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

FORM 10-K

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2009

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from: _____ to _____

Commission file number: **000-53756**

**BLASTGARD® INTERNATIONAL,
INC.**

(Name of small business issuer as specified in its charter)

Colorado

(State or other jurisdiction of incorporation or
organization)

84-1506325

(IRS Employer Identification No.)

**2451 McMullen Booth Road, Suite 242,
Clearwater, FL**

(Address of principal executive offices)

33759

(Zip Code)

Issuer's telephone number: **(727) 592-9400**

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act: Common Stock, \$.001 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Check whether the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers in response to Item 405 of Regulation S-K is not contained in this form, and no disclosure will be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company as defined by Rule 12b-2 of the Exchange Act: smaller reporting company .

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

The aggregate market value of the Common Stock held by non-affiliates of approximately 32,864,242 shares of Common Stock as of June 30, 2009 was approximately \$985,927 based on a closing sales price of \$.03 per share of Common Stock on June 30, 2009, the last business day of the Registrant's most recently completed third quarter.

The number of shares outstanding of the issuer's Common Stock, \$.001 par value, as of March 31, 2010 was 50,586,142 shares.

PART I

CAUTIONARY STATEMENT IDENTIFYING IMPORTANT FACTORS THAT COULD CAUSE THE COMPANY'S ACTUAL RESULTS TO DIFFER FROM THOSE PROJECTED IN FORWARD LOOKING STATEMENTS

Readers of this document and any document incorporated by reference herein are advised that this document and documents incorporated by reference into this document contain both statements of historical facts and forward looking statements. Forward looking statements are subject to certain risks and uncertainties, which could cause actual results to differ materially for those indicated by the forward looking statements. Examples of forward looking statements include, but are not limited to (i) projections of revenues, income or loss, earning or loss per share, capital expenditures, dividends, capital structure and other financial items, (ii) statements of the plans and objectives of the Company or its management or Board of Directors, including the introduction of new products, or estimates or predictions of actions by customers, suppliers, competitors or regulatory authorities, (iii) statements of future economic performance, and (iv) statements of assumptions underlying other statements and statements about the Company or its business.

This document and any documents incorporated by reference herein also identify important factors which could cause actual results to differ materially from those indicated by forward looking statements. These risks and uncertainties include price competition, the decisions of customers, the actions of competitors, the effects of government regulation, possible delays in the introduction of new products and services, customer acceptance of products and services, the Company's ability to secure debt and/or equity financing on reasonable terms, and other factors which are described herein and/or in documents incorporated by reference herein.

The cautionary statements made above and elsewhere by the Company should not be construed as exhaustive or as any admission regarding the adequacy of disclosures made by the Company. Forward looking statements are beyond the ability of the Company to control and in many cases the Company cannot predict what factors would cause results to differ materially from those indicated by the forward looking statements.

ITEM 1. BUSINESS

General

BlastGard® International, Inc., a Colorado corporation, operates through its wholly-owned subsidiary, BlastGard Technologies, Inc., a Florida corporation established in September 2003. BlastGard® International, Inc. acquired BlastGard Technologies, Inc. effective January 31, 2004, in a transaction that was accounted for as a reverse acquisition, which is a capital transaction and not a business combination.

We have developed and designed proprietary blast mitigation materials. Patent-pending BlastWrap® has been designed to mitigate blasts and suppress flash fires resulting from explosions, regardless of the material or compound causing the explosion. We believe that this technology can be used to create new finished products or designed to retrofit existing products. While the need for this technology has always been present, the security and safety concerns resulting from the September 11, 2001 terrorist acts make the timing of BlastGard's emergence even more important.

Company History

Incorporated by reference is our corporate history which may be found in item 1 of our Form 10-KSB for the fiscal year ended December 31, 2006.

Introduction

An explosion results from the rapid conversion of chemical energy into rapidly expanding high-pressure gases. The rapidly expanding gases compress the surrounding air much like a piston and create a shock wave that travels ahead of the explosive gases. The "overpressure" (pressure above ambient) in a shock wave acts to "pre-condition" the air as it passes through to make the following accelerated gas "piston" more damaging. This high intensity, short duration overpressure wave transfers impulse (momentum) stresses, damages or destroys structures in its path. Impulse follows the shock wave but lingers and decays with time. The negative phase is a partial vacuum that "whips" lighter structures to magnify damage. A shock wave can be likened to an initial hard punch, while the impulse is more like a powerful bulldozer. Any reduction in the effective power of the shock wave will increase the target's capability to withstand the destructive impulse.

Blast Solutions

Blast management solutions generally fall into one of two categories: hardening or mitigation. Hardening is a method of blast mitigation by which an object is placed around an explosive material to contain the blast, and is generally accomplished through the use of armor, mass or both. Armor is used primarily for its ballistic properties, with enhanced protection levels achieved by increasing mass (thickness and/or weight). Hardening solutions include steel armor plate, various synthetic fibers such as Kevlar™ and Spectra™ and fiber-reinforced composites. Most blast containment systems employ hardening.

Although some energy is absorbed through deformation, hardening systems have the negative effect of reflecting blast, which by the laws of physics actually magnifies blast effect up to eight times. This is because the shock waves reflecting off a solid surface add to the incident waves creating a destructive synergism of much greater gas density, temperature, pressure, and overpressure duration— all contributing to impulse (the "piston"). Reflected energy is a significant problem, particularly in confined spaces. Hardening, which essentially is trying to overmatch or resist a blast, has been widely practiced throughout the years even though it is limited in its capabilities.

Mitigation or attenuation of blast effects is the dissipation of blast energy so that acoustic and shock waves, peak overpressure, reflected peak overpressure, impulse and afterburn (the rapid burning of combustible materials in the "hot zone", including soot, occurring so fast that it adds to blast effect from the original explosive) are reduced. This reduction is accomplished through both physical and chemical processes that are triggered when a blast occurs. The remaining energy is transmitted at a slower, more sustainable level. The amount of reflected energy is significantly reduced with mitigation. Unlike hardening systems, the performance of our products is not related directly to material thickness and therefore we believe our products have a greater range of uses producing the same or better effectiveness against blast effects.

BlastWrap® Background

BlastWrap® is a concept for assemblies (not a chemical compound) from which blast protection products are built to save lives and reduce damage to valuable assets from explosions. BlastWrap® is designed to not only substantially reduce blast impulse and pressure (including reflected pressure and impulse), but quenches fireballs and suppresses post-blast fires. Lethal fragments may be captured by adding anti-ballistic armor layers on the product surface away from a blast.

Our BlastGard® technology is designed to mitigate blast and rapid combustion phenomena through numerous mechanisms. The relative contribution of each mechanism depends upon the intensity and nature of the impinging hazard. Shock wave attenuation, for example, is dominant in mitigating mechanical explosions. Our products attempt to emulate unconfined conditions and accelerate attenuating processes that occur in free air. Thus BlastWrap® does not try to resist blasts (which physically intensify blast phenomena); it mitigates them. BlastWrap® can be used as part of confining assemblies (containers and blast walls). In effect, BlastWrap® is a ‘virtual vent’.

BlastWrap® Technology Components

Our BlastWrap® 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. Together, this combination of materials is designed to mitigate a blast while at the same time eliminate fireballs or flame fronts produced by the blast.

We believe that this system is unique because it:

1. Works 24 hours a day
2. Quenches fireballs and post blast fires
3. Reduces blast impulse and pressure
4. Does not dispense chemical extinguishants
5. Uses neither alarms, sensors, nor an activation system
6. Is nontoxic and ecologically friendly

Our BlastGard® Technology extracts heat, decelerates both blast wind and shock waves, and quenches the hot gases in all blasts and fireballs. BlastWrap® does not interact with the explosive elements, and is therefore not altered by them. However, after a single intense detonation, BlastWrap® must be replaced.

- For blasts that produce fireballs or intense hot gases at higher pressures, BlastGard® Technology has the ability, through testing, to cool the blast zone rapidly, thereby reducing structural damage.
- In detonation of high explosives, where at least half of the energy released is in the shock wave, attenuation occurs even more rapidly, and in doing so substantially reduces explosion phenomena.

Key BlastWrap® Features

- Lightweight, flexible, durable and environment safe
- Requires no wires, electricity, detection devices and contains no sensors
- Customizable and easy to retrofit
- Materials are low in cost and are widely available
- Extremely adaptable, without losing effectiveness
- Compact structure
- Easily produced
- Can be constructed with additional environmental or specific blast conditions (e.g. weather or moisture barriers or dust free layers)
- Can be produced with armor (Kevlar, Spectra, etc) for ballistic or fragment situations
- Irreversibly dissipates energy from blast
- Eliminates need for dispensing of agents in blast mitigation process
- Neither contains nor creates hazardous fragments
- Environmentally friendly, non-toxic core materials

Key BlastWrap® Benefits

BlastWrap® is light in weight. It can be used to protect against outdoor explosions. Because of the Montreal protocols banning production of Halon extinguishing agents, BlastWrap® technology offers a light weight and environmentally acceptable blast suppression means available for most applications; and, it can even be adapted to function underwater.

BlastWrap® products are inherent sound absorbers and thermal insulators, and are typically fire-tolerant. Any or all of these qualities are readily enhanced by bonding to common materials, thereby further extending the wide range of applications which BlastWrap® can fulfill through a single product.

The performance of BlastWrap® proprietary technology is independent of scenario and environment, which means that it does not matter where the physical location is, how the basic product form is used or the environment in which the event takes place. The basic product form can be used as a stand-alone material (as linings, curtain barriers, or as structural material), or can be laminated or otherwise affixed to a wide range of product forms such as insulation (thermal and acoustic), ballistic armor such as KEVLAR™ (a DuPont trademark), decorative stone, or packaging materials. BlastWrap® products can thus provide blast and fire protection in flooring, wall, and roof constructions, in packaging, in storage cabinets and other containment structures, and aboard all types of vehicles, ships, and aircraft.

Intellectual Property Rights

Explosive devices are increasingly being used in asymmetric warfare to cause destruction to property and loss of life. These explosive devices sometimes can be disrupted, but often there is insufficient warning of an attack. Our BlastWrap® products were created around this core concept. The BlastWrap® patent application was filed with the U.S. Patent and Trademark Office on July 31, 2003. The BlastWrap® patent application was filed with Argentina on March 12, 2004; with Kuwait on July 28, 2004, and with the European market, China, Japan, Singapore, New Zealand, Indonesia, Korea, India, Australia, Israel, and Canada on February 27, 2004 and we also filed an application for this technology under the Patent Cooperation Treaty on February 27, 2004. Under this treaty, we expect to have patent protection in most industrialized countries when the patent is issued in each individual country. A substantial number of countries have been added to the list of the treaty members, including almost all of the former Soviet republics and China; thus the new claims will be protected in more than 40 countries. A second patent application for “Blast mitigating container assemblies” was filed with the U.S. Patent and Trademark Office on April 29, 2004 and a new U.S. Continuation-In-Part patent application for “Blast mitigating container assemblies” on January 26, 2005. We also filed an application for this “Blast mitigating container assemblies” technology under the Patent Cooperation Treaty on January 26, 2006.

On October 13, 2009, BlastGard was notified by its patent counsel that its patent application for its BlastWrap material was granted from the Eurasian Patent Office. The terms of this patent will expire on February 27, 2024. The patent will be valid in all contracting states: Armenia (AM), Azerbaijan (AZ), Belarus (BY), Kirgizstan (KG), Kazakstan (KZ), Moldova (MD), Russia (RU), Tajikistan (TJ), and Turkmenistan (TM). In addition, we have been issued patents in Argentina, granted on September 17, 2007, and in Singapore, granted on August 31, 2007 for our “improved acoustic/shock wave attenuating assembly” (i.e. BlastWrap). On March 18, 2008, our patent-pending application (No. 11/042,318) for our explosive effect mitigated containers (i.e. BlastGard MTR and MBR”) was issued as U.S. Patent No. 7,343,843.

BlastWrap® Testing

BlastWrap® prototypes have been evaluated in different test series, which have ranged from semi-quantitative screenings to third-party instrumented trials. We have consistently observed blast effect reductions of at least 50% in virtually every activity in which BlastWrap® has been involved. These tests have indicated that impulse (momentum transfer) and peak pressure are reduced by nearly 50%. Impulse is the most destructive explosive-related hazard for structures and vehicles. We have also conducted further development design and testing of a series of products for blast mitigation protection of rapid deployment barriers, walls, revetments and bunkers (including overhead protection from inbound mortars) for the United States military.

Significance of Test Results

No BlastWrap® tests have been in small-scale. Every test series has involved standard products or test facilities simulating service conditions—munitions containers, air cargo containers, steel vessels comparable in size to commercial aircraft fuel tanks and large secondary storage units, and vehicles, all with charge weights reflecting actual hazards. Management believes that the test results provide evidence that BlastWrap® can protect vehicles, structures, and ships against very intense blasts. Tests have also shown that certain design features (such as deflectors), combined with additional BlastWrap® material, can accomplish protection against larger blasts.

Government Awards

As a result of tests to date, our patent-pending blast-mitigating technology, BlastWrap®, and its BlastGard® Mitigating Trash Receptacles were **designated as Qualified Anti-Terrorism Technologies and placed on the “Approved Products List for Homeland Security.”** We were issued the “Designation” and “Certification” for our technology by the Department of Homeland Security under the Support Anti-Terrorism by Fostering Effective Technologies Act of 2002 (the SAFETY ACT) in July of 2006.

The SAFETY ACT “Designation” and “Certification” are intended to support effective technologies aimed at preventing, detecting, identifying, or deterring acts of terrorism, or limiting the harm that such acts might otherwise cause. The criteria technologies must meet to be awarded “Designation” and “Certification” status include: the availability of the technology for immediate deployment in public and private settings; the magnitude of risk exposure to the public if the technology is not deployed; the evaluation of scientific studies being feasibly conducted to assess the technology’s capability to substantially reduce risks of harm; and the technology’s effectiveness in facilitating the defense against acts of terrorism. BlastWrap is designed to mitigate the blast effects of an explosion by rapidly extinguishing the fireball, eliminating burns and post-blast fires, and reducing the subsequent overpressures by more than 50%, thus reducing damage to people and property.

The SAFETY ACT legislation was designed to encourage the development and rapid deployment of life-saving antiterrorism technologies by providing manufacturers or sellers with limited risk to legal liability. It was also designed to harness the nation’s scientific and technological resources to provide federal, state, and local officials with the technology and capabilities to protect the United States from terrorist acts. One area of focus for the Department of Homeland Security is catastrophic terrorist threats to the nation’s security that could result in large-scale loss of life and major economic impact. The SAFETY ACT fosters research of technologies to counter threats both by evolutionary improvements to current capabilities and development of revolutionary, new capabilities.

GSA Approved Product

General Services Administration enters into contracts with commercial firms to provide supplies and services at stated prices. This streamlined procurement vehicle is available to federal agencies and other organizations to obtain engineering and environmental services from pre-qualified vendors. GSA has completed federally mandated contracting requirements—competition, pricing, small business and other contracting evaluations—normally required prior to obtaining services. Some of BlastGard’s finished products are in the GSA System.

Applications

Our BlastGard® Technology works indoors or out, vented or un-vented, wet or dry, clean or dirty, damaged or intact, and against strong or weak blasts from solid explosives or flammable fluids. It is a lightweight, space-efficient custom-engineered technology that can be produced with additional layers for insulation, fragment/ballistic protection, environmental protection or impact and cushioning barriers. Significantly, no new or high-cost fabrication technologies or materials are required to produce BlastWrap®. In addition, because of the Montreal protocol’s ban of Halon extinguishing agents, we believe that our BlastGard® Technology is the only blast and fire suppression means available for most applications, including adaptation for underwater use. It is an inherently effective sound absorber and thermal insulator.

Because BlastWrap® is customizable and offers protection against explosions of all types, its potential for application cuts across a wide range of industries and government agencies. Some potential applications for BlastGard® Technology include:

- Transport and storage units containing chemicals and other explosive compounds.
- External wall linings to protect buildings, such as Embassies and other high value locations, against vehicle bombs and placed explosives.
- Aboard naval vessels and merchant ships to minimize damage from breaching blasts emanating from mines, cruise missiles, and torpedoes.
- Fireball and explosion-suppressing fuel tank jackets for natural and compressed natural gas, propane, fuel cells, fuel tanks and other “green fuel” vehicle systems.
- Dividers to suppress fireballs and fuel mist explosions from accidents aboard both aircraft and ships, in process facilities, and on offshore platforms.
- Separators and partitions in explosives manufacturing and handling facilities, such as a load/assembly/pack depots, fireworks plants, and propellant manufacturing sites.
- Pallets and buffers between stacks of palletized munitions and ordnance.
- Lining of portable and fixed magazines.
- Missile launch boxes for military vehicles and naval vessels.
- Cabinets and containers for handling fuses, small rockets, and explosive devices.
- Internal walls of commercial buildings that house, research or produce explosive materials. An example would be chemical or energy companies.
- Quick-erect blast protection barriers and revetments.
- Blast protection shields, armors, and structures with “stealth” (low-observable) camouflage properties.
- Blast/fire protection linings for commercial and military aircraft and air cargo containers.
- Blast and ballistic-protected modular buildings (barracks, accommodations for offshore facilities, field stations, tactical shelters and command facilities, monitoring stations for law enforcement).
- Underwater blast isolation units for offshore facility abandonment’s, coastal construction, and naval vessels.
- Neutral buoyancy jackets for deep water drilling risers, and Sub Sea manifold protection.
- Composite blast/fire protection structures and materials (blast walls, blast mitigation billboards, relief vents, reinforcement of masonry buildings) for hydrocarbon, process, mining, missile launch, and manufacturing facilities, and for building demolitions.
- Explosives storage and shipping containers, portable magazines, and explosive disposal kits.
- Mine blast protection kits for vehicles.
- Safety shields and specialty protection for entertainment industry location sets such as in Hollywood, California sound stages, vehicles, on-location structures.
- Personnel and vehicle protective armor.
- Mining of coal, mineral extraction and processing safety.

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

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

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

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

MBR 300 and MBR Gard Cart

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

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

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

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

Lining – Single-Aisle (non-containerized) Aircraft

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

Insensitive Munitions (IM) Weapons Containers

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

Trash Receptacles

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

Vehicle Improvised Explosive Devices and Mine Protection

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

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

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

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

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

Manufacturing

We have three distinct production types:

- Serial Production – items that can be produced in quantity in an efficient, high-speed assembly line fashion.
- Contract Manufacturing – items that require special design or custom features requiring separate and special manufacturing processes.
- OEM (Original Equipment Manufacturer) Production – items that are licensed to OEM manufacturers enabling greater control over design, quality and production requirements specific to their industry.

Serial Production

Manufacturing is sub-contracted to a BlastGard-licensed and qualified production facility, ideally in close proximity to the customer. This method facilitates customer interaction in design, quality and distribution to affect the greatest level of satisfaction and usefulness of the BlastWrap® product.

Contract Manufacturing

Although the Production/Engineering team in BlastGard’s Technology Center will design these items, we will sub contract manufacturing and assembly. This will be at our discretion to ensure quality and adherence to custom design requirements.

Original Equipment Manufacturer Production

Original equipment manufacturer production requires licensing agreements with contractors for a specific industry product. There will be several licensing agreements issued on a limited and non-exclusive basis to provide end-users with an appropriate number of well-located original equipment manufacturer producers. Once qualified and licensed by BlastGard®, original equipment manufacturer producers will be directed to produce and maintain quality standards per end user requirements. BlastWrap® products to be manufactured with original equipment manufacturer production will likely include:

Lining – Aircraft (B747- 400- Royalty)- Once design and testing has been completed by our engineering and design team, we will work closely with the certified and widely dispersed air frame sub-contractors to integrate the use of BlastWrap® into their internal systems, such as fuel tanks, cargo holds, cabin and fuselage. Aircraft manufactures, similar to auto manufactures, typically require several suppliers of each part. Therefore the license agreement for air frame sub-contractors will need to be limited and non-exclusive providing us royalties on a per-unit basis as well as continued design, manufacturing, and installation consulting.

Insensitive Munitions (IM) Weapons Containers – Once the design and testing of each product is complete, we will license and train personnel on the fabrication of the various products within the line. The Contractor chosen will manufacture this product line in-house for each specific munition /weapon system. The contractor is expected to pay a per unit royalty to us for use of the design and of the patented product. In return, we will be retained on a consulting and design basis as part of the license agreement.

Current manufacturing arrangements for finished products

Currently, we have several products that we consider to be completed and finished products. Manufacturing arrangements for those products follow:

- Pro-Form Packaging, Inc., located in Dunellen, New Jersey manufactures BlastWrap® and the MTR and MBR lids and ships to Centerpoint Manufacturing for installation.
- Centerpoint Manufacturing, Inc., located in Robertsedale, Alabama manufactures the BlastGard® MTR receptacles and will manufacture the BlastGard Mitigated Bomb Receptacles (MBR 300) as well. We entered into a five year exclusive alliance agreement with Centerpoint Manufacturing in October 2004 for the joint development of reinforced, blast mitigated trash receptacles. We are not contractually bound to use Pro-Form Packaging to manufacture the receptacle lids, and we believe that there are alternative manufacturers in the United States.
- Geo Products, LLC has a license for the manufacture of the patented (by the US Army Corps of engineers) HDPE cellular core sections in their plant in Houston, TX, which are used in the BlastGard Barrier system (“BBS”). We are not contractually bound to use this product, and there are at least four different core systems we can use for BBS. However, BlastGard has an exclusive worldwide license for this core product which is used for any blast-mitigated system with BlastWrap®.

Quality Assurance

Sub-contractors and OEM producers have been and will continue to be trained, qualified and monitored to obtain and sustain a license from BlastGard®. We will ensure through continuous review of qualified producers and sub-contractors, and through end user/customer surveys, that design and quality standards are being maintained to specification. Licensing agreements will stipulate that we will have the right to withhold future contracts until mutually agreed upon standards of quality are achieved. End-users and customers will be partnered in agreeing to and setting quality standards for end products.

Purchasing

We rely on various suppliers to furnish the raw materials and components used in the manufacturing of our products. Management believes that there are numerous alternative suppliers for all of the key raw material and virtually all component needs.

Marketing Analysis

Overall Market

The market for blast solutions includes commercial industries (accidental explosions of chemicals, terrorist threats, demilitarization), militaries (weapons storage and transport, barriers, revetments and bunkers and vehicle protection), and governments and municipalities (bomb explosions and threats). We have examined each of these markets to identify areas and industries within each that will benefit most from BlastGard® Technology.

We have divided the commercial market into nine viable sectors as follows:

1. Energetic Materials (blasting agents, propellants, explosives)/Explosive Manufacturers/ Pyrotechnic Manufacturers

“Energetic materials” is a term used to encompass a wide range of materials that release intense heat during decomposition or combustion reactions.

Manufacturers of such devices are in need of protection against hazardous explosive situations in the manufacture, transport and storage of these materials.

While energetic manufacturers are a focus for BlastGard® technology, the related industries are also target markets. For all groups, both regulatory and insurance factors require strict storage and handling measures that involve confinement or separation, BlastWrap® products being specifically conceived for such roles. The propellant, pyrotechnic, and explosive manufacturing groups are viewed as prime markets for BlastWrap®.

2. Oil and Gas/Petrol Chemical/Chemical/Process Industries

To combat the unique explosions associated with oil, gas and chemical companies, BlastWrap® can be updated and deployed to clients in these sectors to address the problems involving explosive materials specific to the oil and gas industry with a convenient structural and/or architectural technology that would suppress explosions and minimize post-blast fire hazards with the following features:

- Are always active and require no maintenance;
- Comprised of flexible film formed by plurality of seams and filled with attenuating fillers that slow and cool impinging flame fronts;
- Act as ‘virtual blast vents’ without requiring actual wall penetration; and
- Light structure at less than .4 pounds per square foot of a 1” thickness.

3. Manufacturing of Munitions

The full range of our products, from wall protection, barriers, and partitions to containers, can be used to enhance the safety and productivity of facilities that manufacture explosives, propellants, munitions and pyrotechnics. A number of specialty units are being designed to meet the needs of this market segment, such as the weapons container. Additionally, BlastWrap® is easily retrofitted into existing containers and storage magazines.

4. Commercial Transport

Throughout the world, commercial companies ship explosive materials via air, train, bus or sea vessel. As determined by the National Highway Transportation Safety Administration, roughly 10% of goods shipped (in terms of tonnage) are classified as hazardous, meaning they can cause damage to other materials being transported, the transport container and supporting personnel. Such shipped products not only require insurance but also risk loss of money and injury.

We believe that BlastWrap® offers the ability to convert these standardized shipping containers into explosives storage units complying with the technical requirements of the US Bureau of Alcohol, Tobacco, & Firearms Type 2 magazines. This would be accomplished through universally available containers for which numerous trailers, lift systems, stacking provisions, and international standards exist.

While actively searching for and detecting explosives is a right step in the protection of our ports, it is clear that it cannot be the only step. BlastWrap® provides a solution that is not dependent on identifying the threat ahead of time, and therefore we believe a significant opportunity is present.

5. Commercial Aviation

Testing in the United Kingdom by an agency of the Ministry of Defence under the auspices of the UK Civil Aviation Authority proved that our technology performs better than any other system tested in blast effect mitigation. BlastWrap® deals with all of the blast effects – the incident and reflected shocks, the Mach Stem shocks, the blast impulse, the blast flame front and blast after-burn. In spite of the many dollars expended in this area, political, governmental and scientific differences of opinion between United Kingdom and United States authorities on the best way to address these threats have simply stymied any meaningful solution being implemented for twin-aisle aircraft luggage containers.

BlastWrap® is not armor; however, properly configured, it does prevent fuselage shock holing, the critical factor in an aircraft's structural survival. In addition, BlastWrap® quenches thermal output very rapidly thereby addressing the other critical aircraft survival factor. Rapid cooling is critical, as any spilled flammable fluids or materials as well as escaping gas will re-ignite if heat is present. Our new container design addresses both of these critical factors. In addition, it is a much lower capital cost than the "hardened containers" on the market. Finally, our design has a very small weight penalty, drastically lower overall weight gain (compared to the "hardened containers") from standard LD3 containers thereby reducing the fuel and/or cargo penalty. The operating cost impact will be extremely low with our LD3.

There are numerous other applications within the commercial aviation market for our BlastGard® Technology, from lining the interior of an aircraft to providing an on-board 'detonation center' (e.g. outfitting a bathroom with BlastWrap® in the event a bomb, such as a shoe bomb, were to make its way onto a plane). While we will continue to pursue these various applications of the technology, we believe the best and most direct approach for sales within this market will be to market our new LD3 cargo containers lined with BlastWrap®.

There are an estimated 600,000 containers in service in the fleet today. There are approximately 40,000 units sold each year and each unit has an average useful life of 5 years. The total number of units in service will likely continue to rise over the next 10 years.

Working with the world's largest LD3 container manufacturer, Nordisk Aviation Products, Inc. we have developed a low-cost highly effective solution for a new class of "semi-hardened" blast mitigation LD3 containers. Blast mitigating LD3 containers do not yet exist. Over the last 10 years, the FAA, Galaxy and TelAir, have built and tested "hardened LD3 containers" (containers that fully contain the blast inside the container walls). However, these products are simply not commercially viable due to the extremely high capital and operating costs associated with the materials utilized and the significant excess weight.

Our new design differs from the hardened containers in the following ways:

- Like hardened LD3's, they prevent shock holing of the aircraft fuselage
- They quench/kill afterburn and subsequent post-blast fires
- They are light-weight, weighing about 225 pounds
- They are affordable, with an expected retail price under \$5,000

6. Research Facilities/Laboratories

Universities and research facilities work with explosive elements on a daily basis, from conducting tests to exploring new materials and compounds. Such installations are in need of mitigation protection in storage and to prevent sympathetic detonation or damage to property or persons. These products can reduce potential damage for personnel and property during the use and storage of the explosive elements.

While an interesting and possibly large market, due to the specific requirements and needs of each facility/laboratory, we believe sales opportunities the next two years are limited, as sales personnel and resources must be dedicated to this market space.

7. Entertainment

We believe that BlastWrap® offers a unique ability to protect actors, stunt people, sets, and valuable equipment against blast effects. One specialty firm that creates explosions and fireballs for movies informed BlastGard® that roughly one stunt person is hurt each day in incidents involving explosives and pyrotechnics. The former California State Fire Marshal informed BlastGard® management that studios wished to conduct larger explosions on sound stages near Hollywood to keep production costs down, but are not able to do so because of severe constraints on charge sizes. With competition to create ever-greater blast effects in movie and television spectacles, we believe that BlastGard® can capitalize on this opportunity by allowing industry players the ability to safely perform such events on Hollywood, California back-lots.

BlastGard® Technology can be used to create an assortment of props and structures, either as integral walls or worked into the landscape or sound stage. Most Hollywood explosions use black powder and gasoline in various combinations, with some additives or special-purpose materials such as detonating cord. The low explosive power of these materials would make BlastWrap®'s protection role, including protection of cameras, relatively simple. BlastGard® can also provide blast protection of vehicles. Vehicle flipping or vehicle destruction is fairly commonplace in films, and the charges used in connection with these stunts are comparatively small. BlastWrap® can protect stunt personnel and can be concealed or disguised, thereby enabling dramatic destruction sequences without injuring the performers.

As attractive as this market may be, it is not part of our initial marketing strategy. Total sales, in terms of quantity, are not likely large; however, we will respond to inquiries from the entertainment industry, and are aware of the promotional value for BlastWrap® products that are used in connection with "blockbuster" movies.

8. Mining

Mining is a potentially significant market for our products. In this industry, large quantities of detonators and explosives are used every day. All of these require suitable storage and transport. High explosives are used in some fields, especially in metallurgical ores, which have harder formations.

The greater mining industry opportunity is in the mines themselves, where BlastWrap® can be used as it would be in the oil industry: stopping and suppressing dust and gas explosions before significant injury and damage can develop. For example, methane gas is a very real and challenging hazard in coalmines. The cutting machinery and electrical power components can easily ignite flammable dusts and dust/gas mixtures, leading to disasters.

Mining will not be an initial target market for us. Profit margins are estimated to be low when compared to the potential of numerous other industries.

Military Market

It is understood in the defense industry that keeping up with cutting edge technology is crucial for the protection of military personnel. We are actively seeking the opportunity to showcase BlastWrap® to the military high command.

BlastWrap® does not distinguish between accidents and hostile action; it always functions when there is blast pressure and when a fireball is generated.

We believe that using BlastWrap® in buildings, onboard ships, or in vehicles, barrier walls, revetments, barracks, bunkers and command posts can efficiently achieve effective blast mitigation at a low cost. In addition, BlastWrap® can be used in a variety of ways within each of these categories. From lining compartments in research and testing facilities to encasing engines to insulating launch installations, we believe that BlastWrap® will provide protection across a variety of platforms.

Other BlastWrap® uses would include munitions manufacturing, handling, (load/assembly/pack facilities) and storage (a very broad range from large depots to small magazines), explosives/munitions transport (again a wide array of small caliber ammunition to large rockets and missiles), military structures (wide range), military vehicles ((improvised explosive devices) and land mine protection), shields/revetments and broad demilitarization efforts. Although this market is huge, it is difficult to assess since typical military mind-set has been to accept the dangers of Q-D (quantity/distance offsets) in transport and use, and even in storage when in any conflict.

We have divided the Military Market into the following sectors:

1. Military Logistics

In times of both war and peace, military institutions require a substantial sealift capability to transport potentially explosive and hazardous materials.

As an example of the amount of munitions carried on a single ship, the average US-flag ship carried an average 23,390 tons of dry cargo per ship in the Gulf War—the equivalent of 1,772 containers using the above 13.2 tons/container number. Thus, the loss of any of the sealift ships mentioned above would result in the loss of a month's worth (or more) of munitions for the group conducting the shipping. BlastGard® Technology can be used to protect these sealifts from sympathetic detonation within, offensive attacks from the enemy or friendly fire mistakes.

2. Defense/Storage of On-Base Munitions

The US Department of Defense components are all major prospective markets for BlastWrap®. Additionally, demilitarization ("demil"—the destruction of excess or spent munitions) is a major activity at numerous bases, munitions facilities, and test ranges. Most important to our marketing plan is to take advantage of the numerous, substantial opportunities created by base closures and "dense-packing" of munitions, people, and high-value assets.

Our products make munitions storage a large potential market because munitions stored within BlastWrap®-lined spaces would be shifted from the type 1.1 (mass-detonating) category, which triggers the requirement for maximum separation, to the type 1.2 (non-mass-detonating) or 1.4 (insensitive) categories. The 1.2 and 1.3 categories require much less stringent storage requirements.

3. Military Vehicles

Our products offer a means of protecting vehicles against ground mine blasts, regardless of vehicle type or size, from small mini-pickups to heavy tractor-trailer combinations, both armored and "soft-skinned".

Since World War 2, the majority of vehicle losses have been due to ground mines. Since the Arab-Israeli War of 1973, more than 90% of vehicles lost have been due to mines, however, in the War on Terror, we have seen in recent years a significant increase in vehicle loss due to improvised explosive devices.

The trend in all modern armies is toward smaller and lighter vehicles, with thinner armor or none at all. This trend reflects the worldwide conflict situation, where hostilities involve guerilla or other dismounted forces widely scattered in friendly terrain (the 1990-1 Persian Gulf campaign was the last major clash of heavy armored forces). These smaller vehicles, such as the HMMWV "Humvee", are almost always destroyed by modern mines. Truck cabs of all sizes are also destroyed by almost every type of anti-vehicle mine, not just damaged. Since these vehicles are predominant in "peace-keeping" forces and rapid deployment groups, the fatality and major injury percentage is very high compared with tanks.

We believe that BlastWrap® in a simple casing offers the capability of mitigating all seven mechanisms for achieving a vehicle "kill". These mechanisms include total vehicle destruction (major disintegration, internal explosion, fire), incapacitating the crew ("g"-force accelerations that cause serious injury), loss of mobility (destroying wheels, tracks, and/or drive train), loss of vehicle control (steering damage or severe vehicle deformation), and immobilizing through fuel loss (fuel tank or fuel line rupture). There are numerous locations for BlastWrap® products that would provide the necessary protection, including exterior attachments, substitutions for existing vehicle "skins", and behind-armor BlastWrap® material to mitigate internal blast effect and suppress internal fires. Our efforts with Colt Rapid Mat LLC are specifically focused on this application, especially for the United States Marine Corps.

4. Defense/Combat Systems

An additional area of focus for us in the Defense market is major US Department of Defense system developments and upgrades. This includes the Air force's production of combat aircraft, the Navy's combat fleet and the Army's "Future Combat Systems" family of C-130 air-transportable vehicles. While the US Department of Defense presents a viable market for the use of blast mitigation products that offer substantial system survivability, reduced weight, and other advantages, the organization's purchase cycles are too uncertain and invariably prolonged, and the cost of participation for a contractor is very high.

We are quite interested in participating in aircraft and vehicle programs when its efforts and materials are paid as a subcontractor, and/or when there is tangible marketing value that can be clearly defined if we are involved in such programs. One such area is in retrofits and replacement programs for the Army's medium and heavy truck fleets (dominated by Oshkosh and Stewart & Stevenson).

We have limited influence within this market.

5. Naval Vessels

Newer warships primarily use gas turbine engines, which use the same fuel as jet aircraft. These engines are confined in a noise/heat reducing enclosure. Most of the remaining types use diesel engines, as do most military vehicles and trucks.

Diesel or kerosene-type fuels' vapors can generate explosive pressure in confined spaces. This is less of a problem in ground combat vehicles (where pool fires are more of a threat), but is a serious problem aboard a ship. Both accidents and hostile action can generate a fuel mist in a confined space, which can then ignite the flammable mix. The most likely severe hazard scenario is a fireball involving a fuel mist.

BlastWrap® in locations distributed around a shipboard or a vehicle engine compartment can suppress fireballs and minimize heating of metal surfaces by a flash fire. Using BlastWrap® can manage fireballs and flash fires created in fuel mists that could rapidly incapacitate personnel in the compartment. If the compartment is open to outside air (through a hull rupture, missile entrance, or to another compartment), any Halon fire systems, if used, will rapidly escape and the compartment fire will rapidly become uncontrollable.

While BlastWrap® can be effectively applied on board and throughout naval ships, this target market will not be pursued during our initial marketing efforts.

Government/Municipal Market

We have divided the Government/Municipal Market into the following sectors:

1. Government Buildings/Structures (Embassies)

The explosion, that ripped through the Alfred P. Murrah Federal Building in Oklahoma City on April 19, 1995 killed 168 people, injured more than 500 others and damaged more than 300 buildings. While the probability of becoming the victim of a terrorist attack has changed recently, it still remains low, but the cost of such an attack continues to skyrocket. According to The Sentinel (Vol. 1, No. 3, Third Quarter 1993), a publication of the Industrial Risk Insurers, explosion has the highest average dollar loss of all hazardous events. Therefore, another cost factor entering today's construction and building operation economy is blast mitigation costs. Since September 11, 2001, insurance costs have risen dramatically as the threat of terrorism becomes a reality. We believe that BlastWrap® may help companies reduce these costs and related liabilities from unexpected explosions.

2. Research Facilities and Laboratories

Research facilities deal with a large amount of explosive and hazardous materials. Both universities and government facilities work with explosive elements on a daily basis, from conducting tests to exploring new materials and compounds. Such installations are in need of mitigation protection in storage and to prevent sympathetic detonation or damage to property or persons. BlastWrap® is ideally suited for these environments. These products can reduce potential damage for personnel and property during the use and storage of the explosive elements.

Competition

The market for blast containment and mitigation is not well defined. Competitors range from niche architectural and engineering firms that provide specialized design and construction techniques for buildings to fire systems manufacturers. We have identified the top nine established companies that offer blast mitigation solutions, each of which may be a potential competitor in one or more of the various markets that we are pursuing. Each of these companies has been in business longer, and has substantially greater resources than BlastGard®:

- AISIS Ltd.
- CINTEC
- Corus Group PLC
- Firexx Corporation
- General Plastics Manufacturing
- Line-X
- Mistral Security, Inc.
- Suppress X-S, LLC
- Terre-Armee Israel Co.

Governmental Regulation

We are not aware of any existing or probable governmental regulations that would affect our business, except to the extent that we voluntarily design products to meet various governmental guidelines. For example, our products can be designed to conform to the United States Bureau of Alcohol, Tobacco and Firearm's requirements for the containment of explosive materials.

Research and Development

In 2009, 2008 and 2007, we spent approximately \$25,000, \$148,000 and \$55,000, respectively, on research and development related activities. To date our products or prototypes of our products have been provided by us at no charge to potential customers for their own evaluation and testing done at their expense.

Employees

As of March 31, 2010, we had two officers who are full-time employees. Additional sales and marketing personnel may be hired in the future as our sales efforts require such additional personnel.

SEC Reports Available on Website

The SEC maintains an Internet site (<http://www.sec.gov>) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other SEC filings are available on the SEC's website as well as our company website at www.blastgardintl.com.

ITEM 1.A RISK FACTORS

An investment in our common stock involves major risks. Before you invest in our common stock, you should be aware that there are various risks, including those described below. You should carefully consider these risk factors together with all of the other information included in this Form 10-K before you decide to purchase shares of our common stock.

Purchase of our stock is a highly speculative and you could lose your entire investment. We have been operating at a loss since inception, and you cannot assume that our plans and business prospects described herein will either materialize or prove successful. Accordingly, you may lose all or a substantial part of your investment. The purchase of our stock must be considered a highly speculative investment.

We can provide no assurances we will be able to continue as a going concern or raise additional financing in the future. The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. As shown in the accompanying financial statements, we have incurred recurring losses, and have negative working capital and a net capital deficiency at December 31, 2009. These factors, among others, may indicate that we may be unable to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability of assets and classification of liabilities that might be necessary should we be unable to continue as a going concern. Our continuation as a going concern is dependent upon our ability to generate sufficient cash flow to meet our obligations on a timely basis and ultimately to attain profitability. The Company has a plan of financing to obtain cash to finance its operations through the sale of equity, debt borrowing and/or through the receipt of product licensing fees. We can provide no assurances that financing will be available to us on terms satisfactory to us, if at all, or that we will be able to continue as a going concern. Further, we can provide no assurances that a mutually acceptable licensing agreement will be entered into on terms satisfactory to us, if at all. See "Notes to our Financial Statements."

We have total liabilities at December 31, 2009 of \$1,078,775, net of unamortized discount of \$0 and may not be able to meet our obligations as they become due. The majority of this debt was owed to our secured debt holders who have security interests in all our tangible and intangible assets. At March 31, 2010, we had convertible secured debt of \$279,292 with a past due maturity date of November 30, 2009, which we are obligated to pay 8% interest monthly. Our debt agreements provide for certain events of default that may trigger the payment of additional sums of money in the event we are in default. These notes in the principal amount of \$279,292 are currently past due. We also have additional secured debt in the principal amount of \$355,000, the ownership of which is in dispute and our obligation to make payment thereunder is also in dispute as it is our position that we are obligated to issue 1,183,333 shares of common stock upon conversion thereof at \$.30 per share, rather than to make payment under this secured debt which became due and payable on June 22, 2008. We can provide no assurances that our position in this matter will prevail as our operations and financial condition could be materially adversely affected by an adverse outcome of this matter. See "Notes to our Financial Statements."

We have incurred substantial losses from inception and we have only recently begun to generate revenues; failure to achieve significant revenues and profitability in the future would cause the market price for our common stock to decline further. We have generated net losses from inception. We have an accumulated retained deficit of \$13,204,719 and a shareholders' equity of \$(803,384) as of December 31, 2009. If we don't immediately achieve significant revenues and profitability in the near future, the market price for our common stock could decline further.

If we are unable to compete effectively with our competitors, we will not be successful generating revenues or attaining profits. The blast mitigation industry is highly competitive. Our ability to generate revenues and profitability is directly related to our ability to compete with our competitors. Currently, we believe that we have a competitive advantage because of our unique technology, our product performance, product mix and price. Our beliefs are based only on our research and development testing and we currently have only four completed and finished products. We face competition in our markets from competing technologies and direct competition from additional companies that may enter this market with greater financial resources than we have. If we are unable to compete effectively, we will not be successful in generating revenues or attaining profits.

We have not yet hired sales and marketing personnel, which may hinder our ability to generate revenues. Our primary sales focus is to distribute our products through strategic partners, direct sales and through information and education by our executive officers. Through our executive officers, we have entered into agreements with several strategic partners and our officers have been working with them to attempt to generate significant sales, although we can provide no assurances that these efforts will be successful. In the future, we may develop our own sales and marketing department in the event that management believes that such efforts would be meaningful and within our budget requirements. The failure to form a sales and marketing department and hire qualified sales personnel may adversely affect our sales efforts and could cause us not to meet operating projections.

Loss of key personnel could cause a major disruption in our day-to-day operations and we could lose our relationships with third-parties with whom we do business. Our future success depends in a significant part upon the continued service of our executive officers as key management personnel. Competition for such personnel may be intense, and to be successful we must retain our key managerial personnel. The loss of key personnel or the inability to hire or retain qualified replacement personnel could have caused a major disruption in our day-to-day operations and we could lose our relationships with third-parties with whom we do business, which could adversely affect our financial condition and results of operations.

If future market acceptance of our products is poor, we will not be able to generate adequate sales to achieve profitable operations. Our future is dependent upon the success of the current and future generations of one or more of the products we sell or propose to sell. Since inception, we have had limited sales of any of our products. If future market acceptance of our products is poor, we will not be able to generate adequate sales to achieve profitable operations.

Dependence on outside manufacturers and suppliers could disrupt our business if they fail to meet our expectations. Currently, we rely on outside manufacturers and suppliers for our finished products and intend to rely on outside suppliers for our other intended products. We have entered into preliminary agreements with several outside suppliers and with a contract manufacturer for the manufacture of our products. In the event that any of our suppliers or manufacturers should become too expensive or suffer from quality control problems or financial difficulties, we would have to find alternative sources.

Our products may be subject to technological obsolescence, which would adversely affect our business by increasing our research and development costs and reducing our ability to generate sales. Considerable research is underway into blast mitigation. Discovery of another new technology could replace or result in lower than anticipated demand for our products and could materially adversely affect our operations.

We may not be able to successfully use or defend our intellectual property rights, which would prevent us from developing an advantage over our competitors. We rely on a combination of patent applications, trademarks, copyright and trade secret laws, and confidentiality procedures to protect our intellectual property rights, which we believe will give us a competitive advantage over our competitors. However, we have not been granted any patents and we may never be granted any patents if our applications are denied. Even if a patent is issued, use of our technology may infringe upon patents issued to third-parties, which would subject us to the cost of defending the patent and possibly requiring us to stop using the technology or to license it from a third party. If a third party infringes on a patent issued to us, we will bear the cost of enforcing the patent. If we are not able to successfully use or defend our intellectual property rights, we may not be able to develop an advantage over our competitors.

We do not expect to be able to pay cash dividends in the foreseeable future, so you should not make an investment in our stock if you require dividend income. The payment of cash dividends, if any, in the future rests within the discretion of its Board of Directors and will depend, among other things, upon our earnings, our capital requirements and our financial condition, as well as other relevant factors. We have not paid or declared any cash dividends upon our Common Stock since our inception and by reason of our present financial status and our contemplated future financial requirements does not contemplate or anticipate making any cash distributions upon our Common Stock in the foreseeable future.

We have a limited market for our common stock which causes the market price to be volatile and to usually decline when there is more selling than buying on any given day. Our common stock currently trades on the over the counter bulletin board under the symbol "BLGA." However, at most times in the past, our common stock has been thinly traded and as a result the market price usually declines when there is more selling than buying on any given day. As a result, the market price has been volatile, and the market price may decline immediately if you decide to place an order to sell your shares.

The market price of our common stock is highly volatile and several factors that are beyond our control, including our common stock being historically thinly traded, could adversely affect its market price. Our common stock has been historically thinly traded and the market price has been highly volatile. For these and other reasons, our stock price is subject to significant volatility and will likely be adversely affected if our revenues or earnings in any quarter fail to meet the investment community's expectations. Additionally, the market price of our common stock could be subject to significant fluctuations in response to:

- announcements of new products or sales offered by BlastGard® or its competitors;
- actual or anticipated variations in quarterly operating results;
- changes in financial estimates by securities analysts;
- changes in the market's perception of us or the nature of our business; and
- sales of our common stock.

Future sales of common stock into the public market place will increase the public float and may adversely affect the market price. As of April 12, 2010, we have outstanding 50,586,142 shares of common stock, including an estimated 32,864,242 outstanding shares held by non-affiliated persons. Holders of restrictive securities may also sell their restrictive shares pursuant to Rule 144. In general, under Rule 144 of the Securities Act of 1933, as amended, shares of our common stock beneficially owned by a person for at least six months (as defined in Rule 144) are eligible for resale under Rule 144, subject to the availability of current public information about us and, in the case of affiliated persons, subject to certain additional volume limitations, manner of sale provisions and notice provisions. Pursuant to Rule 144, non-affiliates may sell or otherwise transfer their restricted shares without compliance with current public information where the restricted securities have been held for at least one year pursuant to Rule 144(a). Future sales of common stock or the availability of common stock for sale may have an adverse effect on the market price of our thinly traded common stock, which in turn could adversely affect our ability to obtain future funding as well as create a potential market overhang.

"Penny Stock" regulations may adversely affect your ability to resell your stock in market transactions. The SEC has adopted penny stock regulations which apply to securities traded over-the-counter. These regulations generally define penny stock to be any equity security that has a market price of less than \$5.00 per share or an equity security of an issuer with net tangible assets of less than \$5,000,000 as indicated in audited financial statements, if the corporation has been in continuous operations for less than three years. Subject to certain limited exceptions, the rules for any transaction involving a penny stock require the delivery, prior to the transaction, of a risk disclosure document prepared by the SEC that contains certain information describing the nature and level of risk associated with investments in the penny stock market. The broker-dealer also must disclose the commissions payable to both the broker-dealer and the registered representative and current quotations for the securities. Monthly account statements must be sent by the broker-dealer disclosing the estimated market value of each penny stock held in the account or indicating that the estimated market value cannot be determined because of the unavailability of firm quotes. In addition, the rules impose additional sales practice requirements on broker-dealers who sell such securities to persons other than established customers and institutional accredited investors (generally institutions with assets in excess of \$5,000,000). These practices require that, prior to the purchase, the broker-dealer determined that transactions in penny stocks were suitable for the purchaser and obtained the purchaser's written consent to the transaction.

Our common stock is currently subject to the penny stock regulations. Compliance with the penny stock regulations by broker-dealers will likely result in price fluctuations and the lack of a liquid market for the common stock, and may make it difficult for you to resell your stock in market transactions.

Lack of Product Liability Insurance.

Due to lack of financing, the Company's product liability insurance has lapsed. In the event additional financing is received by the Company, of which there can be no assurances given in this regard, Management intends to use its best efforts to obtain product liability insurance coverage. We can provide no assurances that the current lack of private liability insurance will not adversely affect the Company in the event claims are made in connection with prior product sales or that the Company will successfully obtain new product liability insurance coverage in the future.

ITEM 1.B. UNRESOLVED STAFF COMMENTS

Not applicable .

ITEM 2. DESCRIPTION OF PROPERTY

We do not own any real estate properties. Effective July 1, 2007, we entered into a one-year lease for approximately 150 square feet of office space for our headquarters located in Clearwater, Florida. We were paying \$600 per month over a term of one year under the lease. The Company entered into a new lease agreement in January 1, 2009 for similar office space in Clearwater Florida. Rental payments under the new lease are \$300 per month on a month to month basis. The Company also had sales office space in Orangeville, Ontario and paid \$1,200 per month on a month to month agreement. The lease of office space in Ontario ended on November 30, 2008. Rent expense for 2009 and 2008 was approximately \$3,700 and \$20,400 respectively.

ITEM 3. LEGAL PROCEEDINGS

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

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

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

ITEM 4. RESERVED

PART II

5. Market for Common Stock and Related Shareholder Matters

There is a limited public market for our Common Stock. Our common stock has been quoted on the OTC Bulletin Board under the symbol "BLGA" since March 29, 2004 (on some internet-based services such as <http://finance.yahoo.com>, stock quotes can be accessed using the symbol BLGA.OB). The following table sets forth the range of high and low sales prices for our Common Stock for each quarterly period indicated, in the last two fiscal years.

Quarter Ended	High Sales		Low Sales	
March 31, 2008	\$	0.18	\$	0.10
June 30, 2008	\$	0.16	\$	0.05
September 30, 2008	\$	0.13	\$	0.07
December 31, 2008	\$	0.10	\$	0.02
March 31, 2009	\$	0.07	\$	0.01
June 30, 2009	\$	0.06	\$	0.02
September 30, 2009	\$	0.07	\$	0.01
December 31, 2009	\$	0.04	\$	0.01

The source of this information is the OTC Bulletin Board and other quotation services. The quotations reflect inter-dealer prices, without retail markup, markdown or commission.

Holders

As of March 31, 2010, there were approximately 231 holders of record of our common stock (this number does not include beneficial owners who hold shares at broker/dealers in "street-name").

Dividends

To date, we have not paid any dividends on its common stock and do not expect to declare or pay any dividends on such common stock in the foreseeable future. Payment of any dividends will be dependent upon future earnings, if any, our financial condition, and other factors as deemed relevant by our Board of Directors.

Repurchases of equity securities

During the past three years, we did not repurchase any of our outstanding equity securities.

Sales of Unregistered Securities

From January 1 2009 to December 31, 2009, we had no sales or issuances of unregistered common stock, except we made sales or issuances of unregistered securities listed in the table below:

<u>Date of Sale</u>	<u>Title of Security</u>	<u>Number Sold</u>	<u>Consideration Received and Description of Underwriting or Other Discounts to Market Price or Convertible Security, Afforded to Purchasers</u>	<u>Exemption from Registration Claimed</u>	<u>If Option, Warrant or Convertible Security, terms of exercise or conversion</u>
March 2009	Class G Common Stock Purchase Warrants	1,800,000	Debt extension; no commissions paid	Section 4(2)	Warrants expire June 22, 2011 and are exercisable at \$.03 per share
March 2009	Class G Common Stock Purchase Warrants	11,000,334	Warrant exchange	Section 3(a)(9); Exchange of securities of the same issuer without any commissions being paid.	Warrants expire June 22, 2011 and are exercisable at \$.03 per share
Jan. – Sept. 2009	Common Stock	1,225,000	Services rendered; no commissions paid	Section 4(2)	Not applicable
April 2009	Common Stock	3,000,000	\$90,000 (cash and services; no commissions paid)	Rule 506, Section 4(2)	Not applicable
May 2009	Common Stock	3,116,164	Debt conversions; no Commissions paid	Section 3(a)(9) Exchange of securities Of same issuer without Any commissions being paid.	Debt conversion At \$.03 per share

ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Statements contained herein that are not historical facts are forward-looking statements. Although we believe 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. We caution investors that any forward-looking statements made by us are not guarantees of future performance and 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 and analysis should be read in conjunction with our financial statements and notes thereto included elsewhere in this Form 10-K. Except for the historical information contained in this Form 10-K, the discussion in this Form 10-K contains certain forward-looking statements that involve risks and uncertainties, such as statements of our plans, objectives, expectations and intentions. The cautionary statements made in this Form 10-K should be read as being applicable to all related forward-looking statements wherever they appear in this Form 10-K. Our actual results could differ materially from those discussed here.

Introduction

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

We intend to focus exclusively on the business plan of BlastGard Technologies. BlastGard Technologies was formed on September 26, 2003, and is a development stage company. BTI acquired its only significant asset, a patent application for BlastWrap®, in January 2004, from co-inventors John L. Waddell, Jr., our 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

Year Ended December 31, 2009 vs. 2008

Since emerging from our development stage operations in 2005, our BlastGard MTR blast mitigated trash receptacles have been sold to numerous government service advantage ("GSA") clients located in the United States. We received orders for MTRs from the National Railroad Passenger Corporation also known as 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. For fiscal 2009, we recognized sales of \$49,893 and a gross profit of \$21,307, as compared to sales of \$732,044 and a gross profit of \$109,897 for the comparable period of the prior year.

For fiscal 2009, our overall operating and non operating expenses, including interest expense and gain on derivative liability, were relatively constant over the comparable period of the prior year. In November 2008, we took measures to reduce our monthly operating costs from approximately \$110,000 per month to an estimated \$50,000 per month. See "Recent Developments" under Item 7 following "Liquidity and Capital Resources."

Our net loss for fiscal 2009 was \$698,221 as compared to \$1,493,945 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

Marketing Strategy

We believe that our BlastGard® Technology can provide blast mitigation solutions for numerous industries across various market segments. However, we recognize that some industries will have significant barriers to entry and/or long lead times or conversely, provide an immediate revenue source. Having limited resources, we have researched each target market, ranked each market and divided the markets into two groups; markets that will require a strategic partnership to penetrate and markets we will sell directly to. We have developed a two-pronged approach to market our BlastGard® Technology.

The two-pronged approach will maximize market penetration while minimizing cost. Our approach is to:

- Develop **Strategic Partners** in existing well-defined markets.
- Initiate a **Direct Sales** Approach. We are focused on the top four markets, which we currently consider to be (1) military, (2) aviation industry, (3) oil and gas industry and (4) homeland defense. In addition, we are retaining commercial representatives who will be licensed to sell BlastGard® Technology to specific markets.

Business Prospects/Recent Developments

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

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

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

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

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

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

Liquidity and Capital Resources.

At December 31, 2009, we had cash of \$1,739, accounts receivable of \$0.00, a retained deficit of \$13,204,719 and shareholder equity of \$(803,384). During 2009, net cash was used in operating activities of \$63,489. This resulted primarily from our net loss of \$698,221, partially reduced by a stock based compensation non-cash charge of \$154,000 and depreciation and amortization of debt discounts of \$66,670. During 2009, net cash was used in investing activities of \$34,748, primarily payments for deferred costs.

At December 31, 2008, we had cash of \$1,477, accounts receivable of \$267,964, a retained deficit of \$12,506,498 and shareholder equity of \$(506,980). During 2008, net cash was used in operating activities of \$1,060,483. This resulted primarily from our net loss of \$1,493,945, partially reduced by a stock based compensation non-cash charge of \$114,000 and depreciation and amortization of debt discounts of \$297,734. During 2008, net cash was used in investing activities of \$77,546, primarily payments for deferred costs.

At December 31, 2008, we had cash of \$1,477. At that date, we owed approximately \$372,000 pursuant to our December 2004 Debt (described herein). As of March 15, 2009, we had cash of approximately \$3,594. As described under "Recent Developments" in this Item 7, we recently issued Class G Warrants to purchase 1,800,000 shares of the Company to the December 2, 2004 Note Holders in exchange for an extension of the due date of the Notes through November 30, 2009, and that all of these Warrants and one-half of the principal amount of the Notes were then sold to third parties.

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. As shown in the accompanying financial statements, we have incurred recurring losses, and have negative working capital and a net capital deficiency at December 31, 2009. These factors, among others, may indicate that we may be unable to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability of assets and classification of liabilities that might be necessary should we be unable to continue as a going concern. Our continuation as a going concern is dependent upon our ability to generate sufficient cash flow to meet our obligations on a timely basis and ultimately to attain profitability. The Company has a plan of financing to obtain cash to finance its operations through the sale of equity, debt borrowing and/or through the receipt of product licensing fees. We can provide no assurances that financing will be available to us on terms satisfactory to us, if at all, or that we will be able to continue as a going concern. Further, we can provide no assurances that a mutually acceptable licensing agreement will be entered into on terms satisfactory to us, if at all. In this respect, see "Note 1 – Going Concern" in our financial statements for additional information as to the possibility that we may not be able to continue as a "going concern."

At December 31, 2009, we had cash of \$1,739. At that date, we owed approximately \$279,000 pursuant to our December 2004 Debt (described herein). As of March 31, 2010, we had cash of approximately \$2,760. As described under "Recent Developments" in this Item 7, we issued Class G Warrants to purchase 1,800,000 shares of the Company to the December 2, 2004 Note Holders in exchange for an extension of the due date of the Notes through November 30, 2009, and that all of these Warrants and one-half of the principal amount of the Notes were then sold to third parties. These notes in the principal amount of \$279,292 are currently past due.

On June 22, 2006, we borrowed the principal amount of \$1,200,000 (the "June 2006 Debt") from two non-affiliated persons (the "Lenders") due June 22, 2008. Pursuant to an agreement dated as of August 7, 2007 (the "August 2007 Agreement"), Robert F. Rose Investments and two other non-affiliated parties (collectively hereinafter referred to as the "Purchasers") entered into an agreement with the Lenders to purchase the June 2006 Debt, which transaction is personally guaranteed by Mr. Rose. Upon the completion of said transaction, the Purchasers had agreed to automatically convert their June 2006 Debt into shares of our Common Stock at \$.30 per share. To date, \$795,000 of the \$1,200,000 has been completed and converted into our Common Stock at \$.30 per share and \$50,000 in principal was paid back. Pursuant to an agreement dated as of September 21, 2007, the Purchasers agreed to assign the remaining \$355,000 to be purchased pursuant to the August 2007 Agreement to five non-affiliated persons (collectively hereinafter referred to as the "Assignees") and the Assignees deposited \$355,000 in escrow with Lenders' attorney, as Escrow Agent. Subsequently, the Assignees notified the Escrow Agent that it should not release the escrowed funds from escrow and demanded the return of their funds. Said \$355,000 is currently the subject of a legal dispute and to our knowledge such funds are being held in escrow by the Lenders' attorneys. Although there is a dispute as to the rights and obligations of the parties pursuant to the aforementioned agreements and the possible conversion of the June 2006 Debt into shares of our Common Stock, we had continued to make the quarterly interest payments on the June 2006 Debt so as to avoid any claim of default. However, on June 22, 2008, the June 22, 2006 debt became due and payable and no payment of principal or accrued interest thereon was made by us. It is management's position, although no assurance can be given in this regard, that we do not owe the lenders the \$355,000 and that we were obligated to deliver 1,183,333 shares of common stock to the assignees upon conversion thereof. Nevertheless, we have continued to include the principal of the June 2006 Debt (exclusive of interest after June 22, 2008) on our consolidated balance sheet in order to reflect the worst case scenario.

To date, we have relied on management's ability to raise capital through equity private placement financings to fund our operations. We also have relied on borrowings from our Chief Executive Officer/Chief Financial Officer who has loaned the Company approximately \$10,000 and from our financial institution with a personal guaranty of our Chief Executive Officer/Chief Financial Officer, in the amount of approximately \$94,000, each as of April 13, 2010. We anticipate that our current and future liquidity requirements will arise from the need to finance our operations, 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 and/or the sale of exclusive licenses for our intellectual properties. We estimate that we will require between \$1.5 million and \$2.0 million in additional financing and cash flow from operations to support our operations and to meet our debt obligations as they become due and payable over the next 15 months of operations. We can provide no assurances that cash generated from operations will occur or additional financing will be obtained on terms satisfactory to us, if at all, or that additional debt conversions will occur.

Recent Developments

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

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

As of monthly cash budget broken down December 31, 2009, BlastGard's salary accruals and benefits to its executive officers totaled \$111,956 and its other account payable totaled \$332,527. Excluding our cash needs to meet these and other debt obligations, we have a n as follows:

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

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

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

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

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

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

2007 Private Placement Transactions

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

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

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

Other Recent Financings

December 2004 Debt Financing

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

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

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

The notes are secured by all of the Company's assets until the notes have been fully paid or fully converted into common stock. See "Recent Developments" under this "Item 6" for additional information.

June 2006 Debt Financing

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 originally exercisable at \$1.00 per share;
- (ii) Five-year Class D warrants purchasing an aggregate of 1,200,000 shares originally exercisable at \$1.50 per share;
- (iii) Five-year Class E warrants to purchase an aggregate of 600,000 shares originally exercisable at \$2.00 per share; and
- (iv) Five-year Class F warrants purchasing an aggregate of 1,066,666 shares originally exercisable at \$.75 per share. The Class F warrants were originally 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.

The aforementioned notes and warrants are protected against dilution in the event of certain events including, without limitation, the sale of common stock below the applicable conversion or exercise price as the case may be.

Pursuant to an agreement dated as of August 7, 2007 (the "August 2007 Agreement"), Robert F. Rose Investments and two other non-affiliated parties (collectively hereinafter referred to as the "Purchasers") entered into an agreement with the Lenders to purchase the June 2006 Debt, which transaction is personally guaranteed by Mr. Rose. Upon the completion of said transaction, the Purchasers had agreed to automatically convert their June 2006 Debt into shares of our Common Stock at \$.30 per share. To date, \$795,000 of the \$1,200,000 has been completed and converted into our Common Stock at \$.30 per share and \$50,000 in principal was paid back. Pursuant to an agreement dated as of September 21, 2007, the Purchasers agreed to assign the remaining \$355,000 to be purchased pursuant to the August 2007 Agreement to five non-affiliated persons (collectively hereinafter referred to as the "Assignees") and the Assignees deposited \$355,000 in escrow with Lenders' attorney, as Escrow Agent. Subsequently, the Assignees notified the Escrow Agent that it should not release the escrowed funds from escrow and demanded the return of their funds. Said \$355,000 is currently the subject of a legal dispute and to our knowledge such funds are being held in escrow by the Lenders' attorneys. Although there is a dispute as to the rights and obligations of the parties pursuant to the aforementioned agreements and the possible conversion of the June 2006 Debt into shares of our Common Stock, we had continued to make the quarterly interest payments on the June 2006 Debt so as to avoid any claim of default. However, on June 22, 2008, the June 22, 2006 debt became due and payable and no payment of principal or accrued interest thereon was made by us. It is management's position, although no assurance can be given in this regard, that we do not owe the lenders the \$355,000 and that we were obligated to deliver 1,183,333 shares of common stock to the assignees upon conversion thereof. Nevertheless, we have continued to include the principal of the June 2006 Debt (exclusive of interest after June 22, 2008) on our consolidated balance sheet in order to reflect the worst case scenario.

Registration Statements

Our recent debt and equity financings are described above. We have in the past and currently relied principally on external financing to maintain our company as a going concern. All of our assets have been used as collateral to secure our indebtedness. Among the many risks of our business and an investment in our company, is the possibility that we will not be able to meet our obligations as they come due and remain as a going concern. We have also agreed to file a registration statement to register for resale by the holders of the June 2006 debt, the number of shares of common stock issuable to them upon conversion of their notes and exercise of their warrants (the obligation to the holders of the June 2006 Debt are collectively referred to as the "Registrable Securities"), as well as to register for resale by Source Capital (and its transferees) and the holders of the December 2004 debt, the shares of common stock issuable upon exercise of their warrants. In September 2006, we obtained an effective registration statement pertaining to (i) a portion of the Registrable Securities, including the (x) shares of common stock issuable upon conversion of the June 2006 Debt based upon a conversion price of \$.75 per share and (y) warrant shares underlying the (x) Class C and Class F Warrants held by the holders of the June 2006 Debt and (ii) all shares of common stock issuable upon exercise of the warrants held by Source Capital (and its transferees). In September 2006, an amended agreement was entered into by and among the Company and the holders of the June 2006 Debt. This amendment requires us to register with the SEC the resale of the shares of common stock issuable upon exercise of the Class D and Class E Warrants and an additional 30% of the original Registrable Securities (as defined) upon receipt, in writing, of a written demand from such persons holding at least 51% of the outstanding Registrable Securities. To date, no such written demand has been received by us. Our original Registration Rights Agreement with the holders of the 2006 Debt (except as otherwise amended) requires us to maintain an effective Registration Statement pertaining to all Registrable Securities until all Registrable Securities covered by such Registration Statement have been sold, or may be sold, without volume restriction pursuant to Rule 144(k) (the "Effectiveness Period"). If during the Effectiveness Period, the number of Registrable Securities at any time exceeds 90% of the number of shares of Common Stock then registered in a Registration Statement, then we are required to file as soon as reasonably practicable, but in any case prior to the 30th day following the date on which we first know, or should reasonably have known, that such additional Registration Statement is required, an additional Registration Statement covering the resale by the holders of not less than 130% of the number of such Registrable Securities. The agreement further provides that we may require each selling holder of Registrable Securities to furnish us a certified statement as to the number of shares of common stock beneficially owned by each holder and that during any period that we are unable to meet our obligations under the Registration Statement for the registration of the Registrable Securities solely because any holder fails to furnish us information within three trading days of our request, any liquidated damages that are accruing at such time to such selling holder only shall be tolled and that any event that may otherwise occur solely because of such delay shall be suspended as to such holder only, until such information is delivered to us.

Recently Issued Accounting Pronouncements

During the past two years, the Financial Accounting Standards Board ("FASB") issued SFAS No. 160, FSAS No. 161, FSAS No. 162, FSAS No. 163, FSAS No. 164, FSAS No. 165, FSAS No. 166, FSAS No. 167 and FSAS No. 168, FIN 48 and various Accounting Standards Codification updates which are described in Note 1, "Recent Accounting Pronouncements" of the Notes to Financial Statements contained in our latest annual report on Form 10-K filed with the Security and Exchange commission on March 15, 2010. Reference is made to these recent accounting pronouncements as if they are set forth therein in their entirety.

ITEM 8. FINANCIAL STATEMENTS

The information required by Item 7 and an index thereto commences on page F-1, which pages follow this page.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders:
Blastgard International, Inc.

I have audited the balance sheets of BlastGard International, Inc. as of December 31, 2009 and the related statement of operations, changes in stockholders' deficit, and cash flows for the years then ended. These financial statements were the responsibility of the Company's management. My responsibility was to express an opinion on these financial statements based on our audits. The financial statements of BlastGard International, Inc., as of December 31, 2008, were audited by other auditors, whose report dated April 14, 2009 expressed an unqualified opinion on those financial statements with explanatory paragraph regarding substantial doubt about the Company's ability to continue as a going concern. My opinion on the statement of operations, changes in stockholders' deficit and cash flows for the year ended December 31, 2008 insofar as it relates to amounts for the periods through December 31, 2008 is based solely on the report of other auditors.

I conducted my audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements were free of material misstatement. The Company was not required to have, nor was I engaged to perform, an audit of its internal control over financial reporting. My audit included consideration of internal control over financial reporting as a basis for designing audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, I express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provide a reasonable basis for my opinion.

In my opinion, the financial statements, referred to above, present fairly, in all material respects, the financial position of BlastGard International, Inc. as of December 31, 2009, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has incurred recurring losses and has used significant cash in support of its operating activities. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Further information and management's plans in regard to this uncertainty were also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Peter Messineo, CPA
Palm Harbor, Florida
March 31, 2010

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders:
Blastgard International, Inc.

We have audited the balance sheet of BlastGard International, Inc. as of December 31, 2008, and the related statements of operations, changes in stockholders' deficit, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BlastGard International, Inc. as of December 31, 2008, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has incurred recurring losses and has used significant cash in support of its operating activities. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Further information and management's plans in regard to this uncertainty are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Cordovano and Honeck LLP
Englewood, Colorado
April 14, 2009

Balance Sheets
December 31, 2009 and 2008

	2009	2008
Assets		
Current assets:		
Cash	\$ 1,739	\$ 1,477
Receivables:		
Trade, net	—	267,964
Other	—	—
Inventory	67,126	77,893
Prepaid expenses	—	17,644
Total current assets	68,865	364,978
Property and equipment, net	320	1,096
Other assets:		
Debt issue costs, net	—	-
Intangibles, net	26,277	18,303
Deferred costs	179,112	153,900
Deposits	817	1,096
	\$ 275,391	\$ 539,373
Liabilities and Shareholders' Equity		
Current liabilities:		
Current maturities on convertible notes payable, net of unamortized discount of \$0 and \$0	\$ 634,292	\$ 727,389
Line of Credit	91,380	82,881
Accounts payable	139,603	84,728
Accrued payroll	111,956	26,355
Short term portion of settlement payable	75,000	62,500
Related party loans	26,544	—
Total current liabilities	1,078,775	983,853
Long term portion of settlement payable	—	62,500
Shareholders' equity		
Preferred stock, \$.001 par value; 1,000 shares authorized, -0- shares issued and outstanding	—	—
Common stock, \$.001 par value; 100,000,000 shares authorized, 50,086,142 and 42,369,978 shares issued and outstanding	50,086	42,370
Additional paid-in capital	12,351,249	11,957,148
Retained deficit	(13,204,719)	(12,506,498)
Total shareholder's equity	(803,384)	(506,980)
	\$ 275,391	\$ 539,373

Statements of Operations
Years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Revenues:		
Sales	\$ 49,893	\$ 732,044
Cost of goods sold	28,586	622,147
Gross profit	<u>21,307</u>	<u>109,897</u>
Operating expenses:		
General and administrative	591,566	989,352
Research and development	25,110	148,133
Depreciation and amortization	2,338	5,348
Total operating expenses	<u>619,014</u>	<u>1,142,833</u>
Operating loss	(597,707)	(1,032,936)
Non-operating income/(expense):		
Gain on derivative liability (Note 6)	—	34,000
Interest income	2	10,030
Rental income	1,200	—
Loss on conversion of debt	—	(5,562)
Loss on disposal of assets	—	—
Settlement loss and royalty expense	(508)	(125,000)
Interest expense (Notes 4 and 5):		
Amortized debt issue costs	—	(56,530)
Amortized debt discount	(64,332)	(235,856)
Other	<u>(36,876)</u>	<u>(82,091)</u>
Loss before income taxes	(698,221)	(1,493,945)
Income tax provision (Note 3)	—	—
Net loss	<u>\$ (698,221)</u>	<u>\$ (1,493,945)</u>
Basic and diluted loss per share	<u>\$ (0.01)</u>	<u>\$ (0.04)</u>
Basic and diluted weighted average common shares outstanding	<u>47,354,199</u>	<u>40,714,954</u>

**Statement of Changes in Stockholders Equity
For the Years ended December 31, 2009 and 2008**

Description	Common	Common	Additional	Retained	Total
	Stock	Stock	Paid in	Deficit	
	No. of Shares	Par Value	Capital		
Balance - 12/31/07	39,786,554	\$ 39,787	\$ 11,644,632	\$ (11,012,553)	\$ 671,866
				-	
Conversion of debt	2,395,924	2,395	248,420	—	250,815
Stock in lieu of salary	187,500	188	18,562	—	18,750
Modification of compensatory warrants and options	-	-	45,534	—	45,534
2008 loss	-	-	-	(1,493,945)	(1,493,945)
Balance - 12/31/08	42,369,978	42,370	11,957,148	(12,506,498)	(506,980)
				—	
Sale of stock	3,000,000	3,000	87,000	—	90,000
Stock in lieu of salary	1,125,000	1,500	148,500	—	150,000
Conversion of debt	3,116,134	3,116	90,369	—	93,485
Stock for services	100,000	100	3,900	—	4,000
Discount on convertible debt assumed	—	—	64,332	—	64,332
2009 loss	—	—	—	(698,221)	(698,221)
				-	
Balance - 12/31/09	<u>49,711,112</u>	<u>\$ 50,086</u>	<u>\$ 12,351,249</u>	<u>\$ (13,204,719)</u>	<u>\$ (803,384)</u>

Statements of Cash Flows
Years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Net loss	\$ (698,221)	\$ (1,493,945)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,338	5,348
Amortization of debt issue costs	64,332	56,530
Revalue warrants	—	5,534
Stock-based compensation	154,000	58,750
Stock given for interest	388	49,716
Discount on convertible notes payable	—	235,856
Loss on conversion of debt	—	5,562
Gain/(loss) on derivative liability	—	(34,000)
Changes in operating assets and liabilities:		
Accounts receivable	267,964	(236,719)
Inventory	10,767	43,330
Other operating assets	17,923	36,238
Accounts payable and accruals	90,476	207,317
Related party payable	26,544	—
Net cash used in operating activities	<u>(63,489)</u>	<u>(1,060,483)</u>
Cash flows from investing activities:		
Payments for deferred costs	<u>(34,748)</u>	<u>(77,546)</u>
Net cash used in investing activities	<u>(34,748)</u>	<u>(77,546)</u>
Cash flow from financing activities:		
Net proceeds from line of credit	8,499	82,881
Proceeds from sale of stock	90,000	—
Payments for debt principal	<u>—</u>	<u>(328,354)</u>
Net cash provided by financing activities	<u>98,499</u>	<u>(245,473)</u>
Net change in cash	262	(1,383,502)
Cash, beginning of period	<u>1,477</u>	<u>1,384,979</u>
Cash, end of period	<u>\$ 1,739</u>	<u>\$ 1,477</u>
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	<u>\$ 36,488</u>	<u>\$ 32,375</u>
Income taxes	<u>\$ —</u>	<u>\$ —</u>

BLASTGARD INTERNATIONAL, INC.
Notes to Financial Statements

(1) Organization, Basis of Presentation, and Summary of Significant Accounting Policies

Organization and Basis of Presentation

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

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

Going Concern

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

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

Convertible debt

On June 22, 2006, we borrowed the principal amount of \$1,200,000 (the "June 2006 Debt") from two non-affiliated persons (the "Lenders") due June 22, 2008. Pursuant to an agreement dated as of August 7, 2007 (the "August 2007 Agreement"), Robert F. Rose Investments and two other non-affiliated parties (collectively hereinafter referred to as the "Purchasers") entered into an agreement with the Lenders to purchase the June 2006 Debt, which transaction was personally guaranteed by Mr. Rose. Upon the completion of said transaction, the Purchasers had agreed to automatically convert their June 2006 Debt into shares of our Common Stock at \$.30 per share. To date, \$795,000 of the \$1,200,000 has been completed and converted into our Common Stock at \$.30 per share and \$50,000 in principal was paid back. Pursuant to an agreement dated as of September 21, 2007, the Purchasers agreed to assign the remaining \$355,000 to be purchased pursuant to the August 2007 Agreement to five non-affiliated persons (collectively hereinafter referred to as the "Assignees") and the Assignees deposited \$355,000 in escrow with Lenders' attorney, as Escrow Agent. Subsequently, the Assignees notified the Escrow Agent that it should not release the escrowed funds from escrow and demanded the return of their funds. Said \$355,000 was currently the subject of a legal dispute and to our knowledge such funds were being held in escrow by the Lenders' attorneys. Although there was a dispute as to the rights and obligations of the parties pursuant to the aforementioned agreements and the possible conversion of the June 2006 Debt into shares of our Common Stock, we had continued to make the quarterly interest payments on the June 2006 Debt so as to avoid any claim of default. However, on June 22, 2008, the June 22, 2006 debt became due and payable and no payment of principal or accrued interest thereon was made by us. It was management's position, although no assurance can be given in this regard, that we do not owe the lenders the \$355,000 and that we were obligated to deliver 1,183,333 shares of common stock to the assignees upon conversion thereof. Nevertheless, we have continued to include the principal of the June 2006 Debt (exclusive of interest after June 22, 2008) on our consolidated balance sheet in order to reflect the worst case scenario.

BLASTGARD INTERNATIONAL, INC.
Notes to Financial Statements

Use of Estimates

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

Cash and Cash Equivalents

The Company considered all highly liquid debt instruments with original maturities of three months or less when acquired to be cash equivalents. The Company had no cash equivalents at December 31, 2009.

Financial Instruments

The carrying amounts of cash, receivables and current liabilities approximated fair value due to the short-term maturity of the instruments. Debt obligations were carried at cost, which approximated fair value due to the prevailing market rate for similar instruments.

Fair Value Measurement

All financial and nonfinancial assets and liabilities were recognized or disclosed at fair value in the financial statements. This value was evaluated on a recurring basis (at least annually). Generally accepted accounting principles in the United States define fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on a measurement date. The accounting principles also established a fair value hierarchy which required an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Three levels of inputs were used to measure fair value.

Level 1: Quotes market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that were corroborated by market data.

Level 3: Unobservable inputs that were not corroborated by market data.

Accounts Receivable

Accounts receivable consisted of amounts due from customers (mostly government agencies) based in the United States and abroad. The Company considered accounts more than 30 days old to be past due. The Company used the allowance method for recognizing bad debts. When an account was deemed uncollectible, it was written off against the allowance. The Company generally does not require collateral for its accounts receivable. As of December 31, 2009, management believes an allowance for uncollectible accounts in the amount of \$3,873 was adequate.

BLASTGARD INTERNATIONAL, INC.
Notes to Financial Statements

Inventory

Inventory was stated at the lower of cost (first-in, first-out) or market. Market was generally considered to be net realizable value. Inventory consisted of materials used to manufacture the Company's BlastWrap® product and finished goods ready for sale. The breakdown of inventory at December 31, 2009 and 2008 was as follows:

	<u>2009</u>	<u>2008</u>
Finished goods	\$ 49,941	\$ 63,368
Materials and supplies	17,185	14,525
Total inventory	<u>\$ 67,126</u>	<u>\$ 77,893</u>

Property and Equipment

Property and equipment were stated at cost. Depreciation was calculated using the straight-line method over the estimated useful lives of the related assets, ranging from three to seven years. Expenditures for additions and improvements were capitalized, while repairs and maintenance costs were expensed as incurred. The cost and related accumulated depreciation of property and equipment sold or otherwise disposed of were removed from the accounts and any gain or loss was recorded in the year of disposal.

Impairment of Long-Lived Assets

The Company evaluates the carrying value of its long-lived assets at least annually. Impairment losses were recorded on long-lived assets used in operations when indicators of impairment were present and the undiscounted future cash flows estimated to be generated by those assets were less than the assets' carrying amount. If such assets were impaired, the impairment to be recognized was measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of were reported at the lower of the carrying value or fair value, less costs to sell.

Debt Issue Costs

The costs related to the issuance of debt were capitalized and amortized to interest expense using the straight-line method over the lives of the related debt. The straight-line method results in amortization that was not materially different from that calculated under the effective interest method.

Deferred Costs

Patent and trademark application costs were capitalized as deferred costs. If a patent or trademark application was denied or expires, the costs incurred were charged to operations in the year the application was denied or expires. Amortization commences once a patent or trademark was granted.

BLASTGARD INTERNATIONAL, INC.
Notes to Financial Statements

Revenue Recognition

Sales revenue was recognized upon the shipment of product to customers. Allowances for sales returns, rebates and discounts were recorded as a component of net sales in the period the allowances were recognized.

Research and Development

Research and development costs were expensed as incurred.

Advertising

Advertising costs were expensed as incurred. Advertising costs of \$0 and \$5,500 were incurred during the years ended December 31, 2009 and 2008, respectively.

Income Taxes

Income taxes were provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the recorded book basis and the tax basis of assets and liabilities for financial and income tax reporting. Deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities were recovered or settled. Deferred tax assets were also recognized for operating losses that were available to offset future taxable income and tax credits that were available to offset future federal income taxes, less the effect of any allowances considered necessary. The company use guidance provided by *FIN 48, Accounting for Uncertainty in Income Taxes*, for reporting uncertain tax provisions.

Stock-based Compensation

Effective January 1, 2006, the Company adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 123 (R), "Share-Based Payment." Prior to the adoption of SFAS 123(R) we accounted for stock option grants using the intrinsic value method prescribed in APB Opinion No. 25, "Accounting for Stock Issued to Employees," and accordingly, recognized no compensation expense for stock option grants.

We use the Black-Scholes option pricing model to estimate the fair value of stock-based awards on the date of grant, using assumptions for volatility, expected term, risk-free interest rate and dividend yield. We have used one grouping for the assumptions as our option grants were primarily basic with similar characteristics. The expected term of options granted has been derived based upon our history of actual exercise behavior and represents the period of time that options granted were expected to be outstanding. Historical data was also used to estimate option exercises and employee terminations. Estimated volatility was based upon our historical market price at consistent points in a period equal to the expected life of the options. The risk-free interest rate was based on the U.S. Treasury yield curve in effect at the time of grant and the dividend yield was based on the historical dividend yield.

Loss per Common Share

Basic net loss per share excludes the impact of common stock equivalents. Diluted net loss per share utilizes the average market price per share when applying the treasury stock method in determining common stock equivalents. As of December 31, 2009, there were 3,420,000 vested common stock options outstanding, which were excluded from the calculation of net loss per share-diluted because they were anti-dilutive. In addition, at December 31, 2009 the Company had 16,749,284 warrants outstanding issued in connection with convertible promissory notes and stock sales that were also excluded because they were anti-dilutive.

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Recent Accounting Pronouncements

The Financial Accounting Standards Board ("FASB") issued FASB Accounting Standards Codification ("ASC") effective for financial statements issued for interim and annual periods ending after September 15, 2009. The ASC was an aggregation of previously issued authoritative U.S. generally accepted accounting principles ("GAAP") in one comprehensive set of guidance organized by subject area. In accordance with the ASC, after June 30, 2009, references to previously issued accounting standards have been replaced by ASC references. Subsequent revisions to GAAP will be incorporated into the ASC through Accounting Standards Updates (ASU). The ASC did not have an effect on the Company's results of operations or financial condition.

In June 2009, the FASB issued Accounting Standards Update ("ASU") No. 2009-02, Omnibus Update—Amendments to Various Topics for Technical Corrections. This omnibus ASU detailed amendments to various topics for technical corrections. The adoption of ASU 2009-02 will not have a material impact on our condensed financial statements.

In August 2009, the FASB issued Accounting Standards Update ("ASU") No. 2009-04, Accounting for Redeemable Equity Instruments — Amendment to Section 480-10-S99. This ASU represents an update to Section 480-10-S99, Distinguishing Liabilities from Equity, per Emerging Issues Task Force Topic D-98, "Classification and Measurement of Redeemable Securities." The adoption of ASU 2009-04 will not have a material impact on our condensed financial statements.

In August 2009, the FASB issued Accounting Standards Update ("ASU") No. 2009-05, Fair Value Measurements and Disclosures (Topic 820) — Measuring Liabilities at Fair Value. This Accounting Standards Update amends Subtopic 820-10, Fair Value Measurements and Disclosures - Overall, to provide guidance on the fair value measurement of liabilities. The adoption of ASU 2009-05 is not expected to have a material impact on our condensed financial statements.

In September 2009, the FASB issued Accounting Standards Update ("ASU") No. 2009-08, Earnings Per Share Amendments to Section 260-10-S99. This Codification Update represents technical corrections to Topic 260-10-S99, Earnings per Share, based on EITF Topic D-53, Computation of Earnings Per Share for a Period that Includes a Redemption or an Induced Conversion of a Portion of a Class of Preferred Stock and EITF Topic D-42, The Effect of the Calculation of Earnings per Share for the Redemption or Induced Conversion of Preferred Stock. The adoption of ASU 2009-08 will not have material impact on our condensed financial statements.

In September 2009, the FASB issued Accounting Standards Update ("ASU") No. 2009-09, Accounting for Investments-Equity Method and Joint Ventures and Accounting for Equity-Based Payments to Non-Employees. This Accounting Standards Update represents a correction to Section 323-10-S99-4, Accounting by an Investor for Stock-Based Compensation Granted to Employees of an Equity Method Investee. Section 323-10-S99-4 was originally entered into the Codification incorrectly. The adoption of ASU 2009-09 will not have material impact on our condensed financial statements.

In September 2009, the FASB issued Accounting Standards Update ("ASU") No. 2009-12, Fair Value Measurements and Disclosures (Topic 820), Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent). This Accounting Standards Update amends Subtopic 820-10, Fair Value Measurements and Disclosures Overall, to provide guidance on the fair value measurement of investments in certain entities that calculate net asset value per share (or its equivalent). The adoption of ASU 2009-12 will not have material impact on our condensed financial statements.

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In October 2009, the FASB issued Accounting Standards Update (“ASU”) No. 2009-13, Multi-Deliverable Revenue Arrangements, (Topic 605) Revenue Recognition. This Accounting Standards Update amends subtopic 605-25 to allow vendors to account for products or services separately rather than as a combined unit. The amendment addresses how to separate deliverables and how to measure and allocate arrangement consideration to one or more units of accounting. The adoption of ASU 2009-13 will not have material impact on our condensed financial statements.

In November 2009, the FASB issued Accounting Standards Update (“ASU”) No. 2009-15, Accounting for Own Share Lending arrangements in Contemplation of Convertible Debt Issuance or Other Financing. This Accounting Standards Update amends certain provisions in Topic 470 to include own-share lending arrangements. The adoption of ASU 2009-15 will not have material impact on our condensed financial statements.

In December 2009, the FASB issued Accounting Standards Update (“ASU”) No. 2009-16, Transfers and Servicing, (Topic 860), Accounting for Transfers of Financial Assets. This Accounting Standards Update amends certain language throughout the topic for changes made by FASB statement 166, above. The adoption of ASU 2009-16 will not have material impact on our condensed financial statements.

(2) Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2009</u>	<u>2008</u>
Equipment	\$ 60,707	\$ 60,707
Furniture	15,057	15,057
Gross property	75,764	75,764
Less accumulated depreciation	(75,444)	(74,668)
	<u>\$ 320</u>	<u>\$ 1,096</u>

Depreciation expense totaled \$776 and \$4,021, respectively, for the years ended December 31, 2009 and 2008.

(3) 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 consisted of the following at December 31, 2009 and 2008:

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	<u>2009</u>	<u>2008</u>
\$500,000 convertible promissory note issued December 2, 2004, due on November 30, 2009, 8% annual interest rate, net of unamortized Discount of \$0 and \$0, respectively	\$ 150,166	\$ 300,331
\$93,096 convertible promissory note (1/4 of previous outstanding notes) issued December 2, 2004, due November 30, 2009, 8% interest Net of unamortized discount of \$0 and \$0, respectively	93,096	-
\$50,000 convertible promissory note issued December 2, 2004, due on November 30, 2009, 8% annual interest rate, net of unamortized Discount of \$0 and \$0, respectively	17,325	34,650
\$50,000 convertible promissory note issued December 2, 2004, due on November 30, 2009, 8% annual interest rate, net of unamortized Discount of \$0 and \$0, respectively	15,241	30,481
\$10,000 convertible promissory note issued December 2, 2004, due on November 30, 2009, 8% annual interest rate, net of unamortized Discount of \$0 and \$0, respectively	3,464	6,927
	<u>279,292</u>	<u>372,389</u>
Less: current maturities	(279,292)	(372,389)
	<u>\$ -</u>	<u>\$ -</u>

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

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

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

The notes were 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 2004 convertible promissory notes

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

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

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

At December 31, 2009, there were 9,292,158 warrants outstanding and exercisable associated with this debt. These warrants were valued at \$302,569.

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(4) 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. In April 2007, the Company lowered the exercise price on the conversion and the warrants and revalued warrants and the associated discount on the convertible debt. On August 8, 2007, one-half of the debt was acquired by unrelated parties. The new holders converted \$600,000 of the debt on August 8, 2007 and later an additional \$195,000 in September 2007 at \$.30 per share. The Company also paid \$50,000 to reduce the outstanding principal amount of the debt to \$355,000. All the holders agreed to unwind the changes made in April 2007 to reduce the number of warrants outstanding to previous levels and to reset the exercise price to amounts consistent with the other convertible debt and warrants. Also, the holders of the 2006 convertible debt agreed to cancel their "D" and "E" warrants.

The Company's subordinated, convertible promissory notes payable consist of the following at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
\$600,000 subordinated, convertible promissory note issued June 22, 2006, due on June 22, 2008, 8% annual interest rate, net of unamortized discount of \$0 and \$0, respectively	\$ 355,000	\$ 355,000
	355,000	355,000
Less: current maturities	(355,000)	(355,000)
	<u>\$ -</u>	<u>\$ -</u>

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

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

The convertible notes, which aggregate in principal \$355,000, were currently the subject of a legal dispute. The original holders of these notes agreed to sell these notes to third parties, which parties assigned a portion of these rights to five assignees. The third parties and their assignees agreed at each closing to convert their debt into BlastGard common stock at a fixed conversion price of \$.30 per share. The original owners of these notes and the third parties (but not the assignees) have entered into agreements with BlastGard such that in the event they were determined by a court of law or settlement agreement to be the owners of the notes, each note shall be convertible into common stock based upon the same formulas and conversion rights as those then held by the holders of the December 2004 notes currently due August 29, 2008. In the event the assignees were determined to be the rightful owners of the notes due June 22, 2008, then these notes would continue to convert at a fixed conversion price of \$.30 per share.

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Carrying value of subordinated, convertible notes payable

The conversion of the subordinated, convertible notes payable was fixed at \$0.10 per share of the Company's common stock. Options embedded in contracts containing the price of a specific equity instrument were not clearly and closely related to an investment in an interest-bearing note and the embedded derivative was separated from the host contract. As a result, the Company bifurcated the option resulting from the conversion feature and classified it as a derivative liability. At December 31, 2009, \$355,000 in principal of the subordinated convertible notes was awaiting conversion.

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

Principal balance of the notes	\$ 1,200,000
Less debt discounts:	
Fair value of warrants (below)	(768,000)
Fair value of conversion option (below)	(432,000)
Plus amortization of discounts to December 31, 2007	552,490
Less the conversion of debt	(795,000)
Plus the revaluation of discount and conversion option	494,676
Current year-to-date amortization of discounts	152,834
Principle payment in 2008	(50,000)
Carrying value at December 31, 2009	<u>\$ 355,000</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, were bifurcated and were classified as derivative liabilities. Such financial instruments were initially recorded at fair value and subsequently adjusted to fair value at the close of each reporting period.

	Derivative Liability	Number of Shares In Which The Derivative Liability 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, December 31, 2007	34,000	1,600,000
Embedded conversion feature, December 31, 2008	0	2,000,000
Embedded conversion feature, December 31, 2009	0	0
Current year to date change	<u>\$ -</u>	

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The change on the derivative liability resulted in a gain of \$ 0 and \$34,000 for the years ended December 31, 2009 and 2008.

Detachable common stock warrants issued with subordinated convertible promissory notes

The warrants were detachable and were valued separately from the convertible notes payable. Therefore, the total fair value of the warrants, \$1,200,000, was charged to additional paid-in capital with a corresponding discount on the convertible notes payable. Changes to the value of the warrants were also charged to additional paid-in-capital and discount on convertible notes payable. The remaining discount was amortized over the life of the debt. At December 31, 2009, there were 7,457,126 warrants outstanding and exercisable associated with this debt. These warrants were valued at \$182,012.

Debt issue costs

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

(5) ***Detachable common stock warrants issued with convertible and subordinated convertible promissory notes***

The Company issued warrants with both the convertible promissory notes, in 2004 and the subordinated convertible promissory notes in 2006. The company issued additional warrants in 2004 for a consulting agreement and in 2007 with the sale of stock and a penalty. The information contained in this Note 5 was as of December 31, 2009 unless otherwise noted.

The fair value of detachable warrants issued with the convertible notes was charged to additional paid-in capital with a corresponding discount on the convertible notes payable. The discount was amortized over the life of the debt. As the discount was amortized, the reported outstanding principal balance of the notes approached the remaining unpaid value (\$279,292 and \$355,000 at December 31, 2009 for the 2004 and 2006 debt respectively.).

The warrants were revalued twice in 2007 and once in 2008 due to changes in the agreements with the note holders. The original number of warrants issued and the exercise price were as follows:

Description	Number Issued	Exercise Price
2004 debt "A", "B", "C", "D", "E", "F" warrants	2,113,758	\$ 1.00 - \$ 2.00
2006 debt "C", "D", "E" and "F" warrants	4,066,666	\$ 0.75 - \$ 2.00
2004 Consulting agreement	150,000	\$ 5.00
2007 sale of stock	6,614,688	\$ 0.45
2007 10% penalty on sale of stock	661,479	\$ 0.45
2007 Broker warrants	1,988,815	\$ 0.32
Total	16,198,106	

On October 17, 2008, the Board of Directors agreed to extend the expiration date for an additional 92 days of certain unclassified warrants to purchase 9,264,970 shares that would otherwise have expired at the close of business on October 20, 2008. These warrants which were exercisable at \$.45 per share will now be exercisable at a reduced exercise price of \$.10 per share through the close of business on January 20, 2009.

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As a result of the Board's action in the preceding paragraph, the anti-dilution provisions of all other outstanding warrants will result in the reduction of the exercise price of our outstanding Class A, Class C, Class D, Class E and Class F Warrants to an exercise price of \$.10 per share. In the case of the Class C, D, E and F Warrants, it will also cause there to be an increase in the number of shares purchasable there under. As a result of the Board's actions, the total number of Class A warrants for the holders of the December 2004 Debt remained at 473,336 but the exercise price was reduced from \$.45 to \$.10 per share; and the total number of Class F warrants for the holders of the December 2004 Debt increased from 666,667 to 3,333,335 and the exercise price was reduced from \$.50 to \$.10 per share. No assurances can be given that any warrants will be exercised.

The fair value for the warrants was estimated at the date of revaluation using the Black-Scholes option-pricing model with the following assumptions:

Risk-free interest rate	0.83% - 1.64%
Dividend yield	0.00%
Volatility factor	136.22% - 187.85%
Expected life	0.3 – 1.84 years

The number of warrants outstanding, the associated exercise price and value after the revaluation was as follows:

Description	Number Issued	Exercise Price	Fair Value
Class "A" warrants	556,170	\$ 0.10	\$ 10,571
Class "C" warrants	5,498,999	0.10	104,839
Class "D" warrants	324,000	0.10	6,177
Class "E" warrants	162,000	0.10	3,089
Class "F" warrants	8,964,285	0.10	170,906
Undefined warrants	9,414,970	\$ 0.10	114,158
	<u>24,920,424</u>	Total	<u>\$ 409,739</u>

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

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

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

Also, during March 2009, the holders of certain senior convertible securities originally issued on December 2, 2004, extended the due date of the debt to November 30, 2009 in exchange for the issuance of Class G warrants to purchase 1,800,000 shares of common stock in the Company.

In March 2009, the conversion price of the Notes was also lowered to \$.03 per share. Concurrently, the Class A, C, D, E and F warrants held by these investors were cancelled and an equal number of Class G warrants were issued as replacements.

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The number of warrants outstanding, the associated exercise price and value after the reallocation was as follows:

Description	Number Issued	Exercise Price	Fair Value
Class "A" warrants	-	\$ 0.10	\$ -
Class "C" warrants	1,921,500	0.10	36,634
Class "D" warrants	324,000	0.10	6,177
Class "E" warrants	162,000	0.10	3,089
Class "F" warrants	2,097,620	0.10	39,991
Class "G" warrants	12,244,164	\$ 0.10	398,690
Total	16,749,284		\$ 484,581

(6) Shareholders' Equity

Preferred stock

The Company was 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.

Common stock issuances

During 2008, various note holders accepted a total of 2,395,924 shares of stock in lieu of interest and principal payments on their debt. The total principal and interest payments converted to stock totaled \$245,253.

In December 2008, an officer accepted 187,500 shares in lieu of his salary for the month of December. This stock was accepted at a negotiated price of \$0.10 per share rather than the lower market value of the stock so as not to trigger anti-dilution provisions in the debt and warrants. The total salary converted to stock was \$18,750. The value of the stock when issued was less than \$5,000. The Company did not record a gain on the issuance of stock because the transaction was with a related party. The difference between the salary and the value of the stock was applied to additional paid in capital.

From January through August 2009, an officer accepted 187,500 shares per month in lieu of his salary for the first eight months of 2009. This stock was accepted at a negotiated price of \$0.10 per share rather than the lower market value of the stock so as not to trigger anti-dilution provisions in the debt and warrants. The total salary converted to stock was \$150,000. The value of the stock when issued was less than \$40,000. The Company did not record a gain on the issuance of stock because the transaction was with a related party. The difference between the salary and the value of the stock was applied to additional paid in capital.

In April, 2009, the Board of Directors approved the issuance of 3,000,000 restricted shares of Common Stock of the Company at a purchase price of \$.03 per share (\$90,000 in the aggregate). Mr. McKinnon, the Company's CEO at that time, purchased the shares via a Subscription Agreement. Approximately \$1,200 of the subscription price was paid in exchange for services rendered and the balance of the subscription price was paid in cash.

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Also in April 2009, the company issued 100,000 shares of stock in exchange for \$4,000 of consulting services.

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

Stock Compensation

The Company periodically offered options to purchase stock in the company to vendors and employees.

Options were granted at the fair market value of the stock on the date of grant. Options generally become fully vested after one year from the date of grant and expire five years from the date of grant. During the years ended December 31, 2009 no options were granted and 1,266,667 options expired when sales goals were not met.

On October 17, 2008, the board agreed to change the exercise price for all options to \$0.10 per share. The revaluation of the options created an additional \$40,000 in compensation costs on options that were ready vested. These costs were included in the compensation costs for 2008. In addition, the revaluation of certain stock warrants, discussed above, created \$5,534 in compensation costs.

Our results of operations include stock-based compensation for the twelve months ended December 31, as follows:

	Twelve months ended December 31,	
	2009	2008
General and administrative	\$ -	\$ 45,534
Less: Tax effect of non-qualified options	-	-
	<u>\$ -</u>	<u>\$ 45,534</u>

We used the Black-Scholes option pricing model to estimate the fair value of stock-based awards on the date of grant. The assumptions employed in the calculation of the fair value of share-based compensation expense for the years ended December 31, 2009 and 2008 were calculated as follows:

- Expected dividend yield — based on the Company's historical dividend yield.
- Expected volatility — based on the Company's historical market price at consistent points in a period equal to the expected life of the options.
- Risk-free interest rate — based on the U.S. Treasury yield curve in effect at the time of grant.
- Expected life of options — calculated using the simplified method as prescribed in Staff Accounting Bulletin No. 107, where the expected life was equal to the sum of the vesting period and the contractual term divided by two.

The following table summarizes the assumptions used to estimate the fair value of stock options granted during the years ended December 31, 2009 and 2008:

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	<u>2009</u>	<u>2008</u>
Expected dividend yield	-%	-%
Expected volatility	-%	136.22%
Risk-free interest rate	-%	0.83 – 1.64%
Expected life of options	-	2-3

There were no net cash proceeds from the exercise of stock options for the twelve months ended December 31, 2009 or 2008. At December 31, 2009, there was no unrecognized compensation cost related to share-based payments which was expected to be recognized in the future.

The following table represents stock option activity as of and for the twelve months ended December 31, 2009 and 2008:

	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Life</u>	<u>Aggregate Intrinsic Value</u>
Options Outstanding - January 1, 2009	5,578,334	\$ 0.10	2.9 years	
Granted	-	-		
Exercised	-	-		
Forfeited/expired/cancelled	(1,391,667)	0.10		
Options Outstanding – December 31, 2009	<u>4,186,667</u>	<u>\$ 0.10</u>	<u>2.2 years</u>	<u>\$ 91,456</u>
Outstanding Exercisable – January 1, 2009	3,545,000	\$ 0.10	2.9 years	\$
Outstanding Exercisable – December 31, 2009	<u>3,420,000</u>	<u>\$ 0.10</u>	<u>2.2 years</u>	<u>\$ 73,630</u>

The total grant date fair value of options vested during the twelve months ended December 31, 2009 and 2008 was \$0 and \$0, respectively.

The following table represents our non-vested stock option activity for the twelve months ended December 31, 2009:

	<u>Number of Shares</u>	<u>Weighted Average Grant Date Fair Value</u>
Nonvested options - January 1, 2009	2,033,334	\$ 0.10
Granted	-	-
Vested	-	-
Forfeited/expired/cancelled	(1,266,668)	0.45-
Nonvested Options – December 31, 2009	<u>766,666</u>	<u>\$ 0.10</u>

(6) Related Party Transactions

During the twelve months ended December 31, 2009, the Company borrowed approximately \$98,000 against its \$100,000 credit line, which was secured by a personal guarantee of its Chief Financial Officer. Currently, \$91,380 was owed pursuant to the line of credit (inclusive of interest) at December 31, 2009.

(7) Income Taxes

A reconciliation of U.S. statutory federal income tax rate to the effective rate follows:

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
U.S. statutory federal rate, graduated	34.00%	34.00%
State income tax rate, net of Federal	3.6%	3.6%
Permanent book-tax differences	(0.03%)	(0.03%)
Net operating loss(NOL) for which no tax benefit was available.	-37.57%	-37.57%
Net tax rate	<u>0.00%</u>	<u>0.00%</u>

At December 31, 2009, deferred tax assets consisted of a net tax asset of approximately \$4,951,000, due to operating loss carryforwards of approximately \$13,167,000, which was fully allowed for, in the valuation allowance of \$4,951,000. The valuation allowance offsets the net deferred tax asset for which it was more likely than not that the deferred tax assets will not be realized. The change in the valuation allowance for the years ended December 31, 2009 and 2008 totaled approximately \$249,000 and \$560,000 respectively. The current tax benefit also totaled \$249,000 and \$560,000 for the years ended December 31, 2009 and 2008, respectively. The net operating loss carryforwards expire through the year 2029.

The valuation allowance will be evaluated at the end of each year, considering positive and negative evidence about whether the deferred tax asset will be realized. At that time, the allowance will either be increased or reduced; reduction could result in the complete elimination of the allowance if positive evidence indicates that the value of the deferred tax assets was no longer impaired and the allowance was no longer required.

Should the Company undergo an ownership change as defined in Section 382 of the Internal Revenue Code, the Company's tax net operating loss carryforwards generated prior to the ownership change will be subject to an annual limitation, which could reduce or

defer the utilization of these losses.

BLASTGARD INTERNATIONAL, INC.
Notes to Financial Statements

(8) Concentration of Credit Risk for Cash

The Company has concentrated its credit risk for cash by maintaining deposits in a financial institution, which may at times exceed the amounts covered by insurance provided by the United States Federal Deposit Insurance Corporation ("FDIC"). At December 31, 2009, the Company had no funds in excess of the FDIC insurance limits.

(9) Commitments and Contingencies

Office Lease

The Company entered into a new lease agreement in June 2007 for office space in Clearwater Florida. Rental payments under the lease were \$600 per month on a month to month basis. The Company entered into a new lease agreement in January 1, 2009 for similar office space in Clearwater Florida. Rental payments under the new lease were \$300 per month on a month to month basis. The Company also had sales office space in Orangeville, Ontario and paid \$1,200 per month on a month to month agreement. The lease of office space in Ontario ended on November 30, 2008. Rent expense for 2009 and 2008 was approximately \$3,700 and \$20,400 respectively.

Litigation

Verde Partners Family Limited Partnership

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

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

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

On April 2, 2009, the Company entered into a Settlement Agreement to settle our outstanding civil litigation. The Company will pay the sum of \$125,000 over 18 months. The first monthly payment was paid within 30 days after the Defendants deliver to the Company's counsel an original executed version of the Agreement and a promissory note in the amount of the remaining principal balance to bear interest in the amount of 6% per annum. Upon Verde's receipt of the payment and promissory note, the parties shall jointly dismiss with prejudice all litigation between them, including the Pinellas County action and the Federal action. The company and Verde also entered into a license agreement whereby BlastGard obtains a fully paid up non-exclusive license for the 2 Verde patents for the remaining life of those patents in exchange for the Company paying Verde a 2% royalty for the life of the patents, on the sales price received by BlastGard for BlastGard's portion of all blast mitigation products sold by the company (the royalty was **not** on any third-party's portion of any product containing blast mitigation products sold by BlastGard). The parties also agreed not to file any complaints with any state, federal or international agency or disciplinary body regarding any of the other parties or any person affiliated with any of the other parties or otherwise make negative statements about them (in other words, a broad non-disparagement clause). The company and Verde also signed mutual general releases (excepting the obligations above) and a covenant not to sue. At December 31, 2009, the Company was in arrears on three monthly payments on the settlement.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

(1) Previous Independent Auditors:

- a. On February 8, 2010, the Company dismissed our independent registered auditor, Cordovano and Honeck LLP of Englewood Colorado ("C & H"), based on their notification to us of their partner service limitation.
- b. C & H's report on the financial statements for the years ended December 31, 2008 and 2007 contained no adverse opinion or disclaimer of opinion and was not qualified or modified as to audit scope or accounting. The auditor's opinion letter did include an uncertainty paragraph regarding the Company's ability to continue as a going concern
- c. Our Board of Directors participated in and approved the decision to change independent accountants. Through the period covered by the financial audit for the years ended December 31, 2008 and 2007 and any subsequent interim period through February 8, 2010, including its review of financial statements of the quarterly periods through September 30, 2009, there have been no disagreements with C & H on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements if not resolved to the satisfaction of C & H would have caused them to make reference thereto in their report on the financial statements.
- d. During the two most recent fiscal years and any subsequent interim period through February 8, 2010, including the most recent review period of September 30, 2009, there have been no reportable events with us as set forth in Item 304(a)(i)(v) of Regulation S-K.
- e. We requested that C & H furnish us with a letter addressed to the SEC stating whether or not it agrees with the above statements. A copy of such letter is filed as an Exhibit to this Form 8-K.

(2) New Independent Accountants:

- a. We engaged Peter Messineo, CPA of Palm Harbor Florida, as our new independent registered auditor on February 10, 2010.
- b. Prior to February 10, 2010, we did not consult with Mr. Messineo regarding (i) the application of accounting principles, (ii) the type of audit opinion that might be rendered by Mr. Messineo, or (iii) any other matter that was the subject of a disagreement between us and our former auditor or was a reportable event (as described in Items 304(a)(1)(iv) or Item 304(a)(1)(v) of Regulation S-K, respectively).

ITEM 9A(T). CONTROLS AND PROCEDURES

The Chief Executive Officer/Chief Financial Officer has evaluated the effectiveness of our disclosure controls and procedures as required by Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer/Chief Financial Officer has concluded that these disclosure controls and procedures are effective.

REPORT OF MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the company. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of our financial reporting for external purposes in accordance with accounting principles generally accepted in the United States of America. Internal control over financial reporting includes maintaining records that in reasonable detail accurately and fairly reflect our transactions Under the supervision and with the participation of our management, including the Chief; providing reasonable assurance that transactions are recorded as necessary for preparation of our financial statements; providing reasonable assurance that receipts and expenditures of company assets are made in accordance with management authorization; and providing reasonable assurance that unauthorized acquisition, use or disposition of company assets that could have a material effect on our financial statements would be prevented or detected on a timely basis. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2009. There were no changes in our internal control over financial reporting during the quarter ended December 31, 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

Not Applicable.

PART III**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.**

The Company has a Board of Directors which is currently comprised of four members and three vacancies in our Board of Directors. Each director holds office until the next annual meeting of shareholders or until a successor is elected or appointed. The members of our Board of Directors and our executive officers and their respective age and position are as follows:

<u>Name</u>	<u>Age</u>	<u>Position with Registrant</u>	<u>Director of Registrant Since</u>
Andrew R. McKinnon	63	Director	October 2007
James F. Gordon (1)	67	President, Chairman of the Board and Director of Blast Mitigating Receptacles	January 2004
Michael J. Gordon (1)	52	CEO, CFO, VP – Corporate Administration and Director	January 2004
Paul Henry	58	Director	February 2010

(1) James F. Gordon and Michael J. Gordon are brothers.

Indemnification of Executive Officers

James F. Gordon is President and Director of Blast Mitigating Receptacles, and Michael J. Gordon is Chief Executive Officer and Chief Financial Officer. The biographies of our directors and executive officers are provided below.

Andrew R. McKinnon – Was BlastGard’s Chief Executive Officer from April 2007 through June 30, 2009 and a Board member since October 2007. Mr. McKinnon has been CEO of Phoenix Alliance Corp. and PAC Business Group since 2004. Mr. McKinnon is an internationally known public speaker and has been a turn-a-round specialist for the past twenty years. Mr. McKinnon and his wife, own one of Canada’s Premier Thoroughbred Breeding operations. As a past member of The International Speakers Bureau, Mr. McKinnon has spoken on various topics in 14 countries and participated in the re-organization of companies varying in size from multi-national to small franchise operations. Mr. McKinnon founded Horsebrokers International in 1995 and was its Chief Executive Officer until 2000. In 1980 Mr. McKinnon founded what was to become one of Canada’s largest specialty furniture franchise companies and subsequently sold the company in 1986. In 1973 Mr. McKinnon co-founded a small Floor Coverings Company that by 1978 had become the largest volume retailer in Canada and subsequently sold the company in 1979. Mr. McKinnon has served as a sponsor and advisor to the fundraising committee of Olds College, Alberta Horse Industries Branch, the re-election campaign fund in Western Canada for the late Prime Minister Pierre Elliot Trudeau and as a Sponsor of The Calgary Stampede.

James F. Gordon – Executive Officer and Board member since January 2004. As co-inventor of BlastWrap®, Mr. Gordon is responsible for the overall policies, management development and the Company’s future expansion and promotion of BlastWrap® products. Mr. Gordon has 25 years of sales and marketing experience as a licensed real estate broker and appraiser. He co-founded and was Vice President of Sea Gull Ltd. Builders, a successful land development and construction company. For sixteen years, Mr. Gordon designed and constructed executive single-family homes. He later focused on the design, construction and sale of Medical Condo office buildings, and is considered by the New Jersey Courts as an expert in zoning and land development issues. From December 2000 to January 2004, Mr. Gordon was CEO of BlastGard, Inc. (an entity not related to our company, that had a license to a different blast mitigation technology that was different that the technology owned by our company). From 1995 to 2003, he was the President of Purple’s Inc. an award winning, 275 seat 1920’s Art Deco restaurant that he and his wife Bonnie, designed and built in 1995. Mr. Gordon received his Bachelor of Science Degree from Monmouth University, West Long Branch, New Jersey. Mr. Gordon is also a U.S. Army veteran.

Michael J. Gordon –Executive Officer and Board member since January 2004. From January 2003 to January 2004, Mr. Gordon devoted a majority of his time in the development and marketing of BlastGard, Inc. (an entity not related to our company, that had a license to a different blast mitigation technology that was different than the technology owned by our company). From April 1998 through December 2002, Mr. Gordon was Vice President and a Board member of BBJ Environmental Solutions, which conducts research on the causes of, and develops solutions to, biologically related indoor air quality problems, including research in bio-defense and emerging infectious diseases, such as Anthrax. From August 1987 through December 1997, Mr. Gordon was employed by Phoenix Information Systems Corp., where he was responsible for overseeing administrative operations, the filing of all SEC reports and documents, company news releases and public relations. Before joining Phoenix, Mr. Gordon served as Director of Legacies and Planned Giving for the American Cancer Society. Mr. Gordon received his Bachelor of Science degree from the State University of New York in 1980.

Paul W. Henry - In February 2010, Paul Henry was appointed to fill a vacancy on the board of directors. Mr. Henry has served since 2008 in new business development for Colchis Capital Management of San Francisco, an alternative investment management firm. Since 1987, Mr. Henry has served as an investment banker, business advisor, and/or director of several start-up and emerging companies, including the following: Caithness Energy, an independent power producer based in New York City; Essex Investment Management Company, an investment advisory firm based in Boston, Massachusetts; Phoenix Information Systems, an information technology and services company based in St. Petersburg, Florida; DragonHorse International, a China business development company based in Florida; and Prescott & Forbes, a start-up materials science company based in Indianapolis, Indiana. From 1983 to 1987, Mr. Henry was employed by Connecticut Financial Management Company in Boston as a personal financial advisor. Mr. Henry has a BA in economics from Yale University and an MBA from Northeastern University Graduate School of Business.

Family Relationships

James F. Gordon and Michael J. Gordon are brothers.

Code of Ethics

On August 4, 2004, the Board of Directors established a written code of ethics that applies to our senior executive and financial officers. A copy of the code of ethics is posted on our website at www.blastgardintl.com and or may be obtained by any person, without charge, who sends a written request to BlastGard® International, Inc., c/o Investor Relations, 2451 McMullen Booth Road, Suite 242, Clearwater, FL 33759.

COMMITTEES

We have no standing or nominating committees of the Board of Directors or committees performing similar functions. In February 2006, we established a Compensation Committee and Audit Committee and in March 2007, we established a Management Committee.

Compensation Committee

Our Compensation Committee consists of its members, namely, James F. Gordon and two vacancies. Our Compensation Committee has such powers and functions as may be assigned to it by the Board of Directors from time to time; however, such functions shall, at a minimum, include the following:

- to review and approve corporate goals and objectives relevant to senior executive compensation, evaluate senior executive performance in light of those goals and objectives, and to set the senior executive compensation levels based on this evaluation;
- to approve employment contracts of its officers and employees and consulting contracts of other persons;
- to make recommendations to the Board with respect to incentive compensation plans and equity-based plans, including, without limitation, the Company's stock options plans; and
- to administer the Company's stock option plans and grant stock options or other awards pursuant to such plans.

Management Committee

In March 2007, our Board of Directors established a Management Committee and adopted a written charter. The members of our Management Committee consist of James F. Gordon, Michael J. Gordon and Andrew McKinnon. The charter includes, among other things, the following responsibilities of the Management Committee:

- Administer the business of the Corporation and generally supervise its day-to-day activities.
- Control and manage the funds and other property of the Corporation and have general oversight of business matters affecting the Corporation, consistent with the strategic directions established by the Board of Directors.
- Designate banks to be used as depositories of Corporation funds, upon the recommendation of the auditors and approval by the Board.
- Review the budget as submitted by the CFO and submit its recommendations to the Board for approval.
- Make recommendations concerning the Corporation's fiscal structure, resource allocations and other financial matters to the Board.
- Make recommendations to the Board on the appointment of Corporate Executives.
- Undertake any other duties as may be assigned from time to time by the Board.

Corporate Governance

Our business, property and affairs are managed by, or under the direction of, our Board, in accordance with the General Corporation Law of the State of Colorado and our By-Laws. Members of the Board are kept informed of our business through discussions with the Chief Executive Officer and other key members of management, by reviewing materials provided to them by management.

We continue to review our corporate governance policies and practices by comparing our policies and practices with those suggested by various groups or authorities active in evaluating or setting best practices for corporate governance of public companies. Based on this review, we have adopted, and will continue to adopt, changes that the Board believes are the appropriate corporate governance policies and practices for our Company. We have adopted changes and will continue to adopt changes, as appropriate, to comply with the Sarbanes-Oxley Act of 2002 and subsequent rule changes made by the SEC and any applicable securities exchange.

Director Qualifications and Diversity

The board seeks independent directors who represent a diversity of backgrounds and experiences that will enhance the quality of the board's deliberations and decisions. Candidates shall have substantial experience with one or more publicly traded companies or shall have achieved a high level of distinction in their chosen fields. The board is particularly interested in maintaining a mix that includes individuals who are active or retired executive officers and senior executives, particularly those with experience in the defense, sales and marketing and capital market industries.

In evaluating nominations to the Board of Directors, our Board also looks for certain personal attributes, such as integrity, ability and willingness to apply sound and independent business judgment, comprehensive understanding of a director's role in corporate governance, availability for meetings and consultation on Company matters, and the willingness to assume and carry out fiduciary responsibilities. Qualified candidates for membership on the Board will be considered without regard to race, color, religion, sex, ancestry, national origin or disability.

Risk Oversight

Enterprise risks are identified and prioritized by management and each prioritized risk is assigned to a board committee or the full board for oversight as follows:

Full Board - Risks and exposures associated with corporate governance, and management and director succession planning, strategic, financial and execution risks and other current matters that may present material risk to our operations, plans, prospects or reputation.

Audit Committee - Risks and exposures associated with financial matters, particularly financial reporting, tax, accounting, disclosure, internal control over financial reporting, financial policies, investment guidelines and credit and liquidity matters.

Compensation Committee - Risks and exposures associated with leadership assessment, and compensation programs and arrangements, including incentive plans.

Board Leadership Structure

The Chairman of the Board presides at all meetings of the Board. The Chairman is appointed on an annual basis by at least a majority vote of the remaining directors. Currently, the offices of Chairman of the Board and Chief Executive Officer are not separated. The company has no fixed policy with respect to the separation of the offices of the Chairman of the Board and Chief Executive Officer. The Board believes that the separation of the offices of the Chairman of the Board and Chief Executive Officer is part of the succession planning process and that it is in the best interests of the company to make this determination from time to time.

Review of Risks Arising from Compensation Policies and Practices

We have reviewed our compensation policies and practices for all employees and concluded that any risks arising from our policies and practices are not reasonably likely to have a material adverse effect on the Company.

Audit Committee

The sole member of the Company's audit committee is Paul Henry. Joel Gold was the sole member before he resigned from the Board in February 2010. Management believes that Mr. Henry is an independent director and he may be deemed to be a "Financial Expert" within the meaning of Sarbanes Oxley Act of 2002, as amended. Under the National Association of Securities Dealers Automated Quotations ("NASDAQ") definition, an

“independent director means a person other than an officer or employee of the Company or its subsidiaries or any other individuals having a relationship that, in the opinion of the Company’ board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of the director. The board’s discretion in determining director independence is not completely unfettered.” Further, under the NASDAQ definition, an independent director is a person who (1) is not currently (or whose immediate family members are not currently), and has not been over the past three years (or whose immediate family members have not been over the past three years), employed by the company; (2) has not (or whose immediate family members have not) been paid more than \$60,000 during the current or past three fiscal years; (3) has not (or whose immediately family has not) been a partner in or controlling shareholder or executive officer of an organization which the company made, or from which the company received, payments in excess of the greater of \$200,000 or 5% of that organizations consolidated gross revenues, in any of the most recent three fiscal years; (4) has not (or whose immediate family members have not), over the past three years been employed as an executive officer of a company in which an executive officer of BlastGard has served on that company’s compensation committee; or (5) is not currently (or whose immediate family members are not currently), and has not been over the past three years (or whose immediate family members have not been over the past three years) a partner of BlastGard’s outside auditor.

The term "Financial Expert" is defined as a person who has the following attributes: an understanding of generally accepted accounting principals and financial statements; has the ability to assess the general application of such principals in connection with the accounting for estimates, accruals and reserves; experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more persons engaged in such activities; an understanding of internal controls and procedures for financial reporting; and an understanding of audit committee functions.

We can provide no assurances that we will be able to in the future fill the Audit Committee vacancy with an "independent director" who may be deemed a "financial expert." Until this vacancy is filled, our Board of Directors will function as its own Audit Committee.

Effective February 16, 2006, the Board adopted a written charter for its Audit Committee. The charter includes, among other things:

annually reviewing and reassessing the adequacy of the committee's formal charter;

reviewing the annual audited financial statements with the Company's management and its independent auditors and the adequacy of its internal accounting controls;

reviewing analyses prepared by the Company's management and independent auditors concerning significant financial reporting issues and judgments made in connection with the preparation of its financial statements;

being directly responsible for the appointment, compensation and oversight of the independent auditor, which shall report directly to the Audit Committee, including resolution of disagreements between management and the auditors regarding financial reporting for the purpose of preparing or issuing an audit report or related work;

reviewing the independence of the independent auditors;

reviewing the Company's auditing and accounting principles and practices with the independent auditors and reviewing major changes to its auditing and accounting principles and practices as suggested by the independent auditor or its management;

reviewing all related party transactions on an ongoing basis for potential conflict of interest situations; and

all responsibilities given to the Audit Committee by virtue of the Sarbanes-Oxley Act of 2002 (which was signed into law by President George W. Bush on July 30, 2002) and all amendments thereto.

Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our officers and directors, and persons who own more than ten percent of a registered class of our equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission (the "Commission"). Officers, directors and greater than ten percent stockholders are required by the Commission's regulations to furnish us with copies of all Section 16(a) forms they file. During fiscal 2009, none of our officers, directors or 10% or greater stockholders filed any forms late to the best of our knowledge

ITEM 11. EXECUTIVE COMPENSATION.

Summary Compensation Table

The following table sets forth the overall compensation earned over the fiscal year ended December 31, 2009 and 2008 by (1) each person who served as the principal executive officer of the Company during fiscal year 2009; (2) the Company's most highly compensated (up to a maximum of two) executive officers as of December 31, 2009 with compensation during fiscal year 2009 of \$100,000 or more; and (3) those two individuals, if any, who would have otherwise been included in section (2) above but for the fact that they were not serving as an executive of the Company as of December 31, 2009.

Name and Principal Position	Fiscal Year	Salary (\$)	Bonus (\$)	Stock Awards	Options Awards (\$ (1))	Non-Equity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$ (2) (3))	Total (\$)
James F. Gordon, President,	2009	78,610(4)	\$ 0	0	\$ 0	0	0	0	78,610
	2008	\$ 102,894(4)	0	0	\$ 5,376	0	0	0	\$ 102,898
Michael J. Gordon, CEO/CFO	2009	78,305(4)	0	0	\$ 0	0	0	0	78,305
	2008	\$ 103,65(4)	0	0	\$ 3,556	0	0	0	\$xx,432
Andrew R. McKinnon, formerly CEO	2009	\$ 0	\$ 0	112,500	\$ 0	0	0	0	112,500
	2008	\$ 206,250	0	\$ 18,750	\$ 3,901	-0	0	0	\$ 225,000

- (1) The options and restricted stock awards presented in this table reflects the entire amount to be expensed over the service period as if the total dollar amount were earned in the year of grant. However, the accompanying financial statements reflect the dollar amount expensed by the company during applicable fiscal year for financial statement reporting purposes pursuant to guidance issued by the FASB. Such guidance requires the company to determine the overall value of the stock awards and options as of the date of grant. The stock awards are valued based on the fair market value of such shares on the date of grant and are charged to compensation expense over the related vesting period. The options are valued at the date of grant based upon the Black-Scholes method of valuation, which is expensed over the service period over which the options become vested. As a general rule, for time-in-service-based options, the company will immediately expense any option or portion thereof which is vested upon grant, while expensing the balance on a pro rata basis over the remaining vesting term of the option. For a description of the guidance issued by the FASB and the assumptions used in determining the value of the options under the Black-Scholes model of valuation, see the notes to the consolidated financial statements included with this Form 10-K.

- (2) Includes all other compensation not reported in the preceding columns, including (i) perquisites and other personal benefits, or property, unless the aggregate amount of such compensation is less than \$10,000; (ii) any “gross-ups” or other amounts reimbursed during the fiscal year for the payment of taxes; (iii) discounts from market price with respect to securities purchased from the company except to the extent available generally to all security holders or to all salaried employees; (iv) any amounts paid or accrued in connection with any termination (including without limitation through retirement, resignation, severance or constructive termination, including change of responsibilities) or change in control; (v) contributions to vested and unvested defined contribution plans; (vi) any insurance premiums paid by, or on behalf of, the company relating to life insurance for the benefit of the named executive officer; and (vii) any dividends or other earnings paid on stock or option awards that are not factored into the grant date fair value required to be reported in a preceding column.
- (3) Includes compensation for service as a director described under Director Compensation, below.
- (4) Includes commissions.

For a description of the material terms of each named executive officers’ employment agreement, including, without limitation, the terms of any common share purchase option grants, any agreement, plan or other arrangement that provides for any payment to a named executive officer in connection with his or her resignation, retirement or other termination, or a change in control of the company see “Employment Agreements”.

All of the outstanding common share purchase option or other equity-based award granted to or held by any named executive officer in 2009 were re-priced or otherwise materially modified, including extension of exercise periods, the change of vesting or forfeiture conditions, the change or elimination of applicable performance criteria, or the change of the bases upon which returns are determined, nor was there any waiver or modification of any specified performance target, goal or condition to payout.

Executive Officer Outstanding Equity Awards At Fiscal Year-End

The following table provides certain information concerning any common share purchase options, stock awards or equity incentive plan awards held by each of our named executive officers that were outstanding as of December 31, 2009.

Name	Option Awards					Stock Awards				
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested	
James F. Gordon ⁽¹⁾	100,000(1)	0	0	\$ 0.10	11/29/2010	0	0	0	0	
	100,000(2)	0	0	\$ 0.10	11/29/2011	0	0	0	0	
	375,000(3)	0	0	\$ 0.10	03/31/2012	0	0	0	0	
Michael J. Gordon ⁽¹⁾	100,000(1)	0	0	\$ 0.10	11/29/2010	0	0	0	0	
	100,000(2)	0	0	\$ 0.10	11/29/2011	0	0	0	0	
	200,000(3)	0	0	\$ 0.10	03/31/2012	0	0	0	0	
Andrew McKinnon	375,000(1)	0	0	\$ 0.10	03/31/2012	0	0	0	0	

(1) Options vested 50,000 on November 30, 2005 and 50,000 on November 30, 2006.

(2) Options vested 50,000 on November 8, 2006 and 50,000 on November 8, 2007.

(3) All options vested on April 1, 2007.

Employment Agreements

The Company entered into employment agreements with James Gordon, Michael Gordon, John Waddell, Jr., Andrew McKinnon and Kevin J. Sharpe, its corporate officers effective April 1, 2007. These agreements committed the Company to combined salaries of \$950,000 and granted 1,450,000 options as signing bonuses. Mr. McKinnon also received a cash signing bonus in the amount of \$160,000. The employment agreements also contain provisions for the grant of options to purchase 15,900,000 shares as performance bonuses based on certain sales volumes. On November 9, 2007, our executives agreed to amend their employment agreements to cancel 10,600,000 (equivalent to two-thirds) of the performance based option incentives to reduce the potential dilution to our shareholders. Effective December 31, 2007, Kevin J. Sharpe voluntarily terminated his employment contract due to visa issues. Also effective February 1, 2008, James F. Gordon, John L. Waddell, Jr. and Michael J. Gordon, each agreed to reduce their monthly salaries to approximately \$8,000 per month in exchange for the right to receive sales commissions. Mr. Waddell's contract was voluntarily terminated on November 25, 2008 when Mr. Waddell announced his retirement. Each agreement is identical to the other, except in terms of compensation. In December 2008, Andrew McKinnon agreed to begin accepting his monthly fee of \$18,750 in restricted common stock based upon the market value of the Company's Common Stock with a Floor Price of \$.10 per share as more fully described under Item 7. Mr. McKinnon's contract was voluntarily terminated on June 30, 2009 when Mr. McKinnon resigned as CEO/COO. The following summarizes the employment agreements of Messrs. J. Gordon, and M. Gordon prior to the amendments noted above. For purposes of the employment agreement, all references to "cause," "change in control", "employment period", "good reason" and "notice of termination" are as defined in the employment agreements.

- Term-Each agreement is for a term of three years, originally expiring March 31, 2010 and is automatically 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. Currently the contracts of James Gordon and Michael J. Gordon expire March 31, 2011.
- Position-James F. Gordon is currently employed as President and Director of Blast Mitigation Receptacles, and Michael J. Gordon as Chief Executive Officer and Chief Financial Officer.
- 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:
 - (i) Executive shall receive his annual Base Salary. "Base Salary" means: \$225,000 for James Gordon, and \$150,000 for Michael Gordon. Effective February 1, 2008, James F. Gordon and Michael J. Gordon, each verbally agreed to reduce his monthly salary to approximately \$8,000 per month in exchange for the right to receive sales commissions. These sales commissions per person for James F. Gordon and Michael J. Gordon can range from 1% to 10% of sales based upon the type of product sold and the dollar amount sold of each product. The commissions on the first \$1,000,000 and each increment of \$1,000,000 thereafter shall decrease from the highest percentage amount to the lowest percentage amount until a fixed amount of commission is paid for sales in excess of \$5,000,000 per type of product. Sales of our BlastGard Barrier System carry the highest commission with us obligated to pay J. Gordon 10% on the first \$1,000,000 in sales, 8% on the second \$1,000,000 of sales, 6% on the third \$1,000,000 of sales, 4% on the fourth \$1,000,000 of sales and 2% on the fifth \$1,000,000 or greater amount of sales. M. Gordon would receive one-half of the commissions paid to J. Gordon.

- (ii) Each Executive received a signing bonus of stock options granted on April 1, 2007 at \$.45 per share (exercise price was subsequently reduced to \$.10 per share). James Gordon received 375,000 options and Michael Gordon received 200,000 options. All options were fully vested on July 31, 2007.
 - (iii) Each Executive was eligible to receive performance bonuses payable in cash and options at \$.45 per share (which exercise price was subsequently reduced to \$.10 per share) based upon hitting sales targets in the first, second and third 12-month periods of the agreement. In the event we achieve \$5,000,000 in sales, James Gordon will receive \$50,000 in cash and 375,000 options, increasing to \$150,000 in cash and 750,000 options in the event we achieve \$10,000,000 in sales, and increasing to \$300,000 in cash and 1,500,000 options in the event we achieve \$20,000,000 in sales; in the event we achieve \$5,000,000 in sales, Michael Gordon will receive \$37,500 in cash and 200,000 options, increasing to \$75,000 in cash and 400,000 options in the event we achieve \$10,000,000 in sales and increasing to \$125,000 in cash and 800,000 options in the event we achieve \$20,000,000 in sales. All bonuses shall be paid within 90 days of any sales target being achieved. Effective November 2007, each executive voluntarily agreed to forfeit two-thirds of all performance based options described above that may be earned by each respective executive officer in the future.
 - (iv) In the event of termination without cause, James Gordon and Michael Gordon would receive a lump sum termination payment of \$450,000 and \$300,000, respectively.
 - (iv) Each Executive shall be entitled to indemnification with respect to matters relating to Executive's services as an officer and/or director of the Company.
- **Separation Benefits upon Termination.** Executive shall be entitled to receive separation benefits upon such events and in such amounts as are set forth herein.
 - 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 because of Executive's Disability (as defined in the employment agreement), the Company shall 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 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 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.

Review of Risks Arising from Compensation Policies and Practices

We have reviewed our compensation policies and practices for all employees and concluded that any risks arising from our policies and practices are not reasonably likely to have a material adverse effect on the Company.

DIRECTOR COMPENSATION

Compensation

Prior to May 2007, no cash compensation has been paid to our Directors for any service provided as a Director. Directors may be reimbursed for all reasonable expenses incurred by them in conducting our business. These expenses would include out-of-pocket expenses for such items as travel, telephone, and postage. On May 11, 2007, the non-employee directors were authorized by the Board to receive an annual cash fee of \$11,000 and quarterly fees of \$1,000 for 2007. No cash was paid to the directors during 2008 and 2009 as compensation.

Stock Options

Stock options and equity compensation awards to our non-employee / non-executive directors are at the discretion of our Board.

In November 2005, upon initial appointment to the board and with the intention of annual grants thereafter, each non-employee/non-executive director was entitled to receive an option grant to purchase shares of our common stock at an exercise price equal to no less than the fair market value of the common stock on the date of grant, such options to vest in accordance with their terms established on the date of grant. This program was not continued in Fiscal 2007.

Pursuant to our director's compensation program, on November 30, 2005, we granted five-year Non-Statutory Stock Options to purchase 100,000 shares of our common stock at an exercise price of \$.98 per share to Joel Gold and our former director, Howard Safir. Each of the options granted to our directors contain cashless exercise provisions and shall vest 50% on the date of grant and the remaining 50% shall vest on November 30, 2006, it being understood that the options that vested or would have vested on November 30, 2006 terminated in the event that the holder is no longer serving as a director of our company at anytime between the date of grant and November 30, 2006, subject to our Board's right to accelerate the vesting date of the option. On July 1, 2006, Howard Safir resigned from the Board terminating his unvested options.

On August 3, 2006, Mr. Burns was granted a five-year Non-Statutory Stock Option to purchase 100,000 shares of the Corporation's Common Stock at an exercise price of \$1.00 per share. The Option granted contains cashless exercise provisions and shall vest 50% on the date of grant and the remaining 50% on August 3, 2007, it being understood that the Options that vested on August 3, 2007 would have terminated in the event that the holder is no longer serving as a director of our Company at anytime between the date of grant and August 3, 2007, subject to our Board's right to accelerate the vesting date of the Option.

On November 6, 2006, Ambassador L. Paul Bremer, III, Arnold I. Burns and Joel Gold were granted effective November 8, 2006, a five-year Non-Statutory Stock Option to purchase 100,000 shares of our Common Stock at an exercise price of \$1.00 per share. The Option granted contains cashless exercise provisions and vested 50% on November 8, 2006 and the remaining 50% shall vest on November 8, 2007, it being understood that the Options that vested on November 8, 2007 would have terminated in the event that the holder was no longer serving as a director of our company at anytime between the date of grant and November 8, 2007, subject to our Board's right to accelerate the vesting date of the Option.

On November 6, 2006, Board members Arnold I. Burns and Ambassador L. Paul Bremer, III were each granted, effective November 8, 2006, a seven-year Non-Statutory Stock Option to purchase 250,000 shares of our Common Stock at an exercise price of \$1.50 per share. The Options granted contain cashless exercise provisions and are fully vested.

Restricted Stock

During 2009, the Company did not issue shares of Common Stock to its directors in consideration of their services as directors. However, the Board authorized the monthly issuance of 187,500 shares of our Common Stock to Andrew McKinnon in lieu of his monthly salary of \$18,750 for the six months of January through June 2009. In February 2010, the Board approved the grant of 250,000 shares to Andrew McKinnon and Paul Henry for services rendered.

Summary of Director Compensation for 2009

The following table shows the overall compensation earned for the 2009 fiscal year with respect to each non-employee and non-executive director as of December 31, 2009.

Name and Principal Position	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)⁽¹⁾	Option Awards (\$)⁽²⁾	Non-Equity Incentive Plan Compensation (\$)⁽³⁾	Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)⁽⁴⁾	Total (\$)
Joel Gold Director	\$ 0	0	0	0	0	0	\$ 0
Andrew McKinnon Director	\$ 0	50,000	0	0	0	0	\$ 50,000

2005 Employee and Consulting Compensation Plan

On November 30, 2005, we established an Employee Benefit and Consulting Compensation Plan (the "2005 Plan") covering 5,000,000 shares. Since stockholder approval of the 2005 Plan will not be obtained by November 30, 2006, then no Incentive Stock Options may be granted after that date under the 2005 Plan. As of March 15, 2010, there were non-statutory stock options to purchase 4,186,666 shares outstanding under the 2005 Plan.

Administration

Our Board of Directors, Compensation Committee or both, in the sole discretion of our Board, administer the 2005 Plan. The Board, subject to the provisions of the 2005 Plan, has the authority to determine and designate officers, employees, directors and consultants to whom awards shall be made and the terms, conditions and restrictions applicable to each award (including, but not limited to, the option price, any restriction or limitation, any vesting schedule or acceleration thereof, and any forfeiture restrictions). The Board may, in its sole discretion, accelerate the vesting of awards. The Board of Directors must approve all grants of Options and Stock Awards issued to our officers or directors.

Types of Awards

The 2005 Plan is designed to enable us to offer certain officers, employees, directors and consultants of us and our subsidiaries equity interests in us and other incentive awards in order to attract, retain and reward such individuals and to strengthen the mutuality of interests between such individuals and our stockholders. In furtherance of this purpose, the 2005 Plan contains provisions for granting non-statutory stock options (and originally incentive stock options which have now become non-statutory stock options) and Common Stock Awards.

Stock Options

A “stock option” is a contractual right to purchase a number of shares of Common Stock at a price determined on the date the option is granted. The option price per share of Common Stock purchasable upon exercise of a stock option and the time or times at which such options shall be exercisable shall be determined by the Board at the time of grant. Such option price shall not be less than 100% of the fair market value of the Common Stock on the date of grant. The option price must be paid in cash, money order, check or Common Stock of the Company. The Options may also contain at the time of grant, at the discretion of the Board, certain other cashless exercise provisions.

Options shall be exercisable at the times and subject to the conditions determined by the Board at the date of grant, but no option may be exercisable more than ten years after the date it is granted. If the Optionee ceases to be an employee of our company for any reason other than death, any option granted as an incentive stock option exercisable on the date of the termination of employment may be exercised for a period of thirty days or until the expiration of the stated term of the option, whichever period is shorter. In the event of the Optionee’s death, any option originally granted as an incentive stock option exercisable at the date of death may be exercised by the legal heirs of the Optionee from the date of death until the expiration of the stated term of the option or six months from the date of death, whichever event first occurs. In the event of disability of the Optionee, any Options granted as an incentive stock option shall expire on the stated date that the Option would otherwise have expired or 12 months from the date of disability, whichever event first occurs. The termination and other provisions of a non-statutory stock option shall be fixed by the Board of Directors at the date of grant of each respective option.

Common Stock Award

“Common Stock Award” are shares of Common Stock that will be issued to a recipient at the end of a restriction period, if any, specified by the Board if he or she continues to be an employee, director or consultant of us. If the recipient remains an employee, director or consultant at the end of the restriction period, the applicable restrictions will lapse and we will issue a stock certificate representing such shares of Common Stock to the participant. If the recipient ceases to be an employee, director or consultant of us for any reason (including death, disability or retirement) before the end of the restriction period unless otherwise determined by the Board, the restricted stock award will be terminated.

Eligibility

Our officers, employees, directors and consultants of BlastGard® International and our subsidiaries are eligible to be granted stock options, and Common Stock Awards. Eligibility shall be determined by the Board; however, all Options and Stock Awards granted to officers and directors must be approved by the Board.

Termination or Amendment of the 2005 Plan

The Board may at any time amend, discontinue, or terminate all or any part of the 2005 Plan, provided, however, that unless otherwise required by law, the rights of a participant may not be impaired without his or her consent, and provided that we will seek the approval of our stockholders for any amendment if such approval is necessary to comply with any applicable federal or state securities laws or rules or regulations.

Awards

To date, no options to purchase common shares have been exercised under the 2005 Plan. Unless sooner terminated, the 2005 Plan will expire on November 30, 2015 and no awards may be granted after that date. It is not possible to predict the individuals who will receive future awards under the 2005 Plan or the number of shares of Common Stock covered by any future award because such awards are wholly within the discretion of the Board. The table below contains information as of December 31, 2009 on the known benefits provided to certain persons and group of persons under the 2005 Plan (exclusive of options that terminated on December 31, 2009).

	Number of Shares subject to Options	Average exercise price (\$) per Share	Value of unexercised options at December 31, 2009 ⁽¹⁾
Andrew R. McKinnon, Chief Operating Officer	375,000	0.10	-0-
James F. Gordon, Chief Executive Officer	575,000	0.10	-0-
John L. Waddell, Jr., President	500,000	0.10	-0-
Kevin J. Sharpe, Consultant	400,000	0.10	-0-
Michael J. Gordon, Chief Financial Officer, Vice President	400,000	0.10	-0-
Five Executive Officers as a group	2,250,000	0.10	-0-
Non-employee Directors	1,050,000	0.10	-0-
Non-Executive Officer Employees and Consultants	120,000	0.10	-0-

- (1) Value is calculated by multiplying (a) the difference between the market value per share at December 31, 2009 (based upon a last sales price of \$.01 per share) and the option exercise price by (b) the number of shares of Common Stock underlying the option.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The following table sets forth certain information regarding the beneficial ownership of our common stock as of March 31, 2010 by all of our officers and directors, both individually and as a group. Unless otherwise indicated, all shares are directly beneficially owned and investing power is held by the persons named.

Name and Address of Beneficial Owner (1)	Amount and Nature of Beneficial Ownership (1)	Percentage Outstanding (2)
James F. Gordon (3)	4,923,400	9.6%
Michael J. Gordon (4)	2,100,000	4.1%
Paul Henry (5)	565,000	0%
Andrew R. McKinnon (6)	2,312,500	4.5%
Includes all of our officers and directors as a group (4 persons)	9,900,900	19.1%
John H. Waddell, Jr. (8)	5,450,400	10.8%
Robocheyne Consulting (7, 9)	10,445,399	14.5%
Robert Rose (10)	3,069,712	6.1%
Stan Baharti	4,016,164	7.9%

- (1) Unless otherwise indicated, all shares are directly beneficially owned and investing power is held by the persons named. The address of each person is c/o BlastGard® International, Inc. at 2451 McMullen Booth Road, Ste., 242, Clearwater, FL 33759.
- (2) Based upon 50,586,142 shares of Common Stock outstanding as of March 31, 2010, plus the amount of shares each person or group has the right to acquire under options, warrants, rights, conversion privileges, or similar obligations.
- (3) Includes options to purchase 575,000 shares of our common stock.
- (4) Includes options to purchase 400,000 shares of our common and 285,000 shares beneficially owned by his children..
- (5) No options or warrants outstanding
- (6) Includes options to purchase 375,000 shares.
- (7) Includes derivative securities to purchase 3,103,242 shares included in notes.
- (8) Includes options to purchase 500,000 shares.
- (9) Includes 4,158,823 shares of Common Stock issuable upon exercise of Warrants.
- (10) Includes 2,236,379 shares of Common Stock issuable upon exercise of Warrants.

We do not know of any arrangement or pledge of its securities by persons now considered in control of us that might result in a change of control of us.

Equity Compensation Plan Information

The following summary information is as of March 28, 2010 and relates to our 2005 Stock Option Plan pursuant to which we have granted options to purchase our common stock:

Plan category	(a) Number of shares of common stock to be issued upon exercise of outstanding options	(b) Weighted average exercise price of outstanding options	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding shares reflected in column (a))
Equity compensation Plans	4,186,667	\$.10	813,333

ITEM 13. CERTAIN RELATIONSHIPS, RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

During the last three fiscal years ended December 31, 2009, we entered into the following transactions in which our current or former officers and directors had a material interest, exclusive of employment contacts described under Item

(i) On May 11, 2007, the Board authorized the issuance and sale of 30,000 shares of our Common Stock to each non-employee/non executive in lieu of cash fees totaling \$15,000 for 2007. See "Employment Agreements" for a discussion of options granted to each executive officer in April 2007 as a signing bonus for entering into new employment agreements.

(ii) In November 2007, each of our executive officers agreed to amend their employment contracts to voluntarily waive two-thirds of their potential future entitlement to performance-based options.

(iii) 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.

(iv) During the nine months ended September 30, 2008, the Company borrowed \$80,000 against its \$100,000 credit line, which was secured by a personal guarantee of its Chief Financial Officer. The credit line was paid in full on October 17, 2008.

(vi) On October 17, 2008, the Board of Directors agreed to reduce the exercise price on all the options (which varied in exercise prices from \$.45 to \$2.00 per share) to \$.10 per share for all options granted to active consultants, legal, board members and management.

(vii) During the fourth quarter of 2008, the Company borrowed \$95,000 against its \$100,000 credit line, which was secured by a personal guarantee of its Chief Financial Officer. The credit line was paid in full on January 9, 2009

(viii) In December 2008, we eliminated our satellite offices located in Houston, Texas and Toronto, Canada. In connection with the Toronto satellite office, we eliminated company office rent of an aggregate of approximately \$1,200 per month.

(ix) During the twelve months ended December 31, 2009, the Company borrowed approximately \$98,000 against its \$100,000 credit line, which was secured by a personal guarantee of its Chief Financial Officer. As of April 12, 2010, approximately \$94,000 is owed pursuant to the line of credit. Also, as of April 12, 2010 we owe our Chief Financial Officer approximately \$10,000.

Other Transactions

December 2004 Debt

In December 2004, we raised \$1,420,000 from five investors in a convertible debt financing, and issued to the investors, 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. However, as a result of the June 22, 2006 debt financing, the payment arrangements were modified. Monthly payments of interest only (8%) based on the principal amount were paid from June 1, 2006 through May 31, 2007, and then aggregate monthly payments of 6% of the principal amount were paid from June 1, 2007 through March 31, 2008. A Modification Agreement was entered into in March 2007 so that each Note became due and payable on March 20, 2008. Pursuant to a further Modification Agreement and a \$150,000 payment towards principal, the balance of the unpaid principal of the Notes and any unpaid interest thereon was due and payable on August 29, 2008. However, pursuant to a Revised and Amended Sixth Waiver and Modification Agreement dated as of September 16, 2008, the Senior Lenders received the payment of default interest calculated at the rate of 21% per annum (versus 8%) for the period April 1, 2008 through September 30, 2008 as consideration to extend the Maturity Date of the Notes to November 1, 2008. Accordingly, all accrued interest had been paid in full as of September 30, 2008. Commencing October 1, 2008 and thereafter, the interest rate shall revert to an amount equal to 8% per annum. In addition, the holders of the December 2004 Debt agreed to convert an aggregate of \$124,093 in principal and accrued interest therein at a conversion price of \$.10 per share.

The individual note holders have the right, at their option, to convert the principal amount of the note, together with all accrued interest thereon in accordance with the provisions of and upon satisfaction of the conditions contained in the note, into fully paid and non-assessable shares of the Company's common stock at a conversion price per share set forth below, subject to adjustment in certain circumstances if the notes 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. From March 20, 2008 through October 20, 2008, the Note holder could have elected at any time to convert through the Maturity Date of the Notes and thereafter until the Notes were paid in full, the unpaid principal of the Notes and the accrued interest thereon at a 10% discount (15% discount if the average trading volume per day over the ten preceding trading days prior to a conversion date is 60,000 shares per day or less) to the fair market value of the Company's Common Stock. The fair market value of the Company's Common Stock is defined as the average of the closing sales price of the Company's Common Stock on the OTC Electronic Bulletin Board for the ten trading days preceding each respective conversion date of the Note(s).

Notwithstanding anything contained herein to the contrary, the Notes shall not at any time be convertible at a conversion price below \$.10 per share (the "Floor Price") or above a ceiling price of \$.25 per share (the "Ceiling Price"). In October 2008, the conversion price was fixed at \$.10 per share pursuant to anti-dilution provisions of the Note. During March 2009, the holders of certain senior convertible securities originally issued on December 2, 2004, extended the due date of the debt to November 30, 2009 in exchange for the issuance of Class G warrants to purchase 1,800,000 shares of common stock in the Company. In March 2009, the conversion price of the Notes was also lowered to \$.03 per share. Concurrently, the Class A, C, D, E and F warrants held by these investors were cancelled and an equal number of Class G warrants were issued as replacements.

In May, 2009, \$93,097 of the Notes and \$388 in interest was converted at \$.03 per share into 3,116,164 shares of the Company's Common Stock, reducing the principal balance of the debt underlying the 2004 Notes to \$279,292 as of September 30, 2009.

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

The following table sets forth, with respect to each holder of December 2004 debt, the amount due under the convertible promissory note as of March 28, 2010.

INVESTOR	PRINCIPAL AMOUNT CONVERTIBLE NOTE
AlphaCapital Aktiengesellschaft	\$ 150,166
Steven Gold	\$ 17,325
Asher Brand	\$ 3,464
TRW Holdings PTY Limited	\$ 15,241
Stan Baharti	\$ -0-
Robocheyne Consulting Ltd.	\$ 93,096
TOTAL	\$ 279,292

The December 2004 Note holders agreed in March 2009 to extend the expiration date of their Notes to November 30, 2009 in consideration of Class G Warrants to purchase 1,800,000 shares exercisable at \$.03 per share through June 22, 2011. In the same agreement, the Note holders assigned their 1,800,000 warrants plus 50% of the principal of their Notes in equal amounts to Robocheyne Consulting Ltd. and Stan Bharti. These notes are currently past due.

June 2006 Debt

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 to purchase an aggregate of 1,200,000 shares originally exercisable at \$1.00 per share;
- (ii) Five-year Class D warrants to purchase an aggregate of 1,200,000 shares originally exercisable at \$1.50 per share;
- (iii) Five-year Class E warrants to purchase an aggregate of 600,000 shares originally exercisable at \$2.00 per share; and
- (iv) Five-year Class F warrants to purchase an aggregate of 1,066,666 shares originally exercisable at \$.75 per share. The class F warrants were 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.

The notes issued on June 22, 2006 bear an interest rate of 8% per annum, payable quarterly in arrears, in stock or cash at our discretion, in registered Common Stock, at 90% of the average of the 10 days volume weighted average price immediately prior to the interest payment date as long as the stock price is not below the conversion price.

In April 2007, the 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. As a result of the financing above, the conversion price of the June 2006 debt and the exercise price of C, D, E and F warrants held by the holders of the June 2006 debt were adjusted to \$0.30 per share and the number of warrants were adjusted from 1,200,000 for Class C & D, 600,000 for Class E and 1,066,666 for Class F to 4,000,000 for Class C & E, 6,000,000 for Class D and 2,666,667 for Class F. The increase in the number of warrants was in an inverse relation to the decrease in the exercise price. Pursuant to an agreement dated August 7, 2007, the holders of the June 2007 Debt agreed to retroactively cancel the increase in the number of warrant shares effective April 20, 2007 and to adjust the exercise prices of the Class C, Class D, Class E and Class F Warrants to \$.45, \$.45, \$.45 and \$.50 per share, respectively, and to adjust the call price of the Class F Warrants to \$.73 per share. Effective August 7, 2007, the holders of the June 2007 Debt also agreed to cancel all of their Class D and Class E Warrants, thereby reducing the number of Warrants held by them to 1,200,000 Class C Warrants and 1,066,666 Class F Warrants. On the same date, the then holders of June 2006 Debt entered into agreements which had the following affect:

- to sell their Class C and Class F Warrants and June 2006 Debt to certain non-affiliated parties;
- to terminate Andrew McKinnon’s (BlastGard’s Chief Executive Officer) prior obligation to purchase the aforementioned securities; and
- to have a first closing occur on August 8, 2008 as to one-half the securities and a second closing to occur no later than September 22, 2007. The purchasers of the June 2006 Debt agreed to convert their Debentures into shares of our Common Stock at \$.30 per share effective at each closing.

In April 2007, the then holders of the June 2006 Debt agreed to waive their right of first refusal in connection with our then 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.

The aforementioned notes and warrants are protected against dilution in the event of certain events including, without limitation, the sale of common stock below the applicable conversion or exercise price as the case may be.

Pursuant to an agreement dated as of August 7, 2007 (the “August 2007 Agreement”), Robert F. Rose Investments and two other non-affiliated parties (collectively hereinafter referred to as the “Purchasers”) entered into an agreement with the Lenders to purchase the June 2006 Debt, which transaction is personally guaranteed by Mr. Rose. Upon the completion of said transaction, the Purchasers had agreed to automatically convert their June 2006 Debt into shares of our Common Stock at \$.30 per share. To date, \$795,000 of the \$1,200,000 has been completed and converted into our Common Stock at \$.30 per share and \$50,000 in principal was paid back. Pursuant to an agreement dated as of September 21, 2007, the Purchasers agreed to assign the remaining \$355,000 to be purchased pursuant to the August 2007 Agreement to five non-affiliated persons (collectively hereinafter referred to as the “Assignees”) and the Assignees deposited \$355,000 in escrow with Lenders’ attorney, as Escrow Agent. Subsequently, the Assignees notified the Escrow Agent that it should not release the escrowed funds from escrow and demanded the return of their funds. Said \$355,000 is currently the subject of a legal dispute and to our knowledge such funds are being held in escrow by the Lenders’ attorneys. Although there is a dispute as to the rights and obligations of the parties pursuant to the aforementioned agreements and the possible conversion of the June 2006 Debt into shares of our Common Stock, we had continued to make the quarterly interest payments on the June 2006 Debt so as to avoid any claim of default. However, on June 22, 2008, the June 22, 2006 debt became due and payable and no payment of principal or accrued interest thereon was made by us. It is management’s position, although no assurance can be given in this regard, that we do not owe the lenders the \$355,000 and that we were obligated to deliver 1,183,333 shares of common stock to the assignees upon conversion thereof. Nevertheless, we have continued to include the principal of the June 2006 Debt (exclusive of interest after June 22, 2008) on our consolidated balance sheet in order to reflect the worst case scenario.

Source Capital Group, Inc. acted as a finder in connection with this 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. The following table sets forth with respect to each person the number of shares underlying warrants issued to Source Capital and its associated persons as of December 31, 2009.

INVESTOR	NUMBER OF SHARES ISSUABLE UPON EXERCISE OF WARRANTS			
	CLASS C	CLASS D	CLASS E	CLASS F
W. Todd Coffin	103,680	103,680	51,840	149,760
William F. Butler	110,160	110,160	55,080	159,120
Gary Sacks	48,600	48,600	24,300	70,200
Source Capital Group	61,560	61,560	30,780	88,920
TOTAL	324,000	324,000	162,000	468,000

Agreement with Quanstar Group

On October 3, 2006, we entered into an agreement (the “QuanStar Agreement”) with QuanStar Group, LLC, (“Quanstar”) headquartered in New York, NY, and L. Paul Bremer, III an individual, (“Quanstar-Bremer”) engaging them to serve as an advisor to render strategic and consulting services to us, primarily in connection with the commercialization of our proprietary BlastGard technology. Arnold Burns, a director of the Company, is part owner of QuanStar Group, LLC.

As outlined in the agreement, the services to be provided to us by QuanStar-Bremer are as follows:

- Provide to the Company’s senior management advice and counsel on strategic business issues;
- Assist in recruiting and hiring people for senior executive positions;
- Participate in business reviews and assist in formulating long-range business development plans;
- Assist the Company in marketing and selling BlastGard products;
- Help the Company in recruiting Board members of stature;

The founders of the Company, namely, James F. Gordon, John L. Waddell, Jr., and Michael J. Gordon have agreed to compensate Quanstar-Bremer by transferring without cost from their own stock holdings a total of 625,000 shares of the Company’s common stock. We agreed to pay to QuanStar-Bremer a commission fee of 20% of Net Sales for the first \$2,000,000 in Net Sales; 15% for the next \$2,000,000 in sales and 10% on all additional Net Sales, except for sales of the Company’s MTR and MBR product line which shall be limited to 9% of Net sales on new orders and 4.5% of Net Sales on recurring orders. The term “Net Sales” is defined as gross sales minus customer returns and excludes taxes and shipping.

The term of the agreement is 12 months and automatically renewed for successive one-year terms. The agreement may be terminated by either party at any time, with or without cause, by delivery of written notice of termination by the terminating party to the non-terminating party. The termination date shall be effective 150 days after receipt of said written notice of termination. QuanStar-Bremer shall have the right to be compensated for any transaction initiated by it and consummated within 18 months from the date of termination. This agreement was terminated on April 23, 2008.

Board Members Who Are Deemed Independent

Our board of directors has determined that Paul Henry is an "independent director" as that term is defined by the National Association of Securities Dealers Automated Quotations ("NASDAQ") and has a financial background. See "Audit Committee" under "Item 9" regarding the definition of an "independent director."

Independent Director

Paul Henry is considered by the Board to be an "Independent Director" of the Company as defined under Rule 10-A.3 of the Exchange Act. In order to be considered to be independent for purposes of Rule 10A-3, a member of an audit committee of a listed issuer that is not an investment company may not, other than in his or her capacity as a member of the audit committee, the board of directors, or any other board committee: (A) accept directly or indirectly any consulting, advisory, or other compensatory fee from the issuer or any subsidiary thereof, provided that, unless the rules of the national securities exchange or national securities association provide otherwise, compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the listed issuer (provided that such compensation is not contingent in any way on continued service); or (B) be an affiliated person of the issuer or any subsidiary thereof.

ITEM 14. EXHIBITS

Exhibit No.	Description
2.1	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.)
3.1	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).
3.2	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).
4.1	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.)
4.2	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.)
4.3	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.)
4.4	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.)
4.5	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.)
4.6	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.)
4.7	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.)
4.8	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.)
4.9	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.)
4.19	Form of Class G Warrant.*
10.1	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).
10.2	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).
10.3	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).
10.4	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).)
10.5	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).)
10.6	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.)
10.7	Modification and Waiver Agreement (Incorporated by reference to Exhibit 10.1 in our Form 8-K filed December 8, 2006).
10.8	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.)
10.9	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.)
10.13	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.)
10.14	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).

10.15	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.)
10.16	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.)
10.17	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.)
10.18	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.)
10.19	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.)
10.20	Employment Agreement for Andrew McKinnon dated April 1, 2007. (Incorporated by reference to Exhibit 10.32 contained in our Form 10-QSB for the quarter ended March 31, 2007.)
10.21	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.)
10.22	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.)
10.23	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.)
10.24	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).
10.25	Fifth Waiver and Modification Agreement with Senior Lenders dated March 20, 2008 Plan (Incorporated by reference to Exhibit 99.1 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008).
10.26	Waiver Agreement with 2006 Lenders dated as of March 20, 2008 Plan (Incorporated by reference to Exhibit 99.1 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008).
21.1	Subsidiaries of Registrant*
31(a)	Rule 13a-14(a) Certification – Chief Executive and Chief Financial Officer *
32(a)	Section 1350 Certification – Chief Executive and 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).

* Filed herewith.

ITEM 15. PRINCIPAL ACCOUNTANT FEES AND SERVICES

On February 8, 2010, the Company dismissed our independent registered auditor, Cordovano and Honeck LLP of Englewood Colorado (“C & H”), based on their notification to us of their partner service limitation. We engaged Peter Messineo, CPA of Palm Harbor Florida, as our new independent registered auditor on February 10, 2010.

The consolidated financial statements of BlastGard International, Inc. as of, and for the years ended, December 31, 2009 and 2008, appearing in this Form 10-K, were audited by Cordovano and Honeck, LLP, an independent registered public accounting firm, as stated in their report thereon, and are included in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

Audit Fees

The aggregate fees billed for professional services rendered by Cordovano and Honeck, LLP for the 2009 audit of our annual financial statements and the reviews of the financial statements included in our quarterly reports on Form 10-Q for fiscal years 2009 and 2008 were \$32,000 and \$23,503, respectively.

Audit-Related Fees

There were no other fees billed by Cordovano & Honeck, LLP during the last two fiscal years for assurance and related services that were reasonably related to the performance of the audit or review of the Company’s financial statements and not reported under “Audit Fees” above.

Tax Fees

There were no tax related fees billed by Cordovano & Honeck LLP during 2009 or 2008.

All Other Fees

There were no other fees billed by Cordovano & Honeck, LLC during the last two fiscal years for products and services provided by Cordovano & Honeck, LLC.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BLASTGARD® INTERNATIONAL, INC.

Dated: April 15, 2010

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

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Dated: April 15, 2010

By: /s/ Andrew R. McKinnon
Andrew R. McKinnon
Director

Dated: April 15, 2010

By: /s/ James F. Gordon
James F. Gordon
Chairman of the Board, President and
Director of Blast Mitigating Receptacles

Dated: April 15, 2010

By: /s/ Michael J. Gordon
Michael J. Gordon
Director, Vice President, Chief Executive and
Chief Financial Officer and Principal Accounting Officer

Dated: April 15, 2010

By: /s/ Paul Henry
Paul Henry
Director

SUBSIDIARIES OF THE REGISTRANT

BlastGard Technologies, Inc. – Florida (state of incorporation)

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

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

1. I have reviewed this annual report on Form 10-K 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 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter 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 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 registrant's board of directors:
 - 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.

Date: April 15, 2010

/s/ Michael J. Gordon
Michael J. Gordon
Chief Executive and Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350**

In connection with the BlastGard International, Inc. (the "registrant") on Form 10-K for the year ended December 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "report"), I, Michael J. Gordon, Chief Executive and Chief Financial Officer of the registrant, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the registrant.

April 15, 2010

/s/ Michael J. Gordon
Michael J. Gordon
Chief Executive and Chief Financial Officer