle (MBR 300). The MBR 300 provides airport security personnel with an effective tool, if and when an explosive is discovered. It will contain and protect all lethal threats posed by the detonation of an improvised explosive device (IED); namely, primary fragments, secondary fragments, mechanical effects (shock/blast pressure) and thermal effects (contact and radiation burn) from the fireball, afterburn and resultant post-blast fires. If a suspect package or bomb is discovered, the airports need a means of securing that package and rendering the scene safe until the bomb squad arrives. The largest and most visible investment made by the Transportation Security Administration (TSA) 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 all efforts to mitigate casualties, damage, and disruption. Given the nature of terrorism and the inherent vulnerabilities of public transportation, deterrence and prevention are sometimes difficult to achieve; therefore, great emphasis is also placed upon the mitigation of casualties through the design of facilities and upon effective, rapid response that ensures safety while minimizing disruption. The MBR 300 is an ideal pre-incident security technology for airports in dealing with bomb threats and suspicious objects or packages.

The American Public Transportation Association (<http://www.apta.com/>) (“APTA”) is the leading force in advancing public transportation. Every transit, bus and airport authority in the USA is a member of APTA as is 80% of Europe. APTA has established a Transit Security Infrastructure Work Group. The focus of the Transit Security Infrastructure Work Group is to develop industry standards for transit related infrastructure. Transit infrastructure is defined as passenger, maintenance and operations facilities, and their related assets; rights-of-way, including tunnels, elevated structures, and bridges; fixed assets, such as track, signals, traction power substations, and interlockings. The Working Group has initially focused on the types and placement of security-conscious trash receptacles. We expect these specifications will be published very soon, which should substantially set apart and enhance our MTR product line. ASTM is developing testing specifications for these products, and the Company has a representative active in that effort as well.

The November Group, Ltd., per an agreement with Howard Safir, a former board member, serves as an advisor to render strategic and consulting services to us, primarily in connection with the commercialization of our proprietary BlastGard technology, has been working with the Australian Department of Defense's Defense Science and Technology Organization (DSTO). DSTO is designing tests for the BlastWrap® we have shipped them. Substantial efforts are underway to attain Australian DoD approval and usage of numerous BlastGard products. In addition, the DSTO and General Dynamics of Australia are considering using BlastWrap® on the Australian Light Armored Vehicle (“ASLAV”).

VSE Corporation, a publicly traded company has provided more than \$2 billion in diversified engineering and technical support services to the U.S. Government. VSE has been ranked among the top 100 defense contractors, top 10 foreign military sales contractors, and top 50 Navy contractors in the nation. TACOM recently placed a \$325 million contract with VSE for all logistics and maintenance of all Army tactical wheeled vehicles in Iraq and Afghanistan. TACOM has called for “add-ons” for any technologies that may improve the armor, the blast management, capabilities and other operation performance characteristics of tactical wheeled vehicles such as the HMMWV. Our proposal with Colt Rapid Mat, along with VSE’s logistics and assembly capabilities in theater were part of a joint submission to TACOM/TARDEC.

In October 2006, we submitted a proposal to the Defense Ordnance Technology Consortium (DOTC) and National Warheads and Energetics Consortium (NVEC, of which BlastGard is a member) teamed with DCS Corporation for \$2,000,000/year (for three years) of blast mitigation development work for IM packaging and hydrocode modeling for thermobaric weapons. The proposal was rated “satisfactory“, high enough for award funding. So, to receive an award, appropriate “clients” (usually Picatinny Arsenal) must request funding of the projects defined in our proposal. This potential award remains open for funding and management is hopeful that funding will occur in 2007. We have several separate initiatives with the Picatinny Arsenal underway at present.

In 2006 the Company sold initial quantities of prototype / development BlastWrap® to the Naval Weapons Station Earle in Colts Neck, NJ. The Packaging, Handling, Storage and Transport (“PHST”) Group, under guidance from the Office of Naval Research (“ONR”), Indian Head, MD is developing unique new packaging concepts for several weapons systems using BlastWrap® as the primary blast mitigation technology. There have been two series of blast tests, and further development is continuing. Although all of this work is classified, the results are encouraging and the addition of new weapons systems into the overall project is seen as positive.

### **Liquidity and Capital Resources.**

At March 31, 2007, we had cash of \$31,889, working capital deficit of \$1,239,684, an accumulated deficit of \$7,833,630 and shareholder deficit of \$1,618,412.

For the quarter ending March 31, 2007, net cash provided by operating activities was \$29,276 primarily due to our net loss of \$648,265 partially offset by a \$220,194 increase in accounts payable and a \$226,978 discount on convertible notes payable. During the quarter ended March 31, 2007, we used cash in investing activities to purchase property and equipment of \$192 and for payment of deferred costs of \$9,488. For the quarter ended March 31, 2006, we used cash in operating activities of \$314,651, primarily due to our net loss of \$411,305. During the quarter ended March 31, 2006, cash was used in investing activities to purchase property and equipment of \$1,665.

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. Between April 20, 2007 and May 4, 2007, we completed two concurrent Offerings and raised a total of \$3,968,810.40 as described below.

We had a plan of financing to sell shares of our unregistered Common Stock at \$.30 per share and to issue warrants exercisable at \$.45 per share in an offshore offering to non-US Persons through D & D Securities Company as placement agent. We raised \$3,458,810 in gross proceeds through the sale of 11,529,368 shares of Common Stock and the issuance of warrants to purchase 5,764,684 shares of our Common Stock, exclusive of broker warrants as described in Note 8. Exemption from registration is claimed under Regulation S of the Securities Act of 1933, as amended.

We had a plan of financing to sell shares of our unregistered Common Stock at \$.30 per share and to issue warrants exercisable at \$.45 per share, pursuant to a Regulation D offering. We raised \$510,000 through the sale of 1,700,000 shares of Common Stock and the issuance of warrants to purchase 850,000 shares of its Common Stock. 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 our concurrent plans of financing contain certain registration rights and penalty warrants for failure to meet certain registration or trading conditions by October 15, 2007.

#### Other Recent Financings

Historically, we have relied on management's ability to raise capital through equity private placement financings to fund our operations. While no capital was raised by us in 2005, we raised capital in 2004 and in June 2006 through the following private placement transactions:

- A. In February 2004, we raised \$200,000 by selling 200,000 (as adjusted to reflect the 1:5 reverse split of the outstanding common stock that occurred on March 31, 2004) shares of common stock to five investors.
- B. During the quarter ending June 30, 2004, we raised \$944,050 by selling 629,367 shares of restricted common stock (at \$1.50 per share) to 34 accredited investors.
- C. During the quarter ending September 30, 2004, we raised \$193,250 by selling 128,834 shares of restricted common stock (at \$1.50 per share) to twelve accredited investors.
- D. In December 2004, we raised \$1,420,000 from five investors in a convertible debt financing, and issued to the investor's secured convertible notes due October 31, 2007 and common stock purchase warrants. The notes each bear an interest rate of 8% per annum. Aggregate monthly payments of 1.2% of the principal amount were due commencing November 1, 2005 through April 30, 2006, then aggregate monthly payments of 3% of the principal amount were scheduled for payment commencing May 1, 2006 through October 31, 2006, and then aggregate monthly payments of 6% of the principal amount were scheduled for payment commencing November 1, 2006 through October 31, 2007. Payments are applied first to accrued interest and then to principal. The balance of the unpaid principal and any unpaid interest is due on October 31, 2007. In June 2006, the holders of the December 2004 debt agreed to modify their rights to receive interest only from June 1, 2006 through May 31, 2007 and thereafter to resume the original payment schedule from June 1, 2007 through the due date of their notes on October 31, 2007. The 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 our common stock at as adjusted conversion price of \$.75 per share, subject to further adjustment in certain circumstances if the notes are then outstanding, such as a stock split, combination or dividend; or in the event we issue shares of common stock for consideration of less than the exercise price. On March 16, 2006, the exercise price of the notes was originally reduced from \$1.50 per share to \$1.00 per share as we failed to achieve gross revenues of at least \$15 million or net profits of at least \$1 million for the year ended December 31, 2005 and on June 22, 2006, the conversion price was reduced to \$.75 per share. On April 20, 2007, the conversion price of the notes was reduced to \$.30 per share.

We can require the holders of the December 2004 debt to convert their notes into shares of common stock if a registration statement for the resale of the underlying shares is effective and the common stock has traded above \$2.50 per shares for ten consecutive days. The amount that the holders can be required to convert is limited to the aggregate dollar volume traded over the past seven trading days (pro-rated among all holders), but no holder is required to convert an amount that result in the holder becoming the beneficial owner of more than 4.99% of the outstanding common stock on the date of conversion. The notes are secured by all of the assets of BlastGard<sup>®</sup> International, Inc, and its wholly-owned subsidiary, BlastGard Technologies, Inc., until the notes have been fully paid or fully converted into common stock.

Also in connection with the December 2004 debt, we issued the note holders two types of warrants to acquire shares of our common stock. We issued to the investors “Class A” Common Stock Purchase Warrants which entitle the investors to acquire an aggregate of 473,336 shares of our common stock currently exercisable at a price of \$.45 per share through December 2009 and contain a “cashless exercise” provision that applies only in the event that a registration statement for the resale of the shares is not effective.

We also issued to the investors “Class B” Common Stock Purchase Warrants entitling them to acquire an aggregate of 141,999 shares of our common stock currently exercisable at a price of \$.45 per share through December 2007 and contain a “cashless exercise” provision that applies only in the event that a registration statement for the resale of the shares is not effective.

Andrew Garrett, Inc., acted as placement agent in this transaction. The placement agent was paid a cash fee of \$99,400, which represented 7% of the gross proceeds. Andrew Garrett is also entitled to a 5% fee upon exercise of warrants by the investors, if any. We also issued the placement agent a warrant to acquire an aggregate of 82,834 shares of our common stock currently exercisable at a price of \$.45 per share, and a warrant to acquire 4,970 shares of our common stock currently exercisable at a price of \$.45 per share. The placement agent’s warrants are exercisable for a period of five years and contain a “cashless exercise” provision that applies only in the event that a registration statement for the resale of the shares is not effective.

In March 2007, we entered into a new Waiver and Modification Agreement with the holders of the December 2004 Debt. Pursuant to said agreement, they waived their right of first refusal to participate in our recently completed financing. Further, the holders of the December 2004 Debt agreed to extend the maturity date of their notes to March 20, 2008 and to refrain for a period of ten months from March 20, 2007 from taking any action to foreclose on its security interest unless the holders, in their sole discretion, determined that the securities are in danger of being compromised. The holders of the December 2004 Debt also agreed to reduce the exercise price and call price of their Class F Warrants to \$.50 per share and \$.73 per share, respectively, and to waive any increase in the number of warrant shares that would otherwise be called for pursuant to the Class F Warrants. In addition, such holders agreed with us to lower the exercise price of their Class A and Class B Warrants to \$.45 per share (and the conversion price of their notes to \$.30 per share). The new Waiver and Modification Agreement became effective on April 20, 2007.

- E. In December 2004, we raised \$1,020,000 from one investor by selling 680,000 shares of restricted common stock (at \$1.50 per share) to one investor, and we also issued to the investor a “Class B” common stock purchase warrant to acquire 100,000 shares of common stock currently exercisable at a price of \$.45 per share. Basic Investors, Inc., acted as placement agent in this transaction. The placement agent was paid a cash fee of \$132,600, which represents 13% of the gross proceeds.

For all of the transactions described above in D and E above, we agreed to file a registration statement to register all of the shares of common stock issued, and the shares of common stock underlying the convertible notes and the warrants for resale by the holders.

- F. On June 22, 2006, we entered into a series of simultaneous transactions with two investors, whereby we borrowed an aggregate principal amount of \$1,200,000 due June 22, 2008 and issued to the investors subordinated convertible 8% notes (secured by the assets of our company and subsidiary) and we issued the following series of warrants:
- (i) Five-year Class C warrants purchasing an aggregate of 1,200,000 shares exercisable at \$1.00 per share;
  - (ii) Five-year Class D warrants purchasing an aggregate of 1,200,000 shares exercisable at \$1.50 per share;
  - (iii) Five-year Class E warrants to purchase an aggregate of 600,000 shares exercisable at \$2.00 per share; and

(iv) Five-year Class F warrants purchasing an aggregate of 1,066,666 shares exercisable at \$.75 per share. The class F warrants are redeemable at a nominal price under certain circumstances if the volume weighted average price for our common stock is at least \$1.10 for ten consecutive trading days. The Class C warrants, Class D warrants, Class E warrants and Class F warrants contain anti-dilution protection in the case of stock splits, dividends, combinations, reclassifications and the like and in the event that we sell common stock below the applicable exercise price. The warrants also contain immediate registration rights and cashless exercise provisions in the event that there is no current registration statement commencing one year after issuance. An additional 666,667 Class F warrants were issued in connection with this transaction to the holders of our December 2004 debt to consent to this financing transaction and to agree to modify certain of their existing rights.

In April 2007, the holders of the June 2006 Debt entered into an agreement (the “April 2007 Agreement”) to sell their interest in our Debentures and their Warrants to Andrew McKinnon, our new Chief Operating Officer, his wife and certain other non-affiliated persons (collectively the “New Holders”). The closing date on this transaction is scheduled to occur on or before May 25, 2007. If completed, the new Holders have agreed with us on the following actions:

- To convert their Debentures in the principal amount of \$1,200,000 at \$.30 per share;
- To terminate all of their Class D and Class E Warrants;
- Change the exercise price of the Class C Warrants to \$.45 per share;
- Change the exercise price and call price of the Class F Warrants to \$.50 and \$.73 per share; and
- Waive certain other anti-dilution provisions contained in their Class C and Class F Warrants to receive additional shares.

In April 2007, the then holders of the June 2006 Debt agreed to waive their right of first refusal in connection with our recently completed offerings in exchange for 150,000 restricted shares of Common Stock with “piggyback” registration rights contemporaneously with their entering into the April 2007 Agreement.

Source Capital Group, Inc. acted as a finder in connection with the June 2006 transaction. Source Capital was paid 25,000 shares of restricted common stock, a cash fee of \$72,000, which represents 6% of the gross proceeds and a 6% fee of each class of warrants issued in connection with the June 2006 debt financing, which warrants were issued by us and not deducted from those issued to any other party. Each Class of their Warrants are presently exercisable at \$.45 per share except for the Class F Warrants which are exercisable and callable at \$.50 and \$.73, respectively.

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, 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 newly granted warrants. In September 2006, we obtained an effective registration statement pertaining to the (i) shares of common stock issuable upon conversion of the June 2006 Debt based upon a then conversion price of \$.75 per share and (ii) warrant shares underlying the (x) Class C and Class F Warrants held by the holders of the June 2006 Debt and (y) all 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.

### **Recently Issued Accounting Pronouncements**

During the past two years, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 155, SFAS No. 156, SFAS No. 157 and SFAS No. 159 and FIN 48 which are described in Note 1, “Recent Accounting Pronouncements” of the Notes to Financial Statements contained in our latest annual report on Form 10-KSB filed with the Security and Exchange commission on April 17, 2007.. Reference is made to these recent accounting pronouncements as if they are set forth therein in their entirety.

### **Item 3. 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.

Management has not yet completed, and is not yet required to have completed, its assessment of the effectiveness of internal control over financial reporting as required by Section 404 of the Sarbanes-Oxley Act of 2002, as amended.

## 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 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 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 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 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 (July 17) to file a notice of appeal, which did not occur.

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.

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

There were no sales of unregistered securities in the first quarter of 2007. However, the employment agreements referenced in Item 5 below which were effective in April 2007, called for the grant of options in April 2007. Also, between April 20, 2007 and May 4, 2007, we completed two concurrent Offerings and raised a total of \$3,968,810.40 as described below.

We had a plan of financing to sell shares of our unregistered Common Stock at \$.30 per share and to issue warrants exercisable at \$.45 per share in an offshore offering to non-US Persons through D & D Securities Company as placement agent. We raised \$3,458,810.40 in gross proceeds and issued and sold 11,529,368 shares of Common Stock and warrants to purchase 5,764,684 shares of our Common Stock, exclusive of broker warrants described in Note 8. Exemption from registration is claimed under Regulation S of the Securities Act of 1933, as amended.

We had a plan of financing to sell shares of our unregistered Common Stock at \$.30 per share and to issue warrants exercisable at \$.45 per share, pursuant to a Regulation D offering. We raised \$510,000 and issued and sold 1,700,000 shares of Common Stock and warrants to purchase 850,000 shares of its Common Stock. 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 our concurrent plans of financing contain certain registration rights and penalty warrants for failure to meet certain registration or trading conditions by October 15, 2007.

### Item 3. Defaults Upon Senior Securities.

None

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

None.

## **Item 5. Other Information.**

Effective April 1, 2007, Andrew McKinnon became Chief Operating Officer. John L. Waddell, Jr., formerly our Chief Operating Officer, will remain as President of the Company. Prior to Mr. McKinnon's appointment as Chief Operating Officer, he has not had any transactions with the Company. His biographical information is contained in our Form 10-KSB for our fiscal year ended December 31, 2006, which is incorporated herein by reference. As part of the financing described in Item 3.02 below, the holders of our December 2004 Debt have waived their right of first refusal and renegotiated their agreements and warrants so that their debt will be due in March 2008 and will be convertible at \$.30 per share and their Class A and Class B Warrants will have a reduced exercise price of \$.45 and their Class F Warrants will have a reduced exercise and call price of \$.50 and \$.73 per share, respectively. While the Class F Warrants would have entitled them to an adjustment in the number of shares while lowering the exercise price to the new deal price of \$.30, the holders of December 2004 Debt have waived these further rights. Also as part of the financing, certain other holders of our Class C, Class D, Class E and Class F warrants to purchase 72,000 shares, 72,000 shares, 36,000 shares and 104,000 shares, respectively, also agreed to lower their exercise price of their classes of warrants to \$.45 per share (\$.50 per share in the case of the Class F Warrant with a new call price of \$.73 per share) and to permanently waive their right of first refusal.

In April 2007, the holders of our June 2006 Debt entered into an agreement with the Company's new Chief Operating Officer to sell him and his assignees our debt in the principal amount of \$1,200,000 and their Class C, Class D, Class E and Class F warrants to purchase 1,200,000 shares, 1,200,000 shares, 600,000 shares and 1,066,666 shares, respectively. In connection with their waiver of a right of first refusal, we agreed to issue an aggregate of 150,000 shares of restricted common stock to the holders of our June 2006 debt and to grant them piggyback registration rights. As a result of the financing described herein, the conversion price of the June 2006 debt was adjusted to \$.30 per share. Upon completion of the April 2007 Agreement, the New Holders have agreed to cancel their Class D and Class E Warrants, raise the exercise price of the Class C and Class F Warrants to \$.45 and \$.50 per share, respectively (with a call price on the Class F Warrants of \$.73 per share) and waive the Warrant Share Adjustment to the Class C and Class F Warrants.

### **New Employment Contracts with Executive Officers**

Effective April 1, 2007, subject to the completion of the financing described in item 3.02, we entered into new employment agreements with each of our executive officers, namely, Andrew McKinnon, James F. Gordon, John L. Waddell, Jr., Michael J. Gordon and Kevin J. Sharpe. Each agreement is identical to the other, except in terms of compensation. For a summary of the new employments contracts with each of our five executive officers, reference is made to our recently filed Form 10-KSB for our fiscal year ended December 31, 2006, which is incorporated herein by reference. It should be noted that Andrew McKinnon's definitive employment agreement also contains a one-time signing bonus of \$160,000 payable in cash.

## Item 6. Exhibits

| <b>Exhibit No.</b> | <b>Description</b>  |
|--------------------|---|
| 2.4                | Agreement and Plan of Reorganization dated January 31, 2004, by and among the Registrant, BlastGard Technologies, Inc., (“BTI”) and the shareholders of BTI. (Incorporated by reference to Exhibit 2.4 to the Company’s current report on Form 8-K dated January 31, 2004.) |
| 3.7                | The Company’s Articles of Incorporation, as amended and currently in effect. (Incorporated by reference to Exhibit 3.7 to the Company’s quarterly report on Form 10-QSB dated March 31, 2004).  |
| 3.8                | The Company’s Bylaws, as amended and currently in effect. (Incorporated by reference to Exhibit 3.8 to the Company’s quarterly report on Form 10-QSB dated March 31, 2004).   |
| 4.01               | Subscription Agreement between the Company and the named investors dated December 2, 2004. (Incorporated by reference to exhibit 4.01 of the current report on Form 8-K filed December 3, 2004.)  |
| 4.02               | Form of Secured Convertible Note issued to the named investors. (Incorporated by reference to exhibit 4.02 of the current report on Form 8-K filed December 3, 2004.)   |
| 4.03               | Form of Class A Common Stock Purchase Warrant. (Incorporated by reference to exhibit 4.03 of the current report on Form 8-K filed December 3, 2004.)  |
| 4.04               | Form of Class B Common Stock Purchase Warrant. (Incorporated by reference to exhibit 4.04 of the current report on Form 8-K filed December 3, 2004.)  |
| 4.05               | Form of Common Stock Purchase Warrant issued to Andrew Garrett, Inc. (Placement Agent). (Incorporated by reference to exhibit 4.05 of the current report on Form 8-K filed December 3, 2004.)   |
| 4.06               | Security and Pledge Agreement between the Company and Barbara Mittman as collateral agent for the named investors dated December 2, 2004. (Incorporated by reference to exhibit 4.06 of the current report on Form 8-K filed December 3, 2004.)                             |
| 4.07               | Security and Pledge Agreement between BlastGard Technologies, Inc. and Barbara Mittman as collateral agent for named investors dated December 2, 2004. (Incorporated by reference to exhibit 4.07 of the current report on Form 8-K filed December 3, 2004.)                |
| 4.08               | Collateral Agent Agreement among the Company, Barbara Mittman (the collateral agent) and the named investors dated December 2, 2004. (Incorporated by reference to exhibit 4.08 of the current report on Form 8-K filed December 3, 2004.)                                  |
| 4.09               | Guaranty Agreement between BlastGard Technologies, Inc. and Barbara Mittman as collateral agent for named investors dated December 2, 2004. (Incorporated by reference to exhibit 4.09 of the current report on Form 8-K filed December 3, 2004.)                           |
| 4.10               | Form of Securities Purchase Agreement (Incorporated by reference to the Registrant’s Exhibit 99.2 contained in our Form 8-K filed June 23, 2006.)   |

- 4.11 Form of Registration Rights Agreement (Incorporated by reference to the Registrant's Exhibit 99.3 contained in our Form 8-K filed June 23, 2006.)
- 4.12 Form of Security Agreement. (Incorporated by reference to the Registrant's Exhibit 99.4 contained in our Form 8-K filed June 23, 2006.)
- 4.13 Form of Subsidiary Guarantee (Incorporated by reference to the Registrant's Exhibit 99.5 contained in our Form 8-K filed June 23, 2006.)
- 4.14 Form of Debenture (Incorporated by reference to the Registrant's Exhibit 99.8 contained in our Form 8-K filed June 23, 2006.)
- 4.15 Form of Warrant (Incorporated by reference to the Registrant's Exhibit 99.9 contained in our Form 8-K filed June 23, 2006.)
- 4.16 Form of SPA Disclosure (Incorporated by reference to the Registrant's Exhibit 99.10 contained in our Form 8-K filed June 23, 2006.)
- 4.17 Form of Security Agreement Disclosure Schedule (Incorporated by reference to the Registrant's Exhibit 99.11 contained in our Form 8-K filed June 23, 2006.)
- 4.18 Form of Subsidiary Guarantee Disclosure Schedule (Incorporated by reference to the Registrant's Exhibit 99.12 contained in our Form 8-K filed June 23, 2006.)
- 10.9 IDMedical.com, Inc. 2002 Stock Plan (Incorporated by reference to Exhibit 10.9 of the Company's Registration Statement on Form S-8, SEC File No. 333-84002, filed March 8, 2002).
- 10.12 Amendment dated March 24, 2004, to the IDMedical.com, Inc. 2002 Stock Plan. (Incorporated by reference to Exhibit 10.12 of the Company's Registration Statement on Form S-8, SEC File No. 333-113994 filed March 29, 2004.)
- 10.13 Employment Agreement with James F. Gordon dated January 31, 2004. (Incorporated by reference to Exhibit 10.13 to the Company's quarterly report on Form 10-QSB dated March 31, 2004).
- 10.14 Employment Agreement with Michael J. Gordon dated January 31, 2004. (Incorporated by reference to Exhibit 10.14 to the Company's quarterly report on Form 10-QSB dated March 31, 2004).
- 10.15 Employment Agreement with John L. Waddell, Jr. dated January 31, 2004. (Incorporated by reference to Exhibit 10.15 to the Company's quarterly report on Form 10-QSB dated March 31, 2004).
- 10.16 Employment Agreement with Kevin J. Sharpe dated January 31, 2004. (Incorporated by reference to Exhibit 10.16 to the Company's registration statement on Form SB-2, pre-effective amendment no. 3 (File No. 333-121455).)
- 10.17 Alliance Agreement with Centerpoint Manufacturing, Inc. dated October 25, 2004. (Incorporated by reference to Exhibit 10.17 to the Company's registration statement on Form SB-2, pre-effective amendment no. 4 (File No. 333-121455).)
- 10.18 Advisory Agreement with The November Group, Ltd., dated June 29, 2005. (Incorporated by reference to Exhibit 10.18 of the current report on Form 8-K filed July 6, 2005.)

- 10.19 Modification and Waiver Agreement (Incorporated by reference to Exhibit 10.1 in our Form 8-K filed December 8, 2006).
- 10.20 Form of Amended and Restated Second Modification and Waiver Agreement (Incorporated by reference to the Registrant's Exhibit 99.7 contained in our Form 8-K filed June 23, 2006.)
- 10.21 Form of Modification and Warrant Agreement (Incorporated by reference to the Registrant's Exhibit 99.14 contained in our Form 8-K filed June 23, 2006.)
- 10.22 Form of Modification and Warrant Agreement (Incorporated by reference to the Registrant's Exhibit 99.15 contained in our Form 8-K filed June 23, 2006.)
- 10.23 Form of Modification and Waiver Agreement (Incorporated by reference to the Registrant's Exhibit 10.23 contained in our Registration Statement, file no. 333-135815.)
- 10.24 Form of Second Modification and Warrant Agreement (Incorporated by reference to the Registrant's Exhibit 10.24 contained in our Registration Statement, file no. 333-135815.)
- 10.25 Form of Third Modification and Waiver Agreement (Incorporated by reference to the Registrant's Exhibit 10.25 contained in our Registration Statement, file no. 333-135815.)
- 10.26 Amendment Agreement dated September 15, 2006 to Exhibit 4.11 (Incorporated by reference to Exhibit 10.18 contained in our Form 10-QSB for the quarter ended September 30, 2006).
- 10.27 Waiver Agreement, dated April 18, 2007. (Incorporated by reference to Exhibit 10.1 of our Form 8-K filed with the SEC on April 25, 2007.)
- 10.28 Fourth Waiver and Modification Agreement, dated March 20, 2007. (Incorporated by reference to Exhibit 10.2 of our Form 8-K filed with the SEC on April 25, 2007.)
- 10.29 Management Committee Charter, dated March 23, 2007. (Incorporated by reference to Exhibit 10.3 of our Form 8-K filed with the SEC on April 25, 2007.)
- 10.30 Employment Agreement for John L. Waddell, Jr., dated April 1, 2007. (Incorporated by reference to Exhibit 10.4 of our Form 8-K filed with the SEC on April 25, 2007.)
- 10.31 Employment Agreement for James F. Gordon, dated April 1, 2007. (Incorporated by reference to Exhibit 10.5 of our Form 8-K filed with the SEC on April 25, 2007.)
- 10.32 Employment Agreement for Andrew McKinnon, dated April 1, 2007. \*
- 10.33 Employment Agreement for Kevin J. Sharpe, dated April 1, 2007.. (Incorporated by reference to Exhibit 10.7 of our Form 8-K filed with the SEC on April 25, 2007.)
- 10.34 Employment Agreement for Michael J. Gordon, dated April 1, 2007. (Incorporated by reference to Exhibit 10.9 of our Form 8-K filed with the SEC on April 25, 2007.)
- 10.35 Source Capital March 9, 2007 and April 12, 2007 Waiver Agreements (Incorporated by reference to Exhibit 10.10 of our Form 8-K filed with the SEC on April 25, 2007.)

- 31.1 Rule 13a-14(a) Certification – Chief Executive Officer\*
- 31.2 Rule 13a-14(a) Certification – Chief Financial Officer \*
- 32.1 Section 1350 Certification – Chief Executive Officer \*
- 32.2 Section 1350 Certification – Chief Financial Officer \*
- 99.1 Employee Benefit and Consulting Services Compensation Plan (Incorporated by reference to Exhibit 99.1 to the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2005).
- 99.2 Press Release – 2007 First Quarter Results of Operations \*

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\* 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.

Dated: May 15, 2007

**BLASTGARD INTERNATIONAL, INC.**

By: /s/ James F. Gordon

James F. Gordon,  
Chief Executive Officer

Dated: May 15, 2007

By: /s/ Michael J. Gordon

Michael J. Gordon  
Chief Financial Officer and  
Principal Accounting Officer

EXECUTIVE EMPLOYMENT AGREEMENT

This agreement (the "Agreement") made and entered into this first day of April 2007

|  |  |
|--|--|
| BETWEEN  | AND  |
| Company Name:<br>BlastGard International Inc.                          | Employee's Name:<br>Andrew R. McKinnon                           |
| Officer's Name:  |  |
| Address:<br>12900 Automobile Blvd., Ste. D<br>Clearwater Florida 33762 | Address:<br>17655 Innis Lake Rd.<br>Caledon East Ontario L7K 2L1 |

(the Company and the Executive hereinafter collectively referred to as the "Parties")

This agreement establishes an understanding between the parties and as such both parties agree to be bound by its Terms and Conditions. This agreement shall not become binding upon the parties until it has been signed by an authorized representative of the Parties and signed and accepted by authorized officers.

**RECITALS:**

WHEREAS, the parties have agreed to enter into a new Employment Agreement;

WHEREAS, the Company desires to employ Executive upon the terms and subject to the conditions of this Agreement; and

WHEREAS, Executive desires to be employed by the Company upon the terms and subject to the conditions of this Agreement.

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth below, and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Company and Executive hereby covenant and agree as follows:

**1. Definitions.** For purposes of this Agreement, the following capitalized terms shall have the following meanings, and all other capitalized terms used in this Agreement but not defined in this paragraph 1 shall have the meanings assigned elsewhere in this Agreement:

"Base Salary" means \$225,000 American dollars.

"Cause" means:

- a. Executive's conviction of (or plea of no contest or similar plea to) a felony;
- b. Executive's intentional continuing refusal to substantially perform his obligations and duties under this Agreement (except by reason of incapacity due to illness or accident) if he

Employer \_\_\_\_ Employee \_\_\_\_

- a. shall have failed to remedy the alleged breach caused by such conduct within 30 days from the date written notice is given by the Company demanding that he remedy the alleged breach caused by such conduct, or
- b. shall have failed to take reasonable steps in good faith to that end during such 30-day period, provided that after the end of such 30-day period there shall have been delivered to Executive a certified copy of a resolution of the Board of Directors of the Company, taken at a meeting of the Board of Directors at which Executive, together with his counsel, is given the opportunity to be heard, finding that Executive was guilty of intentional continuing refusal to substantially perform his obligations and duties under this Agreement and specifying the details thereof, and that Executive has failed to take reasonable steps in good faith to remedy the alleged breach caused by such conduct,
- c. Executive engaged in willful fraud or defalcation, either of which involved funds or other assets of the Company; or
- d. upon Executive's breach of any material term of this Agreement (including, but not limited to, the non-compete and confidentiality provisions in paragraphs 7 and 8).

"Change in Control" means and shall be deemed to occur:

- (i) in the event any "person" or more than one such person acting as a group, other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company, is or becomes the "beneficial owner", directly or indirectly, of the securities of the Company, in a transaction or a series of transactions, representing thirty percent (30%) or more of the combined voting power of the Company's then outstanding securities ordinarily having the right to vote for the election of directors of the Company;
- (ii) during any period of two consecutive years during the Employment Period, individuals who at the beginning of the Employment Period constitute the Board of Directors of the Company cease for any reason to constitute at least a majority thereof, unless the election, or the nomination for election by the Company's stockholders, of each director who was not a director at the beginning of the Employment Period has been approved in advance by directors representing at least two-thirds of the directors then in office who were (A) directors at the beginning of the Employment Period, or (B) previously approved in accordance with this subparagraph (ii);
- (iii) the Company sells or otherwise disposes of all or substantially all of its assets; and
- (iv) the Company participates in a merger or consolidation and, immediately following the consummation of such merger or consolidation, the Company's stockholders prior to such merger or consolidation do not own 50% or more of the voting shares of stock of the surviving or successor corporation.

Employer \_\_\_\_ Employee \_\_\_\_

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"Code" means the Internal Revenue Code of 1986, as amended, or any successor thereto.

"Compensation Committee" means the applicable compensation committee of the Board of Directors of the Company.

"Disabled" or "Disability" means a determination, made at the request of Executive or upon the reasonable request of the Company set forth in a notice to Executive, by a physician selected by the Company and Executive, that Executive is unable to perform his duties as specified in this Agreement and in all reasonable medical likelihood such inability will continue for a period in excess of 180 days, or for shorter periods aggregating to more than 180 days in any consecutive nine-month period.

"Effective Date" shall be first day of April 2007

"Employment Period" means the term of Executive's employment pursuant to the provisions of this Agreement.

"Good Reason" means:

- (i) a Change in Control of the Company;
- (ii) a decrease in the total amount of Executive's Base Salary below the amount in effect on the date hereof;
- (iii) a reduction in Executive's title, a material reduction in his authority, duties or job responsibilities, a material adverse change in his working conditions (including the relocation of Executive's office more than 40 miles from the Company's present executive offices), without Executive's consent, as determined by Executive in his reasonable judgment;
- (iv) a failure by the Company to comply with any material provision of this Agreement if the Company shall have failed to remedy the alleged breach within 60 days from the date written notice of such noncompliance is given by Executive to the Company; or
- (v) any purported termination of Executive's employment which is not effected pursuant to a proper Notice of Termination (and for purposes of this Agreement no such purported termination shall be effective).

"Notice of Termination" means a written notice of either the Company or Executive, as applicable, setting forth in reasonable detail the facts and circumstances claimed to provide a basis for termination.

"Termination Date" means the effective date of employment termination.

Employer \_\_\_\_ Employee \_\_\_\_

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## TERMS OF EMPLOYMENT:

- 2. Term of Employment.** Effective April 1, 2007, subject to the Company's receipt of additional financing of at least \$3,000,000, the Company shall employ Executive, and Executive shall be employed by the Company and shall provide services to the Company upon the terms and conditions hereinafter set forth. The initial term of Executive's employment with the Company shall continue, unless earlier terminated pursuant to Section 5 hereof, through the last day of March 2009 (the "Employment Period"); provided, however, that after expiration of the initial term, the Employment Period shall automatically be renewed each first day of April for successive one-year terms unless the Company or Executive delivers written notice to the other party at least sixty (60) days preceding the expiration of the initial term or any one-year extension date of the intention not to extend the term of this Agreement.
- 3. Performance of Duties.** Executive shall have the title of Chief Operating Officer (COO) of the Company, and he shall possess such powers and perform such duties as are normally incident to such position, as provided in the By-laws of the Company and in accordance with the General Corporation Law of the State of Colorado during this period, Executive agrees that during the term of this Agreement, including any renewals thereof, the Employee shall faithfully and diligently serve and further the best interests of the Corporation.
- 4. Compensation.** For services rendered by Executive, and upon the condition that Executive fully and faithfully perform all of his duties and obligations set forth herein, Executive shall be compensated for his services as follows:
- (a) Salary: The Corporation shall pay to the Employee on the last day of each and every month commencing on last day of April 2007, the sum of **eighteen thousand seven hundred fifty dollars (\$18,750.00)**;
  - (b) Signing Bonus: \$160,000 in cash and 375,000 stock options @ .45 to be issued upon effective date of this Agreement. All signing bonus options will be fully vested on July 31, 2007 and each option shall expire March 31, 2012;
  - (c) Performance Bonus: this shall be due and payable to employee upon the corporation achieving each of the following sales targets in both the first and second twelve month period of this agreement, commencing from effective date of agreement
    - (i) Five million dollars in sales (\$5,000,000); bonus payable to employee will be Fifty Thousand Dollars (\$50,000) and 375,000 options @ .45
    - (ii) Ten million dollars in sales (\$10,000,000); bonus payable to employee will be One Hundred Fifty Thousand Dollars (\$150,000) and 750,000 options @ .45
    - (iii) Twenty million dollars in sales (\$20,000,000); bonus payable to employee will be Three Hundred Thousand Dollars (\$300,000) and 1,500,000 options @ .45

All bonuses to be paid within 90 days of any sales target being achieved.

- a. Management Stock Option Plan.** Should the Company establish a stock option plan or plans with respect to which senior executives of the Company participate and which accepts other employees of the Company generally, Executive shall be entitled to participate in such plans in the same manner as other senior executives of the Company.
- b. Benefits.** During his employment with the Company, Executive shall be entitled to participate, to the extent he meets all eligibility requirements of general application, in

Employer \_\_\_\_ Employee \_\_\_\_

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any and all employee benefit plans, programs and arrangements which are now or hereafter adopted by the Company to provide benefits for its employees, including, but not limited to, medical and hospitalization, group term life insurance, disability, and retirement plans. Additionally, Executive shall receive such other benefits as Company may make generally available to its senior executive officers.

- c. **Vacation.** Executive shall be entitled to a minimum of four (4) weeks of paid vacation, during each calendar year and to paid holidays and other paid leave set forth in the Company's policies in effect from time to time, to be taken at times agreeable to both the Executive and the Company. Any vacation not used during a calendar year may not be used during any subsequent period. Vacation time shall be prorated for any partial calendar year of employment.
  - d. **Travel and Expenses.** The Company shall reimburse Executive for the reasonable and necessary business expenses incurred by him in connection with the performance of his duties and obligations as set forth herein consistent with any existent Company policy with respect to same. Reimbursement shall be made upon the presentation by Executive to the Company of reasonably detailed statements of such expenses.
  - e. **Office and support staff.** During the Employment Period, the Executive shall be entitled to an office or offices of a size and with furnishings and other appointments, favorable of the foregoing provided to the Executive by the Company at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as provided generally at any time thereafter with respect to other peer executives of the Company.
  - f. Payment of the Base Salary shall not in any way limit or reduce any other obligation of the Company pursuant to this Agreement, and no other compensation, benefit, or payment hereunder shall in any way limit or reduce the obligation of the Company to pay Executive's Base Salary, except that, for the period commencing on the date Executive becomes Disabled and ending on the Termination Date, the Base Salary shall be reduced by any amounts that are payable to Executive prior to or during such period under any disability benefit plan of the Company in which Executive participates.
5. **Termination.** Executive's employment hereunder shall terminate at the end of the Employment Period. In addition, the Employment Period may be terminated at any time as provided herein. After Notice of Termination has been delivered, and prior to the Termination Date, Executive shall make reasonable efforts to cooperate with Company in achieving a transition of Executive's duties and responsibilities.
- a. **Cause.** The Employment Period may be terminated at the option of the Company for Cause effective upon the date stated in the Notice of Termination to Executive.
  - b. **Death.** The Employment Period will terminate automatically effective upon Executive's death.

Employer \_\_\_\_ Employee \_\_\_\_

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- c. **Disability.** In the event Executive becomes Disabled (as such term is hereinafter defined) during the Employment Period, and the Company is unable to make a reasonable accommodation which would enable Executive to continue to perform the essential functions of his employment position with the Company, the Employment Period may be terminated at the option of Executive or the Company effective 30 days after a Notice of Termination is given (provided that Executive shall not have returned to the performance of his duties on a full-time basis during such 30-day period). Unless otherwise agreed by Executive and the Board of Directors, the determination by the physician selected by Company and Executive that Executive is Disabled shall be binding upon the Company and Executive.
- d. **Voluntary Resignation.** Executive may resign his employment at any time with or without Good Reason, effective upon Notice of Termination (which shall state whether such resignation is with Good Reason) given by Executive to the Company.
- e. **Termination without Cause by the Company.** Notwithstanding that this is a contract of employment for a definite term, the Corporation may, in its sole discretion, cancel this Agreement and terminate the Employee at any time prior to the Expiry Date for any reason whatsoever upon paying the Employee a lump sum payment of FOUR HUNDRED FIFTY THOUSAND DOLLARS (\$450,000). In such circumstances, the Corporation will also continue to permit the Employee to participate in the Corporation's employee benefits plan, as provided for in this Agreement, for a period of ONE (1) month subsequent to the date of termination.

If, within 30 days after any Notice of Termination for Cause is given by the Company, Executive notifies the Company that a dispute exists concerning the termination, then the Termination Date shall be the date (the "Final Determination") as determined either by mutual written agreement of the parties, by a binding and final arbitration award or by a final judgment, order or decree of a court of competent jurisdiction (the time for appeal therefrom having expired and no appeal having been perfected). Notwithstanding the foregoing, the Company shall not be prohibited from removing Executive from his position with the Company pending the Final Determination provided that such removal is without prejudice to Executive's rights to receive all benefits from the Company to which he may be entitled upon the Final Determination.

- 6. **Separation Benefits.** Executive shall be entitled to receive separation benefits upon such events and in such amounts as are set forth in this Section 6.
  - a. **Termination upon Death.** If the Employment Period is terminated by Executive's death, the Company shall pay Executive's surviving spouse, or if he leaves no spouse, his personal representative, as successor in interest, (i) an amount equal to the then current Base Salary (paid in one lump sum payment on or before the fifteenth day following the date of Executive's death), and (ii) any death benefit payable under any employee benefit plans, programs and arrangements of the Company in which Executive is a participant on the date of his death.
  - b. **Termination upon Disability.** If the Employment Period is terminated in accordance with the terms of paragraph 5(c) because of Executive's Disability, the Company shall

Employer \_\_\_\_ Employee \_\_\_\_

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pay to Executive (or in the event of Executive's death after finding of Disability, his surviving spouse, or if he leaves no spouse, his personal representative, as successor in interest) all compensation and benefits specified under paragraph 4 herein, for a period of one year from the Date of Termination, payable in the same manner as if the Employment Period had not been terminated.

- c. Additional Separation Benefit.** For a period of Six (6) months following (i) the full completion of the Employment Period or (ii) following the Date of Termination of the Employment Period for any reason other than termination by the Company for Cause or termination by Executive for other than Good Reason, the Company shall permit, at the Company's expense, Executive, his spouse and dependents, as applicable (the "Benefit Participants"), to participate in all group medical health insurance plans and employee benefit plans, programs and arrangements now or hereafter made available to the senior executive employees of the Company (the "Plans") (including but not limited to such Plans in which Executive was entitled to participate immediately prior to the Date of Termination), in the same manner provided to its other senior executive employees; provided, however, that this paragraph 6(d) shall not apply in the event that (i) the Company shall hereafter terminate the applicable Plan, or (ii) the participation of the Benefit Participants in such Plan is prohibited by law or, if applicable, would disqualify such Plan as a tax qualified plan pursuant to the Code, or (iii) the participation of the Benefit Participants violates the general terms and provisions of such applicable Plan.
- d. Tax Withholding.** All payments of salary and other compensation to Executive pursuant to this Agreement shall be made after deduction of any taxes required to be withheld with respect thereto under applicable federal, state and local laws. In the case of Options and Restricted Stock, Executive may pay such withholding tax obligations pursuant to any method permitted under the terms of Company's Stock Plan.
- e. Excise Tax Gross-Up.** If any payment to Executive pursuant to this Agreement or any other payment or benefit from the Company, any Affiliate, any shareholder of the Company or any other person is determined to be subject to the excise tax imposed by Section 4999 of the Code or any similar tax payable under any United States federal, state, local or other law (the "Excise Tax"), then Executive shall receive a Tax Gross-Up Payment with respect to all such excise taxes and similar taxes. The "Tax Gross-Up Payment" shall mean an amount payable to the Executive such that, after payment of all federal, state and local taxes on such Tax Gross-Up Payment, there remains a balance sufficient to pay the Excise Tax being reimbursed. The Company's outside auditor (the "Auditor") shall determine whether any payment under this Agreement is subject to an Excise Tax and, if so, the amount and timing of the Tax Gross-Up Payment.
- 7. Non-competition.** During the Employment Period and continuing until the second anniversary thereof, Executive shall not, without the prior written authorization of the Board of Directors of the Company, (i) directly or indirectly render services of a business, professional or commercial nature (whether for compensation or otherwise) to any person or entity competitive or adverse to the Company's business welfare, (ii) engage in any activity, whether alone, as a partner, or as an officer, director, employee, consultant, independent contractor, or stockholder in any other corporation, person, or entity which is competitive with or adverse to the Company's business welfare, (iii) hire or solicit for hire any of the Company's employees, prospective employees or

Employer \_\_\_\_ Employee \_\_\_\_

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consultants (iv) solicit the business of any client of the Company, or any prospective client of the Company that had been serviced or solicited by the Company during the two (2) years preceding Executive's termination, or (v) enter into any agreements with any supplier of the Company regarding the sale or distribution of products of the supplier.

In the event that Executive's employment with the Company is terminated by Executive or the Company at any time, for any reason whatsoever, the Company shall have the right to inform any of Executive's future employers or prospective employers of the existence of this Section 7 of the Agreement. This Section 7 shall not, however, prevent Executive from investing in securities issued by any such competitive or adverse corporation provided the holdings thereof by Executive do not constitute more than three percent of any one class of such securities.

## 8. Confidentiality.

- a. Disclosure and Use.** Executive shall not disclose or use, or authorize anyone else to disclose or use, at any time, either during or after the Employment Period, any trade secrets or other confidential information of the Company of which Executive is or becomes informed or aware of prior to or during the Employment Period, except (i) as may be required for Executive to perform his duties and obligations under this Agreement, (ii) to the extent such information has been disclosed to Executive by a third party who is not affiliated with the Company or which otherwise becomes generally available to the public, (iii) information which must be disclosed as a result of a subpoena or other legal process, provided that the Company is given reasonable notice and an opportunity to obtain a protective order, or (iv) unless Executive shall first secure the Company's prior written authorization. This paragraph shall survive the termination of this Employment Period, whether by lapse of time or otherwise, and shall remain in effect and be enforceable against Executive for as long as any such Company trade secrets or confidential information retains commercial value. Executive shall execute additional agreements and confirmations of his obligations to the Company concerning such non-disclosure of Company trade secrets and other confidential information as the Company may require from time to time, provided that the execution of such additional agreements and confirmations are (i) reasonable and (ii) are required of all other senior executive employees of the Company under similar circumstances.
- b. Return of Materials.** Upon termination of his employment for any reason, Executive (or in the event of termination due to Executive's death, his surviving spouse or personal representative, as applicable) shall promptly deliver to the Company all materials of a secret or confidential nature relating to the Company's business, which are in the possession or under the control of Executive. All records, designs, patents, business plans, financial statements, manuals, memoranda, customer lists, customer database, rolodex and other property delivered to or compiled by the Executive by or on behalf of the Company (including the respective subsidiaries thereof) or its representatives, vendors or customers which pertain to the business of the Company (including the respective subsidiaries thereof) shall be and remain the property of the Company, and be subject at all times to its discretion and control. Upon the request of the Company and, in any event, upon the termination of the Executive's employment with the Company, the Executive shall deliver all such materials to the Company. Likewise, all correspondence,

Employer \_\_\_\_ Employee \_\_\_\_

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reports, records, charts, advertising materials and other similar data pertaining to the business, activities or future plans of the Company which are collected by the Executive shall be delivered promptly to the Company without request by it upon termination of the Executive's employment.

**9. Inventions.** Executive hereby assigns to the Company all of his rights, title, and interest in and to all inventions, discoveries, processes, designs, and other intellectual property, including but not limited to trade secrets, copyrights, patents, trademarks and trade names (collectively hereinafter referred to as "Inventions"), and all improvements on existing Inventions made or discovered by Executive during the term of his employment by the Company. Promptly upon the development or making of any such Invention or improvement thereon, Executive shall disclose the same to the Company and shall execute and deliver to it such reasonable documents as it may request to confirm the assignment of Executive's rights therein and, if requested, shall assist the Company in applying for copyright, patent or trademark protection and prosecuting any patents which may be available in respect thereof. The Company acknowledges and hereby notifies Executive that this paragraph 9 does not apply to an Invention for which no equipment, supplies, facility or trade secret information of the Company was used and which was developed entirely on Executive's own time, unless (a) the Invention relates to (i) the business of the Company, or (ii) the Company's actual or demonstrably anticipated research or development, or (b) the Invention results from any work performed by Executive for the Company.

**10. Remedies.** If, at any time, Executive violates to any material extent any of the covenants or agreements set forth in paragraphs 7, 8 or 9, the Company shall have the right to terminate all of its obligations to make further payments under this Agreement. Executive acknowledges that the Company would be irreparably injured by a violation of paragraphs 7, 8 or 9, that damages for such a breach are not easily calculated, and that any remedy at law would be inadequate. Therefore, Executive agrees that the Company shall be entitled to an injunction restraining Executive from any actual or threatened breach of paragraphs 7, 8 or 9 or to any other appropriate equitable remedy without any bond or other security being required.

It is expressly understood between the parties that this injunctive or equitable relief shall not be Employer's exclusive remedy for breach of this Agreement. Without limitation, in the event of any breach by Executive of paragraphs 7, 8 or 9 of this Agreement, such Executive shall not be entitled to receive any salary payments or any other compensation beyond the date of such breach to which he would otherwise be entitled, and Executive shall be obligated to repay to Employer salary payments received by him at any time after the occurrence of such breach.

**11. Resolution of Disputes.**

- a. In the event of any controversy among the parties hereto arising out of, or relating to, this Agreement (other than a controversy arising out of or relating to paragraphs 7, 8 or 9 hereof), which cannot be settled amicably by the parties, such controversy shall be finally settled by arbitration conducted expeditiously in accordance with the American Arbitration Association Commercial Arbitration Rules and the Supplementary Procedures for Large, Complex Disputes, by an independent arbitrator. Either the Company or Executive may institute such arbitration proceeding by giving written notice to the other party. A hearing shall be held by the arbitrator in the City of Houston, State of Texas, and a decision of the

Employer \_\_\_\_ Employee \_\_\_\_

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matter submitted to the arbitrator shall be rendered promptly in accordance with the rules of the American Arbitration Association. The prevailing party shall be entitled to all costs and expenses with respect to such arbitration, including reasonable attorneys' fees. The decision of the arbitrator shall be final and binding upon all parties hereto. Judgment upon the award rendered may be entered in any court having jurisdiction thereof.

b. Notwithstanding the foregoing, Executive acknowledges and agrees that the Company may seek in a court of competent jurisdiction an injunction prohibiting Executive's breach or alleged breach of paragraphs 7, 8 and 9.

**12. Legal Fees.** Should any litigation or arbitration be commenced concerning any provision of this Agreement or Executive's employment or termination of employment, the prevailing party shall be entitled, in addition to such other relief as may be granted, to its attorneys' fees and costs incurred by reason of such litigation or arbitration.

**13. Indemnification and Insurance.** The Company shall indemnify Executive with respect to matters relating to Executive's services as an officer and/or director of the Company or any of its Affiliates, occurring during the course and scope of Executive's employment with the Company, to the extent and pursuant to the procedures set forth in the Company's By-laws, and in accordance with the terms and procedures of any other indemnification which is generally applicable to executive officers of the Company and that may be provided by the Company from time to time. The foregoing indemnity is contractual and will survive any adverse amendment to or repeal of the By-laws. The Company will also cover Executive under a policy of officers' and directors' liability insurance providing coverage that is comparable to that provided now or hereafter to any other executive officer or director of the Company. The provisions of this Section 14 will survive the termination of this Agreement for any reason.

MISCELLANEOUS

**14. Amendment and Termination.** This Agreement may not be amended or cancelled except by written instrument signed by both parties and approved by the Board of Directors or a committee thereof.

**15. Modification and Waiver of Breach.** No waiver or modification of this Agreement shall be binding unless it is in writing, signed by the parties hereto. The waiver by Company or Executive of any term or breach of this Agreement shall not prevent a subsequent enforcement of such term or any other term and shall not be deemed to be a waiver of any subsequent breach.

**16. Notice.** Any notice required or permitted to be given under this Agreement shall be in writing and shall be deemed given or delivered and received (i) when delivered personally (which shall be deemed to include delivery via express courier such as Federal Express), or (ii) three days after having been sent by registered or certified mail, return receipt requested, or (iii) upon receipt when sent by facsimile, telegram or telex followed by a confirmation letter sent by registered or certified mail, return receipt requested, addressed as follows:

If to the Company:  
BlastGard International Inc.  
12900 Automobile Blvd.

Employer \_\_\_\_ Employee \_\_\_\_



Clearwater Florida, 33762  
Fax: 727-592-9402  
Attention: Board of Directors

If to Executive:

Andrew R McKinnon  
17655 Innis Lake Rd.  
Caledon East Ontario, L7K 2L1  
Fax: 519-942-9702

Either the Company or Executive may, at any time, by notice to the other, designate another address for service of notice on such party.

**17. Non-assignment.** The interests of Executive under this Agreement are not subject to the claims of his creditors and may not be voluntarily or involuntarily assigned, alienated or encumbered. Company may assign its rights, duties or obligations under this Agreement to any person with whom it has merged or consolidated, or to whom it has transferred all, or substantially all, of its assets.

**18. Severability.** If any provision of this Agreement is held invalid or unenforceable, either in its entirety or by virtue of its scope or application to given circumstances, such provision shall thereupon be deemed (i) modified only to the extent necessary to render such provision valid, or (ii) not applicable to given circumstances, or (iii) excised from this Agreement, as the situation may require, and this Agreement shall be construed and enforced as if such provision had been included herein as so modified in scope or application, or had not been included herein, as the case may be. Should this Agreement, or any one of more of the provisions hereof, be held to be invalid, illegal or unenforceable within any governmental jurisdiction or subdivision thereof, the Agreement or any such provision or provisions shall not as a consequence thereof be deemed to be invalid, illegal or unenforceable in any other governmental jurisdiction or subdivision thereof.

**19. Successors.** This Agreement shall be binding upon, and inure to the benefit of the parties and their permitted successors and assigns. Nothing in this Agreement, express or implied, is intended or shall be construed to confer upon any person, other than the parties and their respective successors and assigns permitted by this Agreement, any right, remedy or claim under, or by reason of, this Agreement.

**20. Entire Agreement.** This Agreement constitutes the entire agreement between Company and Executive with respect to the subject matter hereof. This Agreement supersedes any prior agreement made between the parties.

**21. Counterparts.** The Agreement may be executed in two or more counterparts, any one of which shall be deemed an original and all of which taken together shall constitute a single instrument.

**22. Governing Law.** This Agreement, and all matters or disputes relating to the validity, construction, performance or enforcement hereof, shall be governed, construed and controlled by and under the laws of the State of Colorado without regard to principles of conflicts of law.

Employer \_\_\_\_ Employee \_\_\_\_

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**23. Cumulative Rights.** All rights and remedies hereunder are cumulative and are in addition to all other rights and remedies provided by law, agreement or otherwise. Executive's obligations to the Company and the Company's rights and remedies hereunder are in addition to all other obligations of Executive and rights and remedies of the Company created pursuant to any other agreement.

**24. Headings.** The paragraph headings contained herein are for convenience of reference only and are not to be used in the construction or interpretation hereof.

**23. Effective Date.** This Agreement shall be effective on the Effective Date.

**ACKNOWLEDGEMENT.** Executive acknowledges that he has read, understood and accepts the provisions of this agreement. He also acknowledges that he has had the opportunity to and has reviewed the terms and conditions of this agreement.

IN WITNESS WHEREOF, the parties have executed this Employment Agreement as of the date written above.

**BLASTGARD INTERNATIONAL INC.**

By: Chairman of the Board

\_\_\_\_\_  
Signature

**EXECUTIVE**

By: Andrew R. McKinnon

\_\_\_\_\_  
Signature

Employer \_\_\_\_ Employee \_\_\_\_

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

I, James F. Gordon, Chief Executive Officer of BlastGard International, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-QSB for the period ended March 31, 2007, 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) 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
  - (c) 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
  - (b) 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, 2007

/s/ James F. Gordon  
James F. Gordon, Chief Executive 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 Financial Officer of BlastGard International, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-QSB for the period ended March 31, 2007 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) 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
  - (c) 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
  - (b) 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, 2007

/s/ Michael J. Gordon  
Michael J. Gordon, 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-QSB for the period ended March 31, 2007, 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, 2007

/s/ James F. Gordon

James F. Gordon, Chief Executive 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 Financial Officer of BlastGard International, Inc., that, to his knowledge, the Quarterly Report of the company on Form 10-QSB for the period ended March 31, 2007, 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, 2007

/s/ Michael J. Gordon

Michael J. Gordon, Chief Financial Officer



### **BlastGard International Reports First Quarter 2007 Results**

**CLEARWATER FL, May 15, 2007** BlastGard International (OTCBB; BLGA) reported financial results for the first quarter ended March 31, 2007. Revenues for the first quarter were \$106,116 compared to \$377,030 reported in the first quarter of 2006. For the first quarter of 2007, BlastGard International reported a net loss of \$648,265 or \$(0.03) per share based on the weighted average of 22,110,913 shares outstanding compared to a net loss of \$411,305 or \$(0.02) per share reported in the first quarter of 2006 based on the weighted average shares outstanding of 22,323,413. The Company also reported that it has completed its financing. D&D Securities Company acted as our placement agent for our recently completed Regulation S offering of \$3,458,811. The Company also completed a Regulation D offering of \$510,000 without a placement agent for a combined total from both offerings of \$3,968,811.

According to James Gordon, CEO of BlastGard, “We continue to pursue sales of our mitigated trash receptacles, especially in light of the directives issued by Homeland Security. The Company has several pending orders. With our equity financing completed, we are commencing immediately to recruit, train and disperse a national sales team. We are also in the process of expanding our sales initiatives into Europe and the Middle East in the aviation and military sectors. In addition, we have several field tests of BlastWrap<sup>®</sup> in progress with the Naval Warfare Center, U.S. Marines and the U.S. Army.”

Andrew McKinnon, our new Chief Operating Officer, is turn-a-round specialist, participating in the re-organization of companies varying in size from multi-national to mid-size franchise operations. The company, with the participation of Mr. Jim Gordon, Mr. Jack Waddell and Mr. McKinnon has established a Management Committee to administer the day to day affairs of the company in a fashion consistent with the overall strategy established by the Board of Directors. Andrew McKinnon stated, “BlastGard has enormous potential and it is my job to concentrate our time, skills and capital on sales, focusing on our existing product line to generate immediate results in 2007.”

**About D & D Securities Company** D & D Securities Company of Toronto is an affiliate of Dominick & Dominick of New York, Atlanta, Miami and Bazel Switzerland. Dominick & Dominick LLC, founded in 1870, is a historic name on Wall Street and one of the early firms to join the NYSE.

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### **About BlastGard International, Inc.**

BlastGard International, Inc. creates, designs, develops, manufactures and markets proprietary blast mitigation materials. The Company's patent-pending BlastWrap<sup>®</sup> technology effectively mitigates blast effects and suppresses post-blast fires. This unique technology can be used to create new, finished products or be used to retrofit to existing products. While the need for this technology has always been present, the security and safety concerns resulting from the September 11, 2001 acts and the subsequent development of Homeland Security make the timing of the Company's emergence even more important. The Company's core market focus is on blast effects mitigation for the commercial sector, military, law enforcement and government agencies. BlastWrap<sup>®</sup> is based upon well-defined principles and suppresses blast pressures by 50% or more. BlastWrap<sup>®</sup> products are made from two flexible films arranged one over the other and joined by a plurality of seams filled with attenuating filler material (volcanic glass bead or other suitable two-phase materials), configurable (designed for each application) with an extinguishing coating that offers a revolutionary blast protection system against Blast & Fire/burn threats. BlastWrap<sup>®</sup> is a blast mitigation assembly that can be wrapped around or conform to any shape. BlastWrap<sup>®</sup> is a concept (not a chemical compound) from which blast protection products are built to save lives and reduce damage to valuable assets from explosions. Additional information on BlastGard can be found at <http://www.blastgardintl.com>.

*``Safe Harbor'' statement under the Private Securities Litigation Reform Act of 1995: Except for historical information, all of the statements, expectations and assumptions contained in the foregoing are forward-looking statements that involve a number of risks and uncertainties. It is possible that the assumptions made by management are not necessarily the most likely and may not materialize. In addition, other important factors that could cause actual results to differ materially include the following: the Company's ability to market its products; the Company's ability to obtain additional funding; the Company's ability to obtain regulatory approvals on new products, the general economy; competitive factors; ability to attract and retain personnel; the price of the Company's stock; and other risk factors. The Company takes no obligation to update or correct forward-looking statements.*

Company Contact:  
BlastGard International, Inc.  
Michael J. Gordon  
(727) 592-9400