

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

Form 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2011

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.

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

Colorado

(State or other jurisdiction of incorporation or organization)

84-1506325

(IRS Employer Identification No.)

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

(Address of principal executive offices)

(727) 592-9400

(issuer's telephone number)

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

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

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

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

Large Accelerated Filer Accelerated Filer
Accelerated Filer Smaller Reporting Company

APPLICABLE ONLY TO CORPORATE ISSUERS

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

As of November 10, 2011, the issuer had 86,386,036 shares of \$.001 par value common stock outstanding.

INDEX

	<u>Page</u>
PART 1 – FINANCIAL INFORMATION	
Item 1. Financial Statements	
Condensed balance sheets, September 30, 2011 (unaudited) and December 31, 2010	3
Condensed statements of operations, for the three and nine months ended September 30, 2011 and 2010 (unaudited)	4
Condensed statements of cash flows for the nine months ended September 30, 2011 and 2010 (unaudited)	6
Notes to condensed financial statements (unaudited)	7
Item 2. Management’s Plan of Operation.	18
Item 3. Quantitative and Qualitative Disclosures and Market Risk	24
Item 4. Controls and Procedures	24
PART 2 – OTHER INFORMATION	
Item 1. Legal Proceedings	24
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	25
Item 3. Defaults upon Senior Securities	26
Item 4. Submission of Matters to a Vote of Security Holders	26
Item 5. Other Information	26
Item 6. Exhibits	26
Signatures	27

BlastGard International Inc.
Balance Sheet

	September 30, 2011 (unaudited)	December 31, 2010 (audited)
Assets		
Current assets		
Cash	\$ 46,112	\$ 46,382
Accounts receivable	9,699	342
Inventory	398,178	51,290
Deposits and other current assets	19,824	-
Net related party loans receivable	442,012	-
Prepaid expenses	513	-
Total current assets	916,338	98,014
Property & equipment, net of accumulated depreciation of (\$236,533) and (\$75,700), respectively	123,631	64
Intangible property, net of accumulated amortization of (\$137,272) and (\$4,642), respectively	526,714	24,344
Deferred patent costs	209,896	203,535
Investments	112,832	-
Goodwill	2,543,282	-
Deposits	794	300
Total Assets	\$ 4,433,487	\$ 326,257
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 1,435,815	\$ 249,087
Accrued expenses	367,259	385,094
Current portion notes payable	1,345,862	729,652
Loans and notes payable, related parties	143,872	14,421
Total current liabilities	3,292,808	1,378,254
Contingent liability	1,239,384	-
Derivative liability	1,010,399	-
Total liabilities	5,542,591	1,378,254
Stockholders' Equity		
Preferred Stock:		
Preferred Stock, 1,000,000 shares authorized; \$100 par value; 0 and 0 issued and outstanding	-	-
Common Stock, \$.001 par value, 100,000,000 shares authorized; 86,386,036 and 50,586,142 shares issued and outstanding, respectively	86,386	56,086
Additional paid-in capital	14,493,387	12,560,249
Minority interest	(44,541)	-
Accumulated deficit	(15,644,336)	(13,668,332)
Total stockholders' deficit	(1,109,104)	(1,051,997)
Total Liabilities and Stockholders' Equity	\$ 4,433,487	\$ 326,257

The accompanying notes are an integral part of these financial statements.

BlastGard International Inc.

Statement of Operations (unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	September 30,		September 30,	
	2011	2010	2011	2010
Revenues	\$ 170,967	\$ 43,315	\$ 194,260	\$ 87,698
Direct costs	137,984	31,165	160,115	65,584
Gross Profit	32,983	12,150	34,145	22,114
Operating expenses:				
General and administrative	541,065	45,758	1,318,536	249,240
Research and Development	83	-	1,274	888
Amortization and depreciation	64,876	539	202,567	1,648
Total operating expenses	606,024	46,297	1,522,377	251,776
Operating loss	(573,041)	(34,147)	(1,488,232)	(229,662)
Non-operating activity				
Other income (expense)	6,355	-	8,642	7,089
Gains (losses) on settlement of debt	-	-	248,754	-
Gain (loss) on derivative liability	732,710	-	492,366	-
Gain (loss) on settlement of assets	98,385	-	98,385	-
Interest expenses	(450,505)	(29,572)	(1,345,154)	(60,879)
Interest income	1	-	1	-
Total other income (expense)	386,946	(29,572)	(497,006)	(53,790)
Loss before income taxes	(186,095)	(63,719)	(1,985,238)	(283,452)
Minority interest loss	347	-	(9,234)	-
Provision for income taxes	-	-	-	-
Net loss	\$ (186,442)	\$ (63,719)	\$ (1,976,004)	\$ (283,452)
Earnings (loss) per share:				
Basic	\$ (0.00)	\$ (0.00)	\$ (0.03)	\$ (0.01)
Dilutive	\$ (0.00)	\$ (0.00)	\$ (0.02)	\$ (0.01)
Weighted average shares outstanding				
Basic	84,754,168	50,586,142	74,684,369	50,512,068
Dilutive	96,968,454	50,586,142	86,898,655	50,512,068

The accompanying notes are an integral part of these financial statements.

BlastGard International Inc.

Statement of Stockholders' Deficit

	Common shares	Par	Additional Paid in Capital	Minority Interest	Accumulated Deficit	Stock- Holders' Deficit
Balance at December 31, 2009	50,086,142	50,086	12,351,249	-	(13,204,719)	(803,384)
Board member compensation	500,000	500	49,500			50,000
Sale of stock	5,500,000	5,500	159,500			165,000
Net loss					(463,613)	(463,613)
Balance at December 31, 2010	56,086,142	56,086	12,560,249	-	(13,668,332)	(1,051,997)
Sale of stock	5,833,334	5,833	169,167			175,000
Stock issued for acquisition of HighCom Security	9,820,666	9,821	481,179			491,000
Stock issued for conversion of debt	7,812,561	7,813	226,564			234,377
Stock issued for consulting	6,333,333	6,333	203,667			210,000
Stock issued for Acer payable	500,000	500	24,500			25,000
Options issued for compensation			327,944			327,944
Record discount on new loans			464,810			464,810
Reclassify minority interest			35,307	(35,307)		-
Net loss				(9,234)	(1,976,004)	(1,985,238)
Balance at September 30, 2011	86,386,036	\$ 86,386	14,493,387	(44,541)	(15,644,336)	\$ (1,109,104)

The accompanying notes are an integral part of these financial statements.

BlastGard International Inc.

Statement of Stockholders' Deficit

	Common		Additional Paid in Capital	Minority Interest	Accumulated Deficit	Stock- Holders' Deficit
	shares	Par				
Balance at December 31, 2009	50,086,142	50,086	12,351,249	—	(13,204,719)	(803,384)
Board member compensation	500,000	500	49,500			50,000
Sale of stock	5,500,000	5,500	159,500			165,000
Net loss					(463,613)	(463,613)
Balance at December 31, 2010	56,086,142	56,086	12,560,249	—	(13,668,332)	(1,051,997)
Sale of stock	5,833,334	5,833	169,167			175,000
Stock issued for acquisition of HighCom Security	9,820,666	9,821	481,179			491,000
Stock issued for conversion of debt	7,812,561	7,813	226,564			234,377
Stock issued for consulting	6,333,333	6,333	203,667			210,000
Stock issued for Acer payable	500,000	500	24,500			25,000
Options issued for compensation			327,944			327,944
Record discount on new loans			464,810			464,810
Reclassify minority interest			35,307	(35,307)	—	
Net loss				(9,234)	(1,976,004)	(1,985,238)
Balance at September 30, 2011	86,386,036	\$ 86,386	14,493,387	(44,541)	(15,644,336)	\$ (1,109,104)

The accompanying notes are an integral part of these financial statements.

BlastGard International Inc.

Statement of Cash Flows (unaudited)

	For the Nine Months Ended September 30,	
	2011	2010
Cash Flows from Operating Activities:		
Net (loss) income	\$ (1,976,004)	\$ (283,452)
Adjustment to reconcile Net Income to net cash provided by operations:		
Minority interest loss	(9,234)	
Depreciation and amortization	202,567	1,648
Amortization of debt discount	1,230,953	
Discount on debt	(464,810)	
Stock given for interest	210,000	
Other stock comp	327,944	50,000
Gain on conversion of debt	(248,754)	
Gain on disposal of equipment	(6,465)	
gain on derivative	(492,366)	
Changes in assets and liabilities:		
Accounts receivable	55,880	(30,687)
Note receivable	(15,892)	-
Inventory	(19,560)	16,516
Other operating assets	68,078	(398)
Accounts payable and accruals	316,525	274,178
Related party loans	84,282	(4,611)
Net Cash (Used) Provided by Operating Activities	<u>(736,856)</u>	<u>23,194</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	(11,880)	-
Payments for deferred costs	(6,429)	(24,423)
Proceeds from sales of assets and intangibles	3,900	-
Cash purchased	650	-
Net Cash Used by Investing Activities	<u>(13,759)</u>	<u>(24,423)</u>
Cash Flows from Financing Activities:		
Proceeds from issuance of stock	175,000	-
Proceeds from issuance of note payable	760,000	-
Net proceeds from line of credit	-	572
Repayments of notes payable	(184,655)	-
Net Cash Provided by Financing Activities	<u>750,345</u>	<u>572</u>
Net increase/decrease in Cash	(270)	(657)
Cash at beginning of period	46,382	1,739
Cash at end of period	<u>\$ 46,112</u>	<u>\$ 1,082</u>
Supplemental cash flow information:		
Interest paid	<u>\$ 69,653</u>	<u>\$ 14,172</u>
Taxes paid	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

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

(1) Operations 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. On March 4, 2011, the Company completed the acquisition of HighCom Securities, Inc and subsidiaries (HighCom). The income of HighCom and subsidiaries is included from January 25, 2011, the date of the binding letter of intent. These financial statements include the assets, liabilities and activity of the following:

BlastGard International, Inc. BlastGard® International, Inc. is a Colorado corporation, that has developed and designed proprietary blast mitigation materials. The Company operates from offices in Clearwater, Florida and uses contract manufacturers in various locations for production.

BlastGard Technologies Inc. is a dormant Florida corporation.

HighCom Securities, Inc. HighCom Securities, Inc. (HighCom), originally located in San Francisco California, is a global provider of security equipment and a leader in advanced ballistic armor manufacturing. The Company uses contract manufacturers for production and has moved the corporate offices to Clearwater, Florida as of May 1, 2011.

HighCom Online, Inc. HighCom Online Inc. is an online outlet for HighCom Security products. The Company operated out of the HighCom offices.

HC Ballistics, LLC HC Ballistics LLC was a joint venture with a related party to produce products for HighCom customers. The Company operated out of HighCom offices and used a production facility in South Florida. The agreement with the related party is currently terminated. HC Ballistic LLC was closed effective December 31, 2010. The results of operations for 2010 are included in the pro-forma presentation on the consolidated entity.

All material intercompany transactions have been eliminated.

The unaudited interim consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading. It is suggested that these consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto, included in the Company’s latest Form 10-K.

In the opinion of management, all adjustments consisting of normal recurring adjustments necessary for a fair statement of the financial position at September 30, 2011 and the result of operations and cash flows for the three and nine months ended September 30, 2011 and 2010 have been made. Operating results for the nine months ended September 30, 2011 and 2010 are not necessarily indicative of the results that may be expected for the entire year.

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.

Recent Accounting Pronouncements

We have reviewed the FASB issued Accounting Standards Update ("ASU") accounting pronouncements and interpretations thereof that have effectiveness dates during the periods reported and in future periods. The Company has carefully considered the new pronouncements that alter previous generally accepted accounting principles and does not believe that any new or modified principles will have a material impact on the corporation's reported financial position or operations in the near term. The applicability of any standard is subject to the formal review of our financial management and certain standards are under consideration. Reference is made to these recent accounting pronouncements as if they are set forth therein in their entirety.

(2) Notes Payable

Convertible Promissory Notes

On December 2, 2004, the Company entered into agreements to borrow an aggregate principal amount of \$1,420,000 and to issue to the investors secured convertible notes and common stock purchase warrants. The Company's convertible promissory notes payable consist of the following at September 30, 2011 and December 31, 2010:

	(Unaudited) 30-Sept-11	December 31, 2010
\$500,000 convertible promissory note issued December 2, 2004, due on November 30, 2009, 8% annual interest rate, net of unamortized Discount of \$0	\$ -	\$ 150,166
\$93,096 convertible promissory note (1/4 of previous outstanding notes) issued December 2, 2004, due November 30, 2009, 8% interest Net of unamortized discount of \$0	93,097	93,096
\$50,000 convertible promissory note issued December 2, 2004, due on November 30, 2009, 8% annual interest rate, net of unamortized Discount of \$0	17,325	17,325
\$50,000 convertible promissory note issued December 2, 2004, due on November 30, 2009, 8% annual interest rate, net of unamortized Discount of \$0	15,241	15,241
\$10,000 convertible promissory note issued December 2, 2004, due on November 30, 2009, 8% annual interest rate, net of unamortized Discount of \$0	-	3,464
	<u>125,663</u>	<u>279,292</u>
Less: current maturities	<u>(125,663)</u>	<u>(279,292)</u>
	<u>\$ -</u>	<u>\$ -</u>

At September 30, 2011, all warrants associated with the above debt had expired.

New Financing

Alpha Capital Aktiengesellschaft (“Alpha”), a holder of 2004 Debt, loaned the Company \$160,000 in February 2011, \$300,000 in March 2011 and an additional \$300,000 in June 2011 pursuant to secured notes convertible at the lesser of the applicable conversion price or eighty percent of the conversion price of any convertible note issued by the Company to anyone prior to or on the one year anniversary of the Issue Date of the Note, subject to adjustment as described therein. The February 2011 notes had a conversion price of \$.03 per share and the March 2011 notes had a conversion price of \$.05 per share. The Notes are accompanied by the issuance of five year warrants to purchase 8,000,000 shares at an exercise price of \$0.03 per share, five year warrants to purchase 9,000,000 shares at an exercise price of \$0.08 per share and five year warrants to purchase 12,333,335 shares at an exercise price of \$0.06 per share, respectively. See “Note 12.”

Conversion of Accrued Expenses.

On March 8, 2011, BlastGard’s Board of Directors ratified, adopted and approved that James F. Gordon’s accrued salary of \$160,000 (20 months at \$8,000 per month covering May-December 2009, January-October 2010 and January-February 2011); Michael J. Gordon’s accrued salary of \$160,000 (20 months at \$8,000 per month covering May-December 2009, January-October 2010 and January-February 2011); and Morse & Morse, PLLC’s accrued legal bill of \$67,025.30 be converted into a Convertible Non-Interest Bearing Demand Note, convertible into Common Shares of BlastGard at \$.05 per share at the Noteholder(s) discretion. On May 3, 2011, BlastGard’s Board of Directors ratified, adopted and approved \$100,000 in additional compensation to Michael J. Gordon as CEO, of which \$50,000 be converted into a Convertible Non-Interest Bearing Demand Note, convertible into Common Shares of BlastGard at \$.05 per share at the Noteholder(s) discretion and \$50,000 issued in Common Stock at \$.05 per share.

The 2011 convertible promissory notes consisted of the following at September 30, 2011 and December 31, 2010:

	(Unaudited) September 30, 2011	December 31, 2010
\$160,000 convertible promissory note issued February 3, 2011, due on August 31, 2011, 10% annual interest rate, net of unamortized Discount of \$0	\$ 110,000	\$ -
\$300,000 convertible promissory note issued March 3, 2011, due on March 3, 2012, 10% interest, net of unamortized discount of \$50,820	249,180	-
\$300,000 convertible promissory note issued June 16, 2011, due on June 17, 2012, 10% annual interest rate, net of unamortized Discount of \$21,393	278,607	-
\$210,000 convertible promissory note issued January 31, 2011, due on September 30, 2011, 10% annual interest rate, net of unamortized Discount of \$0	210,000	-
\$160,000 convertible promissory note issued January 31, 2011, due on 1/31/2012, 10% annual interest rate, net of unamortized Discount of \$21,567	138,433	-
\$67,025 convertible promissory note issued January 31, 2011, due on September 30, 2011, 10% annual interest rate, net of unamortized Discount of \$0	67,025	-
	1,053,245	-
Less: current maturities	(1,053,245)	-
	<u>\$ -</u>	<u>\$ -</u>

The Company issued 29,333,335 warrants with the convertible debt, above. These warrants are exercisable at \$0.03 for 8,000,000, \$0.08 for 9,000,000 and \$0.06 for 12,333,335 and expire in 5 years. The warrants were valued, using the Black-Scholes method, at approximately \$1,734,109. These warrants have created a derivative liability in the amount of \$1,734,109. This liability is included in other assets on the balance sheet. See “Note 12.”

The Company has a line of credit with a local bank. The Company also acquired various revolving credit facilities in the acquisition of HighCom Security, Inc. HighCom had been paying interest only on the loans. Two of these loans are not transferable and all have been called by the lenders. The revolving credit facilities consist of the following at September 30, 2011 and December 31, 2010:

	(Unaudited) September 30, 2011	December 31, 2010
\$100,000 line of credit from Regions Bank, interest only at 8% annually, due on demand	\$ 90,971	\$ 95,380
\$450,000 line of credit from Fifth Third Bank, interest only at prime plus 3% annually, due on demand	426,583	-
\$150,000 revolving credit card facility with Wells Fargo Bank, interest only at 6.25% annually, due on demand	147,288	-
\$50,000 revolving credit card facility with California Bank & Trust (non-assumable), interest only at 6%, due on demand	49,710	-
Three credit card accounts with major financial institutions varying monthly minimum payments including interest due on demand	65,234	-
	<u>779,786</u>	<u>95,380</u>
Less: current maturities	<u>(779,786)</u>	<u>(95,380)</u>
	<u>\$ -</u>	<u>\$ -</u>

Acquisition note

The Company issued a note in the amount of \$196,400 as part of the acquisition of HighCom Security, Inc. to the former majority shareholder. The Company has stopped making payments on this note directly to the former majority shareholder and has applied the unpaid balance of \$156,400 against receivables due from the former shareholder that were also acquired in the purchase transaction.

(3) Subordinated Convertible Notes Payable

On June 22, 2006, the Company entered into agreements to borrow an aggregate principal amount of \$1,200,000 and to issue to the investors' subordinated, convertible promissory notes and common stock purchase warrants. On January 25, 2011, the Company entered into an agreement to settle the outstanding debt, accrued interest and all outstanding warrants for \$130,000.

The Company's subordinated, convertible promissory notes payable consist of the following:

	(Unaudited) September 30, 2011	December 31, 2010
\$600,000 subordinated, convertible promissory note issued June 22, 2006, due on June 22, 2008, 8% annual interest rate, net of unamortized discount of \$0 and \$0, respectively	\$ -	\$ 355,000
	-	355,000
Less: current maturities	-	(355,000)
	\$ -	\$ -

(4) Shareholders' Equity

Preferred stock

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

Common stock issuances

On January 24, 2011, the Company sold 4,166,667 shares to an unrelated party for \$125,000.

On January 25, 2011, the Company issued 866,667 shares of common stock in lieu of preferred shares authorized by the board in December, 2010 for the first \$26,000 of investment by Phoenix Alliance, a related party.

On March 4, 2011, the Company issued 9,820,666 shares as part of the acquisition of HighCom Security, Inc. and subsidiaries.

On April 18, 2011, the Company issued 800,000 shares of common stock in lieu of preferred shares authorized by the board in December, 2010 for the \$24,000 of additional investment by Phoenix Alliance, a related party.

On May 3, 2011, the Company issued 1,000,000 shares of common stock authorized by the board in May 2011 as additional compensation in the amount of \$50,000 to Michael J. Gordon as CEO.

On May 10, 2011, the Company issued 3,333,333 shares of common stock in lieu of preferred shares authorized by the board in December, 2010 for services rendered in connection with performance of BlastGard's due diligence investigation of HighCom by Phoenix Alliance, a related party. This transaction was valued at \$100,000.

On June 1, 2011, the Company issued 2,889,617 shares of common stock for the conversion of \$86,689 in debt and accrued interest.

On June 3, 2011, the Company issued 4,782,915 shares of common stock for the conversion of \$143,487 in debt and accrued interest.

On June 16, 2011, the Company issued 140,029 shares of common stock for the conversion of \$4,201 in debt and accrued interest.

On August 3, 2011, the Company issued 500,000 shares of common stock for the conversion of \$25,000 in note payable for the Acer product acquisition.

On September 5, 2011, the Company issued 2,000,000 shares of common stock as inducement to allow other financing. The Company recorded \$60,000 in consulting expense on the issuance of the stock.

Stock Compensation

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

Options are 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, 2010 and 2009 no options were granted and 766,667 options expired when sales goals were not met and 570,000 other options expired un-exercised.

On January 28, 2011, a total of 6,250,000 options were granted to five individuals for services rendered. The options vested immediately and the Company recognized \$310,230 in compensation costs at the grant date.

On May 5, 2011, a total of 300,000 options were granted to an employee for services rendered. The options vested immediately and the Company recognized \$17,714 in compensation costs at the grant date.

There are no net cash proceeds from the exercise of stock options during the nine months ended September 30, 2011. At September 30, 2011 and December 31, 2010, there is no unrecognized compensation cost related to share-based payments which is expected to be recognized in the future.

The following table represents stock option activity for nine months ended September 30, 2011:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Options Outstanding - January 1, 2011	2,850,000	\$ 0.10	1.2 years	-
Granted	6,550,000	\$ 0.03		
Exercised	(180,000)-	-		
Forfeited/expired/cancelled	-			
Options Outstanding – December 31, 2010	<u>9,220,000</u>	<u>\$ 0.05</u>	<u>3.1 years</u>	<u>\$ 321,500</u>
Outstanding Exercisable – January 1, 2011	2,850,000	\$ 0.10	1.2 years	\$
Outstanding Exercisable – September 30, 2011	<u>9,220,000</u>	<u>\$ 0.05</u>	<u>3.1 years</u>	<u>\$ 31,250</u>

The total grant date fair value of options vested during the three months ended September 30, 2011 was \$327,944.

(5) Line of Credit

The Company borrowed approximately \$92,950 against its \$100,000 credit line, which is secured by a personal guarantee of its Chief Financial Officer. Currently, \$90,971 is owed pursuant to the line of credit (inclusive of interest at 5%) at September 30, 2011.

(6) Income Taxes

The Company incurred net operating losses during all periods presented resulting in a deferred tax asset, which is fully allowed for; therefore, no income tax benefit or expense has been presented.

(7) Commitments and Contingencies

Office Lease

The Company entered into a lease agreement in January 1, 2009 for office space in Clearwater Florida. Rental payments under the lease are \$300 per month on a month to month basis. A second office space in Clearwater, FL at \$285.00 per month was added in May 2011. From February through April 2011, the Company was also paying for office space in San Francisco, California at monthly rate of \$15,000. The San Francisco office was closed at the end of April 2011. In February 2011, the Company entered into a six month lease agreement for approximately 11,200 square feet of office and warehouse space in Columbus, OH for \$3,000 per month. This lease was a month to month basis at September 30, 2011. In May 2011, the Company entered into a month to month lease for approximately 300 square feet of office space in Aurora, CO for \$320 per month.

Rent expense for three and nine months ended September 30, 2011 and 2010 is approximately \$37,725 and \$2,700 respectively.

Prior Litigation Matter

Verde Partners Family Limited Partnership

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 is 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. At September 30, 2011, the Company is in arrears on the final twelve monthly payments on the settlement and a Notice of Default was filed on July 13, 2011.

Acquisition of HighCom Security

The Company has recorded a contingent liability in association with the purchase of HighCom Security. The Company is liable for certain payments of additional cash and stock to the seller on a pro rata basis based on sales projections. At the time of the purchase, management believed the Company could achieve 68% of the stated goals and recorded the estimated liability at 68% of the total possible under the terms of the sale agreement. As of September 30, 2011, management has no information to change this estimate.

Future Financing Contingencies

The Company is seeking financing. Our Agreements with the current Note holder states that in the event of default, change in control, change in a majority of directors and in the most recent Note investment of \$300,000 a change in CEO would trigger a mandatory redemption of the Notes at 120% of the balance of the Notes and a buy out of their Warrants based upon a valuation of the Warrants as provided in the Agreement, which could be substantial.

(8) Inventory

The Company's manufacturing is sub-contracted to licensed and qualified production facilities. Our inventory is made up of raw materials, work in progress and finished goods. Our inventory is maintained at our manufacturing facilities.

	September 30, 2011	December 31, 2010
	(unaudited)	
Raw materials	\$ 366,807	\$ 17,370
Work in process	-	-
Finished Goods	31,371	33,920
TOTAL	\$ 398,178	\$ 51,290

(9) Intangibles

The Company has capitalized certain costs associated with patents, trademarks, purchased customer lists and website and product designs. The costs are amortized on a straight-line basis over the expected life of the intangible normally between 3 and 15 years. The intangible assets consist of the following:

	September 30, 2011	December 31, 2010
Customer list	\$ 500,000	\$ -
Product designs	55,000	-
Websites	80,000	-
Patents	28,651	28,651
Trademarks	335	335
	663,986	28,689
Accumulated amortization	135,412	4,642
	<u>\$ 528,574</u>	<u>\$ 24,344</u>
Future amortization:		
2011	\$ 99,466	
2012	198,932	
2013	166,710	
2014	5,599	
2015 and thereafter	50,407	
	<u>\$ 526,714</u>	

(10) Acquisition of HighCom Security, Inc.

On January 25, 2011, the Company agreed to purchase 100% of the outstanding stock in HighCom Security, Inc. (HighCom) from an unrelated party for cash, stock common and preferred stock to be paid out at certain milestones. As of the signing of the agreement, BlastGard International, Inc. immediately assumed the operations of HighCom and started to provide financing for the operations while a definitive agreement is drawn up over the next 90 days.

On March 4, 2011, the Company issued notes in the amount of \$196,400 note and issued 9,820,666 shares of common stock as initial consideration for 98.2% of the outstanding stock of HighCom Security, Inc. and promised up to another \$100,000 in cash and 35,000,000 shares of common stock based on a pro-rata basis if revenue reaches certain goals. BlastGard management believes that the revenues goals are very achievable and have valued the contingent consideration at 68% of the market price at the time of the agreement.

The Company filed HighCom's audited financials for the years ended December 31, 2010 and December 31, 2009 via a Form 8K on May 20, 2011. BlastGard International, Inc. accounted for the assets, liabilities and ownership interests in accordance with the provisions of ASC 805, Business Combinations for acquisitions occurring in years beginning after December 15, 2008 (formerly SFAS No. 141R, Business Combinations). As such, the recorded assets and liabilities acquired have been recorded at fair value and any difference in the net asset values and the consideration given has been recorded as a gain on acquisition or as goodwill. The audited values as of the date of agreement are as follows:

Cash	\$ 834
Accounts receivable	116,910
Contract performance bonds	50,500
Inventory	219,233
Related party loans	574,810.
Fixed assets	206,159
Investments	121,287
Deposits	37,738
Customer lists	500,000
Website	80,000
Goodwill	2,323,010
Total assets	<u>\$ 4,230,481</u>
Accounts payable	\$ 1,265,693
Accrued expenses	403,000
Notes and loans payable	665,607
Acquisition debt	196,400
Contingent consideration	1,262,000
Stock given at closing	491,000
Total liabilities assumed and consideration given	<u>\$ 4,230,481</u>

Pro forma results of operations for the years ended December 31, 2010 and 2009 as though this acquisition had taken place at January 1, 2009 are as follows:

	Years ended December 31,	
	2009	2010
Revenues	\$ 3,886,692	\$ 5,512,174
Net income(loss)	\$ (1,881,925)	\$ (944,653)
EPS	\$ (0.03)	\$ (0.01)

The pro forma results for the three and nine months ended September 30, 2010 as though HighCom was acquired on January 1, 2010 are as follows:

	Three months ended September 30, 2010	Nine months ended September 30, 2010
Revenues	124,729	5,050,241
Operating expenses	344,309	1,840,088
Net income (loss)	<u>(392,778)</u>	<u>(758,538)</u>

The unaudited pro forma results disclosed in the tables above are based on various assumptions and are not necessarily indicative of the results of operations that would have occurred had the Company completed this acquisition on January 1, 2009 or 2010.

(11) Related Party Transactions

Phoenix Alliance Corporation (“Phoenix”), owned by one of our board members Andrew McKinnon, was engaged in April 2011 by BlastGard to operate as an independent contractor for all HighCom sales. Phoenix has set up a sales operation complete with telephone sales system and will cover all associated costs from daily operating expenses i.e. payroll costs, health costs, advertising and marketing costs, tradeshow costs etc. BlastGard’s COO Michael Bundy provided initial training to all independent contractors, including an overview process for regulatory compliance. BlastGard has agreed to assist Phoenix with initial start-up costs of \$7,500 per month for 3 months and an implementation fee of \$5,000 for an additional 3 months. At the completion of the first six months, Phoenix becomes entirely a performance based operation. The commission structure is based on sales generated and margins of HighCom’s product line. Phoenix received commissions of \$3,372 during the three months and nine months ended September 30, 2011. The marketing agreement was terminated in favor of in-house marketing during the 3rd quarter 2011.

On June 16, 2011, James F. Gordon was notified in writing that his at-will month to month employment would be terminated but that Mr. Gordon could continue as an unpaid consultant entitled to a 10% commission for any MTR sales he generates on behalf of BlastGard.

(12) Subsequent Events

On November 10, 2011, the Company agreed to a financing agreement in the amount of \$500,000 with an existing shareholder and creditor. The financing agreement consists of a convertible note and warrants. The note bears interest at 12% and is convertible at \$0.01 per share. The warrants allow for 75,000,000 shares at \$0.01 and expire in seven years. As a result of this financing agreement, all outstanding loans with this lender have had its conversion price lowered to \$.01 per share. Also, the exercise price of all outstanding warrants with this lender have been reduced to \$.01 per share and the term of the warrants have been extended to seven years from the closing date of this financing. A finder’s fee of 4,000,000 shares was agreed upon by the parties to be issued by the Company.

Item 2. Management's Plan of Operation

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

The following discussion should be read in conjunction with the Company's financial statements and notes thereto included elsewhere in this Form 10-Q and in our Form 10-K for the fiscal year ended December 31, 2010. Except for the historical information contained herein, the discussion in this Form 10-Q contains certain forward looking statements that involve risks and uncertainties, such as statements of the Company's plans, objectives, expectations and intentions. The cautionary statements made in this Form 10-Q should be read as being applicable to all related forward-looking statements wherever they appear herein. The Company's actual results could differ materially from those discussed here.

The financial information furnished herein has not been audited by an independent accountant; however, in the opinion of management, all adjustments (only consisting of normal recurring accruals) necessary for a fair presentation of the results of operations for the three months and nine months ended September 30, 2011, have been included.

Summary

BlastGard International, Inc. is in the business of providing protection for individuals and property. We have developed and have been marketing BlastWrap products to protect people and property against explosive forces. We have recently acquired a 98.2% new subsidiary (HighCom Security, Inc.) that provides a wide range of security and personal protective gear. A description of each company can be found below and a description of our acquisition can be located under "Item 13" of our Form 10K for the fiscal year ended December 31, 2010. We believe that the products of the two companies have a certain synergy and that BlastGard International is poised to be a full service provider for defensive and protective product needs. The term "the Company" shall include BlastGard, HighCom and their subsidiaries unless the context indicates otherwise.

HighCom provides a wide range of security products and personal protective gear (including tactical armor) that are tailored and offer protection solutions to specific customer requirements. HighCom caters to local law enforcement agencies, correctional facilities and municipal authorities. Given the equipment and ballistic protection solutions provided by HighCom, compliance with the U.S. Department of Commerce, U.S. Department of State, U.S. Department of the Treasury and all other governmental agencies' regulations is a high priority. HighCom has sold its products in the defense and law enforcement sectors and is known for innovative technology, exceptional customer service and superior quality performance. We export our products throughout the world and have in the past sold products in Asia, Africa, Europe, Latin America and the Middle East. Many of our products are controlled for export purposes and we require end user details prior to all sales. Strict compliance with U.S. and International laws and regulations is mandatory.

As discussed under "Background of HighCom" under "Item 1" of our Form 10K for the fiscal year ended December 31, 2010. HighCom's sales revenues in 2008 are approximately \$17 million. Revenues in 2009 suffered a large decrease largely attributable to a May 2009 fire in its Columbus, OH facility. This destructive fire caused significant disruption to HighCom operations which is forced to relocate to new premises to restart its manufacturing activities. The combination of decreased spending in law enforcement and homeland security sectors experienced by the industry, the US financial crisis and the destructive effects of the factory fire, revenues decreased to \$4 million. In the second half of 2009, HighCom is able to reestablish its operations in OH and began to regain its market presence both with customers and vendors. The result of which is the receipt of a \$6 million contract award through an open bid process for the supply of hard armor plates and soft armor vests to United Nations Peacekeeping Forces. This is the first UN contract won by HighCom as a prime contractor. Shipments under this contract began in late 2009 with the majority of the contract revenues scheduled to be earned in 2010. Reference is made to "Item 1" – Foreign Corrupt Practices Act of our Form 10K for the fiscal year ended December 31, 2010 for a discussion of material events that effected HighCom in fiscal 2010 and the first and second quarters of 2011.

In March 2011, BlastGard's management team officially assumed operational control of HighCom. Since this time we have accomplished a number of key compliance tasks and finalized manufacturing agreements with several key partners. As stated in the paragraph above, BlastGard has received official communication from the U.S. State Department that HighCom's export authority has been reinstated. In addition to this, BlastGard has completed registration through both the Directorate of Defense Trade Controls as well as the Bureau of Industry and Security ("BSI"). The purpose of these registrations is to allow BlastGard control over the export management and compliance program moving forward. HighCom also completed their ISO certification which had been revoked under HighCom due to missed audits. BlastGard management has been able to complete an internal audit and management review, in addition to meeting with BSI for the external audit review and HighCom has been recommended for continuing ISO certification. On June 29, 2011, HighCom's relationship with the United Nations is reestablished and one of the previously canceled contracts for \$38,000 is reinstated. BlastGard has also made significant personnel changes within HighCom and restructuring of operating locations and costs. BlastGard is able to achieve a significant reduction in HighCom's operating expenses in the second quarter of 2011.

Since the completion of our acquisition of HighCom, the Company has focused its employee time and capital resources primarily on the development of the business of HighCom. We expect future results of operations to show the benefits of these changes. Our results of operations for the nine months ended September 30, 2011 include revenues and expenses of HighCom Securities after January 25, 2011.

Results of Operations

Three months ended September 30, 2011 and 2010

For the three months ended September 30, 2011 and 2010, we recognized sales of \$170,967 and \$43,315 and a gross profit of \$32,983 and \$12,150, respectively. Sales and gross profit increased due to the reestablishment of HighCom sales and a moderate sale of MTR's.

Operating expenses for the three months ended September 30, 2011 and 2010 were \$606,024 and \$46,297, respectively. The increase is due in part to the addition of HighCom and approximately \$90,000 in consulting and non-stock compensation.

Our net loss for the three months ended September 30, 2011 and 2010 were \$(186,442) and \$(63,719), respectively. Interest expense for 2011 includes \$380,000 in amortization of debt discount. Our operating loss and interest expense was offset by approximately \$830,000 in gains.

Nine months ended September 30, 2011 and 2010

For the nine months ended September 30, 2011 and 2010, we recognized sales of \$194,260 and \$87,698 and a gross profit of \$34,145 and \$22,114, respectively. Sales and gross profit increased due to the reestablishment of HighCom sales and a moderate sale of MTR's..

For the nine months ended September 30, 2011 and 2010, our operating expenses were \$1,522,377 and \$251,776 respectively. The increase is due in part to the addition of HighCom and approximately \$600,000 in consulting and non-stock compensation.

Our net loss for the nine months ended September 30, 2011 and 2010 were \$(1,976,004) and \$(283,452), respectively. Interest expense for 2011 includes \$1,230,000 in amortization of debt discount. Our operating loss and interest expense was offset by approximately \$840,000 in gains.

After we assumed operational control of HighCom Security, Inc. we spent two months re-acquiring the export license and updating our ISO and other certifications. We also analyzed the product catalog and reestablished our relationship with HighCom vendors and customers. We used the down time to move and redesign our assembly facility to improve efficiency and train our new sales force. Sales in HighCom started restarted during the three months ended September 30, 2011. We believe that the product lines of BlastGard and HighCom have a synergy and will be accepted in the marketplace.

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;
- Insensitive Munitions (IM) Weapons Container;
- Mitigated Trash Receptacle; and
- BlastGard Barrier System (“BBS”).

For a completed description of our completed and finished products of BlastGard, reference is made to Item 1 of our Form 10-K for the fiscal year ended December 31, 2010.

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

HighCom provides a wide range of security products and personal protective gear (including tactical armor) that are tailored and offer protection solutions to specific customer requirements. HighCom caters to local law enforcement agencies, correctional facilities and municipal authorities. Given the equipment and ballistic protection solutions provided by HighCom, compliance with the U.S. Department of Commerce, U.S. Department of State, U.S. Department of the Treasury and all other governmental agencies' regulations is a high priority. HighCom has sold its products in the defense and law enforcement sectors and is known for innovative technology, exceptional customer service and superior quality performance.

Body armor is classified by the NIJ according to the level of protection it provides from various threats. The classifications are as follows:

- Type IIA body armor- minimal protection against smaller caliber handgun threats.
- Type II body armor – provides protection against many handgun threats, including many common smaller caliber pistols with standard pressure ammunition, and against many revolvers.
- Type IIIA body armor- provides a higher level of protection and will generally protect against most pistol calibers including many law enforcement ammunitions, and against many higher poared revolvers.
- Type III and IV body armor – provides protection against rifle rounds and are generally only used in tactical situations.

Our Security Products include the following:

- Ballistic helmets
- Body armor and hard armor plates
- Riot helmets and shields

- Mounted patrol, vehicular crew, and general duty helmets
- Uniforms, Apparel and Duty Gear
- Metal detectors: walk-through and handheld
- Explosive ordnance disposal equipment: bomb suits & gear, hook & line kits, detectors and search mirrors, under vehicle surveillance systems
- Range & training equipment: robots and targets
- Safety equipment: gas masks, respirators, chemical detectors, medical equipment & supplies
- X-Ray screening systems: luggage, parcel, freight and cargo scanners, mobile systems, transportation securities administration test objects
- Dry storage systems for ordnance and heavy equipment
- Outdoor equipment: gear, flashlights, GPS systems
- Vision and optics: binoculars, goggles, night vision equipment
- Communication systems
- Emergency lighting and warning systems

Manufactured products versus products supplied by third party vendors.

HighCom manufactures ballistic plates, ballistic shields and blankets. Hard armor plates are HighCom manufactured products which either carry our brand name or a private label. Our ballistic vests, ballistic helmets and EOD bomb suits and gear are currently manufactured and private labeled by third party vendors for us. Our soft arm vests are manufactured by one of two major suppliers and they either carry the supplier brand name or the HighCom brand name. Our UN soft armor vest is co-manufactured by us with a third party vendor. Our ballistic packs are also manufactured by one of two manufacturers. We distribute the following products made by other manufacturers: metal detectors, x-ray machines, EOD kits and detection devices, law enforcement gear, uniforms and other clothing, optics and communications. In the future, we intend to manufacture PASGT (personal armored systems for ground troops) and ACH (advanced combat helmets) ballistic helmets as well as EOD suits. For a complete description of the HighCom product line, reference is made to our Form 10-K for the fiscal year ended December 31, 2010.

Liquidity and Capital Resources.

At September 30, 2011, we had cash of \$46,112, working capital of \$(2,376,470), an accumulated deficit of \$(15,644,336) and shareholder equity of \$(1,109,104).

For the nine months ended September 30, 2011, net cash used in operating activities was \$(736,856) primarily due to our net loss of \$(1,976,004) offset by \$1,231,000 in amortization, and various gains and non-cash expenses. During the nine months ended September 30, 2011, we used cash in investing activities for payment of deferred costs of \$(13,759). During the nine months ended September 30 2011, we received \$175,000 from the sale of stock and received \$760,000 from issuing notes.

For the nine months ended September 30, 2010, net cash provided by operating activities was \$19,629 primarily due to our net loss of \$(283,452), partially offset by a \$50,000 in stock based compensation and \$270,613 increase in accounts payable. During the nine months ended September 30, 2010, we used cash in investing activities for payment of deferred costs of \$(24,423). During the nine months ended September 30, 2010, we received \$579 from our credit line.

At September 30, 2011, we had cash of \$46,112 and we owed approximately \$1,350,000 in principal and \$76,451 in accrued interest to the holders of our Debt. We also owed payables of approximately \$1,430,000.

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

To date, we have relied on management’s ability to raise capital through equity private placement financings to fund our operations. We estimate that we will require between \$3.0 million and \$3.5 million in additional financing and cash flow from operations to support our operations and to meet our debt obligations as they become due and payable over the next 15 months of operations. We can provide no assurances that cash generated from operations will occur or additional financing will be obtained on terms satisfactory to us, if at all, or that additional debt conversions will occur.

The Company is seeking financing. Our Agreements with the current Note holder states that in the event of default, change in control, change in a majority of directors and in the most recent Note investments of \$800,000, a change in CEO would trigger a mandatory redemption of the Notes at 120% of the balance of the Notes and a buy out of their Warrants based upon a valuation of the Warrants as provided in the Agreement, which could be substantial.

Recent Developments - 2011 Debt

Alpha Capital Aktiengesellschaft, a holder of 2004 Debt, loaned us \$160,000 in February 2011 and an additional \$300,000 in March 2011 pursuant to secured notes convertible at the lesser of the applicable conversion price or eighty percent of the conversion price of any convertible note issued by the Company to anyone prior to or on the one year anniversary of the Issue Date of the Note, subject to adjustment as described therein. The February 2011 notes had a conversion price of \$.03 per share and the March 2011 notes had a conversion price of \$.05 per share. On June 17, 2011, we entered into an agreement with Alpha to borrow an aggregate principal amount of \$300,000 and to issue to the investor a secured convertible note and common stock purchase warrant. The closing occurred on June 17, 2011. The note bears an interest rate of 10% per annum, with a default interest rate of 15% per annum. Alpha also has the right, at their option, to convert the principal amount of the note, together with all accrued interest into fully paid and non-assessable shares of our common stock at a conversion price per share of (i) \$0.03, or (ii) eighty percent of the conversion price of any convertible note issued by the Company to anyone prior to or on the one year anniversary of the Issue Date of the Note. Also in connection with this sale, we issued Alpha a warrant to acquire shares of our common stock. We issued to the investor a “Class A” Common Stock Purchase Warrant which entitles the investor to acquire an aggregate of 12,333,335 shares of our common stock at an exercise price of \$0.06 per share exercisable for a period of five years.

The documents for the June 2011 Note also reduced the conversion price on the March 2011 Note from \$.05 to \$.03 per share.

Each note bears an interest rate of 10% per annum, with a default interest rate of 15% per annum. Interest shall be payable quarterly in arrears on the last day of each calendar quarter commencing March 31, 2011, with a maturity date of August 31, 2011 in the case of the February 2011 issued note and a maturity date of March 3, 2012 in the case of the March 2011 issued note. The individual note holder has the right, at its option, to convert the principal amount of each note, together with all accrued interest thereon in accordance with the provisions of and upon satisfaction of the conditions contained in each note, into fully paid and non-assessable shares of our common stock at a conversion price per share as described above, subject to adjustment in certain circumstances if the notes are then outstanding, such as a stock split, combination or dividend; or in the event we issue shares of common stock for consideration of less than the exercise price. Each note is secured by all of the assets of BlastGard International, Inc, and its wholly-owned subsidiary, BlastGard Technologies, Inc., until the notes have been fully paid or fully converted into common stock. Also in connection with these transactions, we issued the note holder warrants to acquire up to 29.3 million shares of our common stock at prices ranging from \$0.03 per share to \$0.08 per share, subject to anti-dilution protection over the life of the warrants. Of the 29.3 million shares purchasable upon exercise of the warrants, warrants to purchase 8 million common shares exercisable at \$0.03 per share expire on February 3, 2016, warrants to purchase 9 million common shares, exercisable at \$0.08 per share terminate on March 7, 2016 and warrants to purchase 12.3 million common shares, exercisable at \$0.06 per share terminate on June 15, 2016.

On November 8, 2011, the Company agreed to a financing agreement in the amount of \$500,000 with an existing shareholder and creditor. The financing agreement consists of a convertible note and warrants. The note bears interest at 12% and is convertible at \$0.01 per share. The warrants allow for 75,000,000 shares at \$0.01 and expire in seven years. As a result of this financing agreement, all outstanding loans with this lender have had its conversion price lowered to \$.01 per share. Also, the exercise price of all outstanding warrants with this lender have been reduced to \$.01 per share and the term of the warrants have been extended to seven years from the closing date of this financing. A finder's fee of 4,000,000 shares was agreed upon by the parties to be issued by the Company

Purchase of HighCom Security Inc.

As previously reported, on January 25, 2011, BlastGard International, Inc. ("BlastGard") entered into a binding Letter of Intent ("LOI") with HighCom Security, Inc. ("HighCom") under which BlastGard will acquire 100% of the common stock of HighCom from the stockholders of HighCom, none of whom are affiliates of BlastGard. HighCom is a worldwide security equipment provider based in San Francisco, California. HighCom designs, manufactures and distributes a unique range of security products and personal protective gear. BlastGard and HighCom have agreed to consummate a Stock Purchase Agreement, subject to the approval of all necessary parties, agencies or regulatory organizations. As of the signing of the agreement, BlastGard immediately assumed the operations of HighCom and started to provide financing for the operations while a definitive agreement is drawn up over the next 90 days.

As stated above, the LOI contemplated several closing conditions and the closing in escrow with a possible of rescission if the State Department does not reinstate HighCom's export license. On March 4, 2011, among other changes the LOI is amended as follows: 1) the LOI constitutes the definitive stock purchase agreement; 2) BlastGard issued 9,820,666 shares of its Common Stock and promissory notes totaling \$196,400 to Robert Rimberg as trustee for an Irrevocable Trust FBO and Yochi Cohen and his wife, Yocheved Cohen-Charash (the "Trust") in exchange for 1,150 shares of the outstanding 1,171 shares of HighCom Common Stock, equivalent to 98.2% of the outstanding shares; 3) the parties agree to waive all closing conditions, escrow provisions and right of rescission; and 4) BGI agreed for a period of 30 days to offer to purchase Ron Peled 21 shares of HighCom from him or his transferee at a cost of 179,934 shares of BGI Common Stock and in exchange for promissory notes totaling \$3,600, with terms identical to those received by the Trust plus 1.8% of the Earn-out provisions contained in the LOI.

BlastGard also agreed to an earn-out consisting of up to \$100,000 in cash and up to 35,000,000 shares of common stock based on a pro-rata basis if revenue reaches certain goals. BlastGard management believes that the revenues goals are very achievable and have valued the contingent consideration at 68% of the market price at the time of the agreement.

HighCom Sales were under the direction of Phoenix Alliance Corporation

Phoenix Alliance Corporation ("Phoenix"), owned by one of our board members Andrew McKinnon, was engaged in April 2011 by BlastGard to operate as an independent contractor for all HighCom sales. Phoenix had set up a sales operation complete with telephone sales system and agreed to cover all associated costs from daily operating expenses i.e. payroll costs, health costs, advertising and marketing costs, tradeshow costs, etc. BlastGard's COO Michael Bundy provided initial training to all independent contractors, including an overview process for regulatory compliance. BlastGard agreed to assist Phoenix with initial start-up costs of \$7,500 per month for 3 months and an implementation fee of \$5,000 for an additional 3 months. At the completion of the first six months, Phoenix would be entirely a performance based operation. The commission structure was based on sales generated and margins of HighCom's product line. However, as of August 31, 2011, HighCom sales are now being overseen by our COO and CEO. Commissions paid to date to Phoenix or accrued for the three months ended September 30, 2011 was \$3,321.

Recently Issued Accounting Pronouncements

During the past two years, the Financial Accounting Standards Board (“FASB”) issued a number of new pronouncements, which are described in Note 1, “Recent Accounting Pronouncements” of the Notes to Financial Statements contained in our latest annual report on Form 10-K filed with the Security and Exchange commission on April 14, 2011. Reference is made to these recent accounting pronouncements as if they are set forth therein in their entirety.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Item 4. Controls and Procedures

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

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

We are currently not subject to any threatened or pending legal proceedings. Nevertheless, we may from time to time become a party to various legal proceedings arising in the ordinary course of our business.

Item 1A. Risk Factors

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

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

(a) From January 2011 to September 30, 2011, we had no sales or issuances of unregistered securities, except we made sales or issuances of unregistered securities listed in the table below:

Date of Sale	Title of Security	Number Sold	Consideration Received and Description of Underwriting or Other Discounts to Market Price or Convertible Security, Afforded to Purchasers	Exemption from Registration Claimed	If Option, Warrant or Convertible Security, terms of exercise or conversion
Jan 2011	Notes	\$387,025 principal amount	Accounts payable totaling \$87,025 owed to directors and legal counsel are converted into demand notes; no commissions paid	Section 4(2)	Notes payable on demand; convertible at \$.05 per share
Jan 2011	Common stock (1)	866,667 shares	\$26,000; no commissions paid	Section 4(2)	Not applicable.
Jan 2011	Common stock	4,166,667 shares	\$125,000; no commissions paid	Section 4(2) and/or Rule 506	Not applicable.
Jan 2011	Common stock purchase warrants	6,250,000 shares	Services rendered; no commissions paid	Section 4(2)	Five-year warrants exercisable at \$.05 per share
Feb 2011	Notes (2)	\$160,000 in principal	\$160,000; no commissions paid	Section 4(2)	Notes due August 31, 2011
March 2011	Notes (3)	\$300,000 in principal	\$300,000; no commission paid	Section 4(2)	Notes due March 3, 2012
April 2011	Common stock(1)	800,000 shares	\$24,000; no commission paid	Section 4(2)	Not applicable
May 2011	Common stock (1)	3,333,333 shares	Services rendered; no commission paid	Section 4(2)	Not applicable
May 2011	Common stock	1,000,000 shares	Services rendered; no commission paid	Section 4(2)	Not applicable
Jan 2011	Notes	\$50,000 principal amount	Accounts payable totaling \$50,000; owed to a director; no commissions paid	Section 4(2)	Notes payable on demand; convertible at \$.05 per share
June 2011	Notes (4)	\$300,000 in principal	\$300,000; no commissions paid	Section 4(2)	Notes due June 2012
August 2011	Common Stock	500,000 shares	Accounts payable totaling \$50,000 for acquisition of Acer product line; no commission	Section 4(2)	Not applicable

			Paid		
September 2011	Common Stock	2,000,000 shares	Consulting fees; no commissions paid	Section 4(2)	Not applicable

(1) In December 2010, the board approved an exchange for \$50,000 and services rendered the issuance of preferred stock convertible into 5,000,000 shares to an entity affiliated with Andrew McKinnon, a director. Subsequently, as the payment is received by BlastGard and the services are performed by the affiliated entity, the Company issued the underlying common shares in lieu of the Preferred Stock with the consent of the affiliated entity.

(2) These notes are issued together with Common Stock Purchase Warrants to purchase 8,000,000 shares of Common Stock at an exercise price of \$.03 per share through February 3, 2016. The notes are convertible at \$.03 per share.

(3) The notes are issued together with Common Stock Purchase Warrants to purchase 9,000,000 shares of Common Stock at an exercise price of \$.08 per share through March 7, 2016. The notes are convertible at \$.05 per share; however, the conversion price of the notes has been reduced to \$.03 per share due to the Jun 2011 transaction.

(4) The notes are issued together with Common Stock Purchase Warrants to purchase 12,333,335 shares of Common Stock at an exercise price of \$.06 per share through June 2016. The notes are convertible at \$.03 per share.

(b) Rule 463 of the Securities Act is not applicable to the Company.

(c) In the nine months ended September 30, 2011, there are no repurchases by the Company of its Common Stock.

Item 3. Defaults Upon Senior Securities.

None

Item 4. Reserved.

Item 5. Other Information.

In October 2011, the Company had a Board meeting and Keith Brill and Solomon Mayer were appointed to the board of directors.

Item 6. Exhibits

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

Exhibit Number	Description
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).
3.3	Amendments to Articles of Incorporation, as amended and currently in effect. (Incorporated by reference to Form 8-K date of earliest event July 29, 2011, filed with the SEC on August 2, 2011).
3.4	Election of Directors (Incorporated by reference to Form 8-K date of earliest event October 25, 2011, filed with the SEC on October 28, 2011).
4.01	Form of Subscription Agreement between the Company and the named investor dated November 8, 2011*
4.02	Form of Secured Convertible Promissory Note issued to the named investor dated November 8, 2011*
4.03	Form of Class A Common Stock Purchase Warrant dated November 8, 2011*
4.04	Form of Escrow Agreement dated November 8, 2011*
11.1	Statement re: computation of earnings per share. See condensed consolidated statement of operations and notes thereto.
<u>31.1</u>	Rule 13a-14(a) Certification – Chief Executive Officer and Chief Financial Officer *
<u>32.1</u>	Section 1350 Certification – Chief Executive Officer and Chief Financial Officer *

* Filed herewith.

SIGNATURES

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

BLASTGARD INTERNATIONAL, INC.

Dated: November 14, 2011

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

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

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

1. I have reviewed this quarterly report on Form 10-Q for the period ended September 30, 2011, 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 are made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (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.

November 14, 2011

By: /s/ Michael J. Gordon

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

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

Solely for the purposes of complying with, and the extent required by 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned certifies, in his capacity as the Chief Executive Officer of BlastGard International, Inc., that, to his knowledge, the Quarterly Report of the company on Form 10-Q for the period ended September 30, 2011, fully complies with the requirements of Section 13(a) or 15 (d) of the Securities Exchange Act of 1934 and that the information contained in the report fairly presents, in all material respects, the company's financial condition and results of operations.

November 14, 2011

/s/ Michael J. Gordon

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

Form of Subscription Agreement

SUBSCRIPTION AGREEMENT

THIS SUBSCRIPTION AGREEMENT (this “**Agreement**”), is dated as of November 10, 2011, by and between BlastGard International, Inc., a Colorado corporation (the “**Company**”), and the Subscriber identified on the signature page hereto (the “**Subscriber**”).

WHEREAS, the Company and the Subscriber are executing and delivering this Agreement in reliance upon an exemption from securities registration afforded by the provisions of Section 4(2), Section 4(6) and/or Regulation D (“**Regulation D**”) as promulgated by the United States Securities and Exchange Commission (the “**Commission**”) under the Securities Act of 1933, as amended (the “**1933 Act**”);

WHEREAS, the parties desire that, upon the terms and subject to the conditions contained herein, the Company shall issue and sell to the Subscriber, as provided herein, and the Subscriber shall purchase, in the aggregate, (i) \$500,000 of principal amount (“**Principal Amount**”) secured promissory notes of the Company (“**Note**” or “**Notes**”), a form of which is annexed hereto as **Exhibit A**, convertible into shares of the Company’s Common Stock, \$0.001 par value (the “**Common Stock**”) at a per share conversion price set forth in the Notes (“**Conversion Price**”); and (ii) **Class A Warrants** (the “**Warrants**”) in the forms attached hereto as **Exhibit B**, to purchase shares of the Company’s Common Stock (the “**Warrant Shares**”) (the “**Offering**”). The Notes, shares of Common Stock issuable upon conversion of the Notes (the “**Conversion Shares**”), the Warrants and the Warrant Shares are collectively referred to herein as the “**Securities**”; and

WHEREAS, the aggregate proceeds of the sale of the Notes and the Warrants contemplated hereby (“**Purchase Price**”) shall be held in escrow by Grushko & Mittman, P.C., 515 Rockaway Avenue, Valley Stream, New York 11581 (the “**Escrow Agent**”) pursuant to the terms of an Escrow Agreement to be executed by the parties substantially in the form attached hereto as **Exhibit C** (the “**Escrow Agreement**”).

NOW, THEREFORE, in consideration of the mutual covenants and other agreements contained in this Agreement the Company and the Subscriber hereby agree as follows:

1. Closing. Subject to the satisfaction or waiver of the terms and conditions of this Agreement, on the “**Closing Date**,” Subscriber shall purchase and the Company shall sell to such Subscriber the Shares and the Warrants as described in Section 2 below. The date the Escrow Agent releases the funds received from one or more Subscriber to the Company and releases the Escrow Documents (as defined in the Escrow Agreement) to the parties in accordance with the provisions of the Escrow Agreement shall be the Closing Date with respect to such released funds and Escrow Documents, and such releases are referred to herein as the “**Closing**.”

2. Notes and Warrants.

(a) Notes. Subject to the satisfaction or waiver of the terms and conditions of this Agreement, on the Closing Date, Subscriber shall purchase from the Company, and the Company shall sell to such Subscriber, a Note in the Principal Amount designated on the signature page hereto for such Subscriber’s Purchase Price indicated thereon.

(b) Warrants. On the Closing Date, the Company will issue and deliver 75,000,000 Class A Warrants to the Subscriber. The exercise price to acquire a Warrant Share upon exercise of a Class A Warrant shall be \$0.01, subject to reduction as described in the Warrants. The Warrants shall be exercisable until seven (7) years after the Closing Date.

(c) Allocation of Purchase Price. The Purchase Price will be allocated by Subscriber, at Subscriber’s election, among the components of the Securities so that each component of the Securities will be fully paid and non-assessable, and acquired for value.

3. Security Interest. The Subscriber has been granted a security interest in the assets of the Company including ownership of the Subsidiaries (as defined in Section 5(a)), and in the assets of the Subsidiaries on or about December 2, 2004, as amended, on or about February 3, 2011, March 7, 2011 and June 17, 2011, which security interest is memorialized in two Security and Pledge Agreements (collectively, "**Security Agreement**"). The Company and Subsidiaries acknowledged the appointment of a collateral agent (the "**Collateral Agent**") to act on behalf of the Subscriber as set forth in the Security Agreement. The Subsidiaries of the Company guaranteed the Company's obligations under the Transaction Documents [as defined in Section 5(c)], which guaranty was memorialized in a "**Guaranty**". The Company and Subsidiaries will execute such other agreements, documents and financing statements reasonably requested by the Subscriber and Collateral Agent, which will be filed at the Company's expense with the jurisdictions, states and counties designated by the Subscriber. Subsequent to the Closing, the Company and Subsidiaries will also execute all such documents reasonably necessary in the opinion of the Subscriber and Collateral Agent to memorialize and further protect the security interest described herein which will be prepared and filed at the Company's expense with the jurisdictions, states and filing offices designated by the Subscriber and Collateral Agent.

4. Subscriber Representations and Warranties. Subscriber hereby represents and warrants to and agrees with the Company with respect only to such Subscriber that:

(a) Organization and Standing of the Subscriber. Subscriber, to the extent applicable, is an entity duly formed, validly existing and in good standing under the laws of the jurisdiction of its formation.

(b) Authorization and Power. Such Subscriber has the requisite power and authority to enter into and perform this Agreement and the other Transaction Documents (as defined herein) and to purchase the Note and Warrants being sold to it hereunder. The execution, delivery and performance of this Agreement and the other Transaction Documents by such Subscriber and the consummation by it of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate action, and no further consent or authorization of Subscriber or its board of directors or stockholders, if applicable, is required. This Agreement and the other Transaction Documents have been duly authorized, executed and delivered by such Subscriber and constitutes, or shall constitute, when executed and delivered, a valid and binding obligation of such Subscriber, enforceable against Subscriber in accordance with the terms thereof.

(c) No Conflicts. The execution, delivery and performance of this Agreement and the other Transaction Documents and the consummation by such Subscriber of the transactions contemplated hereby and thereby or relating hereto do not and will not (i) result in a violation of such Subscriber's charter documents, bylaws or other organizational documents, if applicable; (ii) conflict with nor constitute a default (or an event which with notice or lapse of time or both would become a default) under any agreement to which such Subscriber is a party; nor (iii) result in a violation of any law, rule, or regulation, or any order, judgment or decree of any court or governmental agency applicable to such Subscriber or its properties (except for such conflicts, defaults and violations as would not, individually or in the aggregate, have a material adverse effect on Subscriber). Such Subscriber is not required to obtain any consent, authorization or order of, or make any filing or registration with, any court or governmental agency in order for it to execute, deliver or perform any of its obligations under this Agreement and the other Transaction Documents nor to purchase the Securities in accordance with the terms hereof, provided that for purposes of the representation made in this sentence, such Subscriber is assuming and relying upon the accuracy of the relevant representations and agreements of the Company herein.

(d) Information on Company. Such Subscriber has been furnished with or has had access to the EDGAR Website of the Commission to the Company's Form 10K for the year ended December 31, 2010 as filed with the Commission on April 14, 2011 and the Form 10Q and 10QA filed with the Commission on May 23, 2011, and May 27, 2011, respectively, and Form 10Q and Form 10QA filed with the Commission on August 15, 2011 and August 17, 2011, respectively, and all such other filings made with the Commission through the tenth business day preceding the Closing Date (hereinafter referred to collectively as the "**Reports**"). Subscriber is not deemed to have any knowledge of any information not included in the Reports unless such information is delivered in the manner described in the next sentence. In addition, such Subscriber may have received in writing from the Company such other information concerning its operations, financial condition and other matters as such Subscriber has requested in writing, identified thereon as OTHER WRITTEN INFORMATION (such other information is collectively, the "**Other Written Information**"), and considered all factors such Subscriber deems material in deciding on the advisability of investing in the Securities.

(e) Information on Subscriber. Such Subscriber is, and will be at the time of the conversion of the Notes and exercise of the Warrants, an “**accredited investor**,” as such term is defined in Regulation D promulgated by the Commission under the 1933 Act, is experienced in investments and business matters, has made investments of a speculative nature and has purchased securities of United States publicly-owned companies in private placements in the past and, with its representatives, has such knowledge and experience in financial, tax and other business matters as to enable such Subscriber to utilize the information made available by the Company to evaluate the merits and risks of and to make an informed investment decision with respect to the proposed purchase, which represents a speculative investment. Such Subscriber has the authority and is duly and legally qualified to purchase and own the Securities. Such Subscriber is able to bear the risk of such investment for an indefinite period and to afford a complete loss thereof. The information set forth on Schedule 1 hereto regarding such Subscriber is accurate.

(f) Purchase of Notes and Warrants. On the Closing Date, such Subscriber will purchase the Note and Warrants as principal for its own account for investment only and not with a view toward, or for resale in connection with, the public sale or any distribution thereof.

(g) Compliance with Securities Act. Such Subscriber understands and agrees that the Securities have not been registered under the 1933 Act or any applicable state securities laws, by reason of their issuance in a transaction that does not require registration under the 1933 Act (based in part on the accuracy of the representations and warranties of the Subscriber contained herein), and that such Securities must be held indefinitely unless a subsequent disposition is registered under the 1933 Act or any applicable state securities laws or is exempt from such registration. In any event, and subject to compliance with applicable securities laws, the Subscriber may enter into lawful hedging transactions in the course of hedging the position they assume and the Subscriber may also enter into lawful short positions or other derivative transactions relating to the Securities, or interests in the Securities, and deliver the Securities, or interests in the Securities, to close out their short or other positions or otherwise settle other transactions, or loan or pledge the Securities, or interests in the Securities, to third parties who in turn may dispose of these Securities.

(h) Conversion Shares and Warrant Shares Legend. The Conversion Shares and Warrant Shares shall bear the following or similar legend:

“THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL (WHICH COUNSEL SHALL BE SELECTED BY THE HOLDER), IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.”

(i) Notes and Warrants Legend. The Notes and Warrants shall bear the following legend:

“NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE [CONVERTIBLE -OR- EXERCISABLE] HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL (WHICH COUNSEL SHALL BE SELECTED BY THE HOLDER), IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.”

(j) Communication of Offer. The offer to sell the Securities was directly communicated to such Subscriber by the Company. At no time was such Subscriber presented with or solicited by any leaflet, newspaper or magazine article, radio or television advertisement, or any other form of general advertising or solicited or invited to attend a promotional meeting otherwise than in connection and concurrently with such communicated offer.

(k) Restricted Securities. Such Subscriber understands that the Securities have not been registered under the 1933 Act and such Subscriber will not sell, offer to sell, assign, pledge, hypothecate or otherwise transfer any of the Securities unless pursuant to an effective registration statement under the 1933 Act, or unless an exemption from registration is available. Notwithstanding anything to the contrary contained in this Agreement, such Subscriber may transfer (without restriction and without the need for an opinion of counsel) the Securities to its Affiliates (as defined below) provided that each such Affiliate is an “accredited investor” under Regulation D and such Affiliate agrees to be bound by the terms and conditions of this Agreement. For the purposes of this Agreement, an “**Affiliate**” of any person or entity means any other person or entity directly or indirectly controlling, controlled by or under direct or indirect common control with such person or entity. Each Subsidiary is an Affiliate of the Company. For purposes of this definition, “**control**” means the power to direct the management and policies of such person or firm, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise.

(l) No Governmental Review. Such Subscriber understands that no United States federal or state agency or any other governmental or state agency has passed on or made recommendations or endorsement of the Securities or the suitability of the investment in the Securities nor have such authorities passed upon or endorsed the merits of the offering of the Securities.

(m) Correctness of Representations. Subscriber represents that the foregoing representations and warranties are true and correct as of the date hereof and, unless Subscriber otherwise notifies the Company prior to the Closing Date, shall be true and correct as of the Closing Date.

(n) Survival. The foregoing representations and warranties shall survive the Closing Date.

5. Company Representations and Warranties. Except as set forth in the Schedules, the Company represents and warrants to and agrees with Subscriber that:

(a) Due Incorporation. The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has the requisite corporate power to own its properties and to carry on its business as presently conducted. The Company is duly qualified as a foreign corporation to do business and is in good standing in each jurisdiction where the nature of the business conducted or property owned by it makes such qualification necessary, other than those jurisdictions in which the failure to so qualify would not have a Material Adverse Effect (as defined herein). For purposes of this Agreement, a “**Material Adverse Effect**” shall mean a material adverse effect on the financial condition, results of operations, prospects, properties or business of the Company and its Subsidiaries taken as a whole. For purposes of this Agreement, “**Subsidiary**” means, with respect to any entity at any date, any direct or indirect corporation, limited or general partnership, limited liability company, trust, estate, association, joint venture or other business entity of which (A) more than 30% of (i) the outstanding capital stock having (in the absence of contingencies) ordinary voting power to elect a majority of the board of directors or other managing body of such entity, (ii) in the case of a partnership or limited liability company, the interest in the capital or profits of such partnership or limited liability company or (iii) in the case of a trust, estate, association, joint venture or other entity, the beneficial interest in such trust, estate, association or other entity business is, at the time of determination, owned or controlled directly or indirectly through one or more intermediaries, by such entity, or (B) is under the actual control of the Company. As of the Closing Date, all of the Company’s Subsidiaries and the Company’s other ownership interests therein are set forth on Schedule 5(a). The Company represents that it owns all of the equity of the Subsidiaries and rights to receive equity of the Subsidiaries set forth on Schedule 5(a), free and clear of all liens, encumbrances and claims, except as set forth on Schedule 5(a). No person or entity other than the Company has the right to receive any equity interest in the Subsidiaries. The Company further represents that neither the Company nor the Subsidiaries have been known by any other names for the five (5) years preceding the date of this Agreement.

(b) Outstanding Stock. All issued and outstanding shares of capital stock and equity interests in the Company have been duly authorized and validly issued and are fully paid and non-assessable.

(c) Authority; Enforceability. This Agreement, the Notes, Warrants, the Escrow Agreement, and any other agreements delivered or required to be delivered together with or pursuant to this Agreement or in connection herewith (collectively “**Transaction Documents**”) have been duly authorized, executed and delivered by the Company and/or the Subsidiaries, as the case may be, and are valid and binding agreements of the Company and/or the Subsidiaries, as the case may be, enforceable in accordance with their terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors’ rights generally and to general principles of equity. The Company and/or the Subsidiaries, as the case may be, have full corporate power and authority necessary to enter into and deliver the Transaction Documents and to perform their obligations thereunder.

(d) Capitalization and Additional Issuances. The authorized and outstanding capital stock of the Company and Subsidiaries on a fully diluted basis and all outstanding rights to acquire or receive, directly or indirectly, any equity of the Company and Subsidiaries as of the date of this Agreement and the Closing Date (not including the Securities) are set forth on Schedule 5(d). Except as set forth on Schedule 5(d), there are no options, warrants, or rights to subscribe to, securities, rights, understandings or obligations convertible into or exchangeable for or granting any right to subscribe for any shares of capital stock or other equity interest of the Company or any of the Subsidiaries. The only officer, director, employee and consultant stock option or stock incentive plan or similar plan currently in effect or contemplated by the Company is described on Schedule 5(d). There are no outstanding agreements or preemptive or similar rights affecting the Company’s Common Stock or equity.

(e) Consents. No consent, approval, authorization or order of any court, governmental agency or body or arbitrator having jurisdiction over the Company, Subsidiaries or any of their Affiliates, any Principal Market [as defined in Section 9(b)], or the Company's stockholders is required for the execution by the Company of the Transaction Documents and compliance and performance by the Company and Subsidiaries of their obligations under the Transaction Documents, including, without limitation, the issuance and sale of the Securities. The Transaction Documents and the Company's performance of its obligations thereunder has been unanimously approved by the Company's board of directors in accordance with the Company's Certificate of Incorporation and applicable law. Any such qualifications and filings will, in the case of qualifications, be effective upon Closing and will, in the case of filings, be made within the time prescribed by law.

(f) No Violation or Conflict. Assuming the representations and warranties of the Subscriber in Section 4 are true and correct, neither the issuance nor the sale of the Securities nor the performance of the Company's obligations under the Transaction Documents by the Company, will:

(i) violate, conflict with, result in a breach of, or constitute a default (or an event which with the giving of notice or the lapse of time or both would be reasonably likely to constitute a default) under (A) the articles or certificate of incorporation, charter or bylaws of the Company, (B) to the Company's knowledge, any decree, judgment, order, law, treaty, rule, regulation or determination applicable to the Company of any court, governmental agency or body, or arbitrator having jurisdiction over the Company or over the properties or assets of the Company or any of its Affiliates, (C) the terms of any bond, debenture, note or any other evidence of indebtedness, or any agreement, stock option or other similar plan, indenture, lease, mortgage, deed of trust or other instrument to which the Company or any of its Affiliates is a party, by which the Company or any of its Affiliates is bound, or to which any of the properties of the Company or any of its Affiliates is subject, or (D) the terms of any "lock-up" or similar provision of any underwriting or similar agreement to which the Company, or any of its Affiliates is a party except the violation, conflict, breach, or default of which would not have a Material Adverse Effect; or

(ii) result in the creation or imposition of any lien, charge or encumbrance upon the Securities or any of the assets of the Company or any of its Affiliates except in favor of Subscriber as described herein; or

(iii) result in the activation of any anti-dilution rights or a reset or repricing of any debt, equity or security instrument of any creditor or equity holder of the Company, or the holder of the right to receive any debt, equity or security instrument of the Company nor result in the acceleration of the due date of any obligation of the Company; or

(iv) result in the triggering of any piggy-back or other registration rights of any person or entity holding securities of the Company or having the right to receive securities of the Company.

(g) The Securities. The Securities upon issuance:

(i) are, or will be, free and clear of any security interests, liens, claims or other encumbrances, subject only to restrictions upon transfer under the 1933 Act and any applicable state securities laws;

(ii) have been, or will be, duly and validly authorized and on the dates of issuance of the Notes and Warrants, the Conversion Shares upon conversion of the Notes, and the Warrant Shares upon exercise of the Warrants, such Notes, Warrants, Conversion Shares and Warrant Shares will be duly and validly issued, fully paid and non-assessable and if registered pursuant to the 1933 Act and resold pursuant to an effective registration statement or an exemption from registration, will be free trading, unrestricted and unlegended;

(iii) will not have been issued or sold in violation of any preemptive or other similar rights of the holders of any securities of the Company or rights to acquire securities or debt of the Company;

(iv) will not subject the holders thereof to personal liability by reason of being such holders; and

(v) assuming the representations and warranties of the Subscriber as set forth in Section 4 hereof are true and correct, will not result in a violation of Section 5 under the 1933 Act.

(h) Litigation. There is no pending or, to the best knowledge of the Company, threatened action, suit, proceeding or investigation before any court, governmental agency or body, or arbitrator having jurisdiction over the Company, or any of its Affiliates that would affect the execution by the Company or the complete and timely performance by the Company of its obligations under the Transaction Documents. Except as disclosed in the Reports, there is no pending or, to the best knowledge of the Company, basis for or threatened action, suit, proceeding or investigation before any court, governmental agency or body, or arbitrator having jurisdiction over the Company, or any of its Affiliates which litigation if adversely determined would have a Material Adverse Effect.

(i) No Market Manipulation. The Company and its Affiliates have not taken, and will not take, directly or indirectly, any action designed to, or that might reasonably be expected to, cause or result in stabilization or manipulation of the price of the Common Stock to facilitate the sale or resale of the Securities or affect the price at which the Securities may be issued or resold.

(j) Information Concerning Company. The Reports and Other Written Information contain all material information relating to the Company and its operations and financial condition as of their respective dates which information is required to be disclosed therein. Since December 31, 2010, and except as disclosed in the Reports or modified in the Reports and Other Written Information or in the Schedules hereto, there has been no Material Adverse Effect relating to the Company's business, financial condition or affairs. The Reports and Other Written Information including the financial statements included therein do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, taken as a whole, not misleading in light of the circumstances and when made.

(k) Defaults. The Company is not in violation of its articles of incorporation or bylaws. The Company is (i) not in default with respect to any order of any court, arbitrator or governmental body or subject to or party to any order of any court or governmental authority arising out of any action, suit or proceeding under any statute or other law respecting antitrust, monopoly, restraint of trade, unfair competition or similar matters which default would have a Material Adverse Effect, or (ii) not in violation of any statute, rule or regulation of any governmental authority which violation would have a Material Adverse Effect.

(l) No Integrated Offering. Neither the Company, nor any of its Affiliates, nor any person acting on its or their behalf, has directly or indirectly made any offers or sales of any security of the Company nor solicited any offers to buy any security of the Company under circumstances that would cause the offer of the Securities pursuant to this Agreement to be integrated with prior offerings by the Company for purposes of the 1933 Act or any applicable stockholder approval provisions, including, without limitation, under the rules and regulations of the Bulletin Board. No prior offering will impair the exemptions relied upon in this Offering or the Company's ability to timely comply with its obligations hereunder. Neither the Company nor any of its Affiliates will take any action or suffer any inaction or conduct any offering other than the transactions contemplated hereby that may be integrated with the offer or issuance of the Securities or that would impair the exemptions relied upon in this Offering or the Company's ability to timely comply with its obligations hereunder.

(m) No General Solicitation. Neither the Company, nor any of its Affiliates, nor to its knowledge, any person acting on its or their behalf, has engaged in any form of general solicitation or general advertising (within the meaning of Regulation D under the 1933 Act) in connection with the offer or sale of the Securities.

(n) No Undisclosed Liabilities. The Company has no liabilities or obligations which are material, individually or in the aggregate, other than those incurred in the ordinary course of the Company's business since December 31, 2010, and which, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect, except as disclosed in the Reports or in Schedule 5(n).

(o) No Undisclosed Events or Circumstances. Since December 31, 2010, except as disclosed in the Reports, no event or circumstance has occurred or exists with respect to the Company or its businesses, properties, operations or financial condition, that, under applicable law, rule or regulation, requires public disclosure or announcement prior to the date hereof by the Company but which has not been so publicly announced or disclosed in the Reports.

(p) Dilution. The Company's executive officers and directors understand the nature of the Securities being sold hereby and recognize that the issuance of the Securities will have a potential dilutive effect on the equity holdings of other holders of the Company's equity or rights to receive equity of the Company. The board of directors of the Company has concluded, in its good faith business judgment, that the issuance of the Securities is in the best interests of the Company. The Company specifically acknowledges that its obligation to issue the Conversion Shares upon conversion of the Notes and the Warrant Shares upon exercise of the Warrants, is binding upon the Company and enforceable regardless of the dilution such issuance may have on the ownership interests of other stockholders of the Company or parties entitled to receive equity of the Company.

(q) No Disagreements with Accountants and Lawyers. There are no material disagreements of any kind presently existing, or reasonably anticipated by the Company to arise between the Company and the accountants and lawyers previously and presently employed by the Company, including but not limited to disputes or conflicts over payment owed to such accountants and lawyers, nor have there been any such disagreements during the two years prior to the Closing Date.

(r) Investment Company. Neither the Company nor any Affiliate of the Company is an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(s) Foreign Corrupt Practices. Neither the Company, nor to the knowledge of the Company, any agent or other person acting on behalf of the Company, has (i) directly or indirectly, used any funds for unlawful contributions, gifts, entertainment or other unlawful expenses related to foreign or domestic political activity, (ii) made any unlawful payment to foreign or domestic government officials or employees or to any foreign or domestic political parties or campaigns from corporate funds, (iii) failed to disclose fully any contribution made by the Company (or made by any person acting on its behalf of which the Company is aware) which is in violation of law, or (iv) violated in any material respect any provision of the Foreign Corrupt Practices Act of 1977, as amended.

(t) Reporting Company/Shell Company. The Company is a publicly-held company subject to reporting obligations pursuant to Section 13 of the Securities Exchange Act of 1934, as amended (the "**1934 Act**"). Pursuant to the provisions of the 1934 Act, the Company has filed all reports and other materials required to be filed thereunder with the Commission during the preceding twelve months. As of the Closing Date, the Company is not a "shell company" as those terms are employed in Rule 144 under the 1933 Act.

(u) Listing. The Company's Common Stock is quoted on the OTC Bulletin Board ("**Bulletin Board**") under the symbol BLGA. The Company has not received any pending oral or written notice that its Common Stock is not eligible nor will become ineligible for quotation on the Bulletin Board nor that its Common Stock does not meet all requirements for the continuation of such quotation.

(v) DTC Status. The Company's transfer agent is a participant in the Depository Trust Company Automated Securities Transfer Program. The name, address, telephone number, fax number, contact person and email address of the Company transfer agent is set forth on Schedule 5(v) hereto.

(w) Company Predecessor and Subsidiaries. The Company makes each of the representations contained in Sections 5(a), (b), (c), (d), (e), (f), (h), (j), (k), (l), (o), (p), (r), (s) and (t) of this Agreement, as same relate or could be applicable to each Subsidiary. All representations made by or relating to the Company of a historical or prospective nature and all undertakings described in Section 9 shall relate, apply and refer to the Company and Subsidiaries and their predecessors and successors.

(x) Correctness of Representations. The Company represents that the foregoing representations and warranties are true and correct as of the date hereof in all material respects, and, unless the Company otherwise notifies the Subscriber prior to the Closing Date, shall be true and correct in all material respects as of the Closing Date; provided, that, if such representation or warranty is made as of a different date, in which case such representation or warranty shall be true as of such date.

(y) TangoPoint. The Company represents that no contract, agreement or obligations exists among the Company, its Subsidiaries and TangoPoint Group, or TangoPoint Investments LLC, nor does TangoPoint Group or TangoPoint Investments LLC possess a right of first refusal nor any other right in connection with the Company or its Subsidiaries.

(z) Survival. The foregoing representations and warranties shall survive the Closing Date.

6. Regulation D Offering/Legal Opinion. The offer and issuance of the Securities to the Subscriber is being made pursuant to the exemption from the registration provisions of the 1933 Act afforded by Section 4(2) or Section 4(6) of the 1933 Act and/or Rule 506 of Regulation D promulgated thereunder. On the Closing Date, the Company will provide an opinion reasonably acceptable to the Subscriber from the Company's legal counsel opining on the availability of an exemption from registration under the 1933 Act as it relates to the offer and issuance of the Securities and other matters reasonably requested by Subscriber. A form of the legal opinion is annexed hereto as **Exhibit D**. The Company will provide, at the Company's expense, to the Subscriber, such other legal opinions, if any, as are reasonably necessary in Subscriber's opinion for the issuance and resale of Common Stock issuable upon conversion of the Notes and exercise of Warrants, Conversion Shares and Warrant Shares pursuant to an effective registration statement, Rule 144 under the 1933 Act or an exemption from registration.

7.1. Conversion of Notes.

(a) Upon the conversion of a Note or part thereof, the Company shall, at its own cost and expense, take all necessary action, including obtaining and delivering an opinion of counsel to assure that the Company's transfer agent shall issue stock certificates in the name of Subscriber (or its permitted nominee) or such other persons as designated by Subscriber and in such denominations to be specified at conversion representing the number of shares of Common Stock issuable upon such conversion. The Company warrants that no instructions other than these instructions have been or will be given to the transfer agent of the Company's Common Stock and that the certificates representing such shares shall contain no legend other than the legend set forth in Section 4(h). If and when Subscriber sells the Conversion Shares, assuming (i) a registration statement including such Conversion Shares for registration has been filed with the Commission, is effective and the prospectus, as supplemented or amended, contained therein is current and (ii) Subscriber or its agent confirms in writing to the transfer agent that Subscriber has complied with the prospectus delivery requirements, the Company will reissue the Conversion Shares without restrictive legend and the Conversion Shares will be free-trading, and freely transferable. In the event that the Conversion Shares are sold in a manner that complies with an exemption from registration, the Company will promptly instruct its counsel to issue to the transfer agent an opinion permitting removal of the legend indefinitely if such sale is intended to be made in conformity with Rule 144(b)(1)(i) of the 1933 Act, or for 90 days if pursuant to the other provisions of Rule 144 of the 1933 Act, provided that Subscriber delivers reasonably requested representations in support of such opinion.

(b) Subscriber will give notice of its decision to exercise its right to convert its Note, interest, or part thereof by telecopying, or otherwise delivering a completed Notice of Conversion (a form of which is annexed as **Exhibit A** to the Note) to the Company via confirmed telecopier transmission or otherwise pursuant to Section 13(a) of this Agreement. Subscriber will not be required to surrender the Note until the Note has been fully converted or satisfied. Each date on which a Notice of Conversion is telecopied to the Company in accordance with the provisions hereof by 6 PM Eastern Time (“ET”) (or if received by the Company after 6 PM ET, then the next business day) shall be deemed a “**Conversion Date**.” The Company will itself or cause the Company’s transfer agent to transmit the Company’s Common Stock certificates representing the Conversion Shares issuable upon conversion of the Note to Subscriber via express courier for receipt by Subscriber within three days after the Conversion Date (such third day being the “**Delivery Date**”). In the event the Conversion Shares are electronically transferable, then delivery of the Shares must be made by electronic transfer provided request for such electronic transfer has been made by the Subscriber. A Note representing the balance of the Note not so converted will be provided by the Company to Subscriber if requested by Subscriber, provided Subscriber delivers the original Note to the Company.

(c) The Company understands that a delay in the delivery of the Conversion Shares in the form required pursuant to Section 7.1 hereof later than the Delivery Date could result in economic loss to the Subscriber. As compensation to Subscriber for such loss, the Company agrees to pay (as liquidated damages and not as a penalty) to each applicable Subscriber for late issuance of Conversion Shares in the form required pursuant to Section 7.1 hereof upon Conversion of the Note, the amount of \$100 per business day after the Delivery Date for each \$10,000 of Note principal amount and interest (and proportionately for other amounts) being converted of the corresponding Conversion Shares which are not timely delivered. The Company shall pay any payments incurred under this Section upon demand. Furthermore, in addition to any other remedies which may be available to the Subscriber, in the event that the Company fails for any reason to effect delivery of the Conversion Shares on or before the Delivery Date, the Subscriber will be entitled to revoke all or part of the relevant Notice of Conversion by delivery of a notice to such effect to the Company whereupon the Company and Subscriber shall each be restored to their respective positions immediately prior to the delivery of such notice, except that the damages payable in connection with the Company’s default shall be payable through the date notice of revocation or rescission is given to the Company.

7.2. Mandatory Redemption at Subscriber’s Election. In the event (i) the Company is prohibited from issuing Conversion Shares, (ii) upon the occurrence of any other Event of Default (as defined in the Note, this Agreement or any other Transaction Document), that continues beyond any applicable cure period, (iii) a Change in Control (as defined below) occurs, or (iv) upon the liquidation, dissolution or winding up of the Company or any Subsidiary, then at the Subscriber’s election, the Company must pay to Subscriber not later than ten (10) days after request by such Subscriber, a sum of money determined by multiplying up to the outstanding principal amount of the Note designated by each such Subscriber by, at Subscriber’s election, the greater of (i) 120%, or (ii) a fraction the numerator of which is the highest closing price of the Common Stock for the thirty days preceding the date demand is made by Subscriber pursuant to this Section 7.2 and the denominator of which is the lowest applicable conversion price during such thirty (30) day period, plus accrued but unpaid interest and any other amounts due under the Transaction Documents (“**Mandatory Redemption Payment**”). The Mandatory Redemption Payment must be received by Subscriber on the same date as the Conversion Shares otherwise deliverable or within ten (10) days after request, whichever is sooner (“**Mandatory Redemption Payment Date**”). Upon receipt of the Mandatory Redemption Payment, the corresponding Note principal, interest and other amounts will be deemed paid and no longer outstanding. The Subscriber may rescind the election to receive a Mandatory Redemption Payment at any time until such payment is actually received. Liquidated damages calculated pursuant to Section 7.1(c) hereof, that have been paid or accrued for the ten day period prior to the actual receipt of the Mandatory Redemption Payment by such Subscriber shall be credited against the Mandatory Redemption Payment provided the balance of the Mandatory Redemption Payment is timely paid. For purposes of this Section 7.2, “**Change in Control**” shall mean (i) the Company becoming a Subsidiary of another entity (other than a corporation formed by the Company for purposes of reincorporation in another U.S. jurisdiction), (ii) the sale, lease or transfer of substantially all the assets of the Company or any Subsidiary, (iii) a majority of the members of the Company’s board of directors as of the Closing Date no longer serving as directors of the Company, except as a result of natural causes or as a result of hiring additional outside directors in order to meet appropriate stock exchange requirements, or (iv) Michael Gordon, the Chief Executive Officer of the Company is no longer serving as Chief Executive Officer unless prior written consent of the Subscriber had been obtained by the Company. The foregoing notwithstanding, Subscriber may demand and receive from the Company the amount stated above or any other greater amount which Subscriber is entitled to receive or demand pursuant to the Transaction Documents.

7.3. Maximum Conversion. A Subscriber shall not be entitled to convert on a Conversion Date that amount of a Note nor may the Company make any payment including principal, interest, or liquidated or other damages by delivery of Conversion Shares in connection with that number of Conversion Shares which would be in excess of the sum of (i) the number of shares of Common Stock beneficially owned by such Subscriber and its Affiliates on a Conversion Date or payment date, and (ii) the number of Conversion Shares issuable upon the conversion of the Note with respect to which the determination of this provision is being made on a calculation date, which would result in beneficial ownership by Subscriber and its Affiliates of more than 9.99% of the outstanding shares of Common Stock of the Company on such Conversion Date. For the purposes of the immediately preceding sentence, beneficial ownership shall be determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended, and Rule 13d-3 thereunder. Subject to the foregoing, the Subscriber shall not be limited to aggregate conversions of only 9.99% and aggregate conversions by the Subscriber may exceed 9.99%. The Subscriber shall have the authority to determine whether the restriction contained in this Section 7.3 will limit any conversion of a Note and the extent such limitation applies and to which convertible or exercisable instrument or part thereof such limitation applies. The Subscriber may increase the permitted beneficial ownership amount upon and effective after 61 days prior written notice to the Company. Subscriber may allocate which of the equity of the Company deemed beneficially owned by Subscriber shall be included in the 9.99% amount described above and which shall be allocated to the excess above 9.99%.

7.4. Injunction Posting of Bond. In the event Subscriber shall elect to convert a Note or part thereof, or exercise a Warrant, the Company may not refuse conversion or exercise based on any claim that Subscriber or any one associated or affiliated with Subscriber has been engaged in any violation of law, or for any other reason, unless, a final non-appealable injunction from a court made on notice to Subscriber, restraining and or enjoining conversion of all or part of such Note or exercise of such Warrant shall have been sought and obtained by the Company or the Company has posted a surety bond for the benefit of Subscriber in the amount of 120% of the greater of the outstanding principal and accrued but unpaid interest of the Note, or aggregate purchase price of the Conversion Shares, or 120% of the aggregate exercise price of the Warrants which are sought to be subject to the injunction, which bond shall remain in effect until the completion of arbitration/litigation of the dispute and the proceeds of which shall be payable to Subscriber to the extent the judgment or decision is in Subscriber's favor.

7.5. Buy-In. In addition to any other rights available to Subscriber, if the Company fails to deliver to a Subscriber Conversion Shares by the Delivery Date and if after the Delivery Date Subscriber or a broker on Subscriber's behalf purchases (in an open market transaction or otherwise) shares of Common Stock to deliver in satisfaction of a sale by Subscriber of the Common Stock which Subscriber was entitled to receive upon such conversion (a "**Buy-In**"), then the Company shall pay to Subscriber (in addition to any remedies available to or elected by the Subscriber) the amount by which (A) Subscriber's total purchase price (including brokerage commissions, if any) for the shares of Common Stock so purchased exceeds (B) the aggregate principal and/or interest amount of the Note for which such conversion request was not timely honored together with interest thereon at a rate of 15% per annum, accruing until such amount and any accrued interest thereon is paid in full (which amount shall be paid as liquidated damages and not as a penalty). For example, if a Subscriber purchases shares of Common Stock having a total purchase price of \$11,000 to cover a Buy-In with respect to an attempted conversion of \$10,000 of Note principal and/or interest, the Company shall be required to pay Subscriber \$1,000 plus interest. Subscriber shall provide the Company written notice and evidence indicating the amounts payable to Subscriber in respect of the Buy-In.

7.6. Redemption. The Note shall not be redeemable or callable by the Company, except as described in the Note.

8. Fees.

(a) Commission. The Company on the one hand, and Subscriber (for himself only) on the other hand, agrees to indemnify the other against and hold the other harmless from any and all liabilities to any persons claiming brokerage commissions or similar fees on account of services purported to have been rendered on behalf of the indemnifying party in connection with this Agreement or the transactions contemplated hereby and arising out of such party's actions. The Company represents that, except as described on **Schedule 8 (a)**, there are no parties entitled to receive fees, commissions, finder's fees, due diligence fees or similar payments in connection with the Offering. Anything in this Agreement to the contrary notwithstanding, Subscriber is providing indemnification only for such Subscriber's own actions. The liability of the Company and Subscriber's liability hereunder is several and not joint. The Company represents that to the best of its knowledge there are no other parties entitled to receive fees, commissions, or similar payments in connection with the Offering.

(b) Subscriber's Legal Fees. The Company shall pay to Grushko & Mittman, P.C., a cash fee of \$8,000 ("**Legal Fees**") as reimbursement for services rendered in connection with the transactions described in the Transaction Documents. The Legal Fees will be payable out of funds held pursuant to the Escrow Agreement. Grushko & Mittman, P.C. will be reimbursed at Closing by the Company for all lien searches, filing fees, and reasonable printing and shipping costs for the closing statements to be delivered to Subscriber.

9. Covenants of the Company. The Company covenants and agrees with the Subscriber as follows:

(a) Stop Orders. Subject to the prior notice requirement described in Section 9(n), the Company will advise the Subscriber, within twenty-four hours after it receives notice of issuance by the Commission, any state securities commission or any other regulatory authority of any stop order or of any order preventing or suspending any offering of any securities of the Company, or of the suspension of the qualification of the Common Stock of the Company for offering or sale in any jurisdiction, or the initiation of any proceeding for any such purpose. The Company will not issue any stop transfer order or other order impeding the sale, resale or delivery of any of the Securities, except as may be required by any applicable federal or state securities laws provided at least five (5) days prior notice of such instruction is given to the Subscriber.

(b) Listing/Quotation. The Company shall promptly secure the quotation or listing of the Conversion Shares and Warrant Shares upon each national securities exchange, or automated quotation system upon which the Company's Common Stock is quoted or listed and upon which such Conversion Shares and Warrant Shares are or become eligible for quotation or listing (subject to official notice of issuance) and shall maintain same so long as any Notes and Warrants are outstanding. The Company will maintain the quotation or listing of its Common Stock on the NYSE Amex Equities, Nasdaq Capital Market, Nasdaq Global Market, Nasdaq Global Select Market, Bulletin Board, or New York Stock Exchange (whichever of the foregoing is at the time the principal trading exchange or market for the Common Stock (the "**Principal Market**"), and will comply in all respects with the Company's reporting, filing and other obligations under the bylaws or rules of the Principal Market, as applicable. Subject to the limitation set forth in Section 9(n), the Company will provide Subscriber with copies of all notices it receives notifying the Company of the threatened and actual delisting of the Common Stock from any Principal Market. As of the date of this Agreement and the Closing Date, the Bulletin Board is the Principal Market.

(c) Market Regulations. If required, the Company shall notify the Commission, the Principal Market and applicable state authorities, in accordance with their requirements, of the transactions contemplated by this Agreement, and shall take all other necessary action and proceedings as may be required and permitted by applicable law, rule and regulation, for the legal and valid issuance of the Securities to the Subscriber and promptly provide copies thereof to the Subscriber.

(d) Filing Requirements. From the date of this Agreement and until the last to occur of (i) all the Conversion Shares have been resold or transferred by the Subscriber pursuant to a registration statement or pursuant to Rule 144(b)(1)(i), or (ii) none of the Notes and Warrants are outstanding (the date of such latest occurrence being the “**End Date**”), the Company will (A) comply in all respects with its reporting and filing obligations under the 1934 Act, (B) voluntarily comply with all reporting requirements that are applicable to an issuer with a class of shares registered pursuant to Section 12(g) of the 1934 Act even if the Company is not subject to such reporting requirements sufficient to permit Subscriber to be able to resell the Conversion Shares and Warrant Shares pursuant to Rule 144(b)(i), and (C) comply with all requirements related to any registration statement filed pursuant to this Agreement. The Company will use its commercially reasonable best efforts not to take any action or file any document (whether or not permitted by the 1933 Act or the 1934 Act or the rules thereunder) to terminate or suspend such registration or to terminate or suspend its reporting and filing obligations under said acts until the End Date. Until the End Date, the Company will continue the listing or quotation of the Common Stock on a Principal Market and will comply in all respects with the Company’s reporting, filing and other obligations under the bylaws or rules of the Principal Market. The Company agrees to timely file a Form D with respect to the Securities if required under Regulation D and to provide a copy thereof to Subscriber promptly after such filing.

(e) Use of Proceeds. The proceeds of the Offering will be substantially employed by the Company for the purposes set forth on Schedule 9(e) hereto. Except as described on Schedule 9(e), the Purchase Price may not and will not be used for accrued and unpaid officer and director salaries, nor redemption of outstanding notes or equity instruments of the Company. Additionally the Company undertakes to pay no more than \$10,000 per month to Yochi Cohen, and any of his affiliates or family members. Failure to comply with this provision shall be a material default of the Company’s obligation under this Agreement and an Event of Default under the Note.

(f) Reservation. The Company undertakes to reserve on behalf of Subscriber from its authorized but unissued Common Stock, a number of shares of Common Stock equal to 110% of the amount of Common Stock necessary to allow Subscriber to be able to convert all of the Notes (including interest that would accrue thereon through the Maturity Date (as defined in the Notes)) and 100% of the amount of Warrant Shares issuable upon exercise of the Warrants (“**Required Reservation**”). Failure to have sufficient shares reserved pursuant to this Section 9(f) at any time shall be a material default of the Company’s obligations under this Agreement and an Event of Default under the Notes. Without waiving the foregoing requirement, if at any time Notes and Warrants are outstanding the Company has reserved on behalf of the Subscriber less than 110% of the amount necessary for full conversion of the outstanding Note principal and interest at the conversion price in effect on every such date and 100% of the Warrant Shares issuable upon exercise of outstanding Warrants (“**Minimum Required Reservation**”), the Company will promptly reserve the Minimum Required Reservation, or if there are insufficient authorized and available shares of Common Stock to do so, the Company will take all action necessary to increase its authorized capital to be able to fully satisfy its reservation requirements hereunder, including the filing of a preliminary proxy with the Commission not later than fifteen (15) days after the first day the Company has reserved less than the Minimum Required Reservation. The Company agrees to provide notice to the Subscriber not later than five days after the date the Company has less than the Minimum Required Reservation reserved on behalf of the Subscriber.

(g) DTC Program. At all times that Notes or Warrants are outstanding, the Company will employ as the transfer agent for the Common Stock, Conversion Shares and Warrant Shares a participant in the Depository Trust Company Automated Securities Transfer Program and cause the Common Stock to be transferable pursuant to such program.

(h) Taxes. From the date of this Agreement and until the End Date, the Company will promptly pay and discharge, or cause to be paid and discharged, when due and payable, all lawful taxes, assessments and governmental charges or levies imposed upon the income, profits, property or business of the Company; provided, however, that any such tax, assessment, charge or levy need not be paid if the validity thereof shall currently be contested in good faith by appropriate proceedings and if the Company shall have set aside on its books adequate reserves with respect thereto, and provided, further, that the Company will pay all such taxes, assessments, charges or levies forthwith upon the commencement of proceedings to foreclose any lien which may have attached as security therefore.

(i) Insurance. As reasonably necessary as determined by the Company, from the date of this Agreement and until the End Date, the Company will keep its assets which are of an insurable character insured by financially sound and reputable insurers against loss or damage by fire, explosion and other risks customarily insured against by companies in the Company's line of business and location, in amounts and to the extent and in the manner customary for companies in similar businesses similarly situated and located and to the extent available on commercially reasonable terms.

(j) Books and Records. From the date of this Agreement and until the End Date, the Company will keep true records and books of account in which full, true and correct entries will be made of all dealings or transactions in relation to its business and affairs in accordance with generally accepted accounting principles applied on a consistent basis.

(k) Governmental Authorities. From the date of this Agreement and until the End Date, the Company shall duly observe and conform in all material respects to all valid requirements of governmental authorities relating to the conduct of its business or to its properties or assets.

(l) Intellectual Property. From the date of this Agreement and until the End Date, the Company shall maintain in full force and effect its corporate existence, rights and franchises and all licenses and other rights to use intellectual property owned or possessed by it and reasonably deemed to be necessary to the conduct of its business, unless it is sold for value. **Schedule 9(I)** hereto identifies all of the intellectual property owned by the Company and Subsidiaries, which schedule includes but is not limited to patents, patents pending, patent applications, trademarks, tradenames, service marks and copyrights.

(m) Properties. From the date of this Agreement and until the End Date, the Company will keep its properties in good repair, working order and condition, reasonable wear and tear excepted, and from time to time make all necessary and proper repairs, renewals, replacements, additions and improvements thereto; and the Company will at all times comply with each provision of all leases and claims to which it is a party or under which it occupies or has rights to property if the breach of such provision could reasonably be expected to have a Material Adverse Effect. The Company will not abandon any of its assets except for those assets which have negligible or marginal value or for which it is prudent to do so under the circumstances.

(n) Confidentiality/Public Announcement. From the date of this Agreement and until the End Date, the Company agrees that except in connection with a Form 8-K, Form 10-Q, Form 10-K and the registration statement or statements regarding the Subscriber's Securities or in correspondence with the Commission regarding same, it will not disclose publicly or privately the identity of the Subscriber unless expressly agreed to in writing by Subscriber or only to the extent required by law and then only upon not less than two (2) days prior notice to Subscriber. In any event and subject to the foregoing, the Company undertakes to file a Form 8-K and make a public announcement describing the Offering not later than the first business day after the Closing Date. In the Form 8-K or public announcement, the Company will specifically disclose the amount of Common Stock outstanding immediately after the Closing. Upon delivery by the Company to the Subscriber after the Closing Date of any notice or information, in writing, electronically or otherwise, and while a Note, Conversion Shares or Warrants are held by Subscriber, unless the Company has in good faith determined that the matters relating to such notice do not constitute material, nonpublic information relating to the Company or Subsidiaries, the Company shall within four (4) days after any such delivery publicly disclose such material, nonpublic information on a Report on Form 8-K. **In the event that the Company believes that a notice or communication to Subscriber contains material, nonpublic information relating to the Company or Subsidiaries, except as required to be delivered in connection with this Agreement, the Company shall so indicate to Subscriber prior to delivery of such notice or information. Subscriber will be granted sufficient time to notify the Company that Subscriber elects not to receive such information. In the case that Subscriber elects not to receive such information, the Company will not deliver such information to Subscriber. In the absence of any such Company indication, Subscriber shall be allowed to presume that all matters relating to such notice and information do not constitute material, nonpublic information relating to the Company or Subsidiaries.**

(o) Non-Public Information. The Company covenants and agrees that except for the Reports, Other Written Information and schedules and exhibits to this Agreement and the Transaction Documents, which information the Company undertakes to publicly disclose on the Form 8-K described in Section 9(n) above, neither it nor any other person acting on its behalf will at any time provide Subscriber or its agents or counsel with any information that the Company believes constitutes material non-public information, unless prior thereto such Subscriber, its agent or counsel shall have agreed in writing to accept such information as described in Section 9(n) above. The Company understands and confirms that the Subscriber shall be relying on the foregoing representations in effecting transactions in securities of the Company. The Company agrees that any information known to Subscriber not already made public by the Company may be made public and disclosed by the Subscriber.

(p) Negative Covenants. So long as a Note is outstanding, without the consent of Subscriber, the Company will not and will not permit any of its Subsidiaries to directly or indirectly:

(i) create, incur, assume or suffer to exist any pledge, hypothecation, assignment, deposit arrangement, lien, charge, claim, security interest, security title, mortgage, security deed or deed of trust, easement or encumbrance, or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including any lease or title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of, or agreement to give, any financing statement perfecting a security interest under the Uniform Commercial Code or comparable law of any jurisdiction) (each, a "**Lien**") upon any of its property, whether now owned or hereafter acquired except for: (A) the Excepted Issuances (as defined in Section 11 hereof), and (B) (a) Liens imposed by law for taxes that are not yet due or are being contested in good faith and for which adequate reserves have been established in accordance with generally accepted accounting principles; (b) carriers', warehousemen's, mechanic's, material men's, repairmen's and other like Liens imposed by law, arising in the ordinary course of business and securing obligations that are not overdue by more than 30 days or that are being contested in good faith and by appropriate proceedings; (c) pledges and deposits made in the ordinary course of business in compliance with workers' compensation, unemployment insurance and other social security laws or regulations; (d) deposits to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business; (e) Liens created with respect to the financing of the purchase of new property in the ordinary course of the Company's business up to the amount of the purchase price of such property; (f) easements, zoning restrictions, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business that do not secure any monetary obligations and do not materially detract from the value of the affected property; and (g) purchase order and accounts receivable financing for purchases and orders initiated after the Closing Date on commercially reasonable and customary terms with institutions principally engaged in such transactions for up to the value of such purchase orders and accounts receivable subject to Subscribers' reasonable approval (each of (a) through (g), a "**Permitted Lien**");

(ii) amend its certificate of incorporation, bylaws or its charter documents so as to materially and adversely affect any rights of the Subscriber;

(iii) repay, repurchase or offer to repay, repurchase or otherwise acquire or make any dividend or distribution in respect of any of its Common Stock, preferred stock, or other equity securities other than to the extent permitted or required under the Transaction Documents;

(iv) except as set forth on **Schedule 9(p)(iv)**, engage in any transactions with any officer, director, employee or any Affiliate of the Company, including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of the Company, any entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee or partner, in each case in excess of \$100,000 other than (i) for payment of salary, or fees for services rendered, pursuant to and on the terms of a written contract in effect at least one day prior to the Closing Date, a copy of which has been provided to the Subscriber at least one day prior to the Closing Date, (ii) reimbursement for authorized expenses incurred on behalf of the Company, (iii) for other employee benefits, including stock option agreements under any stock option plan of the Company disclosed in the Reports, or (iv) other transactions disclosed in the Reports;

(v) pay or redeem any financing related debt or past due obligations or securities outstanding as of the Closing Date, or past due obligations, vendor or existing obligations, which in management's good faith, reasonable judgment must be paid to avoid disruption of the Company's businesses];

(vi) engage or participate in or otherwise permit a Fundamental Transaction (as described in Section 2.1(c) of the Note and/or a Change of Control as described in Section 7.2 of the Subscription Agreement. Failure to comply with this provision at any time will be a material default of the Company's obligation under this Agreement and an Event of Default under the Note; or

(vii) make any payment for a single purpose or related purposes in an aggregate of not more than \$1,000 unless the prior written approval of Michael Gordon and Keith Brill has been previously provided (which approval may be sent electronically).

(q) **Offering Restrictions.** Subject to the consent of the Subscriber, for so long as the Notes are outstanding, the Company will not enter into or exercise any Equity Line of Credit or similar agreement, nor issue nor agree to issue any floating or Variable Priced Equity Linked Instruments nor any of the foregoing or equity with price reset rights (collectively, the "**Variable Rate Restrictions**"). For purposes hereof, "**Equity Line of Credit**" shall include any transaction involving a written agreement between the Company and an investor or underwriter whereby the Company has the right to "put" its securities to the investor or underwriter over an agreed period of time and at an agreed price or price formula, and "**Variable Priced Equity Linked Instruments**" shall include: (A) any debt or equity securities which are convertible into, exercisable or exchangeable for, or carry the right to receive additional shares of Common Stock either (1) at any conversion, exercise or exchange rate or other price that is based upon and/or varies with the trading prices of or quotations for Common Stock at any time after the initial issuance of such debt or equity security, or (2) with a fixed conversion, exercise or exchange price that is subject to being reset at some future date at any time after the initial issuance of such debt or equity security due to a change in the market price of the Company's Common Stock since date of initial issuance, and (B) any amortizing convertible security which amortizes prior to its maturity date, where the Company is required or has the option to (or any investor in such transaction has the option to require the Company to) make such amortization payments in shares of Common Stock which are valued at a price that is based upon and/or varies with the trading prices of or quotations for Common Stock at any time after the initial issuance of such debt or equity security (whether or not such payments in stock are subject to certain equity conditions).

(r) Seniority. Except for Permitted Liens, until the Notes are fully satisfied or converted, without written consent of Subscriber, the Company and Subsidiaries shall not grant nor allow any security interest to be taken in any assets of the Company or any Subsidiary or any Subsidiary's assets; nor issue or amend any debt, equity or other instrument which would give the holder thereof directly or indirectly, a right in any equity or assets of the Company or any Subsidiary or any right to payment equal to or superior to any right of the Subscriber as holders of the Notes in or to such equity, assets or payment, nor issue or incur any debt not in the ordinary course of business.

(s) Notices. For so long as the Subscriber holds any Notes or Warrants, the Company will maintain a United States address and United States fax number for notice purposes under the Transaction Documents.

(t) Transactions with Insiders. So long as the Notes are outstanding without a consent of Subscriber, the Company shall not, and shall cause each of its Subsidiaries not to, enter into, materially amend, materially modify or materially supplement, or permit any Subsidiary to enter into, materially amend, materially modify or materially supplement, any agreement, transaction, commitment, or arrangement relating to the sale, transfer or assignment of any of the Company's tangible or intangible assets with any of its Insiders (as defined below)(or any persons who were Insiders at any time during the previous two (2) years), or any Affiliates (as defined below) thereof, or with any individual related by blood, marriage, or adoption to any such individual. "Affiliate" for purposes of this Section 9(t) means, with respect to any person or entity, another person or entity that, directly or indirectly, (i) has a ten percent (10%) or more equity interest in that person or entity, (ii) has ten percent (10%) or more common ownership with that person or entity, (iii) controls that person or entity, or (iv) shares common control with that person or entity. "Control" or "Controls" for purposes of the Transaction Documents means that a person or entity has the power, direct or indirect, to conduct or govern the policies of another person or entity. For purposes hereof, "Insiders" shall mean any officer, director or manager of the Company, including but not limited to the Company's president, chief executive officer, chief financial officer and chief operations officer, and any of their affiliates or family members.

(u) Stock Splits. For so long as the Notes are outstanding, the Company undertakes and covenants that without the consent of Subscriber, the Company will not enter into any stock splits without the consent of Subscriber.

(v) Notice of Event of Default. The Company agrees to notify Subscriber of the occurrence of an Event of Default (as defined and employed in the Transaction Documents) not later than ten (10) days after any of the Company's officers or directors becomes aware of such Event of Default. In the event Subscriber is unable to deposit the Common Stock into any of its brokerage accounts, the Company agrees to effectuate a reverse split of the Common Stock within seventy-five (75) days after notice (one time only) is given by Subscriber to the Company.

(w) Further Registration Statements. The Company will not, without the consent of Subscriber, file with the Commission or with state regulatory authorities any registration statements including a registration statement on Form S-8 or amend any already filed registration statement to increase the amount of Common Stock registered therein, or reduce the price of which such company securities are registered therein, until the expiration of the "Exclusion Period," which shall be defined as until all the Conversion Shares and Warrant Shares may be resold by the Subscriber pursuant to a registration statement or Rule 144b(1)(i), without regard to volume limitations. The Exclusion Period will be tolled or reinstated, as the case may be, during the pendency of an Event of Default as defined in the Note.

10. Covenants of the Company Regarding Indemnification.

(a) The Company agrees to indemnify, hold harmless, reimburse and defend the Subscriber, the Subscriber's officers, directors, agents, counsel, Affiliates, members, managers, control persons, and principal shareholders, against any claim, cost, expense, liability, obligation, loss or damage (including reasonable legal fees) of any nature, incurred by or imposed upon the Subscriber or any such person which results, arises out of or is based upon (i) any material misrepresentation by Company or breach of any representation or warranty by Company in this Agreement or in any Exhibits or Schedules attached hereto in any Transaction Document, or other agreement delivered pursuant hereto or in connection herewith, now or after the date hereof; or (ii) after any applicable notice and/or cure periods, any breach or default in performance by the Company of any covenant or undertaking to be performed by the Company hereunder, or any other agreement entered into by the Company and Subscriber relating hereto.

(b) In no event shall the liability of the Subscriber or permitted successor hereunder or under any Transaction Document or other agreement delivered in connection herewith be greater in amount than the dollar amount of the net proceeds actually received by such Subscriber or successor upon the sale of Registrable Securities (as defined herein).

11. (a) Favored Nations Provision. Other than in connection with (i) the Company's issuance of securities as full or partial consideration in connection with a bona fide strategic merger, acquisition, consolidation or purchase of substantially all of the securities or assets of a corporation or other entity so long as such issuances are not for the purpose of raising capital and which holders of such securities or debt are not at any time granted registration rights, and which have been approved by Subscriber, (ii) the Company's issuance of securities in connection with bona fide strategic license agreements and other bona fide partnering arrangements so long as such issuances are not for the purpose of raising capital and which holders of such securities or debt are not at any time granted registration rights, and which have been approved by Subscriber, (iii) the Company's issuance of Common Stock or the issuances or grants of options to purchase Common Stock to employees, directors, and consultants, pursuant to plans described on **Schedule 5(d)**, (iv) the Company's issuance of securities upon the exercise or exchange of or conversion of any securities exercisable or exchangeable for or convertible into shares of Common Stock issued and outstanding on the date of this Agreement on the terms in effect on the Closing Date and disclosed in the Reports and which securities are also described on **Schedule 11(a)**, and (v) as a result of the exercise of Warrants or payment of interest in Common Stock or conversion of Notes which are granted or issued pursuant to this Agreement on the unamended terms in effect on the Closing Date (collectively, the foregoing (i) through (v) are "**Excepted Issuances**"), if at any time the Notes or Warrants are outstanding, the Company shall agree to or issue (the "**Lower Price Issuance**") any Common Stock or securities convertible into or exercisable for shares of Common Stock (or modify any of the foregoing which may be outstanding) to any person or entity at a price per share or conversion or exercise price per share which shall be less than the Conversion Price in effect at such time, or if less than the Warrant exercise price in effect at such time, without the consent of the Subscriber, then the Conversion Price and Warrant exercise price shall automatically be reduced to such other lower price. The average Conversion Price of the Conversion Shares and average exercise price in relation to the Warrant Shares shall be calculated separately for the Conversion Shares and Warrant Shares. Common Stock issued or issuable by the Company for no consideration or for consideration that cannot be determined at the time of issue will be deemed issuable or to have been issued for \$0.001 per share of Common Stock. For purposes of the issuance and adjustments described in this paragraph, the issuance of any security of the Company carrying the right to convert such security into shares of Common Stock or any warrant, right or option to purchase Common Stock shall result in the issuance of the additional shares of Common Stock upon the sooner of the agreement to or actual issuance of such convertible security, warrant, right or options and again at any time upon any subsequent issuances of shares of Common Stock upon exercise of such conversion or purchase rights if such issuance is at a price lower than the Conversion Price or Warrant exercise price in effect upon such issuance. The rights of Subscriber set forth in this Section 11 are in addition to any other rights the Subscriber has pursuant to this Agreement, the Notes, Warrants, any other Transaction Document, and any other agreement referred to or entered into in connection herewith or to which Subscriber and Company are parties.

(b) Right of First Refusal. Until twelve (12) months following the Closing Date, the Subscriber shall be given not less than fifteen (15) days prior written notice of any proposed sale by the Company of its common stock or other securities or equity linked debt obligations (“**Other Offering**”), except in connection with the Excepted Issuances. If Subscriber elects to exercise its rights pursuant to this Section 11(b), the Subscriber shall have the right during the fifteen (15) days following receipt of the notice, to purchase in the aggregate up to all of such offered common stock, debt or other securities in accordance with the terms and conditions set forth in the notice of sale, relative to each other in proportion to the amount of Note Principal issued to it on the Closing Date. In the event such terms and conditions are modified during the notice period, Subscriber shall be given prompt notice of such modification and shall have the right during the fifteen (15) days following the notice of modification to exercise such right.

(c) Maximum Exercise of Rights. In the event the exercise of the rights described in Section 11(a) and Section 11(b) would or could result in the issuance of an amount of Common Stock of the Company that would exceed the maximum amount that may be issued to a Subscriber calculated in the manner described in Section 7.3 of this Agreement, then the issuance of such additional shares of Common Stock of the Company to such Subscriber will be deferred in whole or in part until such time as such Subscriber is able to beneficially own such Common Stock without exceeding the applicable maximum amount set forth calculated in the manner described in Section 7.3 of this Agreement and such Subscriber notifies the Company accordingly.

12. Miscellaneous.

(a) Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by hand delivery, telegram, or facsimile, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by facsimile, with accurate confirmation generated by the transmitting facsimile machine, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be: (i) if to the Company, to: BlastGard International, Inc., 2451 McMullen Booth Road, Suite 242, Clearwater, FL 33759, Attn: Michael J. Gordon, CEO and CFO, facsimile: 727-592-9402, with a copy by fax only to (which shall not constitute notice): Morse & Morse, PLLC, 1400 Old Country Road, Suite #302, Westbury, NY 11590, Attn: Steven Morse, Esq., fax: (516) 487-1452, and (ii) if to the Subscriber, to: the address and fax number indicated on the signature page hereto, with an additional copy by fax only to (which shall not constitute notice): Grushko & Mittman, P.C., 515 Rockaway Avenue, Valley Stream, New York 11581, facsimile: (212) 697-3575.

(b) Entire Agreement; Assignment. This Agreement and other documents delivered in connection herewith represent the entire agreement between the parties hereto with respect to the subject matter hereof and may be amended only by a writing executed by both parties. Neither the Company nor the Subscriber has relied on any representations not contained or referred to in this Agreement and the documents delivered herewith. No right or obligation of the Company shall be assigned without prior notice to and the written consent of the Subscriber.

(c) Counterparts/Execution. This Agreement may be executed in any number of counterparts and by the different signatories hereto on separate counterparts, each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute but one and the same instrument. This Agreement may be executed by facsimile transmission, PDF, electronic signature or other similar electronic means with the same force and effect as if such signature page were an original thereof.

(d) Law Governing this Agreement. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to principles of conflicts of laws. Any action brought by either party against the other concerning the transactions contemplated by this Agreement shall be brought only in the state courts of New York or in the federal courts located in the state and county of New York. The parties to this Agreement hereby irrevocably waive any objection to jurisdiction and venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based upon forum non conveniens. **The parties executing this Agreement and other agreements referred to herein or delivered in connection herewith on behalf of the Company agree to submit to the in personam jurisdiction of such courts and hereby irrevocably waive trial by jury.** The prevailing party shall be entitled to recover from the other party its reasonable attorney's fees and costs. In the event that any provision of this Agreement or any other agreement delivered in connection herewith is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision of any agreement. Each party hereby irrevocably waives personal service of process and consents to process being served in any suit, action or proceeding in connection with this Agreement or any other Transaction Document by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law.

(e) Specific Enforcement, Consent to Jurisdiction. The Company and Subscriber acknowledge and agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to seek an injunction or injunctions to prevent or cure breaches of the provisions of this Agreement and to enforce specifically the terms and provisions hereof, this being in addition to any other remedy to which any of them may be entitled by law or equity. Subject to Section 12(d) hereof, the Company and Subscriber hereby irrevocably waives, and agrees not to assert in any such suit, action or proceeding, any claim that it is not personally subject to the jurisdiction in New York of such court, that the suit, action or proceeding is brought in an inconvenient forum or that the venue of the suit, action or proceeding is improper. Nothing in this Section shall affect or limit any right to serve process in any other manner permitted by law.

(f) Damages. In the event the Subscriber is entitled to receive any liquidated or other damages pursuant to the Transactions Documents, the Subscriber may elect to receive the greater of actual damages or such liquidated damages. In the event the Subscriber is granted rights under different sections of the Transaction Documents relating to the same subject matter or which may be exercised contemporaneously, or pursuant to which damages or remedies are different, Subscriber is granted the right in Subscriber's absolute discretion to proceed under such section as Subscriber elects.

(g) Maximum Payments. Nothing contained herein or in any document referred to herein or delivered in connection herewith shall be deemed to establish or require the payment of a rate of interest or other charges in excess of the maximum permitted by applicable law. In the event that the rate of interest or dividends required to be paid or other charges hereunder exceed the maximum permitted by such law, any payments in excess of such maximum shall be credited against amounts owed by the Company to the Subscriber and thus refunded to the Company. The Company agrees that it may not and actually waives any right to challenge the effectiveness or applicability of this Section 12(g).

(h) Calendar Days. All references to “days” in the Transaction Documents shall mean calendar days unless otherwise stated. The terms “business days” and “trading days” shall mean days that the New York Stock Exchange is open for trading for three or more hours. Time periods shall be determined as if the relevant action, calculation or time period were occurring in New York City. Any deadline that falls on a non-business day in any of the Transaction Documents shall be automatically extended to the next business day and interest, if any, shall be calculated and payable through such extended period.

(i) Captions: Certain Definitions. The captions of the various sections and paragraphs of this Agreement have been inserted only for the purposes of convenience; such captions are not a part of this Agreement and shall not be deemed in any manner to modify, explain, enlarge or restrict any of the provisions of this Agreement. As used in this Agreement the term “person” shall mean and include an individual, a partnership, a joint venture, a corporation, a limited liability company, a trust, an unincorporated organization and a government or any department or agency thereof.

(j) Severability. In the event that any term or provision of this Agreement shall be finally determined to be superseded, invalid, illegal or otherwise unenforceable pursuant to applicable law by an authority having jurisdiction and venue, that determination shall not impair or otherwise affect the validity, legality or enforceability: (i) by or before that authority of the remaining terms and provisions of this Agreement, which shall be enforced as if the unenforceable term or provision were deleted, or (ii) by or before any other authority of any of the terms and provisions of this Agreement.

(k) Successor Laws. References in the Transaction Documents to laws, rules, regulations and forms shall also include successors to and functionally equivalent replacements of such laws, rules, regulations and forms. A successor rule to Rule 144(b)(1)(i) shall include any rule that would be available to a non-Affiliate of the Company for the sale of Common Stock not subject to volume restrictions and after a six month holding period.

(l) Maximum Liability. In no event shall the liability of the Subscriber or permitted successor hereunder or under any Transaction Document or other agreement delivered in connection herewith be greater in amount than the dollar amount of the net proceeds actually received by such Subscriber or successor upon the sale of Conversion Shares.

(m) Equal Treatment. No consideration shall be offered or paid to any person to amend or consent to a waiver or modification of any provision of the Transaction Documents unless the same consideration is also offered and paid to the Subscriber and its permitted successors and assigns.

(n) Adjustments. The conversion price, Warrant exercise price, amount of Conversion Shares and Warrant Shares, trading volume amounts, price/volume amounts and similar figures in the Transaction Documents shall be equitably adjusted and as otherwise described in this Agreement, the Notes and Warrants.

[-SIGNATURE PAGES FOLLOW-]

SIGNATURE PAGE TO SUBSCRIPTION AGREEMENT

Please acknowledge your acceptance of the foregoing Subscription Agreement by signing and returning a copy to the undersigned whereupon it shall become a binding agreement between us.

BLASTGARD INTERNATIONAL, INC.
a Colorado corporation

By: _____
Name: Michael J. Gordon
Title: President and Chief Executive Officer

Dated: November ____, 2011

SUBSCRIBER	PRINCIPAL AMOUNT	CLASS A WARRANTS
ALPHA CAPITAL ANSTALT Pradafant 7 9490 Furstentums Vaduz, Lichtenstein Fax No.: 011-42-32323196	\$500,000.00	75,000,000

Taxpayer ID# (if applicable): _____

(Signature)

By:

LIST OF EXHIBITS AND SCHEDULES

Exhibit A	Form of Note
Exhibit B	Form of Class A Warrants
Exhibit C	Escrow Agreement
Exhibit D	Form of Legal Opinion
Schedule 5(a)	Subsidiaries
Schedule 5(d)	Capitalization and Additional Issuances
Schedule 5(n)	Undisclosed Liabilities
Schedule 5(v)	Transfer Agent
Schedule 8(a)	Due Diligence Fee
Schedule 9(e)	Use of Proceeds
Schedule 9(l)	Intellectual Property
Schedule 9(p)(iv)	Transactions with Principals
Schedule 11(a)	Excepted Issuances

Schedule 5(a) - SUBSIDIARIES

BlastGard International, Inc. owns 100% of BlastGard Technologies, Inc., except for security interest and liens granted to 1st creditor.

BlastGard International, Inc. owns 98.2% of HighCom Security, Inc., except for security interest and liens granted to 1st creditor. HighCom Security owns 100% of the following entities:

HighCom Online, Inc. HighCom Online Inc. is an online outlet for HighCom Security products. The Company operated out of the HighCom offices.

HC Ballistics, LLC HC Ballistics LLC was a joint venture with a related party to produce products for HighCom customers. The Company operated out of HighCom offices and used a production facility in South Florida. The agreement with the related party is currently terminated. HC Ballistics LLC was closed effective December 31, 2010. The results of operations for 2010 are included in the pro-forma presentation on the consolidated entity.

SCHEDULE 5(d) — CAPITALIZATION AND ADDITIONAL ISSUANCES

BlastGard International, Inc. current capitalization is as follows:

BlastGard's Capitalization as of October 31, 2011:

Shares issued and outstanding:	86,386,036
Outstanding Options:	8,500,000 (if exercised \$397,500 to Company at average exercise price of \$.0467)
Outstanding Warrants:	29,333,335 (if exercised \$1,700,000 to Company at average exercise price of \$.0579)
Convertible Notes:	30,252,294 (based on total debt of \$907,568.82 converted at \$.03 per share)
HighCom Acquisition:	35,000,000 (add'l issuance over next 30 months if we generate \$5MM to \$15MM in sales)
Fully diluted basis:	189,471,665

Accrued payroll of \$370,000 and accounts payable including \$67,025.30 are represented by Demand Notes convertible at \$.05 per share. *Please note that all outstanding warrants and debt have full anti-dilution protection.

SCHEDULE 5(n) — UNDISCLOSED LIABILITIES

BlastGard International, Inc. owns 100% of BlastGard Technologies, Inc. and owns 98.2% of HighCom Security, Inc., except for security interest and liens granted to 1st and 2nd creditors.

BG Accounts Payable:	\$190,835
Verde Settlement:	\$105,109
Regions Credit Line:	\$ 90,305
December 2004 Note:	\$157,067
Alpha 2011 Notes:	\$750,501
HighCom Debt	\$2,183,355 (prior to settlement offers)
Accrued Payroll:	\$370,000

SCHEDULE 5(v) — TRANSFER AGENT

Corporate Stock Transfer, Inc.
3200 Cherry Creek Dr. South, Ste. 430 Denver, CO 80209
303.282.4800 T

303.282.4986 F

SCHEDULE 8(a)

DUE DILIGENCE FEE

4,000,000 Shares of Common Stock

SCHEDULE 9(e) — USE OF PROCEEDS

BlastGard International, Inc. will forward \$492,000 to support HighCom Securities and BlastGard operations and \$8,000 for legal services. Approximately \$240,000 will be allocated to build up HighCom inventory in Columbus, OH and the balance for sales, marketing and general operating expenses.

SCHEDULE 9(1) — INTELLECTUAL PROPERTY

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), Kazakistan (KZ), Moldova (MD), Russia (RU), Tajikistan (TJ), and Turlunenistan (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.

SCHEDULE 9(p)(iv) TRANSACTIONS WITH PRINCIPALS

Transactions with principals include grants (see attached cap table)

On June 16, 2011, the Board of Directors terminated Mr. James F. Gordon's At-Will employment and directed that Mr. James F. Gordon shall be on a commission only basis for any MTR sales he secures. All other transaction with principals are incorporated by reference from the Company filings with the Securities and Exchange Commission since January 1, 2011, including without limitation all Form 8-K filings, the Company's Form 10K for 12/31/2010 and the Company's Form 10Q for 03/31/2011.

SCHEDULE 11(a) EXCEPTED ISSUANCES

Securities exercisable or exchangeable for Common Stock pursuant to options, warrants and convertible notes. See attached cap tables for options and warrants.

As of October 31, 2011:

Convertible Debentures*: December 2, 2004 Note - \$157,067.65, convertible at \$.03 per share into 5,235,588 shares.

Accrued salary and accounts payable totaling \$437,025.30 are Convertible Non-Interest Bearing Demand Notes, convertible into Common Shares of BlastGard at \$.05 per share at the Noteholder(s) discretion.

Convertible Debentures*: Alpha Capital Anstalt loaned the Company \$160,000 in February 2011, \$300,000 in March 2011 and an additional \$300,000 in June 2011. The February 2011 notes had a conversion price of \$.03 per share and the March 2011 notes had a conversion price of \$.05 per share. The Notes are accompanied by the issuance of five year warrants to purchase 8,000,000 shares at an exercise price of \$0.03 per share, five year warrants to purchase 9,000,000 shares at an exercise price of \$0.08 per share and five year warrants to purchase 12,333,335 shares at an exercise price of \$0.06 per share, respectively. As of October 31, 2011, the balance was \$750,501.17 (which includes interest).

Form of Secured Convertible Promissory Note

NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE CONVERTIBLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL (WHICH COUNSEL SHALL BE SELECTED BY THE HOLDER), IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.

Principal Amount: \$500,000.00

Issue Date: November 10, 2011

SECURED CONVERTIBLE PROMISSORY NOTE

FOR VALUE RECEIVED, BLASTGARD INTERNATIONAL, INC., a Colorado corporation (hereinafter called "**Borrower**"), hereby promises to pay to the order of ALPHA CAPITAL ANSTALT, Pradafant 7, 9490 Furstentums, Vaduz, Lichtenstein, Fax: 011-42-32323196 (the "**Holder**"), without demand, the sum of Five Hundred Thousand Dollars (\$500,000) ("**Principal Amount**"), with interest accruing thereon, on February __, 2013 (the "**Maturity Date**"), if not sooner paid.

This Note has been entered into pursuant to the terms of a subscription agreement among the Borrower, the Holder dated of even date herewith (the "**Subscription Agreement**") for up to an aggregate Principal Amount of \$500,000. Unless otherwise separately defined herein, all capitalized terms used in this Note shall have the same meaning as is set forth in the Subscription Agreement. The following terms shall apply to this Note:

ARTICLE I

GENERAL PROVISIONS

1.1 Interest Rate. Cash interest payable on this Note shall compound annually and accrue at the annual rate of twelve percent (12%) from the Issue Date through the Maturity Date. Interest shall be payable quarterly in arrears on the last day of each calendar quarter commencing December 31, 2011, and on the Maturity Date, accelerated or otherwise, when the principal and remaining accrued but unpaid interest shall be due and payable, or sooner as described below. Interest will be payable in cash or at the election of the Borrower, unless an Event of Default (as defined in Article III) has occurred and has not been timely cured, by the Borrower's delivery of shares of Common Stock ("**Interest Shares**") valued at seventy-five percent (75%) of the lower of the (i) the Conversion Price (as defined in Section 2.1), or (ii) the closing sales price of the Common Stock as reported by Bloomberg, L.P. for the Principal Market for the day prior to the date the interest payment is due.

1.2 Payment Grace Period. The Borrower shall have a five (5) business day grace period to pay any monetary amounts due under this Note. During the pendency of an Event of Default (as described in Article III) and after the Maturity Date, accelerated or otherwise, a default interest rate of eighteen percent (18%) per annum shall be in effect.

1.3 Conversion Privileges. The Conversion Rights set forth in Article II shall remain in full force and effect immediately from the date hereof and until the Note is paid in full regardless of the occurrence of an Event of Default. This Note shall be payable in full on the Maturity Date, unless previously converted into Common Stock in accordance with Article II hereof.

ARTICLE II

CONVERSION RIGHTS

The Holder shall have the right to convert the principal and any interest due under this Note into Shares of the Borrower's Common Stock, \$.001 par value per share ("Common Stock") as set forth below.

2.1. Conversion into the Borrower's Common Stock.

(a) The Holder shall have the right from and after the date of the issuance of this Note and then at any time until this Note is fully paid, to convert any outstanding and unpaid principal portion of this Note, and/or accrued interest, at the election of the Holder (the date of giving of such notice of conversion being a "**Conversion Date**") into fully paid and non-assessable shares of Common Stock as such stock exists on the date of issuance of this Note, or any shares of capital stock of Borrower into which such Common Stock shall hereafter be changed or reclassified, at the conversion price as defined in Section 2.1(b) hereof (the "**Conversion Price**"), determined as provided herein. Upon delivery to the Borrower of a completed Notice of Conversion, a form of which is annexed hereto as Exhibit A, Borrower shall issue and deliver to the Holder within three (3) business days after the Conversion Date (such third day being the "**Delivery Date**") that number of shares of Common Stock for the portion of the Note converted in accordance with the foregoing. At the election of the Holder, the Borrower will deliver accrued but unpaid interest on the Note, if any, through the Conversion Date directly to the Holder on or before the Delivery Date. The number of shares of Common Stock to be issued upon each conversion of this Note shall be determined by dividing that portion of the principal of the Note and interest, if any, to be converted, by the Conversion Price.

(b) Subject to adjustment as provided in Section 2.1(c) hereof, the conversion price ("**Conversion Price**") per share shall be equal to \$.01.

(c) The Conversion Price and number and kind of shares or other securities to be issued upon conversion determined pursuant to Section 2.1(a), shall be subject to adjustment from time to time upon the happening of certain events while this conversion right remains outstanding, as follows:

A. Merger, Sale of Assets, etc. If (A) the Borrower effects any merger or consolidation of the Borrower with or into another entity, (B) the Borrower effects a sale of 30% or more of the assets of the Company in one or a series of related transactions, (C) any tender offer or exchange offer (whether by the Borrower or another entity) is completed pursuant to which holders of Common Stock are permitted to tender or exchange their shares for other securities, cash or property, (D) the Borrower consummates a stock purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with one or more persons or entities whereby such other persons or entities acquire more than the 30% of the outstanding shares of Common Stock (not including any shares of Common Stock held by such other persons or entities making or party to, or associated or affiliated with the other persons or entities making or party to, such stock purchase agreement or other business combination), (E) any "person" or "group" (as these terms are used for purposes of Sections 13(d) and 14(d) of the 1934 Act) is or shall become the "beneficial owner" (as defined in Rule 13d-3 under the 1934 Act), directly or indirectly, of 30% of the aggregate Common Stock of the Borrower, (F) the Borrower effects any reclassification of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property or (G) a replacement of the Company's current Chief Executive Officer Michael Gordon (in any such case, a "**Fundamental Transaction**"), this Note, as to the unpaid principal portion thereof and accrued interest thereon, shall thereafter be deemed to evidence the right to convert into such number and kind of shares or other securities and property as would have been issuable or distributable on account of such Fundamental Transaction, upon or with respect to the securities subject to the conversion right immediately prior to such Fundamental Transaction. The foregoing provision shall similarly apply to successive Fundamental Transactions of a similar nature by any such successor or purchaser. Without limiting the generality of the foregoing, the anti-dilution provisions of this Section shall apply to such securities of such successor or purchaser after any such Fundamental Transaction.

B. Reclassification, etc. If the Borrower at any time shall, by reclassification or otherwise, change the Common Stock into the same or a different number of securities of any class or classes that may be issued or outstanding, this Note, as to the unpaid principal portion thereof and accrued interest thereon, shall thereafter be deemed to evidence the right to purchase an adjusted number of such securities and kind of securities as would have been issuable as the result of such change with respect to the Common Stock immediately prior to such reclassification or other change.

C. Stock Splits, Combinations and Dividends. If the shares of Common Stock are subdivided or combined into a greater or smaller number of shares of Common Stock, or if a dividend is paid on the Common Stock in shares of Common Stock, the Conversion Price shall be proportionately reduced in case of subdivision of shares or stock dividend or proportionately increased in the case of combination of shares, in each such case by the ratio which the total number of shares of Common Stock outstanding immediately after such event bears to the total number of shares of Common Stock outstanding immediately prior to such event.

D. Share Issuance. So long as this Note is outstanding, if the Borrower shall issue any Common Stock except for the Excepted Issuances (as defined in the Subscription Agreement), prior to the complete conversion or payment of this Note, for a consideration per share that is less than the Conversion Price that would be in effect at the time of such issue, then, and thereafter successively upon each such issuance, the Conversion Price shall be reduced to such other lower issue price. For purposes of this adjustment, the issuance of any security or debt instrument of the Borrower carrying the right to convert such security or debt instrument into Common Stock or of any warrant, right or option to purchase Common Stock shall result in an adjustment to the Conversion Price upon the issuance of the above-described security, debt instrument, warrant, right, or option and again upon the issuance of shares of Common Stock upon exercise of such conversion or purchase rights if such issuance is at a price lower than the then applicable Conversion Price. Common Stock issued or issuable by the Borrower for no consideration will be deemed issuable or to have been issued for \$0.001 per share of Common Stock. The reduction of the Conversion Price described in this paragraph is in addition to the other rights of the Holder described in the Subscription Agreement.

(d) Whenever the Conversion Price is adjusted pursuant to Section 2.1(c) above, the Borrower shall promptly mail to the Holder a notice setting forth the Conversion Price after such adjustment and setting forth a statement of the facts requiring such adjustment.

(e) During the period the conversion right exists, Borrower will reserve from its authorized and unissued Common Stock not less than an amount of Common Stock equal to 110% of the amount of shares of Common Stock issuable upon the full conversion of this Note. Borrower represents that upon issuance, such shares will be duly and validly issued, fully paid and non-assessable. Borrower agrees that its issuance of this Note shall constitute full authority to its officers, agents, and transfer agents who are charged with the duty of executing and issuing stock certificates to execute and issue the necessary certificates for shares of Common Stock upon the conversion of this Note.

2.2 Method of Conversion. This Note may be converted by the Holder in whole or in part as described in Section 2.1(a) hereof and the Subscription Agreement. Upon partial conversion of this Note, a new Note containing the same date and provisions of this Note shall, at the request of the Holder, be issued by the Borrower to the Holder for the principal balance of this Note and interest which shall not have been converted or paid.

2.3. Maximum Conversion. The Holder shall not be entitled to convert on a Conversion Date that amount of the Note in connection with that number of shares of Common Stock which would be in excess of the sum of (i) the number of shares of Common Stock beneficially owned by the Holder and its affiliates on a Conversion Date, (ii) any Common Stock issuable in connection with the unconverted portion of the Note, and (iii) the number of shares of Common Stock issuable upon the conversion of the Note with respect to which the determination of this provision is being made on a Conversion Date, which would result in beneficial ownership by the Holder and its affiliates of more than 9.99% of the outstanding shares of Common Stock of the Borrower on such Conversion Date. For the purposes of the provision to the immediately preceding sentence, beneficial ownership shall be determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended, and Regulation 13d-3 thereunder. Subject to the foregoing, the Holder shall not be limited to aggregate conversions of 9.99%. The Holder shall have the authority and obligation to determine whether the restriction contained in this Section 2.3 will limit any conversion hereunder and to the extent that the Holder determines that the limitation contained in this Section applies, the determination of which portion of the Notes are convertible shall be the responsibility and obligation of the Holder. The Holder may waive the conversion limitation described in this Section 2.3, in whole or in part, upon and effective after 61 days prior written notice to the Borrower to increase such percentage.

ARTICLE III

EVENT OF DEFAULT

The occurrence of any of the following events of default ("**Event of Default**") shall, at the option of the Holder hereof, make all sums of principal and interest then remaining unpaid hereon and all other amounts payable hereunder immediately due and payable, upon demand, without presentment, or grace period, all of which hereby are expressly waived, except as set forth below:

3.1 Failure to Pay Principal or Interest. The Borrower fails to pay any installment of principal, interest or other sum due under this Note when due.

3.2 Breach of Covenant. The Borrower breaches any material covenant or other term or condition of the Subscription Agreement, Transaction Documents or this Note in any material respect and such breach, if subject to cure, continues for a period of ten (10) business days after written notice to the Borrower from the Holder.

3.3 Breach of Representations and Warranties. Any material representation or warranty of the Borrower made herein, in the Subscription Agreement, Transaction Documents, or in any agreement, statement or certificate given in writing pursuant hereto or in connection therewith shall be false or misleading in any material respect as of the date made and the Closing Date.

3.4 Liquidation. Any dissolution, liquidation or winding up of Borrower or any substantial portion of its business.

3.5 Cessation of Operations. Any cessation of operations by Borrower or Borrower admits it is otherwise generally unable to pay its debts as such debts become due.

3.6 Maintenance of Assets. The failure by Borrower to maintain any material intellectual property rights, personal, real property or other assets which are necessary to conduct its business (whether now or in the future).

3.7 Receiver or Trustee. The Borrower or any Subsidiary of Borrower shall make an assignment for the benefit of creditors, or apply for or consent to the appointment of a receiver or trustee for it or for a substantial part of its property or business; or such a receiver or trustee shall otherwise be appointed.

3.8 Judgments. Any money judgment, writ or similar final process shall be entered or filed against Borrower or any of its property or other assets for more than \$100,000, unless stayed vacated or satisfied within forty-five (45) days.

3.9 Bankruptcy. Bankruptcy, insolvency, reorganization or liquidation proceedings or other proceedings or relief under any bankruptcy law or any law, or the issuance of any notice in relation to such event, for the relief of debtors shall be instituted by or against the Borrower or any Subsidiary of Borrower.

3.10 Delisting. Delisting of the Common Stock from any Principal Market; failure to comply with the requirements for continued listing on a Principal Market for a period of ten (10) consecutive trading days; or notification from any Principal Market that the Borrower is not in compliance with the conditions for such continued quotation and such non-compliance continues for ten (10) days following such notification.

3.11 Non-Payment. Except for current existing defaults with the Borrower's creditors in an aggregate of not more than \$_____, a default by the Borrower under any one or more obligations in an aggregate monetary amount in excess of \$100,000 for more than twenty (20) days after the due date, unless the Borrower is contesting the validity of such obligation in good faith.

3.12 Stop Trade. A Securities and Exchange Commission or judicial stop trade order or Principal Market trading suspension that lasts for five or more consecutive trading days.

3.13 Failure to Deliver Common Stock or Replacement Note. Borrower's failures to timely deliver Common Stock to the Holder pursuant to and in the form required by this Note and Sections 7 and 11 of the Subscription Agreement, or, if required, a replacement Note.

3.14 Reservation Default. Failure by the Borrower to have reserved for issuance upon conversion of the Note or upon exercise of the Warrants issued in connection with the Subscription Agreement, the number of shares of Common Stock as required in the Subscription Agreement, this Note and the Warrants.

3.15 Financial Statement Restatement. The restatement after the date hereof of any financial statements filed by the Borrower with the Securities and Exchange Commission for any date or period from two years prior to the Issue Date of this Note and until this Note is no longer outstanding, if the result of such restatement would, by comparison to the unrestated financial statements, have constituted a Material Adverse Effect.

3.16 Fundamental Transaction. Engage or participate in or otherwise permit a Fundamental Transaction (as described in Section 2.1 (c) of the Note..

3.17 Change in Control. Engage or participate in or otherwise permit a Change in Control (as described in Section 7.2 of the Subscription Agreement.

3.18 Reverse Splits. The Borrower effectuates a reverse split of its Common Stock without twenty (20) days prior written notice to the Holder.

3.19 Notification Failure. A failure by Borrower to notify Holder of any material event of which Borrower is obligated to notify Holder pursuant to the terms of this Note or any other Transaction Document.

3.20 Other Note Default. The occurrence of any Event of Default under any Other Note.

3.21 Event Described in Subscription Agreement. The occurrence of an Event of Default as described in the Subscription Agreement that, if susceptible to cure, is not cured during any designated cure period.

3.22 Cross Default. A default by the Borrower of a material term, covenant, warranty or undertaking of any other agreement to which the Borrower and Holder are parties, or the occurrence of a material event of default under any such other agreement to which Borrower and Holder are parties which is not cured after any required notice and/or cure period.

ARTICLE IV

SECURITY INTEREST

4. Security Interest/Waiver of Automatic Stay. This Note is secured by a security interest granted to the Collateral Agent for the benefit of the Holder pursuant to a Security Agreement, as delivered by Borrower to Holder. The Borrower acknowledges and agrees that should a proceeding under any bankruptcy or insolvency law be commenced by or against the Borrower, or if any of the Collateral (as defined in the Security Agreement) should become the subject of any bankruptcy or insolvency proceeding, then the Holder should be entitled to, among other relief to which the Holder may be entitled under the Transaction Documents and any other agreement to which the Borrower and Holder are parties (collectively, "Loan Documents") and/or applicable law, an order from the court granting immediate relief from the automatic stay pursuant to 11 U.S.C. Section 362 to permit the Holder to exercise all of its rights and remedies pursuant to the Loan Documents and/or applicable law. THE BORROWER EXPRESSLY WAIVES THE BENEFIT OF THE AUTOMATIC STAY IMPOSED BY 11 U.S.C. SECTION 362. FURTHERMORE, THE BORROWER EXPRESSLY ACKNOWLEDGES AND AGREES THAT NEITHER 11 U.S.C. SECTION 362 NOR ANY OTHER SECTION OF THE BANKRUPTCY CODE OR OTHER STATUTE OR RULE (INCLUDING, WITHOUT LIMITATION, 11 U.S.C. SECTION 105) SHALL STAY, INTERDICT, CONDITION, REDUCE OR INHIBIT IN ANY WAY THE ABILITY OF THE HOLDER TO ENFORCE ANY OF ITS RIGHTS AND REMEDIES UNDER THE LOAN DOCUMENTS AND/OR APPLICABLE LAW. The Borrower hereby consents to any motion for relief from stay that may be filed by the Holder in any bankruptcy or insolvency proceeding initiated by or against the Borrower and, further, agrees not to file any opposition to any motion for relief from stay filed by the Holder. The Borrower represents, acknowledges and agrees that this provision is a specific and material aspect of the Loan Documents, and that the Holder would not agree to the terms of the Loan Documents if this waiver were not a part of this Note. The Borrower further represents, acknowledges and agrees that this waiver is knowingly, intelligently and voluntarily made, that neither the Holder nor any person acting on behalf of the Holder has made any representations to induce this waiver, that the Borrower has been represented (or has had the opportunity to be represented) in the signing of this Note and the Loan Documents and in the making of this waiver by independent legal counsel selected by the Borrower and that the Borrower has discussed this waiver with counsel.

ARTICLE V

MISCELLANEOUS

5.1 Failure or Indulgence Not Waiver. No failure or delay on the part of the Holder hereof in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege. All rights and remedies existing hereunder are cumulative to, and not exclusive of, any rights or remedies otherwise available.

5.2 Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by hand delivery, telegram, or facsimile, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by facsimile, with accurate confirmation generated by the transmitting facsimile machine, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the first business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be: (i) if to the Borrower to: BlastGard International, Inc., 2451 McMullen Booth Road, Suite 242, Clearwater, FL 33759, Attn: Michael J. Gordon, CEO and CFO, facsimile: 727-592-9402, with a copy by fax only to (which shall not constitute notice): Morse & Morse, PLLC, 1400 Old Country Road, Suite #302, Westbury, NY 11590, Attn: Steven Morse, Esq., fax: (516) 487-1452, and (ii) if to the Holder, to the name, address and facsimile number set forth on the front page of this Note, with a copy by fax only to Grushko & Mittman, P.C., 515 Rockaway Avenue, Valley Stream, New York 11581, facsimile: (212) 697-3575.

5.3 Amendment Provision. The term “Note” and all reference thereto, as used throughout this instrument, shall mean this instrument as originally executed, or if later amended or supplemented, then as so amended or supplemented.

5.4 Assignability. This Note shall be binding upon the Borrower and its successors and assigns, and shall inure to the benefit of the Holder and its successors and assigns. The Borrower may not assign its obligations under this Note.

5.5 Cost of Collection. If default is made in the payment of this Note, Borrower shall pay the Holder hereof reasonable costs of collection, including reasonable attorneys’ fees.

5.6 Governing Law. This Note shall be governed by and construed in accordance with the laws of the State of New York without regard to conflicts of laws principles that would result in the application of the substantive laws of another jurisdiction. Any action brought by either party against the other concerning the transactions contemplated by this Agreement must be brought only in the civil or state courts of New York or in the federal courts located in the State and county of New York. Both parties and the individual signing this Agreement on behalf of the Borrower agree to submit to the jurisdiction of such courts. The prevailing party shall be entitled to recover from the other party its reasonable attorney’s fees and costs. In the event that any provision of this Note is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or unenforceability of any other provision of this Note. Nothing contained herein shall be deemed or operate to preclude the Holder from bringing suit or taking other legal action against the Borrower in any other jurisdiction to collect on the Borrower’s obligations to Holder, to realize on any collateral or any other security for such obligations, or to enforce a judgment or other decision in favor of the Holder. **This Note shall be deemed an unconditional obligation of Borrower for the payment of money and, without limitation to any other remedies of Holder, may be enforced against Borrower by summary proceeding pursuant to New York Civil Procedure Law and Rules Section 3213 or any similar rule or statute in the jurisdiction where enforcement is sought. For purposes of such rule or statute, any other document or agreement to which Holder and Borrower are parties or which Borrower delivered to Holder, which may be convenient or necessary to determine Holder’s rights hereunder or Borrower’s obligations to Holder are deemed a part of this Note, whether or not such other document or agreement was delivered together herewith or was executed apart from this Note.**

5.7 Maximum Payments. Nothing contained herein shall be deemed to establish or require the payment of a rate of interest or other charges in excess of the maximum rate permitted by applicable law. In the event that the rate of interest required to be paid or other charges hereunder exceed the maximum rate permitted by applicable law, any payments in excess of such maximum rate shall be credited against amounts owed by the Borrower to the Holder and thus refunded to the Borrower.

5.8 Non-Business Days. Whenever any payment or any action to be made shall be due on a Saturday, Sunday or a public holiday under the laws of the State of New York, such payment may be due or action shall be required on the next succeeding business day and, for such payment, such next succeeding day shall be included in the calculation of the amount of accrued interest payable on such date.

5.9 Redemption. This Note may not be prepaid, redeemed or called without the consent of the Holder.

5.10 Shareholder Status. The Holder shall not have rights as a shareholder of the Borrower with respect to unconverted portions of this Note. However, the Holder will have the rights of a shareholder of the Borrower with respect to the Shares of Common Stock to be received after delivery by the Holder of a properly completed and executed Conversion Notice to the Borrower.

IN WITNESS WHEREOF, Borrower has caused this Note to be signed in its name by an authorized officer as of the ____ day of November, 2011.

BLASTGARD INTERNATIONAL, INC.

By: /s/

Name: Michael J. Gordon

Title: President & CEO

WITNESS:

NOTICE OF CONVERSION

(To be executed by the Registered Holder in order to convert the Note)

The undersigned hereby elects to convert \$_____ of the principal and \$_____ of the interest due on the Note issued by BLASTGARD INTERNATIONAL, INC. on November ____, 2011 into Shares of Common Stock of BLASTGARD INTERNATIONAL, INC. (the "Borrower") according to the conditions set forth in such Note, as of the date written below.

Date of Conversion: _____

Conversion Price: _____

Number of Shares of Common Stock Beneficially Owned on the Conversion Date: Less than 5% of the outstanding Common Stock of BLASTGARD INTERNATIONAL, INC.

Shares To Be Delivered: _____

Signature: _____

Print Name: _____

Address: _____

Form of Class A Common Stock Purchase Warrant

NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE EXERCISABLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL (WHICH COUNSEL SHALL BE SELECTED BY THE HOLDER), IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.

Right to Purchase 75,000,000 shares of Common Stock of BlastGard International, Inc.
(subject to adjustment as provided herein)

CLASS A COMMON STOCK PURCHASE WARRANT

No. 2011-A-

Issue Date: November 10, 2011

BLASTGARD INTERNATIONAL, INC., a corporation organized under the laws of the State of Colorado (the “**Company**”), hereby certifies that, for value received, ALPHA CAPITAL ANSTALT, Pradafant 7, 9490 Furstentums, Vaduz, Lichtenstein, Fax: 011-42-32323196, or its assigns (the “**Holder**”), is entitled, subject to the terms set forth below, to purchase from the Company at any time after the Issue Date, until 5:00 p.m., E.S.T on the seventh anniversary of the Issue Date (the “**Expiration Date**”), up to 75,000,000 fully paid and non-assessable shares of Common Stock at a per share purchase price of \$0.01. The aforescribed purchase price per share, as adjusted from time to time as herein provided, is referred to herein as the “**Purchase Price**.” The number and character of such shares of Common Stock and the Purchase Price are subject to adjustment as provided herein. The Company may reduce the Purchase Price for some or all of the Warrants, temporarily or permanently, provided such reduction is made as to all outstanding Warrants for all Holders of such Warrants. Capitalized terms used and not otherwise defined herein shall have the meanings set forth in that certain Subscription Agreement (the “**Subscription Agreement**”), dated as of November 10, 2011, entered into by the Company, the Holder and the other signatories thereto.

As used herein the following terms, unless the context otherwise requires, have the following respective meanings:

(a) The term “**Company**” shall mean BlastGard International, Inc., a Colorado corporation, and any corporation which shall succeed or assume the obligations of BlastGard International, Inc. hereunder.

(b) The term “**Common Stock**” includes (i) the Company's Common Stock, \$0.001 par value per share, as authorized on the date of the Subscription Agreement, and (ii) any other securities into which or for which any of the securities described in (i) may be converted or exchanged pursuant to a plan of recapitalization, reorganization, merger, sale of assets or otherwise.

(c) The term “**Other Securities**” refers to any stock (other than Common Stock) and other securities of the Company or any other person (corporate or otherwise) which the holder of the Warrant at any time shall be entitled to receive, or shall have received, on the exercise of the Warrant, in lieu of or in addition to Common Stock, or which at any time shall be issuable or shall have been issued in exchange for or in replacement of Common Stock or Other Securities pursuant to Section 4 or otherwise.

(d) The term “**Warrant Shares**” shall mean the Common Stock issuable upon exercise of this Warrant.

1. Exercise of Warrant.

1.1. Number of Shares Issuable upon Exercise. From and after the Issue Date through and including the Expiration Date, subject to the Approval described in Section 9(x) of the Subscription Agreement, the Holder hereof shall be entitled to receive, upon exercise of this Warrant in whole in accordance with the terms of Section 1.2 or upon exercise of this Warrant in part in accordance with Section 1.3, shares of Common Stock of the Company, subject to adjustment pursuant to Section 4 below and Sections 11.4 and 12(b) of the Subscription Agreement.

1.2. Full Exercise. This Warrant may be exercised in full by the Holder hereof by delivery to the Company of an original or facsimile copy of the form of subscription attached as Exhibit A hereto (the “**Subscription Form**”) duly executed by such Holder and delivery within two (2) days thereafter of payment, in cash, wire transfer or by certified or official bank check payable to the order of the Company, in the amount obtained by multiplying the number of shares of Common Stock for which this Warrant is then exercisable by the Purchase Price then in effect. The original Warrant is not required to be surrendered to the Company until it has been fully exercised.

1.3. Partial Exercise. This Warrant may be exercised in part (but not for a fractional share) by delivery of a Subscription Form in the manner and at the place provided in Section 1.2, except that the amount payable by the Holder on such partial exercise shall be the amount obtained by multiplying (a) the number of whole shares of Common Stock designated by the Holder in the Subscription Form by (b) the Purchase Price then in effect. On any such partial exercise, provided the Holder has surrendered the original Warrant, the Company, at its expense, will forthwith issue and deliver to or upon the order of the Holder hereof a new Warrant of like tenor, in the name of the Holder hereof or as such Holder (upon payment by such Holder of any applicable transfer taxes) may request, the whole number of shares of Common Stock for which such Warrant may still be exercised.

1.4. Fair Market Value. For purposes of this Warrant, the **Fair Market Value** of a share of Common Stock as of a particular date (the “**Determination Date**”) shall mean:

(a) If the Company's Common Stock is traded on an exchange or is quoted on the NASDAQ Global Market, NASDAQ Global Select Market, the NASDAQ Capital Market, the New York Stock Exchange or the American Stock Exchange, LLC, then the average of the closing sale prices of the Common Stock for the five (5) Trading Days immediately prior to (but not including) the Determination Date;

(b) If the Company's Common Stock is not traded on an exchange or on the NASDAQ Global Market, NASDAQ Global Select Market, the NASDAQ Capital Market, the New York Stock Exchange or the American Stock Exchange, Inc., but is traded on the OTC Bulletin Board or in the over-the-counter market or Pink Sheets, then the average of the closing bid and ask prices reported for the five (5) Trading Days immediately prior to (but not including) the Determination Date;

(c) Except as provided in clause (d) below and Section 3.1, if the Company's Common Stock is not publicly traded, then as the Holder and the Company agree, or in the absence of such an agreement, by arbitration in accordance with the rules then standing of the American Arbitration Association, before a single arbitrator to be chosen from a panel of persons qualified by education and training to pass on the matter to be decided; or

(d) If the Determination Date is the date of a liquidation, dissolution or winding up, or any event deemed to be a liquidation, dissolution or winding up pursuant to the Company's charter, then all amounts to be payable per share to holders of the Common Stock pursuant to the charter in the event of such liquidation, dissolution or winding up, plus all other amounts to be payable per share in respect of the Common Stock in liquidation under the charter, assuming for the purposes of this clause (d) that all of the shares of Common Stock then issuable upon exercise of all of the Warrants are outstanding at the Determination Date.

1.5. Company Acknowledgment. The Company will, at the time of the exercise of the Warrant, upon the request of the Holder hereof, acknowledge in writing its continuing obligation to afford to such Holder any rights to which such Holder shall continue to be entitled after such exercise in accordance with the provisions of this Warrant. If the Holder shall fail to make any such request, such failure shall not affect the continuing obligation of the Company to afford to such Holder any such rights.

1.6. Delivery of Stock Certificates, etc. on Exercise. The Company agrees that, provided the purchase price listed in the Subscription Form is received as specified in Section 2, the shares of Common Stock purchased upon exercise of this Warrant shall be deemed to be issued to the Holder hereof as the record owner of such shares as of the close of business on the date on which delivery of a Subscription Form shall have occurred and payment made for such shares as aforesaid. As soon as practicable after the exercise of this Warrant in full or in part, and in any event within three (3) business days thereafter ("**Warrant Share Delivery Date**"), the Company at its expense (including the payment by it of any applicable issue taxes) will cause to be issued in the name of and delivered to the Holder hereof, or as such Holder (upon payment by such Holder of any applicable transfer taxes) may direct in compliance with applicable securities laws, a certificate or certificates for the number of duly and validly issued, fully paid and non-assessable shares of Common Stock (or Other Securities) to which such Holder shall be entitled on such exercise, plus, in lieu of any fractional share to which such Holder would otherwise be entitled, cash equal to such fraction multiplied by the then Fair Market Value of one full share of Common Stock, together with any other stock or other securities and property (including cash, where applicable) to which such Holder is entitled upon such exercise pursuant to Section 1 or otherwise. The Company understands that a delay in the delivery of the Warrant Shares after the Warrant Share Delivery Date could result in economic loss to the Holder. As compensation to the Holder for such loss, the Company agrees to pay (as liquidated damages and not as a penalty) to the Holder for late issuance of Warrant Shares upon exercise of this Warrant the proportionate amount of \$100 per business day after the Warrant Share Delivery Date for each \$10,000 of Purchase Price of Warrant Shares for which this Warrant is exercised which are not timely delivered. The Company shall pay any payments incurred under this Section in immediately available funds upon demand. Furthermore, in addition to any other remedies which may be available to the Holder, in the event that the Company fails for any reason to effect delivery of the Warrant Shares by the Warrant Share Delivery Date, the Holder may revoke all or part of the relevant Warrant exercise by delivery of a notice to such effect to the Company, whereupon the Company and the Holder shall each be restored to their respective positions immediately prior to the exercise of the relevant portion of this Warrant, except that the liquidated damages described above shall be payable through the date notice of revocation or rescission is given to the Company.

1.7. Buy-In. In addition to any other rights available to the Holder, subject to the Approval described in Section 9(x) of the Subscription Agreement, if the Company fails to deliver to a Holder the Warrant Shares as required pursuant to this Warrant, and the Holder or a broker on the Holder's behalf, purchases (in an open market transaction or otherwise) shares of common stock to deliver in satisfaction of a sale by such Holder of the Warrant Shares which the Holder was entitled to receive from the Company (a "**Buy-In**"), then the Company shall pay in cash to the Holder (in addition to any remedies available to or elected by the Holder) the amount by which (A) the Holder's total purchase price (including brokerage commissions, if any) for the shares of common stock so purchased exceeds (B) the aggregate Purchase Price of the Warrant Shares required to have been delivered together with interest thereon at a rate of 15% per annum, accruing until such amount and any accrued interest thereon is paid in full (which amount shall be paid as liquidated damages and not as a penalty). For example, if a Holder purchases shares of Common Stock having a total purchase price of \$11,000 to cover a Buy-In with respect to \$10,000 of Purchase Price of Warrant Shares to have been received upon exercise of this Warrant, the Company shall be required to pay the Holder \$1,000, plus interest. The Holder shall provide the Company written notice indicating the amounts payable to the Holder in respect of the Buy-In.

2. Cashless Exercise.

(a) Payment upon exercise may be made at the option of the Holder either in (i) cash, wire transfer or by certified or official bank check payable to the order of the Company equal to the applicable aggregate Purchase Price, (ii) by delivery of Common Stock issuable upon exercise of the Warrants in accordance with Section (b) below or (iii) by a combination of any of the foregoing methods, for the number of Common Stock specified in such form (as such exercise number shall be adjusted to reflect any adjustment in the total number of shares of Common Stock issuable to the holder per the terms of this Warrant) and the holder shall thereupon be entitled to receive the number of duly authorized, validly issued, fully-paid and non-assessable shares of Common Stock (or Other Securities) determined as provided herein. Notwithstanding the immediately preceding sentence, payment upon exercise may be made in the manner described in Section 2(b) below, only with respect to Warrant Shares not included for unrestricted public resale in an effective Registration Statement on the date notice of exercise is given by the Holder.

(b) If the Fair Market Value of one share of Common Stock is greater than the Purchase Price (at the date of calculation as set forth below), in lieu of exercising this Warrant for cash, the holder may elect to receive shares equal to the value (as determined below) of this Warrant (or the portion thereof being cancelled) by delivery of a properly endorsed Subscription Form delivered to the Company by any means described in Section 13, in which event the Company shall issue to the holder a number of shares of Common Stock computed using the following formula:

$$X = \frac{Y(A-B)}{A}$$

Where X= the number of shares of Common Stock to be issued to the Holder

Y= the number of shares of Common Stock purchasable under the Warrant or, if only a portion of the Warrant is being exercised, the portion of the Warrant being exercised (at the date of such calculation)

A= Fair Market Value

B= Purchase Price (as adjusted to the date of such calculation)

For purposes of Rule 144 promulgated under the 1933 Act, it is intended, understood and acknowledged that the Warrant Shares issued in a cashless exercise transaction in the manner described above shall be deemed to have been acquired by the Holder, and the holding period for the Warrant Shares shall be deemed to have commenced, on the date this Warrant was originally issued pursuant to the Subscription Agreement.

3. Adjustment for Reorganization, Consolidation, Merger, etc.

3.1. Fundamental Transaction. If, at any time while this Warrant is outstanding, (A) the Company effects any merger or consolidation of the Company with or into another entity, (B) the Company effects any sale of all or substantially all of its assets in one or a series of related transactions, (C) any tender offer or exchange offer (whether by the Company or another entity) is completed pursuant to which holders of Common Stock are permitted to tender or exchange their shares for other securities, cash or property, (D) the Company consummates a stock purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, or spin-off) with one or more persons or entities whereby such other persons or entities acquire more than the 50% of the outstanding shares of Common Stock (not including any shares of Common Stock held by such other persons or entities making or party to, or associated or affiliated with the other persons or entities making or party to, such stock purchase agreement or other business combination), (E) any "person" or "group" (as these terms are used for purposes of Sections 13(d) and 14(d) of the 1934 Act) is or shall become the "beneficial owner" (as defined in Rule 13d-3 under the 1934 Act), directly or indirectly, of 50% of the aggregate Common Stock of the Company, or (F) the Company effects any reclassification of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property (in any such case, a "**Fundamental Transaction**"), then, upon any subsequent exercise of this Warrant, the Holder shall have the right to receive, for each Warrant Share that would have been issuable upon such exercise immediately prior to the occurrence of such Fundamental Transaction, at the option of the Holder, (a) upon exercise of this Warrant, the number of shares of Common Stock of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and any additional consideration (the "**Alternate Consideration**") receivable upon or as a result of such reorganization, reclassification, merger, consolidation or disposition of assets by a Holder of the number of shares of Common Stock for which this Warrant is exercisable immediately prior to such event or (b) if the Company is acquired in (1) a transaction where the consideration paid to the holders of the Common Stock consists solely of cash, (2) a "Rule 13e-3 transaction" as defined in Rule 13e-3 under the 1934 Act, or (3) a transaction involving a person or entity not traded on a national securities exchange, the Nasdaq Global Select Market, the Nasdaq Global Market or the Nasdaq Capital Market, cash equal to the Black-Scholes Value. For purposes of any such exercise, the determination of the Purchase Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one share of Common Stock in such Fundamental Transaction, and the Company shall apportion the Purchase Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any exercise of this Warrant following such Fundamental Transaction. To the extent necessary to effectuate the foregoing provisions, any successor to the Company or surviving entity in such Fundamental Transaction shall issue to the Holder a new warrant consistent with the foregoing provisions and evidencing the Holder's right to exercise such warrant into Alternate Consideration. The terms of any agreement pursuant to which a Fundamental Transaction is effected shall include terms requiring any such successor or surviving entity to comply with the provisions of this Section 3.1 and insuring that this Warrant (or any such replacement security) will be similarly adjusted upon any subsequent transaction analogous to a Fundamental Transaction. "**Black-Scholes Value**" shall be determined in accordance with the Black-Scholes Option Pricing Model obtained from the "OV" function on Bloomberg L.P. using (i) a price per share of Common Stock equal to the VWAP of the Common Stock for the Trading Day immediately preceding the date of consummation of the applicable Fundamental Transaction, (ii) a risk-free interest rate corresponding to the U.S. Treasury rate for a period equal to the remaining term of this Warrant as of the date of such request and (iii) an expected volatility equal to the 100 day volatility obtained from the HVT function on Bloomberg L.P. determined as of the Trading Day immediately following the public announcement of the applicable Fundamental Transaction.

3.2. Continuation of Terms. Upon any reorganization, consolidation, merger or transfer (and any dissolution following any transfer) referred to in this Section 3, this Warrant shall continue in full force and effect and the terms hereof shall be applicable to the Other Securities and property receivable on the exercise of this Warrant after the consummation of such reorganization, consolidation or merger or the effective date of dissolution following any such transfer, as the case may be, and shall be binding upon the issuer of any Other Securities, including, in the case of any such transfer, the person acquiring all or substantially all of the properties or assets of the Company, whether or not such person shall have expressly assumed the terms of this Warrant as provided in Section 4.

3.3 Share Issuance. Until the Expiration Date, if the Company shall issue any Common Stock, except for the Excepted Issuances (as defined in the Subscription Agreement), prior to the complete exercise of this Warrant for a consideration less than the Purchase Price that would be in effect at the time of such issuance, then, and thereafter successively upon each such issuance, the Purchase Price shall be reduced to such other lower price for then outstanding Warrants. For purposes of this adjustment, the issuance of any security or debt instrument of the Company carrying the right to convert such security or debt instrument into Common Stock or of any warrant to purchase Common Stock shall result in an adjustment to the Purchase Price upon the issuance of the of the above-described security, debt instrument, warrant, right, or option if such issuance is at a price lower than the Purchase Price in effect upon such issuance and again at any time upon any actual, permitted, optional, or allowed issuances of shares of Common Stock upon any actual, permitted, optional, or allowed exercise of such conversion or purchase rights if such issuance is at a price lower than the Purchase Price in effect upon any actual, permitted, optional, or allowed such issuance. Common Stock issued or issuable by the Company for no consideration will be deemed issuable or to have been issued for \$0.001 per share of Common Stock. The reduction of the Purchase Price described in this Section 3.3 is in addition to the other rights of the Holder described in the Subscription Agreement.

3.4 To the extent this Warrant is outstanding, if the Notes have been fully satisfied by the Company on terms acceptable to Subscribers, and in the time periods described below, then the number of Warrant Shares issuable upon exercise of this Warrant shall be reduced as follows, subject to further reduction as described in this Warrant:

(a) Note repayment within sixty (60) days of the Closing Date, the Warrants issuable upon exercise of this Warrant will be reduced to one-third (1/3) of the Warrants originally issuable upon exercise of this Warrant;

(b) Note repayment within day sixty-one (61) following the Closing Date through day one hundred and twenty (120) following the Closing Date, the Warrants issuable upon exercise of this Warrant will be reduced to one-half (1/2) of the Warrants originally issuable upon exercise of this Warrant; or

(c) Note repayment within day one hundred and twenty-one (121) following the Closing Date through day one hundred and eighty (180) following the Closing Date, the Warrants issuable upon exercise of this Warrant will be reduced to two-thirds (2/3) of the Warrants originally issuable upon exercise of this Warrant.

4. Extraordinary Events Regarding Common Stock. In the event that the Company shall (a) issue additional shares of Common Stock as a dividend or other distribution on outstanding Common Stock, (b) subdivide its outstanding shares of Common Stock, or (c) combine its outstanding shares of the Common Stock into a smaller number of shares of Common Stock, then, in each such event, the Purchase Price shall, simultaneously with the happening of such event, be adjusted by multiplying the then Purchase Price by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to such event and the denominator of which shall be the number of shares of Common Stock outstanding immediately after such event, and the product so obtained shall thereafter be the Purchase Price then in effect. The Purchase Price, as so adjusted, shall be readjusted in the same manner upon the happening of any successive event or events described herein in this Section 4. The number of shares of Common Stock that the Holder of this Warrant shall thereafter, on the exercise hereof, be entitled to receive shall be adjusted to a number determined by multiplying the number of shares of Common Stock that would otherwise (but for the provisions of this Section 4) be issuable on such exercise by a fraction of which (a) the numerator is the Purchase Price that would otherwise (but for the provisions of this Section 4) be in effect, and (b) the denominator is the Purchase Price in effect on the date of such exercise.

5. Certificate as to Adjustments. In each case of any adjustment or readjustment in the shares of Common Stock (or Other Securities) issuable on the exercise of the Warrants or the Purchase Price, the Company at its expense will promptly cause its Chief Financial Officer or other appropriate designee to compute such adjustment or readjustment in accordance with the terms of the Warrant and prepare a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based, including a statement of (a) the consideration received or receivable by the Company for any additional shares of Common Stock (or Other Securities) issued or sold or deemed to have been issued or sold, (b) the number of shares of Common Stock (or Other Securities) outstanding or deemed to be outstanding, and (c) the Purchase Price and the number of shares of Common Stock to be received upon exercise of this Warrant, in effect immediately prior to such adjustment or readjustment and as adjusted or readjusted as provided in this Warrant. The Company will forthwith mail a copy of each such certificate to the Holder of the Warrant and any Warrant Agent of the Company (appointed pursuant to Section 10 hereof). Holder will be entitled to the benefit of the adjustment regardless of the giving of such notice. The timely giving of such notice to Holder is a material obligation of the Company.

6. Reservation of Stock, etc. Issuable on Exercise of Warrant; Financial Statements. Subject to the Approval described in Section 9 (x) of the Subscription Agreement, the Company will at all times reserve and keep available, solely for issuance and delivery on the exercise of the Warrants, all shares of Common Stock (or Other Securities) from time to time issuable on the exercise of the Warrant. This Warrant entitles the Holder hereof, upon written request, to receive copies of all financial and other information distributed or required to be distributed to the holders of the Company's Common Stock.

7. Assignment; Exchange of Warrant. Subject to compliance with applicable securities laws, this Warrant, and the rights evidenced hereby, may be transferred by any registered holder hereof (a "**Transferor**"). On the surrender for exchange of this Warrant, with the Transferor's endorsement in the form of Exhibit B attached hereto (the "**Transferor Endorsement Form**") and together with an opinion of counsel reasonably satisfactory to the Company that the transfer of this Warrant will be in compliance with applicable securities laws, the Company will issue and deliver to or on the order of the Transferor thereof a new Warrant or Warrants of like tenor, in the name of the Transferor and/or the transferee(s) specified in such Transferor Endorsement Form (each a "**Transferee**"), calling in the aggregate on the face or faces thereof for the number of shares of Common Stock called for on the face or faces of the Warrant so surrendered by the Transferor.

8. Replacement of Warrant. On receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of any such loss, theft or destruction of this Warrant, on delivery of an indemnity agreement or security reasonably satisfactory in form and amount to the Company or, in the case of any such mutilation, on surrender and cancellation of this Warrant, the Company at its expense, twice only, will execute and deliver, in lieu thereof, a new Warrant of like tenor.

9. Maximum Exercise. The Holder shall not be entitled to exercise this Warrant on an exercise date, in connection with that number of shares of Common Stock which would be in excess of the sum of (i) the number of shares of Common Stock beneficially owned by the Holder and its affiliates on an exercise date, and (ii) the number of shares of Common Stock issuable upon the exercise of this Warrant with respect to which the determination of this limitation is being made on an exercise date, which would result in beneficial ownership by the Holder and its affiliates of more than 9.99% of the outstanding shares of Common Stock on such date. For the purposes of the immediately preceding sentence, beneficial ownership shall be determined in accordance with Section 13(d) of the 1934 Act and Rule 13d-3 thereunder. Subject to the foregoing, the Holder shall not be limited to aggregate exercises which would result in the issuance of more than 9.99%. The restriction described in this paragraph may be waived, in whole or in part, upon sixty-one (61) days prior notice from the Holder to the Company to increase such percentage. The Holder may decide whether to convert a Convertible Note or exercise this Warrant to achieve an actual 9.99% or more ownership position as described above.

10. Warrant Agent. The Company may, by written notice to the Holder of the Warrant, appoint an agent (a "**Warrant Agent**") for the purpose of issuing Common Stock (or Other Securities) on the exercise of this Warrant pursuant to Section 1, exchanging this Warrant pursuant to Section 7, and replacing this Warrant pursuant to Section 8, or any of the foregoing, and thereafter any such issuance, exchange or replacement, as the case may be, shall be made at such office by such Warrant Agent.

11. Transfer on the Company's Books. Until this Warrant is transferred on the books of the Company, the Company may treat the registered holder hereof as the absolute owner hereof for all purposes, notwithstanding any notice to the contrary.

12. Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by hand delivery, telegram, or facsimile, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by facsimile, with accurate confirmation generated by the transmitting facsimile machine, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be: if to the Company, to: BlastGard International, Inc., 2451 McMullen Booth Road, Suite 242, Clearwater, FL 33759, Attn: Michael J. Gordon, CEO and CFO, facsimile: 727-592-9402, with a copy by fax only to (which shall not constitute notice): Morse & Morse, PLLC, 1400 Old Country Road, Suite 302, Westbury, NY 11590, Attn: Steven Morse, Esq., fax: (516) 487-1452, and (ii) if to the Holder, to the address and facsimile number listed on the first paragraph of this Warrant, with a copy by fax only to: Grushko & Mittman, P.C., 515 Rockaway Avenue, Valley Stream, New York 11581, facsimile: (212) 697-3575.

13. Law Governing This Warrant. This Warrant shall be governed by and construed in accordance with the laws of the State of New York without regard to principles of conflicts of laws. Any action brought by either party against the other concerning the transactions contemplated by this Warrant shall be brought only in the state courts of New York or in the federal courts located in the state and county of New York. The parties to this Warrant hereby irrevocably waive any objection to jurisdiction and venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based upon forum non conveniens. The Company and Holder waive trial by jury. The prevailing party shall be entitled to recover from the other party its reasonable attorney's fees and costs. In the event that any provision of this Warrant or any other agreement delivered in connection herewith is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision of any agreement. Each party hereby irrevocably waives personal service of process and consents to process being served in any suit, action or proceeding in connection with this Agreement or any other Transaction Document by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has executed this Warrant as of the date first written above.

BLASTGARD INTERNATIONAL, INC.

By:

Name: Michael J. Gordon

Title: President & CEO

Exhibit A

FORM OF SUBSCRIPTION
(to be signed only on exercise of Warrant)

TO: BLASTGARD INTERNATIONAL, INC.

The undersigned, pursuant to the provisions set forth in the attached Warrant (No. ____), hereby irrevocably elects to purchase (check applicable box):

- ___ _____ shares of the Common Stock covered by such Warrant; or
- ___ the maximum number of shares of Common Stock covered by such Warrant pursuant to the cashless exercise procedure set forth in Section 2 of the Warrant.

The undersigned herewith makes payment of the full purchase price for such shares at the price per share provided for in such Warrant, which is \$ _____. Such payment takes the form of (check applicable box or boxes):

- ___ \$ _____ in lawful money of the United States; and/or
- ___ the cancellation of such portion of the attached Warrant as is exercisable for a total of _____ shares of Common Stock (using a Fair Market Value of \$ _____ per share for purposes of this calculation); and/or
- ___ the cancellation of such number of shares of Common Stock as is necessary, in accordance with the formula set forth in Section 2 of the Warrant, to exercise this Warrant with respect to the maximum number of shares of Common Stock purchasable pursuant to the cashless exercise procedure set forth in Section 2.

After application of the cashless exercise feature as described above, _____ shares of Common Stock are required to be delivered pursuant to the instructions below.

The undersigned requests that the certificates for such shares be issued in the name of, and delivered to _____ whose address is _____.

The undersigned represents and warrants that all offers and sales by the undersigned of the securities issuable upon exercise of the within Warrant shall be made pursuant to registration of the Common Stock under the Securities Act of 1933, as amended (the "Securities Act"), or pursuant to an exemption from registration under the Securities Act.

Dated: _____

(Signature must conform to name of holder as specified on the face of the Warrant)

(Address)

Exhibit B

FORM OF TRANSFEROR ENDORSEMENT

(To be signed only on transfer of Warrant)

For value received, the undersigned hereby sells, assigns, and transfers unto the person(s) named below under the heading "Transferees" the right represented by the within Warrant to purchase the percentage and number of shares of Common Stock of BLASTGARD INTERNATIONAL, INC. to which the within Warrant relates specified under the headings "Percentage Transferred" and "Number Transferred," respectively, opposite the name(s) of such person(s) and appoints each such person Attorney to transfer its respective right on the books of BLASTGARD INTERNATIONAL, INC. with full power of substitution in the premises.

Transferees	Percentage Transferred	Number Transferred

Dated: _____, _____

(Signature must conform to name of holder as specified on the face of the warrant)

Signed in the presence of:

(Name)

(address)

ACCEPTED AND AGREED:
[TRANSFEREE]

(address)

(Name)

Form of Escrow Agreement

ESCROW AGREEMENT

This Agreement is dated as of the ___ day of November, 2011 among BlastGard International, Inc., a Colorado corporation (the “**Company**”), Alpha Capital Anstalt (“**Subscriber**”), and Grushko & Mittman, P.C. (the “**Escrow Agent**”):

W I T N E S S E T H:

WHEREAS, the Company and Subscriber have entered into a Subscription Agreement calling for the sale by the Company to the Subscriber of secured convertible Notes and Warrants for an aggregate purchase price of \$500,000; and

WHEREAS, the parties hereto require the Company to deliver the Notes and Warrants against payment therefor, with such Notes and the Escrowed Funds to be delivered to the Escrow Agent, along with the other documents, instruments and payments hereinafter described, to be held in escrow and released by the Escrow Agent in accordance with the terms and conditions of this Agreement; and

WHEREAS, the Escrow Agent is willing to serve as escrow agent pursuant to the terms and conditions of this Agreement;

NOW THEREFORE, the parties agree as follows:

ARTICLE I**INTERPRETATION**

1.1. Definitions. Capitalized terms used and not otherwise defined herein that are defined in the Subscription Agreement shall have the meanings given to such terms in the Subscription Agreement. Whenever used in this Agreement, the following terms shall have the following respective meanings:

- “**Agreement**” means this Agreement and all amendments made hereto and thereto by written agreement between the parties;
- “**Closing Date**” shall have the meaning set forth in Section 1 of the Subscription Agreement;
- “**Due Diligence Fee**” shall have the meaning set forth in Section 8(a) and on Schedule 8(a) of the Subscription Agreement;
- “**Escrowed Payment**” means an aggregate cash payment of \$500,000;
- “**Legal Opinion**” means the original signed legal opinion referred to in Section 6 of the Subscription Agreement;
- “**Note**” shall have the meaning set forth in the second recital to the Subscription Agreement;
- “**Principal Amount**” shall mean an aggregate of \$500,000;
- “**Subscriber Legal Fees**” shall have the meaning set forth in Section 8(b) of the Subscription Agreement;

- “**Subscription Agreement**” means the Subscription Agreement (and the exhibits and schedules thereto) entered into or to be entered into by the Company and Subscriber in reference to the sale and purchase of the Notes and Warrants;
- “**Warrants**” shall have the meaning set forth in Section 2(b) of the Subscription Agreement;
- Collectively, the Legal Opinion, Note, Warrant, and Subscription Agreement signed and executed by all signators thereto other than the Subscriber, Due Diligence Fee and Subscriber Legal Fees are referred to as “**Company Documents**”; and
- Collectively, the Escrowed Payment and the Subscriber executed Subscription Agreement are referred to as “**Subscriber Documents**.”

1.2. Entire Agreement. This Agreement along with the Company Documents and the Subscriber Documents to which the Subscriber and the Company or Subsidiary are a party constitute the entire agreement between the parties hereto pertaining to the Company Documents and Subscriber Documents and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties. There are no warranties, representations and other agreements made by the parties in connection with the subject matter hereof, except as specifically set forth in this Agreement, the Company Documents and the Subscriber Documents.

1.3. Extended Meanings. In this Agreement words importing the singular number include the plural and vice versa; words importing the masculine gender include the feminine and neuter genders. The word “person” includes an individual, body corporate, partnership, trustee or trust or unincorporated association, executor, administrator or legal representative.

1.4. Waivers and Amendments. This Agreement may be amended, modified, superseded, cancelled, renewed or extended, and the terms and conditions hereof may be waived, only by a written instrument signed by all parties, or, in the case of a waiver, by the party waiving compliance. Except as expressly stated herein, no delay on the part of any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any party of any right, power or privilege hereunder preclude any other or future exercise of any other right, power or privilege hereunder.

1.5. Headings. The division of this Agreement into articles, sections, subsections and paragraphs and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.6. Law Governing this Agreement. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to conflicts of laws principles that would result in the application of the substantive laws of another jurisdiction. Any action brought by either party against the other concerning the transactions contemplated by this Agreement shall be brought only in the state courts of New York or in the federal courts located in the state of New York. Both parties and the individuals executing this Agreement and other agreements on behalf of the Company agree to submit to the jurisdiction of such courts and waive trial by jury. The prevailing party (which shall be the party which receives an award most closely resembling the remedy or action sought) shall be entitled to recover from the other party its reasonable attorney’s fees and costs. In the event that any provision of this Agreement or any other agreement delivered in connection herewith is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision of any agreement.

1.7. Specific Enforcement, Consent to Jurisdiction. The Company and Subscriber acknowledge and agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent or cure breaches of the provisions of this Agreement and to enforce specifically the terms and provisions hereof or thereof, this being in addition to any other remedy to which any of them may be entitled by law or equity. Subject to Section 1.6 hereof, each of the Company and Subscriber hereby waives, and agrees not to assert in any such suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of such court, that the suit, action or proceeding is brought in an inconvenient forum or that the venue of the suit, action or proceeding is improper. Nothing in this Section shall affect or limit any right to serve process in any other manner permitted by law.

ARTICLE II

DELIVERIES TO THE ESCROW AGENT

2.1. Company Deliveries. On or before the Closing Date, the Company shall execute and deliver the Company Documents to the Escrow Agent.

2.2. Subscriber Deliveries. On or before the Closing Date, Subscriber shall execute and deliver the Subscription Agreement, and shall deliver the Escrowed Payment in cash, to the Escrow Agent. The Escrowed Payment will be delivered pursuant to the following wire transfer instructions:

Citibank, N.A.
1155 6th Avenue
New York, NY 10036
ABA Number: 0210-00089
For Credit to: Grushko & Mittman, IOLA Trust Account
Account Number: 45208884

2.3. Intention to Create Escrow Over Company Documents and Subscriber Documents. The Subscriber and Company intend that the Company Documents and Subscriber Documents shall be held in escrow by the Escrow Agent pursuant to this Agreement for their benefit as set forth herein.

2.4. Escrow Agent to Deliver Company Documents and Subscriber Documents. The Escrow Agent shall hold and release the Company Documents and Subscriber Documents only in accordance with the terms and conditions of this Agreement.

ARTICLE III

RELEASE OF COMPANY DOCUMENTS AND SUBSCRIBER DOCUMENTS

3.1. Release of Escrow. Subject to the provisions of Section 4.2, the Escrow Agent shall release the Company Documents and Subscriber Documents as follows:

(a) On the Closing Date, the Escrow Agent will simultaneously release the Company Documents to the Subscriber and release the Subscriber Documents to the Company, except that the Due Diligence Fee will be released to the Due Diligence Fee Recipient as described on Schedule 8(a) to the Subscription Agreement and the Subscriber Legal Fees will be released directly to the Subscriber's attorneys.

(b) Notwithstanding the above, upon receipt by the Escrow Agent of joint written instructions ("**Joint Instructions**") signed by the Company and the Subscriber, it shall deliver the Company Documents and Subscriber Documents in accordance with the terms of the Joint Instructions.

(c) Anything herein to the contrary notwithstanding, upon receipt by the Escrow Agent of a final and non-appealable judgment, order, decree or award of a court of competent jurisdiction (a "**Court Order**"), the Escrow Agent shall deliver the Company Documents and Subscriber Documents in accordance with the Court Order. Any Court Order shall be accompanied by an opinion of counsel for the party presenting the Court Order to the Escrow Agent (which opinion shall be satisfactory to the Escrow Agent) to the effect that the court issuing the Court Order has competent jurisdiction and that the Court Order is final and non-appealable.

3.2. Acknowledgement of Company and Subscriber; Disputes. The Company and the Subscriber acknowledge that the only terms and conditions upon which the Company Documents and Subscriber Documents are to be released are set forth in Sections 3 and 4 of this Agreement. The Company and the Subscriber reaffirm their agreement to abide by the terms and conditions of this Agreement with respect to the release of the Company Documents and Subscriber Documents. Any dispute with respect to the release of the Company Documents and Subscriber Documents shall be resolved pursuant to Section 4.2 or by agreement between the Company and Subscriber.

ARTICLE IV CONCERNING THE ESCROW AGENT

4.1. Duties and Responsibilities of the Escrow Agent. The Escrow Agent's duties and responsibilities shall be subject to the following terms and conditions:

(a) The Subscriber and Company acknowledge and agree that the Escrow Agent (i) shall not be responsible for or bound by, and shall not be required to inquire into whether either the Subscriber or Company is entitled to receipt of the Company Documents and Subscriber Documents pursuant to any other agreement or otherwise; (ii) shall be obligated only for the performance of such duties as are specifically assumed by the Escrow Agent pursuant to this Agreement; (iii) may rely on and shall be protected in acting or refraining from acting upon any written notice, instruction, instrument, statement, request or document furnished to it hereunder and believed by the Escrow Agent in good faith to be genuine and to have been signed or presented by the proper person or party, without being required to determine the authenticity or correctness of any fact stated therein or the propriety or validity or the service thereof; (iv) may assume that any person believed by the Escrow Agent in good faith to be authorized to give notice or make any statement or execute any document in connection with the provisions hereof is so authorized; (v) shall not be under any duty to give the property held by Escrow Agent hereunder any greater degree of care than Escrow Agent gives its own similar property; and (vi) may consult counsel satisfactory to Escrow Agent, the opinion of such counsel to be full and complete authorization and protection in respect of any action taken, suffered or omitted by Escrow Agent hereunder in good faith and in accordance with the opinion of such counsel.

(b) The Subscriber and Company acknowledge that the Escrow Agent is acting solely as a stakeholder at their request and that the Escrow Agent shall not be liable for any action taken by Escrow Agent in good faith and believed by Escrow Agent to be authorized or within the rights or powers conferred upon Escrow Agent by this Agreement. The Subscriber and Company, jointly and severally, agree to indemnify and hold harmless the Escrow Agent and any of Escrow Agent's partners, employees, agents and representatives for any action taken or omitted to be taken by Escrow Agent or any of them hereunder, including the fees of outside counsel and other costs and expenses of defending itself against any claim or liability under this Agreement, except in the case of gross negligence or willful misconduct on Escrow Agent's part committed in its capacity as Escrow Agent under this Agreement. The Escrow Agent shall owe a duty only to the Subscriber and Company under this Agreement and to no other person.

(c) The Subscriber and Company jointly and severally agree to reimburse the Escrow Agent for outside counsel fees, to the extent authorized hereunder and incurred in connection with the performance of its duties and responsibilities hereunder.

(d) The Escrow Agent may at any time resign as Escrow Agent hereunder by giving five (5) days prior written notice of resignation to the Subscriber and the Company. Prior to the effective date of the resignation as specified in such notice, the Subscriber and Company will issue to the Escrow Agent a Joint Instruction authorizing delivery of the Company Documents and Subscriber Documents to a substitute Escrow Agent selected by the Subscriber and Company. If no successor Escrow Agent is named by the Subscriber and Company, the Escrow Agent may apply to a court of competent jurisdiction in the State of New York for appointment of a successor Escrow Agent, and to deposit the Company Documents and Subscriber Documents with the clerk of any such court.

(e) Other than in connection with the Subscriber Legal Fees, the Escrow Agent does not have and will not have any interest in the Company Documents and Subscriber Documents, but is serving only as escrow agent, having only possession thereof. The Escrow Agent shall not be liable for any loss resulting from the making or retention of any investment in accordance with this Escrow Agreement.

(f) This Agreement sets forth exclusively the duties of the Escrow Agent with respect to any and all matters pertinent thereto and no implied duties or obligations shall be read into this Agreement.

(g) The Escrow Agent shall be permitted to act as counsel for the Subscriber in any dispute as to the disposition of the Company Documents and Subscriber Documents, in any other dispute between the Subscriber and Company, whether or not the Escrow Agent is then holding the Company Documents and Subscriber Documents and continues to act as the Escrow Agent hereunder.

(h) The provisions of this Section 4.1 shall survive the resignation of the Escrow Agent or the termination of this Agreement.

4.2. Dispute Resolution: Judgments. Resolution of disputes arising under this Agreement shall be subject to the following terms and conditions:

(a) If any dispute shall arise with respect to the delivery, ownership, right of possession or disposition of the Company Documents and Subscriber Documents, or if the Escrow Agent shall in good faith be uncertain as to its duties or rights hereunder, the Escrow Agent shall be authorized, without liability to anyone, to (i) refrain from taking any action other than to continue to hold the Company Documents and Subscriber Documents pending receipt of a Joint Instruction from the Subscriber and Company, or (ii) deposit the Company Documents and Subscriber Documents with any court of competent jurisdiction in the State of New York, in which event the Escrow Agent shall give written notice thereof to the Subscriber and the Company and shall thereupon be relieved and discharged from all further obligations pursuant to this Agreement. The Escrow Agent may, but shall be under no duty to, institute or defend any legal proceedings which relate to the Company Documents and Subscriber Documents. The Escrow Agent shall have the right to retain counsel if it becomes involved in any disagreement, dispute or litigation on account of this Agreement or otherwise determines that it is necessary to consult counsel.

(b) The Escrow Agent is hereby expressly authorized to comply with and obey any Court Order. In case the Escrow Agent obeys or complies with a Court Order, the Escrow Agent shall not be liable to the Subscriber and Company or to any other person, firm, corporation or entity by reason of such compliance.

ARTICLE V

GENERAL MATTERS

5.1. Termination. This escrow shall terminate upon the release of all of the Company Documents and Subscriber Documents or at any time upon the agreement in writing of the Subscriber and Company.

5.2. Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by hand delivery, telegram, or facsimile, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by facsimile, with accurate confirmation generated by the transmitting facsimile machine, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be:

(a) If to the Company, to:

BlastGard International, Inc.
2451 McMullen Booth Road, Suite 242
Clearwater, FL 33759
Attn: Michael J. Gordon, CEO and CFO
Fax: (727) 592-9402

With a copy by fax only to:

Morse & Morse, PLLC
1400 Old Country Road, Suite 302
Westbury, NY 11590
Fax: (516) 487-1452

(b) If to the Subscriber, to:

Alpha Capital Anstalt
Pradafant 7
9490 Furstentums
Vaduz, Lichtenstein
Fax No.: 011-42-32323196

With a copy by facsimile only to:

Grushko & Mittman, P.C.
515 Rockaway Avenue
Valley Stream, New York 11581
Fax: (212) 697-3575

(c) If to the Escrow Agent, to:

Grushko & Mittman, P.C.
515 Rockaway Avenue
Valley Stream, New York 11581
Fax: (212) 697-3575

or to such other address as any of them shall give to the others by notice made pursuant to this Section 5.2.

5.3. Interest. The Escrowed Payment shall not be held in an interest bearing account nor will interest be payable in connection therewith. In the event the Escrowed Payment is deposited in an interest bearing account, the Subscriber shall be entitled to receive any accrued interest thereon, but only if the Escrow Agent receives from the Subscriber the Subscriber' United States taxpayer identification number and other requested information and forms.

5.4. Assignment; Binding Agreement. Neither this Agreement nor any right or obligation hereunder shall be assignable by any party without the prior written consent of the other parties hereto. This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective legal representatives, successors and assigns.

5.5. Invalidity. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal, or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be in any way impaired thereby, it being intended that all of the rights and privileges of the parties hereto shall be enforceable to the fullest extent permitted by law.

5.6. Counterparts/Execution. This Agreement may be executed in any number of counterparts and by different signatories hereto on separate counterparts, each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute but one and the same instrument. This Agreement may be executed by facsimile transmission and delivered by facsimile transmission.

5.7. Agreement. Each of the undersigned states that he has read the foregoing Escrow Agreement and understands and agrees to it.

IN WITNESS WHEREOF, the undersigned have executed and delivered this Escrow Agreement, as of the date first written above.

“COMPANY”
BLASTGARD INTERNATIONAL, INC.
a Colorado corporation

By: _____
Name: Michael J. Gordon
Title: President & CEO

ESCROW AGENT:
GRUSHKO & MITTMAN, P.C.

By: _____
Name:

SUBSCRIBER
ALPHA CAPITAL ANSTALT

By: _____
Name:
Title: