

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

**FORM 10-K**

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

For the fiscal year ended December 31, 2013

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

For the transition period from: \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 000-53756

**BLASTGARD® INTERNATIONAL, INC.**

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

**Colorado**

(State or other jurisdiction of  
incorporation or  
organization)

**84-1506325**

(IRS Employer Identification  
No.)

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

(Address of principal executive  
offices)

**33759**

(Zip Code)

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

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

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

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

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes . No .

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

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

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

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

As of June 30, 2013, the number of shares held by non-affiliates was approximately 77,863,000 shares. The approximate market value based on the last sale (i.e. \$.02 per share as of June 28, 2013) of the Company's Common Stock was approximately \$1,557,260.

The number of shares outstanding of the issuer's Common Stock, \$.001 par value, as of March 1, 2014 was 294,797,657 shares.

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## **PART I**

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

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

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

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

#### **Item 1. Business**

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. The Company owns 98.2% of HighCom Security, Inc. ("HighCom") which 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." 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 and HighCom unless the context indicates otherwise. For a description of certain background on HighCom, reference is made to our Form 10-K for the fiscal year ended December 31, 2012.

#### **HighCom Security, Inc.**

##### **HighCom Overview**

Founded in 1997 and originally based in San Francisco, HighCom Security, Inc., a California corporation, is a global provider of security equipment. HighCom is a leader in advanced ballistic armor manufacturing. With a 24,160 square foot manufacturing and distribution facility located in Columbus, Ohio, HighCom is well positioned for large scale and time sensitive global supply needs. We design, manufacture and/or distribute a range of security products and personal protective gear. Our logistics network is now managed from our corporate headquarters in Clearwater, Florida. HighCom serves a wide range of customers throughout the world. Our North American customer base includes the Department of Defense and the Department of Homeland Security. We cater to local law enforcement agencies, correctional facilities and municipal authorities, as well as large corporations. 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.

### **Recent Developments**

HighCom has already implemented an in-depth ethics and compliance management and monitoring program that is tied to our International Standard Organization (“ISO”) certified quality processes. These policies and procedures outline each step within the compliance process and how they relate to, and should be acted upon, to ensure compliance with all local, state, federal, and international laws and regulations. Most importantly they address processes and policies that are related to compliance with the Federal Acquisition Regulation (“FAR”), Defense Federal Acquisition Regulation (“DFAR”), International Traffic in Arms Regulations (“ITAR”), Office of Foreign Assets Control (“OFAC”), Export Administration Regulations (“EAR”), Arms Export Control Act (“AECA”), Export Administration Act (“EAA”), Automated Export System (“AES”), and Office of Federal Activities (“OFA”). We also completed training internally and externally with regards to the Foreign Corrupt Practices Act (“FCPA”) and other foreign business regulations that help our employees recognize red flags and potential risk situations.

In March 2014, HighCom Security became the first company in the world to achieve BA 9000 certification. Several years ago, the National Institute of Justice (“NIJ”) assembled a collaborative team to address the issue of body armor safety and the needs of criminal justice agencies. NIJ decided to increase the amount of testing needed for body armor to meet their standards, including 1) more extensive and frequent testing; 2) environmental testing; and 3) implementation of BA 9000, a body armor quality management standard. BA 9000, released in January 2012, is an extension of ISO 9001. BA 9000 extends to manufacturers of body armor vests for federal, state, local, and tribal law enforcement and corrections bodies. Manufacturers who wish to become BA 9000 certified must comply with additional requirements beyond ISO 9001 that are specific to ballistics-resistant body armor manufacturing and testing, such as:

- Provide procedures for communicating with the Compliance Testing Program (CTP).
- Provide unique identification for each piece of the body armor to ensure accountability.
- Work areas must be managed in order to reduce negative effects on body armor.
- Product testing must be done at CTP approved labs, which need to be ISO 17025 compliant.

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. In addition to this, the Company is also registered through the Directorate of Defense Trade Controls as well as the Bureau of Industry and Security (“BSI”). The purpose of these registrations is to allow the Company control over the export management and compliance program moving forward.

With the acquisition of HighCom by BlastGard, we feel this is a unique opportunity to combine the armor technology of HighCom with the blast mitigating technology of BlastGard and provide a combination of advancements in product technologies while focusing on USA made products for the United States Military and other governments and agencies worldwide. We have initiated numerous Research and Development projects according to National Institute of Justice’s (“NIJ”) body armor standards and testing. HighCom currently has 14 plates and vest solutions that qualify under the NIJ 0101.04 (Interim 2005) standard. We are currently marketing all of our NIJ 0101.04 and 0101.06 products to open market customers in law enforcement and military channels. We currently have 2 plates, 3SPS-5 and 4SAS-15 that qualify for NIJ 0101.06 with certifications in hand. We also have 3 vest solutions for a concealable, tactical, and light tactical that are NIJ 0101.06 certified, which are manufactured by one of our partners. We currently have 5 additional products we have developed in late 2013 for NIJ 0101.06. We are now waiting on NIJ to issue compliance letters. These include a light weight and low cost Level III plate along with a ceramic plate core Level III stand alone and a light weight, high-end Level IV plate. We have also verified and validated a steel plate core Level III that we are currently selling built according to NIJ 0101.04. We also have completed testing on a new lighter weight, less expensive ballistic shield design as well as new civilian panels that can be used in backpacks, suitcases and briefcases.

Another investment in 2013 included the expansion of our manufacturing facility and several pieces of manufacturing equipment to increase our production capabilities and efficiencies. We also completed the construction of our in-house ballistics and material science laboratory. The lab is a critical element for testing and evaluation as well as a major marketing point for many customers who in visiting the plant will also be invited to witness live ballistic testing of our products. The lab will also enable us to address another critical area of our quality controls - validating and verifying our raw materials for hardness tests, density, performance and yields. This way we can make sure the materials we purchase from our vendors conform to specifications and that we can improve the weight and cost of our finished product while maintaining complete control over the intellectual property of new products.

Also in late 2013, we created our new web site which provides valuable information for our agents, distributors and customers. We have also engaged current social media marketing tools to further promote the company. We are seeing more growth every day to our social media pages and product reviews on our website.

In addition to the new NIJ certifications in process, the National Tactical Officers Association (NTOA) is testing several of our products. The mission of the NTOA is to enhance the performance and professional status of law enforcement personnel by providing a credible and proven training resource as well as a forum for the development of tactics and information exchange. Upon completion of testing, HighCom can use the NTOA logo to attest that our products were tested and approved by NTOA. This further validates and highlights HighCom as the leader in quality, customer service and pricing.

Another recent development by the Company was increasing our product liability insurance from the industry standard \$1,000,000 to \$10,000,000. Our goal is focused on the safety of the military and law enforcement personnel who employ our products in the field. We also value the relationships we are establishing with our distributors, re-sellers, and partners. This increase in our coverage demonstrates our commitment and support to both our clients and their customers on a global basis.

We have recently entered into a number of agency agreements to market our product line in Mexico and the Middle East and North Africa (“MENA”) region. We have also attended numerous tradeshows in an effort to re-establish HighCom’s presence in the personal protection equipment market and we are currently participating in numerous bids exceeding 5 million dollars. Management believes that we experience significant increase in our overall sales on a quarter by quarter basis as we develop these relationships.

#### **U.S. Department/U.S. Defense Department.**

In March 2011, the Company had HighCom’s export privileges reinstated by the U.S. State Department. HighCom also successfully applied to the US Defense Dept to be removed from the Excluded Party List (“EPLS”). The successful reinstatement of HighCom’s export authority and its removal from the EPLS has dramatically improved HighCom’s ability to sell and market its products. BlastGard has also been reinstated as a vendor for potential bids under the United Nations and has already completed several small orders since its reinstatement. However, on February 6, 2012, the United Nations notified the Company that the UN Secretariat Review Committee met on January 27, 2012 to review the vendor registration status of HighCom Security, Inc. The Committee noted the indictment of HighCom’s former CEO on four counts. Based on those charges, and in accordance with the UN’s policy with regards to ethics and compliance issues, placed an immediate hold on the registration status of HighCom, pending the UN’s internal review. The Company requested that the UN reconsider their decision as HighCom is under new ownership and management and that since their decision the United States District Court of Columbia dismissed all charges against the former CEO, which changes are described in more detail in our Form 10-K for the fiscal year ended December 31, 2012.

A final decision is still pending the UN’s internal review as they consider HighCom’s reinstatement. 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 are currently in the process of finalizing 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 in March 2012 HighCom secured ISO certification. Communication with the United Nations is ongoing. On February 6, 2012, the Company was notified by letter that the United Nation's Vendor Review Committee ("VRC") had recommended to immediately place on hold the registration status of HighCom Security. This VRC decision to place on hold our registration status was based on integrity/ethical issues surrounding the former CEO's actions. Soon after this decision was made, we were notified that on February 21, 2012 the government dismissed all the charges against the former CEO. The Company has been in communication with the United Nations Procurement Division regarding this matter and on March 15, 2012, the Company was informed that the VRC had met regarding our request for re-instatement and that its recommendation is currently under consideration. To date we have not been re-instated but we are in communication with the United Nations Procurement Division in an effort of securing re-instatement. BlastGard has also made significant personnel changes within HighCom and restructuring of operating locations and costs. 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.

### **Product Description**

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 powered 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
- Ballistic soft armor vests
- Riot helmets and shields
- Mounted patrol, vehicular crew, and general duty helmets
- Metal detectors: walk-through and handheld

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 and ballistic

helmets are currently manufactured and private labeled by third party vendors for us. Our soft armor vests are manufactured by one of two major suppliers and they either carry the supplier brand name or the HighCom brand name. We distribute the following product made by other manufacturers: metal detectors.

## PLATES

### Level IV – NIJ 05

HighCom currently maintains some of the largest capability for manufacturing Level IV ceramic plates. An important, strategic move we have employed is to partner with numerous companies to further leverage available equipment to increase production capacity. An example of this is utilizing press consolidation capacity to produce high pressure backings for plates.

The Level IV NIJ 05 plate has a very high margin of safety. Approximately 400 plates have been shot internally at HighCom's ballistic lab and shooting range as well as at independent and other commercial labs. During these tests, no penetration has occurred when tested in accordance with the NIJ standard. Another important performance feature of this plate is that when used in conjunction with a Level IIIA Vest, this plate has established the ability to defeat six rounds, in accordance with Level III NIJ 05.

HighCom has fourteen different certifications of its Level IV plate utilizing different suppliers of ceramics and backing materials. We have deferred risk of material supply by securing qualified vendors to provide the necessary materials.

### Level III – NIJ 05

HighCom has a Level III NIJ Polyethylene based plate solution with a production capacity of 5,500-6,000 units per month.

### SAPI

The SAPI Plate (Small Arms Protective Insert) is used as an insert in military carriers. Due to the rate of ballistic performance and success we have established in the tests conducted thus far, we were able to achieve SAPI level performance with a weight of 100g less than the specification. Further, the HighCom sample defeated six rounds of explosive materials in a single plate. We have conducted impact drop tests and x-rays after shoot tests. This product needs additional testing and evaluation to solidify the results. We have spent \$300,000 on SAPI development thus far applying the many lessons garnered during the past several years of research and development.

### NIJ 06 Specification & Compliant Products

HighCom currently has two certified Level IV, three Level III plates and one Level IIIA vest. One vest is approved and one has passed the Level II test criteria. There are different manufacturers producing these two different vests. Our current situation with vests is that we have several vest models in the development stage: 3 Level IIIA and 3 Level II. There are additional tests in the pipeline along with a considerable number of options, solutions and directions for continued development of hard armor plates for certification under NIJ 0101.06 standards. As of late March 2014, HighCom's Guardian Series Hard Armor™ product line now includes two new NIJ 0101.06 certified models, the Guardian 4S17™ and the Guardian 3S9™. Built to exceed industry standards at affordable prices, these inserts are designed according to the NIJ ratings for Level IV (4S17) and Level III (3S9), offering law enforcement and military personnel different options for up armor requirements whether concerned about armor piercing threats or high powered rifle threats. NIJ introduced the Ballistic Resistance of Body Armor NIJ Standard-0101.06 to more effectively defend against increased velocities of ammunition calibers and provide improved performance against the threats law enforcement faces in today's world.

## SHIELDS

HighCom produces a Level IIIA ballistic shield that is among the most advanced in the market. This is due to the fact that the electrical connections are routed internally through the composite itself. Similar products offered in the marketplace will have external electrical connections. HighCom has a ballistic shield production capacity of approximately 800-1,000 units per month.

## BLANKETS

We can produce ballistic blankets at any level to whatever size is needed by the end user. Production capability is approximately 500-800 units per month.

## CIVILIAN ARMOR SYSTEMS

Newly launched in December 2013 after 18 months in development; HighCom is now offering a full line of Civilian Armor System (C.A.S.) products. Our civilian armor insert panels provides personal and professional defense against ballistic threats. HighCom' inserts are designed, developed, and manufactured using state of the art processes and equipment to ensure high quality and high performance when deployed by operators throughout numerous tactical and urban situations. Our inserts are both internally and independently tested in accordance with the strictest criteria in adherence to the NIJ 0108.01 standard. We also perform additional testing against V50 and special threats.

## SOFT ARMOR

HighCom has five certified soft armor products with a production capacity of 2,000 units per month. We were able to process a composite of proprietary material with a third party supplier wherein ceramic materials are incorporated within the flexible composite. This alone increases ballistic stability, stab protection and provides further avenues towards lighter solutions. These lighter solutions in turn combine composite material into soft armor material. Research and testing at this stage is very preliminary with only basic testing conducted. However, results thus far strongly indicate to us that additional research in the vein has great potential for advantageous positioning in the soft armor sector of our industry. Additionally, we have cause to believe that analyzing bullet energy combining impact systems with both hard and soft ballistic systems will provide a superior product in this industry.

## HELMETS

HighCom is working towards achieving a proprietary uni-directional material that a third party will lay up for us in tape form (100% Polypropylene). Based on previous research and testing conducted, management believes that we can produce a Level IIIA helmet. We have yet to finish accomplishing the entire process. We will need to validate the date, produce an aluminum mold as well as the prototype once the material is completed by a third party. Management believes that this helmet will be an excellent "Made in USA" product that can be marketed internationally at a very competitive price point. This helmet has potential to be produced as a riot helmet with an impact system. This potentially would allow us to replace the existing riot helmets and possibly adjust the ballistic requirements accordingly (Level II or 9mm only).

## Research and Development

During fiscal 2013 and 2012, HighCom spent \$27,551 and \$23,579, respectively on research and development efforts. Future research and development expenses will depend upon our liquidity and capital resources.

## **MARKET DEFINITION**

### **Industry Description and Outlook**

There are over 17,000 law enforcement agencies in the U.S. with over 750,000 police officers. The law enforcement market is scattered across the country and is typically serviced by distributors which provide products such as body armor, uniforms, guns, and other items.

According to a Vector Strategy report on U.S. military body armor trends, \$6 Billion dollars worth of body armor will be procured between 2009 and 2015. Body armor has a life cycle of five years. This combined with an average 10% attrition rate in law enforcement, means that approximately 30% of body armor purchases are turned over each year.

## **HIGHCOM'S MARKETING AND SALES STRATEGY**

### **Strategy**

Our objective is to be a global leader in the businesses of safety, security, and defense protection. We continually seek to enhance our existing products and to introduce new products to expand our market share or enter into new markets. Historically, the largest portion of our HighCom business resulted from the sale of ballistic plates, vests and helmets. We plan on expanding our business into multiple segments of the defense market. We are considering other products and services for other aspects of the safety, security and defense protection. We sell our products and services through a variety of distribution channels. Depending upon the product or service, our customers include distributors; federal, state, and municipal law enforcement agencies and officers; government and military agencies; businesses; retailers; and consumers. More specifically, the major customers of HighCom are:

- Independent Distributors
- Department of Homeland Security
- Other Federal Government Agencies
- Local Police Departments
- Foreign entities
- United Nations

The channels of distribution for HighCom are distributors, direct sales, and the Government Services Administration (GSA). Since HighCom is a GSA contract holder any federal government agency can buy from them without additional prior approval.

### **Target Market**

The primary target markets are:

- U.S. Department of Defense
  1. Army
  2. Marines
  3. Air Force
  4. Navy
- Other government agencies
  1. Homeland Security
  2. State Dept.
  3. FBI
  4. DEA
  5. U.S. Marshalls
- Local law enforcement
  1. Police
  2. Highway patrol
  3. City police
  4. County Sheriffs
- Foreign governments
  1. Military
  2. Security
  3. Police
- United Nations peace keeping forces

### **How do we market ourselves**

Armor products - personal armor plates, ballistic shields and certain soft armor vests – have been designed, developed and certified by HighCom. NIJ certification is the barrier to entry/foundation to the US armor industry since without NIJ certification, marketability/sales opportunities to domestic law enforcement are limited. While export sales are possible without NIJ, NIJ certification is increasingly becoming required for export sales. All other HighCom products are distributed under non-exclusive supplier arrangements. Our HighCom marketing strategy includes the following:

- HighCom website
- Trade publications
- Defense industry news websites
- Trade Shows and Conferences
- GSA advantage and
- Bidding on federal government supply needs

### Salespersons

The Company has two dedicated sales people to respond to sales inquires, to contact known potential customers, to general sales leads and to visit customer sites. These salespersons also submit bids through online public bid sources and the GSA System and make bids through an existing network of customers, resellers and commercial reps.

### Bidding on Governmental Projects

Bidding on governmental (federal, state, local) contracts normally requires you to apply for status as an approved vendor. Once your application accepted – you are eligible to participate in bids. Vendor certifications have varied processes – some include/require submission of detailed financial data to qualify and be certified as a vendor. Our ISO certification is also a key factor in registration. Bids are submitted to a US agency – either through online sites, email or US Mail. For foreign sales – normally approached by agents (based in foreign companies) – who request quotes for supply of goods in their local markets. Agents generally operate on a non-exclusive basis, but HighCom has in the past granted limited exclusivity to certain agents either on project specific basis – or a specific country basis. On occasion, HighCom may contract directly with a foreign government to supply products on behalf of local agent. HighCom would then receive payment direct from government agency and pay a commission to local agent.

### **EXPORT COMPLIANCE POLICY**

HighCom is required to comply with all laws and regulations surrounding U.S. export controls. Recent events have focused the U.S. government's attention on the need for increased enforcement of such laws. Although the government has always enforced export laws and regulations, the level of intensity has risen in the past several years as concerns regarding national security and international terrorism have grown.

The United States government has various objectives when controlling exports. For instance, the U.S. has placed controls on the export of certain goods and technologies to prevent them from being used by the Armed Forces of other nations and thus threatening U.S. national security. The U.S. also uses export controls for purposes of economic sanctions against certain nations and groups hostile to the United States.

The U.S. government not only possesses a national security interest through its export controls but also has additional objectives. Export controls help protect items that may be in short supply domestically such as oil or gas. Additionally, the U.S. collects trade data that allows the government to track the trade balance, evaluate the effect of foreign trade on the domestic economy, and/or develop foreign policy decisions. The end result of all the U.S. government's regulations and laws is that HighCom must be cognizant and comply with all export laws.

HighCom management is firmly committed to full and complete compliance with all U.S. export control laws, including among others, the Export Administration Regulations administered by the Bureau of Industry and Security of the U.S. Department of Commerce, the International Traffic in Arms Regulations administered by the Directorate of Defense Trade Controls at the U.S. Department of State, and the various sanctions and embargo regulations administered by the Office of Foreign Assets Controls (OFAC) at the U.S. Department of the Treasury. While HighCom has always been committed to compliance with all U.S. export control laws and regulations, our desire to ensure that no violations occur is heightened by the events of September 11, 2001. All HighCom employees associated with activities that are subject to U.S. export controls take extra precautions to ensure that no violations occur. It is HighCom management's policy that under no circumstances will exports made on behalf of its customers be made contrary to U.S.

export laws and regulations. Special care is taken to prevent transactions with entities involved in the proliferation of weapons of mass destruction.

Violations of the Export Administration Regulations could result in significant penalties for HighCom and for those individuals involved in the violation. Civil penalties of up to \$50,000 per violation may be imposed or up to \$120,000 if the violation involves national security controls. Violations could also result in a denial of HighCom's export privileges meaning it could no longer forward products to international customers. Criminal penalties may also be imposed on HighCom and on the individuals involved. For willful violations of the export regulations, HighCom could be fined up to \$1,000,000 per violation and individuals could be fined up to \$250,000 per violation and imprisoned for up to 20 years.

Violations of the International Traffic in Arms Regulations can also result in serious civil and criminal penalties for HighCom and the individuals involved. Civil penalties can reach \$500,000 per violation; criminal penalties can reach \$1,000,000 per violation. HighCom and individuals can also be debarred from practicing before the Directorate of Defense Trade Controls, meaning the debarred party is ineligible to export defense articles from the U.S.

Violations of OFAC regulations can also be very expensive and even result in a denial of export privileges in addition to various civil and criminal penalties. The U.S. government takes export control violations very seriously and so does the management of HighCom.

HighCom has implemented an Export Compliance Program specifically designed to satisfy the requirements of the pertinent United States statutes, rules and regulations, such as the Export Administration Act, Trading with the Enemies Act, Arms Export Control Act, International Emergency Economic Powers Act, the Export Administration Regulations, the Foreign Assets Control Regulations, the International Traffic in Arms Regulations, the Foreign Trade Statistics Regulations, the Alcohol, the Customs Regulations, and all other applicable statutes, rules and regulations governing the export and transportation of commodities by HighCom. The Export Compliance Program includes training on compliance issues, the preparation and utilization of the U.S. Export Control Compliance Manual, and the establishment of a system of internal reviews designed to identify any risks of non-compliance by HighCom.

## **OVERVIEW OF U.S. EXPORT REGULATIONS**

The principal government agencies that regulate U.S. exports are the Department of Commerce, which regulates the export of "dual-use" items, and the Department of State, which regulates the export of defense or "munitions" items. "Dual-use" items are commercial items (*i.e.*, commodities, software and technology) that can also be used in military applications, while "defense articles," "defense services," and related technical data are items specifically designed, modified or adapted for military uses and that have limited or no commercial application. This information is based on regulations published by these two, as well as other relevant U.S. government agencies, and is subject to change. This information will be updated periodically to reflect changes made to the pertinent laws and regulations.

The Bureau of Industry and Security ("BIS") is the agency within the U.S. Department of Commerce that is responsible for administering export controls of "dual-use" items. BIS publishes and administers the Export Administration Regulations ("EAR") (15 C.F.R. Part 730 *et seq.*) which describe export controls and contain a list of the commodities, software, and technology that are controlled for export by the Department of Commerce. This list is called the Commerce Control List, or "CCL", and is contained in Supplement No.1 to Part 774 of the EAR.

The Directorate of Defense Trade Controls ("DDTC") is the agency within the U.S. Department of State that is responsible for administering controls on the temporary import, temporary export, and permanent export/re-export of "defense articles," "defense services," and related "technical data." The Department of State administers the International Traffic in Arms Regulations ("ITAR") which contain the United States Munitions List ("USML"). The USML details the commodities, software, and technical data that are controlled by the State Department.

Whether an export is controlled by the Commerce Department or the State Department depends on the proper classification of the product. All exports are controlled by only one agency though it may in some cases be difficult to determine the appropriate agency jurisdiction. In such cases, exporters may file a commodity jurisdiction ("CJ") request with DDTC to determine which agency has jurisdiction over the product, software, or technology. DDTC generally takes at least six months to respond to CJ requests, so their utility may be limited in a commercial context unless application is made sufficiently early.

**Specific laws and regulations we are subject to include the following:**

- Export Administration Act – 50 U.S.C. 2405
- Arms Export Control Act -22 USC 2778
- Export Administration Regulations – 15 CFR 730-774
- International Traffic in Arms Regulations – 22 CFR 120-130
- Foreign Corrupt Practices Act – 15 U.S.C. 78dd-1

**Competition**

We operate in intensely competitive markets that are characterized by competition from major domestic and international companies in our business and from a large number of competitive companies and alternative solutions in our security business. This intense competition could result in pricing pressures, lower sales, reduced margins, and lower market share. Any movement away from high-quality, domestic ballistic plates to lower priced or comparable foreign alternatives would adversely affect our business. Some of our competitors have greater financial, technical, marketing, distribution, and other resources and, in certain cases, may have lower cost structures than we possess and that may afford them competitive advantages. As a result, they may be able to devote greater resources to the promotion and sale of products, to negotiate lower prices on raw materials and components, to deliver competitive products at lower prices, and to introduce new products and respond to customer requirements more effectively and quickly than we can.

Competition is primarily based on quality of products, product innovation, price, consumer brand awareness, alternative solutions, and customer service and support. Pricing, product image, quality, and innovation are the dominant competitive factors in the industry. Our ability to compete successfully depends on a number of factors, both within and outside our control. These factors include the following:

- our success in designing and introducing innovative new products and services;
- our ability to predict the evolving requirements and desires of our customers;
- the quality of our customer service;
- product and service introductions by our competitors; and
- foreign labor costs and currency fluctuations, which may cause a foreign competitor's products to be priced significantly lower than our products.

We can provide no assurances that we will be able to successfully compete with our competitors in the future.

**Employees**

As of December 31, 2013, the Company has four full-time employees. The Company also relies on temporary workers for its manufacturing facility. Additional sales and marketing personnel may be hired in the future as our sales efforts require such additional personnel.

## **BlastGard International, Inc.**

### **BlastGard - Overview**

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

We have developed and designed proprietary blast mitigation materials. Our Patented BlastWrap® has been designed to mitigate blasts and suppress flash fires resulting from explosions, regardless of the material or compound causing the explosion. We believe that this technology can be used to create new finished products or designed to retrofit existing products.

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

### **Blast Solutions**

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

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

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

### **BlastWrap® Background**

BlastWrap® is a concept for assemblies (not a chemical compound) from which blast protection products are built to save lives and reduce damage to valuable assets from explosions. BlastWrap® is designed to not only substantially reduce blast impulse and pressure (including reflected pressure and impulse), but

quenches fireballs and suppresses post-blast fires. Lethal fragments may be captured by adding anti-ballistic armor layers on the product surface away from a blast.

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

### **BlastWrap® Technology Components**

Our BlastWrap® products are made from two flexible films arranged one over the other and joined by a plurality of seams filled with attenuating filler material (volcanic glass bead or other suitable two-phase materials), configurable (designed for each application) with an extinguishing coating. Together, this combination of materials is designed to mitigate a blast while at the same time eliminate fireballs or flame fronts produced by the blast.

We believe that this system is unique because it:

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

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

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

### **Key BlastWrap® Features**

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

### **Key BlastWrap® Benefits**

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

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

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

### **Intellectual Property Rights**

Explosive devices are increasingly being used in asymmetric warfare to cause destruction to property and loss of life. These explosive devices sometimes can be disrupted, but often there is insufficient warning of an attack. Our BlastWrap® products were created around this core concept. The BlastWrap® patent application was filed with the U.S. Patent and Trademark Office on July 31, 2003. 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 November 27, 2012, BlastGard was notified by its patent counsel that its patent application for its BlastWrap material was issued as U.S. Patent No. 8,316,752 B2. On March 18, 2008, our patent-pending application (No. 11/042,318) for our explosive effect mitigated containers (i.e. BlastGard MTR and MBR™) was issued as U.S. Patent No. 7,343,843.

### **BlastWrap® Testing**

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

### **Significance of Test Results**

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

shown that certain design features (such as deflectors), combined with additional BlastWrap® material, can accomplish protection against larger blasts.

### **Government Awards**

BlastWrap®, and its BlastGard® Mitigating Trash Receptacles were designated as Qualified Anti-Terrorism Technologies and placed on the “Approved Products List for Homeland Security.” We were issued the “Designation” and “Certification” for our technology by the Department of Homeland Security under the Support Anti-Terrorism by Fostering Effective Technologies Act of 2002 (the SAFETY ACT) in July of 2006. In the 4<sup>th</sup> quarter of 2011, the designation and certification was extended for another five years to our BlastWrap product but excluded our BlastGard MTR receptacles until we provide new test data that conforms to new ASTM standards. No further testing has been planned at this time. The revisions allow the use of liners and lids which the original standards did not address. The lid and liner materials must be tested to certain ASTM plastic standards.

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

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

### **GSA Approved Product**

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

### **Applications**

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

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

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

We believe that BlastWrap® can be integrated into some of our HighCom products in the future.

## **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 can be 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”).

### **MBR 300 and MBR Gard Cart**

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

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

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

LD3 Cargo Containers are used primarily on twin aisle/wide body aircraft such as the B747. These luggage or cargo containers are manufactured by a few well-established companies throughout the world. The market is extremely competitive with low margins. In accordance with an agreement with Nordisk Aviation

Products, we have combined our BlastWrap® blast-mitigating technology with Nordisk's LD3 containers to create superior blast mitigating products for the air cargo and unit loading device (ULD) market called BlastGard BMULD. ULDs are pallets and containers used to load luggage, freight, and mail onto wide-body aircraft that facilitate the bundling of cargo into large units. The alliance has developed a new line of ULDs that include BlastWrap®. The introduction of this product line enables us to provide the airline industry an important new line of defense to increase airline safety of passengers and crewmembers. This revolutionary new container design incorporating BlastWrap® will prevent shock holing of the fuselage, effectively retaining the structural integrity of the aircraft; prevent post-blast fires and conflagration in the hold; and add little or only negligible weight to the ULD. There is no effort underway to market this product.

#### Insensitive Munitions (IM) Weapons Containers and New Product Development

Weapons containers require specialty design. We have developed several of these containers in the past for evaluation and testing by the United States, United Kingdom and other military clients but no finished products materialized. However, we are currently looking at acquiring weapon container products as follows: an explosive storage unit that meets the US Military requirement for Limited Arc Magazines; a novel lightweight armor that out performs Kevlar but can be made for \$5-8 per pound depending on choice of materials; a lightweight thermal barrier that can withstand a 1500F direct flame for 6 hours; and a modular, flat packed, light weight and high performance wall that can be helicoptered into a operational theater and erected by a four man team in a few hours.

#### Trash Receptacles

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

On October 25, 2004, the Company had entered into an Alliance Agreement with Centerpoint Manufacturing whereas Centerpoint would provide the Company with proprietary reinforced trash receptacles and the Company would provide proprietary composite blast mitigation material technologies to offer an enhanced reinforced trash receptacle product. All of the costs related to the testing and development of the BlastGard MTR® and BlastGard MBR® series, totaling \$262,404.60 and \$62,808.63 respectively, were paid by the Company. The Alliance Agreement commenced on October 25, 2004 and was in full force and effect for five years. The Alliance Agreement automatically terminated on October 25, 2009 since neither party renewed the Agreement. Nevertheless, the Company continued to rely on Centerpoint as their vendor for blast resistant receptacles for the Company's MTR and MBR line of products and Centerpoint continued to supply their receptacles to the Company. During the 5-year Alliance Agreement, the Company's line of blast-mitigated products were marketed to third parties while Centerpoint continued to market the same blast resistant receptacle under their own name but without the blast-mitigating properties of BlastWrap. In May 2010, BlastGard notified Centerpoint that it intended to create a new blast resistant receptacle component for the Company to use in its BlastGard MTR® and BlastGard MBR® product line unless Centerpoint could reach agreement with BlastGard on continuing to use its existing receptacle. On May 18, 2010, BlastGard concluded that Centerpoint would not continue its relationship with BlastGard. In late 2011, BlastGard and Centerpoint reestablished its previous relationship and Centerpoint once again supplied BlastGard with the receptacles for its MTR sales. However, on December 31, 2012, Centerpoint closed its business and is in the process of selling its business to another manufacturer. In the meantime, BlastGard does not have an established manufacturer to provide our receptacles. However, BlastGard has engaged a local fabricator to Centerpoint so that we can continue to make trash receptacles for our MTR and MBR line, as we had limited sales in 2013.

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

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

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

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

### Manufacturing

We have three distinct production types:

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

### Serial Production

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

### Contract Manufacturing

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

## **Original Equipment Manufacturer Production**

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

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

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

## **Current manufacturing arrangements for finished products**

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

- Pro-Form Packaging, Inc., located in Dunellen, New Jersey manufactures BlastWrap® and the MTR and MBR lids. We are not contractually bound to use Pro-Form Packaging to manufacture the receptacle lids, and we believe that there are alternative manufacturers in the United States.

## **Purchasing**

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

## **Marketing Analysis**

### **Overall Market**

The market for blast solutions includes commercial industries (accidental explosions of chemicals, terrorist threats, demilitarization), militaries (weapons storage and transport, barriers, revetments and bunkers and vehicle protection), and governments and municipalities (bomb explosions and threats). We have examined each of these markets to identify areas and industries within each that will benefit most from BlastGard® Technology. For a detailed discussion of our market analysis, reference is made to Item 1 of our Form 10-K for the fiscal year ended December 31, 2012, which is incorporated herein by reference.

### **Governmental Regulation**

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

## **Research and Development**

In 2013 and 2012, we spent approximately \$0 and \$26,012, respectively, on research and development related activities of BlastGard. To date our products or prototypes of our products have been provided by us at no charge to potential customers for their own evaluation and testing done at their expense.

## **SEC Reports Available on Website**

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

## **Item 1.A Risk Factors**

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

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

**We can provide no assurances we will be able to continue as a going concern or raise additional financing in the future.** The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. As shown in the accompanying financial statements, we have incurred recurring losses, and have negative working capital and a net capital deficiency at December 31, 2013. These factors, among others, may indicate that we may be unable to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability of assets and classification of liabilities that might be necessary should we be unable to continue as a going concern. Our continuation as a going concern is dependent upon our ability to generate sufficient cash flow to meet our obligations on a timely basis and ultimately to attain profitability. The Company will require from time-to-time additional financing to finance its operations through the sale of equity and/or debt borrowing. 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. See "Notes to our Financial Statements."

**We had total liabilities at December 31, 2013 of approximately \$5,272,000 and may not be able to meet our obligations as they become due.** At December 31, 2013, we had total liabilities of \$5,271,998. Of the \$5,271,998, \$791,008 represents accounts payable and accrued expenses, \$1,241,972 represents the current portion of notes payable, \$1,170,081 represents contingent liabilities and \$2,065,134 represents derivative liabilities. We can provide no assurances that we will be able to meet our obligations to our debt holders as they become due and payable.

**We are controlled by a Canadian corporation.** As described under "Item 7" herein, a Canadian corporation recently purchased the outstanding Secured Debt of the Company as of March 21, 2013 in the principal amount of \$1,267,707.07 (including accrued interest thereon) held by Alpha Capital Anstalt (which excludes \$182,000 of Secured Debt which continues to be owned by Alpha). The Canadian corporation also purchased from Alpha Capital Anstalt, warrants to purchase 104,333,335 shares of Common Stock exercisable at \$.01 per share. See "Items 7 and 12" for additional information on the change of control. We cannot predict what changes will be instituted by the new controlling stockholder in the Company's management and/or directors, although it is anticipated that Michael J. Gordon will continue to serve as Chief Executive Officer and a director of the Company.

**We have incurred substantial losses from inception and failure to achieve significant revenues and profitability in the future would cause the market price for our common stock to decline.** We have a history of operating losses since inception and have an accumulated deficit at December 31, 2013 of \$18,530,706 and a total shareholder deficit of \$1,807,935. For 2013, the Company incurred a net loss of \$2,035,156, largely from a loss on derivative liability totaling \$761,221 and \$1,103,000 representing interest and amortization of debt discount. During 2013, net cash used by operating activities of approximately \$567,000 was primarily a result of the Company's decrease in sales in 2013 versus the comparable period of the prior year. We can provide no assurances that our operations will be profitable in 2014 and in future operating periods. If our operations do not continue to be profitable, we may have difficulty remaining a going concern, meeting obligations as they come due and as a result of the foregoing, investors in our common stock could lose their entire investment.

### **Business and Operational Risks**

The following are the major business and operational risks related to our new HighCom subsidiary:

- A substantial portion of our revenue is dependent on U.S. military business, and a decrease or delay in contract awards in such business could have a material adverse effect on us.
- We must comply with all laws and regulations surrounding U.S. export controls.
- Continued turmoil in the credit markets and the financial services industry may negatively impact our business, results of operations, financial condition or liquidity.
- Many of our customers have fluctuating budgets, which may cause fluctuations in our results of operations.
- Our business is subject to various laws and regulations favoring the U.S. government's contractual position, and our failure to comply with such laws and regulations could harm operating results and prospects.
- We rely on certain vendors to supply us with ballistics materials, composites materials, and other key materials that if we were unable to obtain could adversely affect our business.
- Growth of operations may strain resources and if we fail to manage growth successfully, our business could be adversely affected.
- Increases in the prices paid for raw materials or labor costs may adversely affect profit margins.
- Our products are used in situations that are inherently risky. Accordingly, we may face product liability and exposure to other claims for which we may not be able to obtain adequate insurance.
- We are engaged in a highly competitive marketplace, which demands that producers continue to develop new products. Our business will be adversely affected if we are not able to continue to develop new and competitive products.
- We face continuous pricing pressure from our customers and our competitors. This will affect our margins and therefore our profitability and cash flow unless we can efficiently manage our manufacturing costs and market our products based on superior quality.
- We may have difficulty protecting our proprietary technology.
- If we are unable to successfully retain executive leadership and other key personnel, our ability to successfully develop and market our products and operate our business may be harmed.

- We have launched and expect to continue to launch strategic and operational initiatives which if not successful could adversely affect our business.
- HighCom has in the past relied on its credit facility for liquidity needs which is currently at its maximum. The available credit under this facility is linked to a borrowing base, and reductions in eligible receivables and inventory will reduce our ability to draw on the line. The terms of the facility include various covenants, and failure to meet these covenants could affect our ability to borrow. These factors could affect our liquidity.
- We may incur additional costs or material shortages due to new NIJ certification and testing standards.
- If internal control over financial reporting becomes ineffective, our business and future prospects may suffer.

**HighCom faces intense competition that could result in our losing or failing to gain market share and suffering reduced revenue.**

HighCom operates in intensely competitive markets that are characterized by competition from major domestic and international companies in our business and from a large number of competitive companies and alternative solutions in our security business. This intense competition could result in pricing pressures, lower sales, reduced margins, and lower market share. Any movement away from high-quality, domestic ballistic plates to lower priced or comparable foreign alternatives would adversely affect our business. Some of HighCom's competitors have greater financial, technical, marketing, distribution, and other resources and, in certain cases, may have lower cost structures than we possess and that may afford them competitive advantages. As a result, they may be able to devote greater resources to the promotion and sale of products, to negotiate lower prices on raw materials and components, to deliver competitive products at lower prices, and to introduce new products and respond to customer requirements more effectively and quickly than HighCom can.

Competition is primarily based on quality of products, product innovation, price, consumer brand awareness, alternative solutions, and customer service and support. Pricing, product image, quality, and innovation are the dominant competitive factors in the industry. Our ability to compete successfully depends on a number of factors, both within and outside our control. These factors include the following:

- our success in designing and introducing innovative new products and services;
- our ability to predict the evolving requirements and desires of our customers;
- the quality of our customer service;
- product and service introductions by our competitors; and
- foreign labor costs and currency fluctuations, which may cause a foreign competitor's products to be priced significantly lower than our products.

We can provide no assurances that we will be able to successfully compete with our competitors in the future.

**If we are unable to compete effectively with our competitors, we will not be successful generating revenues or attaining profits.** The blast mitigation industry is highly competitive. BlastGard's ability to generate revenues and profitability is directly related to our ability to compete with our competitors. Currently, we believe that we have a competitive advantage because of our unique technology, our product performance, product mix and price. Our beliefs are based only on our research and development testing and we currently have only four completed and finished products. We face competition in our markets from

competing technologies and direct competition from additional companies that may enter this market with greater financial resources than we have. If we are unable to compete effectively, we will not be successful in generating revenues or attaining profits.

**BlastGard has not yet hired sales and marketing personnel, which may hinder our ability to generate revenues.** BlastGard's primary sales focus has been to distribute our products through strategic partners, direct sales and through information and education by our executive officers. Through our executive officers, we have in the past entered into agreements with several strategic partners and our officers worked with them to attempt to generate significant sales. However, these efforts have not been successful. In the future, we may develop our own sales and marketing department in the event that management believes that such efforts would be meaningful and within our budget requirements. The failure to form a sales and marketing department and hire qualified sales personnel may adversely affect BlastGard's sales efforts and could cause us not to meet operating projections.

**Loss of key personnel could cause a major disruption in our day-to-day operations and we could lose our relationships with third-parties with whom we do business.** Our future success depends in a significant part upon the continued service of our executive officers as key management personnel. Competition for such personnel may be intense, and to be successful we must retain our key managerial personnel. The loss of key personnel or the inability to hire or retain qualified replacement personnel could have caused a major disruption in our day-to-day operations and we could lose our relationships with third-parties with whom we do business, which could adversely affect our financial condition and results of operations. We can provide no assurances that HighCom sales will be restored to historical levels or that BlastGard will successfully achieve sales of its products.

Our new subsidiary, HighCom, has a history of significant sales, which are not present in BlastGard. HighCom will attempt to restore sales to historical levels, although no assurances can be given in this regard. Currently, the Company is devoting primarily all of its manpower and capital resources to the operations of HighCom. If our parent corporation, BlastGard, chooses to devote resources toward the development of sales in its traditional BlastWrap business, these sales activities may not be successful. We can provide no assurances that our operations will be able to operate profitably in the future.

**Dependence on outside manufacturers and suppliers could disrupt our business if they fail to meet our expectations.** Currently, we rely on outside manufacturers and suppliers for some of our products. In the event that any of our suppliers or manufacturers should become too expensive or suffer from quality control problems or financial difficulties, we would have to find alternative sources.

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

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

**Product Liability Insurance.** The Company has secured product liability insurance which had previously lapsed. We can provide no assurances that our operations will be able to operate profitably in the future in order to maintain product liability insurance.

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

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

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

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

**Future sales of common stock into the public market place will increase the public float and may adversely affect the market price.** As of March 1, 2014, we have outstanding 294,797,657 shares of common stock, including an estimated 53,000,000 outstanding shares held by non-affiliated persons. Holders of restrictive securities may also sell their restrictive shares pursuant to Rule 144. In general, under Rule 144 of the Securities Act of 1933, as amended, shares of our common stock beneficially owned by a person for at least six months (as defined in Rule 144) are eligible for resale under Rule 144, subject to the availability of current public information about us and, in the case of affiliated persons, subject to certain additional volume limitations, manner of sale provisions and notice provisions. Pursuant to Rule 144, non-affiliates may sell or otherwise transfer their restricted shares without compliance with current public information where the restricted securities have been held for at least one year pursuant to Rule 144(a). Future sales of common stock or the availability of common stock for sale may have an adverse effect on the market price of our thinly traded common stock, which in turn could adversely affect our ability to obtain future funding as well as create a potential market overhang.

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

investors (generally institutions with assets in excess of \$5,000,000). These practices require that, prior to the purchase, the broker-dealer determined that transactions in penny stocks were suitable for the purchaser and obtained the purchaser's written consent to the transaction.

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

#### Item 1.B. Unresolved Staff Comments

Not applicable.

#### Item 2. Description of Property

We do not own any real estate properties. BlastGard entered into a lease agreement in January 1, 2009 for office space in Clearwater Florida, which was expanded to two offices in 2011 to accommodate HighCom Security. In 2012, BlastGard moved into a larger office space. Rental payment under the new lease is \$373 per month on a month to month basis.

HighCom leases office and manufacturing space in Columbus, Ohio. 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. In June 2012, the Company entered into a one year lease agreement for approximately 16,200 square feet of office and warehouse space in Columbus, OH. In June 2013, the Company entered into a three year lease agreement for approximately 24,160 square feet of office and warehouse space in Columbus, OH. Rental payment under the new lease is \$6,967 per month on a month to month basis. We believe that our HighCom facility is adequate for present requirements and suitable for the operations involved.

HighCom rents approximately 900 square feet of office space in Aurora, CO on a short-term lease expiring on May 31, 2014 at a rental of \$518 per month.

Rent expense for 2013 and 2012 was approximately \$96,153 and \$66,041, respectively.

#### Item 3. 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.

#### ***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 was paid within 30 days after the Defendants deliver to the Company's counsel an original executed version of the Agreement and a promissory note in the amount of the remaining principal balance to bear interest in the amount of 6% per annum. Upon Verde's receipt of the payment and promissory note, the parties shall jointly dismiss with prejudice all litigation between them, including the Pinellas County action and the Federal action. The company and Verde also entered into a license agreement whereby BlastGard obtains a fully paid up non-exclusive license for the 2 Verde patents for the remaining life of those patents in exchange for the Company paying Verde a 2% royalty for the life of the patents (which expired in the 2<sup>nd</sup> quarter of 2012), on the sales price received by BlastGard for BlastGard's portion of all blast mitigation products sold by the company (the royalty was **not** on any third-party's portion of any product containing blast mitigation products sold by BlastGard). The parties also agreed not to file any complaints with any state, federal or international agency or disciplinary body regarding any of the other parties or any person affiliated with any of the other parties or otherwise makes negative statements about them (in other words, a broad non-disparagement clause). The company and Verde also signed mutual general releases (excepting

the obligations above) and a covenant not to sue. At December 31, 2013, the Company was in arrears on the final twelve monthly payments on the settlement.

**Item 4. Mine Safety Disclosures**

Not applicable.

## PART II

### Item 5. Market for Common Stock and Related Shareholder Matters

There is a limited public market for our Common Stock. Our common stock has been quoted on the OTCQB under the symbol "BLGA." The following table sets forth the range of high and low sales prices for our Common Stock (rounded to the nearest penny) for each quarterly period indicated, in the last two fiscal years.

<u>Quarter Ended</u>	<u>High Sales</u>	<u>Low Sales</u>
March 31, 2012	\$0.03	\$0.01
June 30, 2012	\$0.02	\$0.01
September 30, 2012	\$0.02	\$0.01
December 31, 2012	\$0.03	\$0.01
March 31, 2013	\$0.03	\$0.01
June 30, 2013	\$0.04	\$0.02
September 30, 2013	\$0.02	\$0.01
December 31, 2013	\$0.03	\$0.01

The quotations reflect inter-dealer prices, without retail markup, markdown or commission.

#### Holders

As of March 31, 2014, there were 289 holders of record of our common stock (this number does not include beneficial owners who hold shares at broker/dealers in "street-name").

#### Dividends

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

#### Repurchases of equity securities

During the past three years, we did not repurchase any of our outstanding equity securities except for the warrants repurchased from the June 2006 lenders as described under "Item 13".

#### Sales of Unregistered Securities

From January 1, 2011 to December 31, 2013, we had no sales or issuances of unregistered common stock, except as follows:

In April 2013, Blastgard issued 173,488,279 shares of common stock as a conversion of debt in the amount of \$1,561,394. Exemption from registration is claimed under Section 3(a)(9) of the Securities Act as an exchange of securities of the same issuer with no commissions being paid. In April 2013, Blastgard issued 28,923,342 shares of common stock for exercise of warrants valued at \$260,310. Exemption from registration is claimed under Section 4(2) of the Securities Act.

In November 2013, Blastgard issued 2,000,000 shares of common stock for services valued at \$40,000. Exemption from registration is claimed under Section 4(2) of the Securities Act.

## Item 6. Selected Financial Data

Not applicable.

## Item 7. Management's Discussion and Analysis or Plan of Operation

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

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

### **New Product Line**

On January 25, 2011, we acquired 98.2% of the capital stock of HighCom. 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.

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. BlastGard 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 in March 2012 HighCom secured ISO certification. On February 6, 2012, the Company was notified by letter that the United Nation's Vendor Review Committee ("VRC") had recommended to immediately place on hold the registration status of HighCom Security. This VRC decision to place on hold our registration status was based on integrity/ethical issues surrounding the former HighCom CEO's actions. Soon after this decision was made, we were notified that on February 21, 2012 the government dismissed all the charges against the former HighCom CEO. The Company has been in communication with the United Nations Procurement Division regarding this matter and on March 15, 2012, the Company was informed that the VRC had met regarding our request for re-instatement and that its recommendation is still currently under consideration. The United Nations is in the process of reviewing our professional services firm expert who specializes in the development and/or review of corporate codes of ethics, anti-bribery and compliance programs. BlastGard has also made significant personnel changes within HighCom and restructuring of operating locations and

costs. 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. Our results of operations for 2013 show the benefits of these changes. The results of operations for HighCom Security have been included in our statements since January 25, 2011. For the years ended December 31, 2013 and 2012, our results of operations will include revenues and expenses of HighCom Securities for the entire year.

## **Results of Operations**

### Year Ended December 31, 2013 vs. 2012

Since the acquisition of HighCom, we have worked to rebuild the historical sales of HighCom. Our first sales in HighCom started in July 2011. Occasional sales of BlastWrap and receptacles have continued in BlastGard. For 2013, we had revenues of \$2,068,212 as compared to revenues of \$3,496,433 for the comparable period of the prior year. Our gross profit for 2013 was \$1,031,606 as compared to \$1,133,208 for the comparable period of the prior year. For fiscal 2013, all of our revenues, except for \$53,039 of BlastWrap sales, in which the Company had a gross profit of approximately \$17,773, were achieved through sales of HighCom products.

The decrease in revenues and gross profit for 2013 were primarily the result of a decrease in sales of our HighCom Security product line due to a lighter demand from our third party customers for certain personal protective equipment products. The sales achieved in 2013 were primarily due to sales in two of our major product categories, namely, ballistic plates and ballistic helmets. Management instituted a number of action steps over the past year to realize these sales, namely: a visible presence at industry tradeshows, cultivation of former customers, aggressive pricing, new in-house production facility, web site visibility, greater cost control over raw materials which helped increase our gross margins as well as a new marketing and sales program. We also secured our ISO 2012 certification. The International Organization for Standardization ("ISO") is the world's largest developer of voluntary International Standards. International Standards give state of the art specifications for products, services and good practice, helping to make industry more efficient and effective. Developed through global consensus, our ISO certification breaks down the barriers to international trade which is a major focus of our new sales strategy.

For 2013, our operating expenses were \$1,502,925 as compared to \$1,113,641 for the comparable period of the prior year.

For 2013, we incurred an operating loss of (\$471,319) as compared to an operating income of \$19,567 for the comparable period of the prior year.

For 2013, we incurred a net loss of (\$2,035,156) as compared to a net income of \$1,044,967 for the comparable period of the prior year. In 2013, our net loss included a loss on derivative liability of \$761,221 and \$1,103,000 of interest and amortization of debt discount offset by a gain on the settlement of debt of \$306,318. This resulted in a 2013 total other expense of \$1,557,903 charged against our 2013 net income. In 2012, our net income benefited from a gain on derivative liability of \$1,774,584 and other income of \$142,658, less interest expenses of \$882,685. This resulted in 2012 total other income of \$1,034,557 which benefited our 2012 net income.

### Sales Backlog

As of December 31, 2013, the Company had approximately \$183,260 in backlog of sales orders believed to be firm and all of which were shipped in the first quarter of 2014. The Company had \$180,000 in backlog sales orders as of December 31, 2012.

## **Liquidity and Capital Resources.**

At December 31, 2013, we had current assets of \$971,882 as compared to current liabilities of \$2,036,783, resulting in a working capital deficit of \$1,064,901. During fiscal 2013, net cash used by operating activities was \$567,425. This was a direct result of decreased sales and profitability. Our 2013 net loss of \$2,035,156 included a derivative loss of \$761,221 and an amortization of debt discount of \$986,419 as well

as depreciation amortization of \$266,138. During 2013, net cash provided by financing activities was \$290,434 which included \$260,310 derived from the exercise of warrants. During 2013, net cash used in investing activities was \$36,182 primarily associated with the build out of our test range.

At December 31, 2012, we had current assets of \$899,480 as compared to current liabilities of \$3,850,337, resulting in a working capital deficit of \$2,950,857. At December 31, 2012, we owed \$2,492,565 in principle and interest on notes payable and \$1,278,590 in payables and accruals.

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. As shown in the accompanying financial statements, we have a history of recurring losses, and as of December 31, 2013, we have a working capital deficit and a net capital deficiency. These factors, among others, may indicate that we may be unable to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability of assets and classification of liabilities that might be necessary should we be unable to continue as a going concern. Our continuation as a going concern is dependent upon our ability to generate sufficient cash flow to meet our obligations on a timely basis and ultimately to attain profitability. The Company has a plan of financing to obtain cash to finance its operations through the sale of equity and debt borrowing. 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. 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."

In 2012, we managed our operations entirely through new sales, cash flow from operations and effective utilizing the cash proceeds from debt financing received in November 2011. In the past, we also relied on borrowings from our Chief Executive Officer/Chief Financial Officer who loaned the Company approximately \$328,000 as of December 31, 2013, and from our financial institution with a personal guaranty of our Chief Executive Officer/Chief Financial Officer. We anticipate that our current and future liquidity requirements will arise from the need to finance our operations, accounts receivable and inventories, and from the need to fund our growth from operations, current debt obligations and capital expenditures. The primary sources of funding for such requirements are expected to be cash generated from operations and raising additional capital from the anticipated exercise of outstanding warrants, the success of which cannot be assured. We estimate that we will require between \$1.0 million and \$1.5 million in additional financing from the exercise of outstanding warrants or from additional financing and cash flow from operations to support our operating needs 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.

We have no known demands or commitments and are not aware of any events or uncertainties as of December 31, 2013 that will result in or that are reasonably likely to materially increase or decrease our current liquidity.

#### **Capital Resources.**

We had no material commitments for capital expenditures as of December 31, 2013 and 2012.

#### **Off Balance Sheet Arrangements.**

We currently have no off-balance sheet arrangements.

#### **Acquisition of HighCom**

On January 25, 2011, BlastGard International, Inc. ("BlastGard") entered into a binding Letter of Intent ("LOI") with HighCom Security, Inc. ("HighCom") under which BlastGard would acquire 100% of the common stock of HighCom. Under the LOI, the HighCom stockholders were entitled to the following: (a) 10,000,000 shares of common stock upon execution of the definitive stock purchase agreement by all parties; (b) 100 Preferred convertible into 10,000,000 shares of common stock at such time as the company achieves a gross revenue of \$5 million dollars within 18 months of close; (c) 100 Preferred convertible into

10,000,000 shares of common stock at such time as the company achieves a gross revenue of \$10 million dollars within 24 months of close; and lastly (d) 150 Preferred convertible into 15,000,000 shares of common stock at such time as the company achieves a gross revenue of \$15 million dollars within 30 months of close. HighCom's shareholders shall be entitled to a *pro rata* delivery of earn-out shares in the event a milestone is not 100% achieved or in the event BlastGard does not raise the amount of Two Million Five Hundred Thousand Dollars (\$2,500,000). At Closing, BGI shall deliver its promissory notes representing its promise to pay \$200,000 to HighCom shareholders at the earlier of ninety days or upon receipt of audited financials from HighCom, unless HighCom fails to provide the requested material to the extent they exist with such audit to start within ten days or as soon as practicable. An additional payment of \$100,000 will be released upon revenues of \$2 million dollars being achieved by HighCom which shall be paid pro-rata and shall be calculated based on revenue achieved at the end of 8 months post close. All sales mentioned above refer to sales from products presently marketed by HighCom.

On March 4, 2011, among other changes the LOI was 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 from a non-affiliated person 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 Earnout provisions contained in the LOI. As of the filing date of this Form 10-K, these 21 shares of HighCom have not been purchased by us. 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. As of December 31, 2013, 11,076,953 earn-out shares of common stock have accrued based on revenue goals reached.

### **Background of Secured Financings of BlastGard and Conversion into Common Stock**

Alpha Capital Anstalt, a secured debt holder which first loaned us money in December 2004, loaned us \$160,000 in February 2011, an additional \$300,000 in March 2011, an additional \$300,000 in September 2011 and an additional \$500,000 in November 2011 pursuant to secured convertible promissory notes. At December 31, 2012, the Company owed \$1,210,000 in principal (exclusive of accrued interest of \$206,314.71) to Alpha Capital Anstalt after reduction of principal of approximately \$50,000 which was converted into Common Stock in 2012.

As of March 21, 2013, the Company had outstanding \$1,267,707.07 in principal debt, including accrued interest thereon owed to Alpha Capital Anstalt, pursuant to secured promissory notes (collectively the "Company Debt"). Pursuant to an amendment and consent, all of the debt owed to Alpha Capital, which was previously past due and were the subject of security agreements, guarantee and other transaction documents, to the extent outstanding, have had their maturity date extended through June 14, 2013 and their conversion price lowered from \$0.010 per share to \$0.009 per share.

On April 4, 2013, Alpha Capital Anstalt, closed on an agreement dated March 21, 2013 (the "Purchase and Exchange Agreement") with 8464081 Canada Inc. (the "Purchaser") to sell to the Purchaser and its assignees the Company's Debt in the principal amount, including accrued interest thereon, of \$1,267,770.07 (which excludes \$182,000 of the principal due on this note that was maintained by Alpha Capital) owned by it plus warrants to purchase 104,333,335 shares (exercisable at \$0.01 per share). The agreements required that within three (3) months of March 21, 2013, that the Purchaser shall convert all the notes acquired by it at the current conversion price of \$0.009 per share. Alpha Capital Anstalt (the "Seller") has also committed to convert the \$182,000 of principal retained by it into shares of the Company's Common Stock at the same conversion price. Also, the agreement required the Purchaser to offer to purchase the other December 2004 Debt for a purchase price equal to the total amount of principal and interest due on each note with a 10% premium.

On April 23, 2013, the aforementioned secured note holders converted their debt in the principal amount of approximately \$1.451 million including accrued interest thereon into 161,269,410 shares of common stock at a conversion price of \$.009 per share. Of the 161,269,410 shares, 132,426,499 shares were issued to 8464081 Canada Inc., 20,222,222 shares were issued to Alpha Capital Anstalt and 8,620,689 shares were issued to Laurentian Bank Securities ITF Robocheyne Consulting Ltd. Exemption from registration is claimed under Section 3(a)(9) of the Securities Act of 1933, as amended.

At December 31, 2012, the Company had outstanding other secured indebtedness borrowed in December 2004 in the amount of \$125,663. At September 30, 2013, this other secured indebtedness was reduced to \$32,566 as a result of the conversion of principal and accrued interest into 12,218,869 shares of Common Stock at a conversion price of \$.009 per share. As part of Alpha Capital Anstalt's agreement with 8464081 Canada, 8464081 Canada is reportedly in the process of purchasing this other secured indebtedness which approximates \$45,000, including accrued interest thereon, and, upon the completion of said purchase, such indebtedness will be converted into Common Stock at \$.009 per share.

Our outstanding secured debt has mandatory redemption provisions. A large portion of the secured debt provides that 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 Transaction Documents), 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 Secured Debt Holder's election, the Company must pay to the Secured Debt Holder not later than ten (10) days after request by such Secured Debt Holder, a sum of money determined by multiplying up to the outstanding principal amount of the Note designated by the Secured Debt Holder, at the Secured Debt Holder'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 Secured Debt Holder 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 the Secured Debt Holder 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 Secured Debt Holder may rescind the election to receive a Mandatory Redemption Payment at any time until such payment is actually received. Liquidated damages calculated that have been paid or accrued for the ten day period prior to the actual receipt of the Mandatory Redemption Payment by such Secured Debt Holder shall be credited against the Mandatory Redemption Payment provided the balance of the Mandatory Redemption Payment is timely paid. "**Change in Control**" is defined as (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 Secured Debt Holder had been obtained by the Company. The foregoing notwithstanding, the Secured Debt Holder may demand and receive from the Company the amount stated above or any other greater amount which the Secured Debt Holder is entitled to receive or demand pursuant to the Transaction Documents.

In connection with the aforementioned loan transactions, we also issued to Alpha Capital Anstalt warrants to purchase 104,333,335 shares of the Company's Common Stock, which warrants are currently exercisable at a reduced exercise price of \$.009 per share, which exercise price is subject to adjustment pursuant to the provisions of the warrant. In the event a fundamental transaction occurs as defined in the warrants, which includes without limitation any person or group acquiring 50% of the aggregate Common Stock of the Company, then the holder of the warrants may have the right to have the warrants redeemed at a price equal to the Black-Scholes value of said warrants. These warrants were sold by Alpha Capital to 8464081 Canada.

Also, pursuant to the Purchase and Exchange Agreement by and among Alpha Capital Amstalt (the “Seller”), 8464081 Canada (the “Purchaser”) and the Company, the parties agreed to the following:

- Purchaser has the right to nominate and appoint to the Board at least 50% of the Board members;
- Purchaser has a right of first refusal to participate in future financings up to its pro rata share of Common Stock of the Company.
- Purchaser undertakes to provide the Company with sufficient capital to allow the Company to conduct its business and remain a going concern until December 31, 2013, subject to further agreements between the Company and Purchaser. All such funding will be provided through equity transactions and will not be funded via debt.

This transaction resulted in the Purchaser, namely, 8464081 Canada Inc., acquiring control of the Company through its acquisition of Warrants to purchase 104,333,335 shares of Common Stock exercisable at \$.01 per share and its acquisition of secured debt in the principal amount of \$1,267,770.07, which together with accrued interest thereon, was convertible at \$.009 per share. The Purchaser paid Seller approximately \$1.82 million to acquire control of the Company, including giving Seller a promissory note in the amount of \$400,000, which note is due on August 31, 2013. The Purchaser and Seller also entered into a Pledge Agreement with respect to a portion of the securities of the Company that were the subject of the change of control.

#### **Critical Accounting Policies**

We prepare our financial statements in conformity with GAAP, which requires management to make certain estimates and assumptions and apply judgments. We base our estimates and judgments on historical experience, current trends and other factors that management believes to be important at the time the financial statements are prepared and actual results could differ from our estimates and such differences could be material. We have identified below the critical accounting policies which are assumptions made by management about matters that are highly uncertain and that are of critical importance in the presentation of our financial position, results of operations and cash flows. Due to the need to make estimates about the effect of matters that are inherently uncertain, materially different amounts could be reported under different conditions or using different assumptions. On a regular basis, we review our critical accounting policies and how they are applied in the preparation our financial statements.

- **Use Of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- **Long-lived Assets.** Long-lived assets such as property, equipment and identifiable intangibles are reviewed for impairment whenever facts and circumstances indicate that the carrying value may not be recoverable. When required impairment losses on assets to be held and used are recognized based on the fair value of the asset. The fair value is determined based on estimates of future cash flows, market value of similar assets, if available, or independent appraisals, if required. If the carrying amount of the long-lived asset is not recoverable from its undiscounted cash flows, an impairment loss is recognized for the difference between the carrying amount and fair value of the asset. When fair values are not available, the Company estimates fair value using the expected future cash flows discounted at a rate commensurate with the risk associated with the recovery of the assets. We did not recognize any impairment losses for any periods presented.
- **Goodwill.** Goodwill represents the premium paid over the fair value of the net tangible and identifiable intangible assets we have acquired in our business combinations. We perform a goodwill impairment test on at least an annual basis. Application of the goodwill impairment test requires significant judgments, including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term rate of growth for the businesses, the useful life over which cash flows will occur and determination of our weighted average cost of capital. Changes in these estimates and assumptions could materially affect the determination of fair value and/or conclusions on goodwill impairment for each reporting unit. We will conduct our annual goodwill impairment test as of December 31 of each year or more frequently if indicators of impairment exist. We periodically analyze whether any such indicators of impairment exist. A significant amount of judgment is involved in determining if an indicator of impairment has occurred. Such indicators may include a sustained significant decline in our share price and market capitalization, a significant adverse change in legal factors or in the business climate, unanticipated competition and/or slower expected growth rates, adverse actions or assessments by a regulator, among others. We compare the fair value of its reporting unit to its respective carrying value, including related goodwill. Future changes in the industry could impact the results of future annual impairment tests. There can be no assurance that future tests of goodwill impairment will not result in impairment charges.
- **Derivative Financial Instruments.** We review the terms of convertible debt issues to determine whether there are embedded derivative instruments, including embedded conversion options, which are required to be bifurcated and accounted for separately as derivative financial instruments. In circumstances where the host instrument contains more than one embedded derivative instrument, including the conversion option, that is required to be bifurcated, the bifurcated derivative instruments are accounted for as a single, compound derivative instrument.

Bifurcated embedded derivatives are initially recorded at fair value and are then revalued at each reporting date with changes in the fair value reported as non-operating income or expense. When the equity or convertible debt instruments contain embedded derivative instruments that are to be bifurcated and accounted for as liabilities, the total proceeds received are first allocated to the fair value of all the bifurcated derivative instruments. The remaining proceeds, if any, are then allocated to the host instruments themselves, usually resulting in those instruments being recorded at a discount from their face value. The discount from the face value of the convertible debt, together with the stated interest on the instrument, is amortized over the life of the instrument through periodic charges to interest expense, using the effective interest method.

Item 8. Financial Statements

The information required by Item 8 and an index thereto commences on page F-1, which pages follow this page.

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CERTIFIED PUBLIC ACCOUNTANTS

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### **Report of Independent Registered Public Accounting Firm**

Board of Directors and Stockholders  
BlastGard International, Inc.  
Clearwater, Florida 33759

We have audited the accompanying consolidated balance sheet of BlastGard International, Inc. (the "Company") for the years ended December 31, 2013 and 2012 and the related consolidated statements of operations, stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of BlastGard International, Inc. as of December 31, 2013 and 2012 and the results of its consolidated operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has working capital deficiencies, an accumulated deficit, and significant loan defaults. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Further information and management's plans in regard to this uncertainty are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

\s\ DKM Certified Public Accountants

DKM Certified Public Accountants  
Clearwater, Florida  
March 31, 2014

**BlastGard International Inc.**  
**Consolidated Statements of Operations**

	For the Years Ended December 31,	
	2013	2012
Revenues	\$ 2,068,212	\$ 3,496,433
Direct costs	1,036,606	2,363,225
Gross Profit	1,031,606	1,133,208
Operating expenses:		
General and administrative	1,069,238	816,259
Research and Development	27,551	49,590
Stock based compensation	139,998	
Amortization and depreciation	266,138	247,792
Total operating expenses	1,502,925	1,113,641
Operating income (loss)	(471,319)	19,567
Non-operating activity		
Other income (expense)	306,318	142,658
Gains on settlement of debt	-	-
Gain (loss) on derivative liability	(761,221)	1,774,584
(Loss) on settlement of assets	-	-
Interest expense	(1,103,000)	(882,685)
Total other income (expense)	1,557,903	1,034,557
Income (loss) before income taxes	(2,029,222)	1,054,124
Minority interest loss	(5,934)	(9,157)
Provision for income taxes	-	-
Net income (loss)	\$ (2,035,156)	\$ 1,044,967
Earnings (loss) per share:		
Basic	\$ (0.01)	\$ 0.012
Dilutive	\$ (0.01)	\$ 0.0042
Weighted average shares outstanding		
Basic	222,270,528	90,386,036
Dilutive	222,270,528	280,941,593

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

**BlastGard International Inc.**  
**Consolidated Statements of Stockholders' Deficit**

	Common		Additional Paid in Capital	Minority Interest	Accumulated Deficit	Stock- Holders' Deficit
	Shares	Par				
Balance at December 31, 2011	90,386,036	90,386	14,694,710	(39,118)	(17,540,517)	(2,794,539)
Minority Interest				9,157		
Net income					1,044,967	1,054,124
Balance at December 31, 2012	<u>90,386,036</u>	<u>\$ 90,386</u>	<u>\$ 14,694,710</u>	<u>\$ (29,961)</u>	<u>\$ (16,495,550)</u>	<u>\$ (1,740,415)</u>
Stock issued for conversion of debt	173,488,279	173,488	1,387,906			1,561,394
Stock issued for exercise of Warrants	28,923,342	28,923	231,387			260,310
Stock issued for services	2,000,000	2,000	38,000			40,000
Options issued for services			99,998			99,998
Net Income (Loss)				5,934	(2,035,156)	(2,029,222)
Balance at December 31, 2013	<u>294,797,657</u>	<u>\$ 294,797</u>	<u>\$ 16,452,001</u>	<u>\$ (24,027)</u>	<u>\$ (18,530,706)</u>	<u>\$ (1,807,935)</u>

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

**BlastGard International Inc.**  
**Consolidated Statement of Cash Flows**

	For the Year Ended December 31,	
	2013	2012
Cash Flows from Operating Activities:		
Net income (loss)	\$ (2,035,156)	\$ 1,044,967
Adjustment to reconcile Net Income to net cash provided by operations:		
Minority interest gain (loss)	5,934	9,157
Depreciation and amortization	266,138	247,792
Amortization of debt discount	986,419	644,228
Gain on contingent liability	-	(62,392)
Stock based compensation	139,998	-
Gain on settlement of debt	(306,318)	-
Derivative (gain) loss	761,221	(1,774,584)
Changes in assets and liabilities:		
Accounts receivable	(63,517)	6,578
Inventory	(322,611)	130,738
Other assets	(1,187)	72,059
Accounts payable and accruals	77,033	(121,444)
Customer deposits	(75,379)	-
Other liabilities	-	52,514
Net Cash (Used) Provided by Operating Activities	(567,425)	249,613
Cash Flows from Investing Activities:		
Purchase of property and equipment	(36,182)	(78,763)
Net Cash Used by Investing Activities	(36,182)	(78,763)
Cash Flows from Financing Activities:		
Proceeds from warrant exercise	260,310	-
Proceeds from issuance of note payable	489,913	-
Repayments of notes payable	(459,789)	(67,645)
Net Cash (Used) Provided by Financing Activities	290,434	(67,645)
Net increase (decrease) in Cash	(313,173)	103,205
Cash at beginning of period	356,426	253,221
Cash at end of period	\$ 43,253	\$ 356,426
Supplemental cash flow information:		
Interest paid	\$ 75,248	\$ 94,547
Taxes paid	\$ -	\$ -

**Supplemental Schedule of Noncash Investing and Financing Activities**

Debt converted to stock	1,561,394
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*The accompanying notes are an integral part of these consolidated financial statements.*

**Blastgard International, Inc.**  
**Notes to Consolidated Financial Statements**

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

***Organization and Basis of Presentation***

BlastGard International, Inc. (the “Company”) was incorporated on September 26, 2003 as BlastGard Technologies, Inc. (“BTI”) in the State of Florida, to design and market proprietary blast mitigation materials. The Company created, designs, develops and markets proprietary blast mitigation materials. The Company’s patented BlastWrap<sup>®</sup> 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 21, 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. 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<sup>®</sup> 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 has a manufacturing facility in Columbus, Ohio for production and has moved the corporate offices to Clearwater, Florida as of May 1, 2011.

HighCom Online HighCom Online was a division offering an online outlet for HighCom Security products. The Company operated out of the HighCom offices. This division was closed as of December 31, 2011.

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 was terminated as of December 31, 2010.

***Principles of Consolidation***

These consolidated financial statements include the assets and liabilities of BlastGard International, Inc. and its subsidiaries as of December 31, 2013 and 2012.

All material intercompany transactions have been eliminated.

***Use of Estimates***

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

### ***Cash and Cash Equivalents***

The Company considered all highly liquid debt instruments with original maturities of three months or less when acquired to be cash equivalents. The Company had \$43,253 and \$356,426 cash and equivalents at December 31, 2013 and December 31, 2012, respectively.

### ***Financial Instruments***

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

### ***Fair Value Measurement***

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

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

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

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

Investments are considered Level 3. There has been no significant deterioration from year to year and therefore no adjustment is proposed to the valuation of investments as of December 31, 2013.

### ***Accounts Receivable***

Accounts receivable consisted of amounts due from customers (mostly government agencies) based in the United States and abroad. The Company considered accounts more than 30 days old to be past due. The Company used the allowance method for recognizing bad debts. When an account was deemed uncollectible, it was written off against the allowance. The Company generally does not require collateral for its accounts receivable. Interest at 1 – ½% is added to balance outstanding at the end of each 30 days.

As of December 31, 2013 and December 31, 2012, management believes an allowance for uncollectible accounts in the amount \$0 and \$27,662 respectively, was adequate.

### ***Related Party Loans Receivable***

Yochanan Cohen is a related party as was the founder of HighCom Security Inc. in 1997.

### ***Inventory***

Inventories are stated at the lower of cost or net realizable value. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The costs of conversion of inventories include raw materials and direct labor and fixed and variable production overheads, taking into account the stage of completion and the normal capacity of production facilities. The cost of inventories is determined using the first-

in, first-out (FIFO) method. Inventory is reduced for the estimated losses due to obsolescence. This reduction is determined for groups of products based on purchases in the recent past and/or expected future demand.

#### ***Property and Equipment and Intangible Assets***

Property and equipment were stated at cost. Depreciation was calculated using the straight-line method over the estimated useful lives of the related assets, ranging from three to seven years. Expenditures for additions and improvements were capitalized, while repairs and maintenance costs were expensed as incurred. The cost and related accumulated depreciation of property and equipment sold or otherwise disposed of were removed from the accounts and any gain or loss was recorded in the year of disposal. Depreciation expense for the years ended December 31, 2013 and 2012 was \$56,554 and \$45,556, respectively.

Intangible property assets are stated at their fair value acquisition cost. Amortization of intellectual property assets is calculated by the straight line method over their specific life (15 years). Historical costs are reviewed and evaluated for their net realizable value of the assets. Amortization expense for the years ended December 31, 2013 and 2012 was \$209,584 and \$202,236, respectively.

#### ***Impairment of Long-Lived Assets***

The Company evaluates the carrying value of its long-lived assets at least annually. Impairment losses were recorded on long-lived assets used in operations when indicators of impairment were present and the undiscounted future cash flows estimated to be generated by those assets were less than the assets' carrying amount. If such assets were impaired, the impairment to be recognized was measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of were reported at the lower of the carrying value or fair value, less costs to sell. Based upon its most recent analysis, the Company believes that no impairment of property and equipment existed at December 31, 2013 and 2012.

#### ***Debt Issue Costs***

The costs related to the issuance of debt were capitalized and amortized to interest expense using the straight-line method over the lives of the related debt. The straight-line method results in amortization that was not materially different from that calculated under the effective interest method. Debt issuance costs totaled \$986,419 and \$644,228 at December 31, 2013 and 2012, respectively.

#### ***Deferred Costs***

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

#### ***Revenue Recognition***

The Company recognizes revenue when it is realized or realizable and earned. The Company considers revenue realized or realizable and earned when all of the following criteria are met:

- (i) persuasive evidence of an arrangement exists,
- (ii) the product has been shipped or the services have been rendered to the customer,
- (iii) the sales price is fixed or determinable, and
- (iv) collectability is reasonably assured.

The Company's product and return policy allows for merchandise purchased directly from the Company to be returned after obtaining a Return Authorization Number during the 30 day period following date of shipment by the Company for a refund of the purchase price.

### ***Research and Development***

Research and development costs were expensed as incurred. Research and development costs totaled \$27,551 and \$49,590 as of December 31, 2013 and 2012.

### ***Advertising***

Advertising costs were expensed as incurred. Advertising costs of \$105,907 and \$425 were incurred during the years ended December 31, 2013 and 2012, respectively.

### ***Shipping and Freight Costs***

The Company includes shipping costs in cost of goods sold.

### ***Income Taxes***

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

### ***Stock-based Compensation***

The Company uses the Black-Scholes option pricing model to estimate the fair value of stock-based awards on the date of grant, using assumptions for volatility, expected term, risk-free interest rate and dividend yield. We have used one grouping for the assumptions as our option grants were primarily basic with similar characteristics. The expected term of options granted has been derived based upon our history of actual exercise behavior and represents the period of time that options granted were expected to be outstanding. Historical data was also used to estimate option exercises and employee terminations. Estimated volatility was based upon our historical market price at consistent points in a period equal to the expected life of the options. The risk-free interest rate was based on the U.S. Treasury yield curve in effect at the time of grant and the dividend yield was based on the historical dividend yield. Compensation expense for stock based compensation is recognized over the vesting period. The Company accounts for non-employee share-based awards in accordance with ASC 505-50 "Equity-based Payments to Non-Employees".

### ***Income (Loss) per Common Share***

Basic net income (loss) per share excludes the impact of common stock equivalents. Diluted net income (loss) per share utilizes the average market price per share when applying the treasury stock method in determining common stock equivalents. As of December 31, 2013 and December 31, 2012, there were 11,550,000 and 7,050,000 vested common stock options outstanding, which were excluded from the calculation of net loss per share-diluted because they were anti-dilutive. In addition, at December 31, 2013 and December 31, 2012 the Company had 75,409,993 and 104,333,335 warrants outstanding, respectively, in connection with convertible promissory notes and stock sales. The warrants were considered anti-dilutive for the year ended December 31, 2013.

### ***Recently Issued Accounting Pronouncements***

From time to time, new accounting pronouncements are issued by the FASB or other standard setting bodies that are adopted by the Company as of the specified effective date. Unless otherwise discussed, we believe that the impact of recently issued standards that are not yet effective will not have a material impact on our financial position or results of operations upon adoption.

In July 2012, the FASB issued ASU 2012-02, Intangibles – Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment. This newly issued accounting standard simplifies how an entity tests indefinite-lived intangible assets by permitting an entity to first assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test. The more likely than not threshold is defined as having a likelihood of more than 50 percent. This ASU is effective for annual and interim impairment tests for fiscal years beginning after September 15, 2012. As the objective is to reduce the cost and complexity of impairment testing, adoption of this standard did not impact our financial position or results of operations.

In December 2011, the FASB issued ASU 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities (ASU 2011-11). This newly issued accounting standard requires an entity to disclose both gross and net information about instruments and transactions eligible for offset in the statement of financial position as well as instruments and transactions executed under a master netting or similar arrangement and was issued to enable users of financial statements to understand the effects or potential effects of those arrangements on its financial position. This ASU is required to be applied retrospectively and is effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013. As this accounting standard only requires enhanced disclosure, the adoption of this standard is not expected to have an impact our financial position or results of operations.

In September 2011, the FASB issued ASU No. 2011-08, “Intangibles-Goodwill and Other (ASC Topic 350) – Testing Goodwill for Impairment.” ASU No. 2011-08 amends the impairment test for goodwill by allowing companies to first assess qualitative factors to determine if it is more likely than not that goodwill might be impaired and whether it is necessary to perform the current two-step goodwill impairment test. The changes to the ASC as a result of this update are effective prospectively for interim and annual periods beginning after December 15, 2011. Adoption of this guidance did not impact our financial position or results of operations.

May 2011, the FASB issued ASU No. 2011-04, “Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs” (ASU 2011-04). This newly issued accounting standard clarifies the application of certain existing fair value measurement guidance and expands the disclosures for fair value measurements that are estimated using significant unobservable (level 3) inputs. This ASU is effective on a prospective basis for annual and interim reporting periods beginning on or after December 15, 2011. The adoption of this standard did not have a material impact on our financial position or results of operations.

Except for rules and interpretive releases of the SEC under authority of federal securities laws and a limited number of grandfathered standards, the *FASB Accounting Standards Codification*<sup>TM</sup> (“ASC”) is the sole source of authoritative GAAP literature recognized by the FASB and applicable to the Company. Management has reviewed the aforementioned rules and releases and believes any effect will not have a material impact on the Company’s present or future financial statements.

**(2) 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 a history of operating losses since inception and has an accumulated deficit of \$18,530,706. For 2013, the Company incurred a net loss of \$2,035,156 largely from a loss on derivative liability totaling \$761,221 and \$1,103,000 of interest and amortization of debt discount. During 2013, net cash was used by operating activities of

approximately \$567,000 primarily as a result of decreased sales in 2013 versus the comparable period of the prior year. The Company can provide no assurances that their operations will continue to be profitable. 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.

**(3) Property and Equipment**

Property and equipment consisted of the following at December 31:

	<u>2013</u>	<u>2012</u>
Equipment	\$ 226,707	\$ 191,748
Furniture	92,106	91,334
Moulds	45,060	45,060
Test Range	<u>110,802</u>	<u>110,351</u>
Gross property	474,675	438,493
Less accumulated depreciation	<u>(361,378)</u>	<u>(304,824)</u>
	<u>\$ 113,297</u>	<u>\$ 133,669</u>

Depreciation expense totaled \$56,554 and \$45,556, respectively, for the years ended December 31, 2013 and 2012.

**(4) Notes Payable**

***Convertible Promissory Notes***

On December 2, 2004, the Company entered into agreements to borrow an aggregate principal amount of \$1,420,000 and to issue to the investors secured convertible notes and common stock purchase warrants.

The Company's convertible promissory notes payable consisted of the following at December 31, 2013 and 2012:

	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Convertible promissory note, \$93,097 (1/4 of previous outstanding notes) issued December 2, 2004, due November 30, 2009, 8% interest	\$ -	\$ 93,097
Convertible promissory note, \$50,000, issued	17,325	17,325

December 2, 2004, due on November 30, 2009, 8% annual interest rate		
Convertible promissory note, \$50,000, issued December 2, 2004, due on November 30, 2009, 8% annual interest rate	15,241	15,241
	32,566	125,663
Less: current maturities	(32,566)	(125,663)
	<u>\$ -</u>	<u>\$ -</u>

At December 31, 2013, there were no warrants outstanding and exercisable associated with the 2004 debt. These warrants were valued at \$0. All convertible promissory notes are presently considered to be in default.

### **Background of Secured Financings of BlastGard and Conversion into Common Stock**

Alpha Capital Anstalt, a secured debt holder which first loaned us money in December 2004, loaned us \$160,000 in February 2011, an additional \$300,000 in March 2011, an additional \$300,000 in September 2011 and an additional \$500,000 in November 2011 pursuant to secured convertible promissory notes. At December 31, 2012, the Company owed \$1,210,000 in principal (exclusive of accrued interest of \$206,314.71) to Alpha Capital Anstalt after reduction of principal of approximately \$50,000 which was converted into Common Stock in 2012.

As of March 21, 2013, the Company had outstanding \$1,267,707.07 in principal debt, including accrued interest thereon owed to Alpha Capital Anstalt, pursuant to secured promissory notes (collectively the "Company Debt"). Pursuant to an amendment and consent, all of the debt owed to Alpha Capital, which was previously past due and were the subject of security agreements, guarantee and other transaction documents, to the extent outstanding, have had their maturity date extended through June 14, 2013 and their conversion price lowered from \$0.010 per share to \$0.009 per share.

On April 4, 2013, Alpha Capital Anstalt, closed on an agreement dated March 21, 2013 (the "Purchase and Exchange Agreement") with 8464081 Canada Inc. (the "Purchaser") to sell to the Purchaser and its assignees the Company's Debt in the principal amount, including accrued interest thereon, of \$1,267,770.07 (which excludes \$182,000 of the principal due on this note that was maintained by Alpha Capital) owned by it plus warrants to purchase 104,333,335 shares (exercisable at \$0.01 per share). The agreements required that within three (3) months of March 21, 2013, that the Purchaser shall convert all the notes acquired by it at the current conversion price of \$0.009 per share. Alpha Capital Anstalt (the "Seller") has also committed to convert the \$182,000 of principal retained by it into shares of the Company's Common Stock at the same conversion price. Also, the agreement required the Purchaser to offer to purchase the other December 2004 Debt for a purchase price equal to the total amount of principal and interest due on each note with a 10% premium.

On April 23, 2013, the aforementioned secured note holders converted their debt in the principal amount of approximately \$1.451 million including accrued interest thereon into 161,269,410 shares of common stock at a conversion price of \$.009 per share. Of the 161,269,410 shares, 132,426,499 shares were issued to 8464081 Canada Inc., 20,222,222 shares were issued to Alpha Capital Anstalt and 8,620,689 shares were issued to Laurentian Bank Securities ITF Robocheyne Consulting Ltd. Exemption from registration is claimed under Section 3(a)(9) of the Securities Act of 1933, as amended.

At December 31, 2012, the Company had outstanding other secured indebtedness borrowed in December 2004 in the amount of \$125,663. At December 31, 2013, this other secured indebtedness was reduced to \$32,566 as a result of the conversion of principal and accrued interest into 12,218,869 shares of Common Stock at a conversion price of \$.009 per share. As part of

Alpha Capital Anstalt's agreement with 8464081 Canada, 8464081 Canada is reportedly in the process of purchasing this other secured indebtedness which approximates \$45,000, including accrued interest thereon, and, upon the completion of said purchase, such indebtedness will be converted into Common Stock at \$.009 per share.

Our outstanding secured debt has mandatory redemption provisions. A large portion of the secured debt provides that 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 Transaction Documents), 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 Secured Debt Holder's election, the Company must pay to the Secured Debt Holder not later than ten (10) days after request by such Secured Debt Holder, a sum of money determined by multiplying up to the outstanding principal amount of the Note designated by the Secured Debt Holder, at the Secured Debt Holder'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 Secured Debt Holder 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 the Secured Debt Holder 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 Secured Debt Holder may rescind the election to receive a Mandatory Redemption Payment at any time until such payment is actually received. Liquidated damages calculated that have been paid or accrued for the ten day period prior to the actual receipt of the Mandatory Redemption Payment by such Secured Debt Holder shall be credited against the Mandatory Redemption Payment provided the balance of the Mandatory Redemption Payment is timely paid. "**Change in Control**" is defined as (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 Secured Debt Holder had been obtained by the Company. The foregoing notwithstanding, the Secured Debt Holder may demand and receive from the Company the amount stated above or any other greater amount which the Secured Debt Holder is entitled to receive or demand pursuant to the Transaction Documents.

In connection with the aforementioned loan transactions, we also issued to Alpha Capital Anstalt warrants to purchase 104,333,335 shares of the Company's Common Stock, which warrants are currently exercisable at a reduced exercise price of \$.009 per share, which exercise price is subject to adjustment pursuant to the provisions of the warrant. In the event a fundamental transaction occurs as defined in the warrants, which includes without limitation any person or group acquiring 50% of the aggregate Common Stock of the Company, then the holder of the warrants may have the right to have the warrants redeemed at a price equal to the Black-Scholes value of said warrants. These warrants were sold by Alpha Capital to 8464081 Canada.

Also, pursuant to the Purchase and Exchange Agreement by and among Alpha Capital Amstalt (the "Seller"), 8464081 Canada (the "Purchaser") and the Company, the parties agreed to the following:

- Purchaser has the right to nominate and appoint to the Board at least 50% of the Board members;

- Purchaser has a right of first refusal to participate in future financings up to its pro rata share of Common Stock of the Company.
- Purchaser undertakes to provide the Company with sufficient capital to allow the Company to conduct its business and remain a going concern until December 31, 2013, subject to further agreements between the Company and Purchaser. All such funding will be provided through equity transactions and will not be funded via debt.

This transaction resulted in the Purchaser, namely, 8464081 Canada Inc., acquiring control of the Company through its acquisition of Warrants to purchase 104,333,335 shares of Common Stock exercisable at \$.01 per share and its acquisition of secured debt in the principal amount of \$1,267,770.07, which together with accrued interest thereon, was convertible at \$.009 per share. The Purchaser paid Seller approximately \$1.82 million to acquire control of the Company, including giving Seller a promissory note in the amount of \$400,000, which note was due on August 31, 2013 and has been paid. The Purchaser and Seller also entered into a Pledge Agreement with respect to a portion of the securities of the Company that were the subject of the change of control.

#### 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. On November 11, 2013, the Board of Directors approved the lowering the conversion price from \$.05 per share to \$.02 per share on these Notes.

The 2011 convertible promissory notes consisted of the following at December 31, 2013 and December 31, 2012:

	December 31, 2013	December 31, 2012
Convertible promissory note, \$160,000, issued February 3, 2011, due on August 31, 2011, 10% annual interest rate	\$ -	\$ 110,000
Convertible promissory note, \$300,000, issued March 3, 2011, due on March 3, 2012, 10% interest rate	-	300,000
Convertible promissory note, \$300,000, issued June 17, 2011, due on June 17, 2012, 10% interest rate	-	300,000
Convertible promissory note, \$500,000, issued November 10, 2011, due on February 10, 2013 10% interest, net of unamortized discount of \$0 and \$22,380, respectively	-	477,620

Convertible promissory note, \$210,000, issued January 31, 2011, due on September 30, 2011, 6% interest rate	210,000	210,000
Convertible promissory note, \$160,000, issued January 31, 2011, due on January 31, 2012, 6% interest rate	160,000	160,000
Convertible promissory note, \$67,025, issued January 31, 2011, due on September 30, 2011, 6% interest rate	67,025	67,025
	<u>437,025</u>	<u>1,624,645</u>
Less: current maturities	(437,025)	(1,624,645)
	<u>\$ -</u>	<u>\$ -</u>

	December 31, 2013	December 31, 2012
Line of credit from Regions Bank, \$100,000, interest only at 8% annually, due on demand	\$ 73,067	\$ 81,574
Line of credit from Fifth Third Bank, \$450,000, interest only at 6.2% annually, due on demand	-	428,716
Revolving credit card facility with Wells Fargo Bank, \$150,000, interest only at 7.5% annually, due on demand	147,382	146,796
Three credit card accounts with major financial institutions varying monthly minimum payments including interest, due on demand	32,017	54,991
	<u>252,466</u>	<u>712,257</u>
Less: current maturities	(252,466)	(712,257)
	<u>\$ -</u>	<u>\$ -</u>

#### Acquisition debt

On March 4, 2011, the Company issued a note payable in association with the purchase of HighCom Security Inc. and on March 21, 2011, the Company issued a note payable in association with the purchase of Acer product designs. These acquisition notes have the following balances at December 31, 2013 and December 31, 2012;

	December 31, 2013	December 31, 2012
HighCom Security acquisition note, original balance, \$194,600, paid down to \$107,674. This loan has zero balance net of receivables due from seller	\$ -	\$ -
Acquisition note for the purchase of Acer product designs,	30,000	30,000

original amount \$30,000, interest at 8%, due 12/31/2011.

	30,000	30,000
Less: current maturities	(30,000)	30,000
	\$ -	\$ -

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. As of June 30, 2011, the Company has stopped making payments on this note and has applied the unpaid balance of \$156,400 against receivables due from the former shareholder that were also acquired in the purchase transaction.

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

The company has issued warrants with convertible promissory notes, the sale of stock and consulting agreements throughout the years. For the year ended December 31, 2010 there was approximately 16,750,000 warrants, valued at approximately \$485,000, outstanding. During the year ended December 31, 2011 all outstanding warrants from the December 31, 2010 expired and approximately 104,333,000 warrants, valued at approximately \$3,016,000, were issued as part of promissory notes made during the year ended December 31, 2011. During the year ended December 31, 2013, 28,923,007 of these warrants were exercised at a reduced price of \$.009 per share, leaving 75,409,993 warrants outstanding at December 31, 2013 valued at approximately \$2,636,827.

To value the warrants issued the Company used the Black-Scholes model. The assumptions used to value the warrants in the Black-Scholes model for the year ended December 31, 2013 are shown in the table below.

Risk-free interest rate	1.470%
Dividend yield	0.00%
Volatility factor	361.53%
Weighted average expected life	2.9 years

(6) **Shareholders' Equity**

***Preferred stock***

The Company was authorized to issue 1,000,000 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***

There were no shares issued during the year ended December 31, 2012.

In April 2013, Blastgard issued 173,488,279 shares of common stock as a conversion of debt in the amount of \$1,561,394. In April 2013, Blastgard issued 28,923,342 shares of common stock for exercise of warrants valued at \$260,310.

In November 2013, Blastgard issued 2,000,000 shares of common stock for services valued at \$40,000.

### **Stock Compensation**

The Company periodically offered options to purchase stock in the company to vendors and employees. No options were granted during the year ended December 31, 2012. The Board's policy with respect to options is to grant options at the fair market value of the stock on the date of grant.

The net cash proceeds from the exercise of stock options for the twelve months ended December 31, 2013 and 2012 were \$260,310 and \$0 respectively. At December 31, 2013, there was no unrecognized compensation cost related to share-based payments which was expected to be recognized in the future.

On November 11, 2013, the Board of Directors approved the following transactions: (i) the issuance of 2,000,000 shares to corporate counsel; and pursuant to his position as chairman of the Company's advisory board an option to purchase 2,000,000 shares of Common Stock which will vest on January 1, 2014 and an option to purchase 2,000,000 shares which will vest on January 1, 2015, exercisable at \$.009 per share so long as Mr. Keifner is still serving as chairman of the Company's advisory board on the vesting date. In his capacity, Mr. Kiefner will serve as a liaison between the Company and its principal shareholder, to attend meetings of the Company's board of directors, to meet with the Company's officers on a regular basis and provide corporate counsel; (ii) lowering the conversion price from \$.05 per share to \$.02 per share of certain notes described in Note 5 in the Notes to Financial Statements; and (iii) granting options to purchase an aggregate of 25,000,000 shares of Common Stock to Michael J. Gordon, Michael L. Bundy and Chad Wright with options exercisable at \$.01 per share from the vesting date through the expiration date of said options. These options have cliff vesting where they are exercisable over a period of time, but they can become immediately vested in the event certain revenue goals are achieved. In the event the Company achieves \$10 million in sales in a calendar year, 25% of the total options will automatically vest. An additional 25% will vest when the Company achieves \$20 million in sales in a calendar year and 50% of the total options granted will automatically vest when the Company achieves \$30 million in sales in a calendar year.

The following table represents stock option activity as of and for the twelve months ended December 31, 2013:

	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Life</u>	<u>Aggregate Intrinsic Value</u>
Options Outstanding - January 1, 2013	7,050,000	\$ 0.03	1.0 years	
Granted	29,000,000	\$ 0.01	5.5 years	
Exercised	-	-		
Forfeited/expired/cancelled	<u>(500,000)</u>	0.03		
Options Outstanding – December 31, 2013	<u>35,550,000</u>	<u>\$ 0.013</u>	<u>5.5 years</u>	<u>\$ -</u>
Outstanding Exercisable – January 1, 2013	7,050,000	\$ 0.03	1.0 years	\$

Outstanding Exercisable – December  
31, 2013 11,550,000 \$ 0.013 5.5 years \$ -

The total grant date fair value of options vested during the twelve months ended December 31, 2013 and 2012 was \$99,998 and \$0, respectively.

**(7) Related Party Transactions**

The Company has a \$100,000 credit line personally secured by the guaranty of the Company's Chief Executive Officer. Of the \$100,000, \$73,067 was owed pursuant to the line of credit (inclusive of interest at 5%) at December 31, 2013 and the remaining \$26,933 is available under such line. The Company's Chief Executive Officer established a personal line of credit with a bank, which he has made available to the Company to utilize. At December 31, 2013, \$327,440 was borrowed and advanced to the Company. These loans are included in the current portion of notes payable.

**(8) Income Taxes**

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

	December 31, 2013	December 31, 2012
U.S. statutory federal rate, graduated	34.00%	34.00%
State income tax rate, net of Federal	3.6%	3.6%
Permanent book-tax differences	0%	(0.03%)
Net operating loss (NOL) for which no tax benefit was available.	-37.6%	-37.57%
<b>Net tax rate</b>	<u><u>0.00%</u></u>	<u><u>0.00%</u></u>

At December 31, 2013, deferred tax assets consisted of a net tax asset of approximately \$6,805,000, due to operating loss carry forwards of approximately \$18,083,000, which was fully allowed for, in the valuation allowance of \$6,805,000. The valuation allowance offsets the net deferred tax asset for which it was more likely than not that the deferred tax assets will not be realized. The change in the valuation allowance for the years ended December 31, 2013 and 2012 totaled approximately \$713,100 and \$(393,000) respectively. The current tax benefit also totaled \$713,100 and \$(393,000) for the years ended December 31, 2013 and 2012, respectively. The net operating loss carry forwards expire through the year 2031.

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

Should the Company undergo an ownership change as defined in Section 382 of the Internal Revenue Code, the Company's tax net operating loss carry forwards generated prior to the ownership change will be subject to an annual limitation, which could reduce or defer the utilization of these losses. The tax years for 2009 through 2012 are still open for inspection by the individual taxing authorities.

**(9) Concentration of Credit Risk for Cash**

The Company has concentrated its credit risk for cash by maintaining deposits in a financial institution, which may at times exceed the amounts covered by insurance provided by the United States Federal Deposit Insurance Corporation (“FDIC”). At December 31, 2013, the Company had no funds in excess of the FDIC insurance limits.

**(10) Commitments and Contingencies**

From time to time the Company may be a party to litigation matters involving claims against the Company. Management believes that there are no current matters that would have a material effect on the Company’s financial position or results of operations.

***Office Lease***

We do not own any real estate properties. BlastGard entered into a lease agreement in January 1, 2009 for office space in Clearwater Florida, which was expanded to two offices in 2011 to accommodate HighCom Security. In 2012, BlastGard moved into a larger office space. Rental payment under the new lease is \$350 per month on a month to month basis.

HighCom leases office and manufacturing space in Columbus, Ohio. 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. In June 2012, the Company entered into a one year lease agreement for approximately 16,200 square feet of office and warehouse space in Columbus, OH. In July 2013, the Company entered into a three year lease agreement for approximately 25,000 square feet of office and warehouse space in Columbus, OH. We believe that our HighCom facility is adequate for present requirements and suitable for the operations involved. Rent payment under the new 3-year lease is \$6,967 per month.

HighCom rents approximately 900 square feet of office space in Aurora, CO on a short-term lease expiring on October 31, 2013 at a rental of \$965 per month. On June 1, 2013, HighCom moved into new space in same office complex and entered into a new one year lease for 450 square feet of office space in Aurora, CO at a rental of \$518 per month.

Rent expense for the nine months ended September 30, 2013 and 2012 was approximately \$50,123 and \$22,000 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 was paid within 30 days after the Defendants deliver to the Company’s counsel an original executed version of the Agreement and a promissory note in the amount of the remaining principal balance to bear interest in the amount of 6% per annum. Upon Verde’s receipt of the payment and promissory note, the parties shall jointly dismiss with prejudice all litigation between them, including the Pinellas County action and the Federal action. The company and Verde also entered into a license agreement whereby BlastGard obtains a fully paid up non-exclusive license for the 2 Verde patents for the remaining life of those patents in exchange for the Company paying Verde a 2% royalty for the life of the patents, on the sales price received by BlastGard for BlastGard’s portion of all blast mitigation products sold by the company (the royalty was not on any third-party’s portion of any product containing blast mitigation products sold by BlastGard). The parties also agreed not to file any complaints with any state, federal or international agency or disciplinary body regarding any of the other parties or any person affiliated with any of the other parties or otherwise make negative statements about them (in other words, a broad non-disparagement clause). The company and

Verde also signed mutual general releases (excepting the obligations above) and a covenant not to sue. At December 31, 2014, the Company was in arrears on the final twelve monthly payments on the settlement. These amounts are included in accrued expenses.

### **Contingent Liability**

In March of 2011, the Company accomplished the acquisition of 100% of HighCom Security, Inc. As part of the consideration given, the Company 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 were to reach certain goals. BlastGard management believed that a portion of the revenue goals were very achievable and valued the contingent consideration at 68% of the market price at the time of the agreement. The balance accrued as a contingent liability pursuant to this transaction as of December 31, 2013 and December 31, 2012 was \$1,170,081 and \$1,170,081, respectively.

The earn-out calculations took into consideration multiple target dates for achievement of the revenue goals forecasted. As of the date of this filing, the final earn-out date of July 25, 2013 has passed, and the final calculation relative to the cash and shares earned consists of \$6,308 and a total of 11,076,953 shares, of which when issued will satisfy this obligation in full. None of these items have been issued as of the date of this report.

### **Exercise of Warrants/Reduction of Debt**

On August 23, 2013, 8464081 Canada Inc. exercised warrants to purchase 28,923,342 shares of the Company's underlying Common Stock at a reduced exercise price of \$0.009 per share due to anti-dilution provisions of said warrants. After this transaction, the Purchaser has warrants remaining to purchase 75,409,993 shares (exercisable at \$0.009 per share).

The Company owed approximately \$435,376 to Fifth Third Bank which was personally guaranteed by the former CEO of HighCom. Recently 8464081 Canada Inc. purchased the Company's note from Fifth Third Bank and took an assignment of the civil judgment on the note entered into against both HighCom and its former CEO. The indebtedness has been reduced to a civil judgment by the bank in the Ohio state court system. The net proceeds of the warrant exercise described in the preceding paragraph were utilized to release the Company from its obligations under the note.

## **(11) Acquisition of HighCom Security, Inc.**

On January 25, 2011, the Company purchased 98.2% of the outstanding stock in HighCom Security, Inc. (HighCom) 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.

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 issued a note payable in the amount of \$196,400 and 9,820,000 shares of common stock as initial consideration and promised up to another \$98,200 in cash and 34,370,000 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. On March 4, 2011, the transaction closed.

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. As such, the recorded assets and liabilities acquired were recorded at fair value and any difference in the net asset values and the consideration given

was recorded as a gain on acquisition or as goodwill. The actual values as of the date of agreement are as follows:

Cash	\$	278
Accounts receivable		85,109
Contract performance bonds		50,500
Refundable taxes		-
Inventory		229,132
Prepaid expenses		6,035
Fixed assets		206,159
Investments		112,764
Deposits		31,891
Due from seller		303,356
Related party loans		107,198
Customer lists		500,000
Website		80,000
Goodwill		2,653,118
	\$	<u>4,365,540</u>
Accounts payable	\$	1,282,234
Accrued expenses		382,819
Short-term loans		45,209
Bank line of credit		454,835
Credit card line 1		150,726
Credit card line 2		49,750
Credit card line 3		24,922
Credit card line 4		9,514
Credit card line 5		47,910
Credit card line 6		1,896
Due to Blastgard		3,500
Loan from related party		10,000
Minority interest		(23,956)
Acquisition note		196,400
Contingent liability		1,238,781
Stock given at closing		491,000
Total liabilities assumed and consideration given	\$	<u>4,365,540</u>

Goodwill was subsequently reduced for changes in the valuation of inventory and liabilities acquired.

## (12) Material Agreements and Transactions

On November 11, 2013, the Board of Directors approved the following transactions: (i) the issuance of 2,000,000 shares to corporate counsel; and pursuant to his position as chairman of the Company's advisory board an option to purchase 2,000,000 shares of Common Stock which will vest on January 1, 2014 and an option to purchase 2,000,000 shares which will vest on January 1, 2015, exercisable at \$.009 per share so long as Mr. Keifner is still serving as chairman of the Company's advisory board on the vesting date. In his capacity, Mr. Kiefner will serve as a liaison between the Company and its principal shareholder, to attend meetings of the Company's board of directors, to meet with the Company's officers on a regular basis and provide corporate counsel; (ii) lowering the conversion price from \$.05 per share to \$.02 per share of certain notes described in Note 5 in the Notes to Financial Statements; and (iii) granting options to purchase an aggregate of 25,000,000 shares of Common Stock to Michael J. Gordon, Michael L. Bundy and Chad Wright with options exercisable at \$.01 per share from the vesting date through the expiration date of said options. These options have cliff vesting where they are exercisable over a period of time, but they can become immediately vested in the event certain revenue goals are achieved. In the event the Company

achieves \$10 million in sales in a calendar year, 25% of the total options will automatically vest. An additional 25% will vest when the Company achieves \$20 million in sales in a calendar year and 50% of the total options granted will automatically vest when the Company achieves \$30 million in sales in a calendar year.

The Company owed approximately \$435,376 to Fifth Third Bank which was personally guaranteed by the former CEO of HighCom. In 2013, 8464081 Canada Inc. purchased the Company's note from Fifth Third Bank and took an assignment of the civil judgment on the note entered into against both HighCom and its former CEO. The indebtedness has been reduced to a civil judgment by the bank in the Ohio state court system. The net proceeds of the warrant exercise described in the preceding paragraph were utilized to release the Company from its obligations under the note.

(13) Subsequent Events

Management has reviewed events subsequent to December 31, 2013 and through March 31, 2014, and has determined that there are no subsequent event disclosures required, except the following:

On March 25, 2014, the Board of Directors approved granting all four directors 500,000 shares exercisable at \$.02 per share. The options are for 5 years and are fully-vested, non statutory stock options. The options to purchase 500,000 shares of the Corporation's Common Stock, effective March 25, 2014, at an exercise price of \$.02 per share were granted to the following persons: Michael J. Gordon, Paul W. Henry, Solomon Mayer and Keith Brill.

## Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

### **(1) Previous Independent Accountants**

- a. On December 17, 2012, the Company was informed that our registered independent public accountant, Peter Messineo, CPA, of Palm Harbor Florida ("PM") declined to stand for re-election. PM has merged his firm into the registered firm of Drake and Klein CPAs PA, as stated in (2) below.
- b. PM's report on the financial statements for the years ended December 31, 2011 and 2010 contained no adverse opinion or disclaimer of opinion and was not qualified or modified as to audit scope or accounting, except that the report contained an explanatory paragraph stating that there was substantial doubt about the Company's ability to continue as a going concern.
- c. Our Board of Directors participated in and approved the decision to change independent accountants. Through the period covered by the financial audit for the years ended December 31, 2011 and 2010 and including its review of financial statements of the quarterly periods through September 30, 2012 there have been no disagreements with PM on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements if not resolved to the satisfaction of PM would have caused them to make reference thereto in their report on the financial statements. Through the interim period December 17, 2012 (the date of decline to stand for re-election of the former accountant), there have been no disagreements with PM on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements if not resolved to the satisfaction of PM would have caused them to make reference thereto in their report on the financial statements.
- d. We have authorized PM to respond fully to the inquiries of the successor accountant
- e. During the years ended December 31, 2011 and 2010 and the interim period through December 17, 2012, there have been no reportable events with us as set forth in Item 304(a)(1)(iv) of Regulation S K.

### **(2) New Independent Accountants:**

- a. On December 17, 2012, the Company engaged DKM Certified Public Accountants ("DKM") of Clearwater, Florida, as its new registered independent public accountant. During the years ended December 31, 2011 and 2010 and prior to December 17, 2012 (the date of the new engagement), we did not consult with DKM regarding (i) the application of accounting principles to a specified transaction, (ii) the type of audit opinion that might be rendered on the Company's financial statements by DKM, in either case where written or oral advice provided by DKM would be an important factor considered by us in reaching a decision as to any accounting, auditing or financial reporting issues or (iii) any other matter that was the subject of a disagreement between us and our former auditor or was a reportable event (as described in Items 304(a)(1)(iv) or Item 304(a)(1)(v) of Regulation S-K, respectively).

## Item 9A. Controls and Procedures

### Evaluation of Disclosure Controls and Procedures

In connection with the preparation of this annual report, an evaluation was carried out by the Registrant's management, with the participation of the principal executive officer and the principal financial officer, of the effectiveness of the Registrant's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 ("Exchange Act")) as of December 31, 2013. Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Commission's rules and forms, and that such information is accumulated

and communicated to management, including the chief executive officer and the chief financial officer, to allow timely decisions regarding required disclosures.

Based on that evaluation, the Registrant's management concluded, as of the end of the period covered by this report, that the Registrant's disclosure controls and procedures were ineffective in recording, processing, summarizing, and reporting information required to be disclosed, within the time periods specified in the Commission's rules and forms, and that such information was not accumulated and communicated to management, including the principal executive officer and the principal financial officer, to allow timely decisions regarding required disclosures. The matters involving internal controls and procedures that our management considered to be material weaknesses under the standards of the Public Company Accounting Oversight Board were: inadequate segregation of duties consistent with control objectives and management is dominated by a single individual/small group without adequate compensating controls, and lack of a functioning audit committee.

#### Management's Report on Internal Control over Financial Reporting

Management believes that the material weaknesses set forth above did not have an effect on our financial results. The management of the Registrant is responsible for establishing and maintaining adequate internal control over financial reporting. The Registrant's internal control over financial reporting is a process, under the supervision of the principal executive officer and the principal financial officer, designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Registrant's financial statements for external purposes in accordance with United States generally accepted accounting principles (GAAP). Internal control over financial reporting includes those policies and procedures that:

- \* Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the Registrant's assets;
- \* Provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the board of directors; and
- \* Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Registrant's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

The Registrant's management conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's internal control over financial reporting was ineffective as of December 31, 2013.

#### Changes in Internal Controls over Financial Reporting

There were no changes in our internal controls over financial reporting that occurred during the fourth quarter of the fiscal year ended December 31, 2013 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

#### Item 9B. Other Information.

Not Applicable.

### PART III

#### Item 10. Directors, Executive Officers and Corporate Governance.

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

Name	Age	Position with Registrant	Director of Registrant Since
Michael J. Gordon (1)	56	CEO, CFO, Director	January 2004
Michael L. Bundy	34	COO, President of HighCom	March 2011
Keith Brill	36	Director	October 2011
Paul W. Henry	66	Director	February 2010
Solomon Mayer	60	Director	October 2011

#### Indemnification of Executive Officers

Michael J. Gordon is Chief Executive Officer and Chief Financial Officer. Michael Bundy serves as President and Chief Operating Officer of HighCom. The biographies of our directors and executive officers are provided below.

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

**Michael L. Bundy** – In March 2011, Michael L. Bundy was retained as the Chief Operating Officer for BlastGard International, and is currently President and Chief Operating Officer of HighCom Security. Mr. Bundy has served as both a Director of Operations and Vice President for HighCom Security of San Francisco from January 2006 through October 2010, where he was responsible for the daily management of operations and logistics. Mr. Bundy will be tasked with overseeing the operational and compliance processes for the combined companies. From March 2000 through January 2005, Mr. Bundy was the President and Managing Member of Castle Logistics, LLC. Castle provided full service transportation intermediary and freight brokerage services for both small and large businesses. Through Castle, Mr. Bundy played a strategic role in helping to develop and implement supply chain management processes and policies to help support the delivery of both raw/finished goods for a number of large publicly traded companies such as; Wal-Mart, Home Depot, Target, K-Mart, Lowes, Sears, Coors Brewing, Pepsi Bottling Group, and several others. Mr. Bundy is currently in the process of earning his BS in Business Management and looks forward to completing his MBA in Organizational leadership, both through Colorado State University. Mr. Bundy also holds several unique and critical certifications with regards to his new position with our company, these include; “TIA Certified Transportation Broker”, “Certified RABQSA Quality Lead Auditor”, and most importantly, he has been recognized by the International Import Export Institute as a “Certified U.S. Export Compliance Officer as 2010”.

**Keith Brill** – In October 2011, Keith Brill was appointed to fill a vacancy on the board of directors. Mr. Brill is a financial executive and management consultant with comprehensive experience in financial management and analysis, operational effectiveness, and IT finance. He is the Managing Director of The Brill Group, LLC, a strategy and management consulting firm established in 2011, that provides corporate finance and operations advisory services. Mr. Brill is also a member of the Board of Directors of Liberty Star Uranium & Metals Corp. (OTCBB: LBSR) and Ironwood Gold Corp. (OTCBB: IROG), positions he has held since December, 2009 and August, 2011, respectively. In 2010, he was the CFO / CIO of AmTrust Realty Corp., a New York-based commercial real estate firm. From 2006 to 2009, Mr. Brill was a financial and IT consultant with PA Consulting Group, Inc., a leading global consulting firm, working in both its Financial Services and Information Technology Practices. He has provided multinational Fortune 500 companies with consulting advice on topics including cost reduction, IT outsourcing, regulatory compliance, and performance benchmarking. Mr. Brill received an International Master of Business Administration (IMBA) from the Moore School of Business, University of South Carolina in May 2005. He graduated from the South Carolina Honors College, University of South Carolina in May 2003 with a Bachelor of Science, magna cum laude, major in Economics and Finance, minor in Spanish. Mr. Brill's extensive business, financial, management and leadership experience in a variety of industries and development stage enterprises particularly qualifies him for service on the Company's Board.

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

**Solomon Mayer** - In October 2011, Solomon Mayer was appointed to fill a vacancy on the board of directors. Mr. Mayer has been President and CEO of Mooney Aviation Company since 1999, which was founded in 1929 and has delivered more than 11,000 aircraft worldwide. Mr. Mayer has held various executive level positions, and has successfully overseen several businesses from conception through profitability. He is a senior business executive with expertise in business relations, sales and marketing, corporate management and enterprise financial path growth and operation, purchasing and negotiations for multi-million dollar businesses and organizations in diverse industries both nationally and internationally. He brings extensive experience in international connections with governments and private industry. He has founded and established Overseas Trading, Incorporated and Far East Electronics Import/Export Corporation; corporations designed to import and export baked goods and electronics. His 35 year career in production sales and management in various different capacities in management and consulting will bring a lot of opportunities to our company. As the Chief Executive Officer of Overseas Trading, Incorporated, Mr. Mayer played an integral part in marketing baking products to Wal-Mart, Shoprite, Pathmark and Pamida. His business strategies at Far East Electronics Import/Export Corporation led to the generation of \$200 million in revenues within the span of five years.

Mr. Mayer created an international call center in India, successfully establishing and implementing a licensed international call service center in conjunction with government agencies in India, servicing the international world-wide market, while maintaining competitive prices and quality control services included: collections, surveys, marketing and sales and served as the Director of Sales and Marketing for Sportswear, Inc. There, he was responsible for launching a hip-hop fashion line, creating sales strategies, and strategically placing factories to support the supply chain throughout the South-Alabama, Georgia, and Louisiana. His Vast experience in China, India, Brazil going back over 30 years was the pioneer in many new ventures that became very popular later on developing import export processes. He was responsible for

development and expansion of new territories in Brazil and Argentina, by creating an assembly factory in a tax free zone working on a joint venture with the government in China thus generating 200 Million dollars in revenue within 5 years and also established a successful Import/Export business in a highly competitive industry.

Mr. Mayer serves on the board of directors and is President of Chai Lifeline, and is a board member of Mishkon and Laniado Hospital, organizations dedicated to assisting profoundly ill children. He is Vice President of International Medical Search Co., a non-profit medical referral organization. He also serves on the board of directors of Mooney Airplane Corporation, Premier Store Fixtures and Supreme Construction and Development. He has excellent ability to hire, train and supervise a loyal and productive force in a high volume environment. He is a creative, entrepreneurial business leader with many skills and much knowledge. Mr. Henry's extensive business, financial, management and leadership experience in a variety of industries and development stage enterprises particularly qualifies him for service on the Company's Board.

### **Vacancy on Board**

In 2013, Andrew McKinnon resigned from the Board for personal reasons creating a vacancy on the Board of Directors.

### **Corporate Governance**

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

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

### **Director Qualifications and Diversity**

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

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

### **Risk Oversight**

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

- *Full Board* - Risks and exposures associated with corporate governance, and management and director succession planning, strategic, financial and execution risks and other current matters that may present material risk to our operations, plans, prospects or reputation.
- *Audit Committee* - Risks and exposures associated with financial matters, particularly financial reporting, tax, accounting, disclosure, internal control over financial reporting, financial policies, investment guidelines and credit and liquidity matters.
- *Compensation Committee* - Risks and exposures associated with leadership assessment, and compensation programs and arrangements, including incentive plans.

### **Board Leadership Structure**

The Chairman of the Board presides at all meetings of the Board. The Chairman is appointed on an annual basis by at least a majority vote of the remaining directors. Currently, the office of Chairman of the Board is vacant. The Company has no fixed policy with respect to the separation of the offices of the Chairman of the Board and Chief Executive Officer. The Board believes that the separation of the offices of the Chairman of the Board and Chief Executive Officer is part of the succession planning process and that it is in the best interests of the company to make this determination from time to time.

### **Review of Risks Arising from Compensation Policies and Practices**

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

### **Code of Ethics**

On August 4, 2004, the Board of Directors established a written code of ethics that applies to our senior executive and financial officers. A copy of the code of ethics is posted on our website at [www.blastgardintl.com](http://www.blastgardintl.com) and or may be obtained by any person, without charge, who sends a written request to BlastGard® International, Inc., c/o Investor Relations, 2451 McMullen Booth Road, Suite 212, Clearwater, FL 33759.

### **COMMITTEES**

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

#### **Compensation Committee**

In March 2007, our Board of Directors established a Compensation Committee and adopted a written charter. Our Compensation Committee consists of Solomon Mayer and has two vacancies. Our Compensation Committee has such powers and functions as may be assigned to it by the Board of Directors from time to time; however, such functions shall, at a minimum, include the following:

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

During fiscal 2013, the Compensation Committee had no meetings.

### Management Committee

In March 2007, our Board of Directors established a Management Committee and adopted a written charter. The members of our Management Committee consist of Paul W. Henry, Michael J. Gordon and Keith Brill. The charter includes, among other things, the following responsibilities of the Management Committee:

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

During fiscal 2013, the Management Committee had no meetings.

### Audit Committee

The sole member of the Company's audit committee is Paul W. Henry. Management believes that Mr. Henry is an independent director and he may be deemed to be a "Financial Expert" within the meaning of Sarbanes Oxley Act of 2002, as amended. Under the National Association of Securities Dealers Automated Quotations ("NASDAQ") definition, an "independent director means a person other than an officer or employee of the Company or its subsidiaries or any other individuals having a relationship that, in the opinion of the Company's board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of the director. The board's discretion in determining director independence is not completely unfettered." Further, under the NASDAQ definition, an independent director is a person who (1) is not currently (or whose immediate family members are not currently), and has not been over the past three years (or whose immediate family members have not been over the past three years), employed by the company; (2) has not (or whose immediate family members have not) been paid more than \$60,000 during the current or past three fiscal years; (3) has not (or whose immediately family has not) been a partner in or controlling shareholder or executive officer of an organization which the company made, or from which the company received, payments in excess of the greater of \$200,000 or 5% of that organizations consolidated gross revenues, in any of the most recent three fiscal years; (4) has not (or whose immediate family members have not), over the past three years been employed as an executive officer of a company in which an executive officer of BlastGard has served on that company's compensation committee; or (5) is not currently (or whose immediate family members are not currently), and has not been over the past three years (or whose immediate family members have not been over the past three years) a partner of BlastGard's outside auditor. The term "Financial Expert" is defined as a person who has the following attributes: an understanding of generally accepted accounting principles and financial statements; has the ability to assess the general application of such principals in connection with the accounting for estimates, accruals and reserves; experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more persons engaged in such activities; an understanding of internal controls and procedures for financial reporting; and an understanding of audit committee functions.

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

- annually reviewing and reassessing the adequacy of the committee’s formal charter;
- reviewing the annual audited financial statements with the Company’s management and its independent auditors and the adequacy of its internal accounting controls;
- reviewing analyses prepared by the Company’s management and independent auditors concerning significant financial reporting issues and judgments made in connection with the preparation of its financial statements;
- being directly responsible for the appointment, compensation and oversight of the independent auditor, which shall report directly to the Audit Committee, including resolution of disagreements between management and the auditors regarding financial reporting for the purpose of preparing or issuing an audit report or related work;
- reviewing the independence of the independent auditors;
- reviewing the Company’s auditing and accounting principles and practices with the independent auditors and reviewing major changes to its auditing and accounting principles and practices as suggested by the independent auditor or its management;
- reviewing all related party transactions on an ongoing basis for potential conflict of interest situations; and
- all responsibilities given to the Audit Committee by virtue of the Sarbanes-Oxley Act of 2002 (which was signed into law by President George W. Bush on July 30, 2002) and all amendments thereto.
- reviewing required PCAOB auditor communications.

During fiscal 2013, the audit committee reviewed the annual audit and quarterly information before filings were made and issued such filings with management and the external auditors.

### **Nominating Committee**

The Board does not currently have a nominating committee.

#### *Stockholder Nominations*

The policy of the Board is to consider properly submitted stockholder nominations for candidates for membership on the Board as described below in the section entitled “Identifying and Evaluating Nominees for Directors” and in our Bylaws. In evaluating such nominations, the Board will address the membership criteria set forth below in the section entitled “Director Qualifications”. Any stockholder nominations proposed for consideration by the Board should include the nominee’s name and qualifications for membership on the Board and other information in accordance with the Company’s Bylaws and should be addressed to:

BlastGard International, Inc.  
2451 McMullen Booth Road, Suite 212,  
Clearwater, FL 33759  
Attn: Michael J. Gordon, Chief Executive Officer

#### *Director Qualifications*

New members of the Board should possess certain core competencies, some of which may include broad experience in business, finance or administration, familiarity with national and international business

matters, and familiarity with the defense and law enforcement industries. In addition to having one or more of these core competencies, members of the Board are identified and considered on the basis of knowledge, experience, integrity, diversity, leadership, reputation, and ability to understand our business.

#### *Identifying and Evaluating Nominees for the Board*

The Board utilizes a variety of methods for identifying and evaluating nominees for the Board. However, there are no specific minimum qualifications that the Board requires to be met by a director nominee recommended for a position on the Board, nor are there any specific qualities or skills that are necessary for one or more of our Board to possess, other than as are necessary to meet any requirements under rules and regulations applicable to us. Although the Board does not have a specific policy with respect to the diversity, the Board considers the extent to which potential candidates possess sufficiently diverse skill sets and diversity characteristics that would contribute to the Board's overall effectiveness. The Board has the duty of regularly assessing the composition of the Board, including the size of the Board, diversity, age, skills and experience in the context of the needs of the Board. In addition, the Board also has the duty of identifying individuals qualified to become members of the Board. Candidates may come to the attention of the Board through current members of the Board, professional search firms, stockholders or other persons. These candidates will be evaluated by the Board and may be considered at any point during the year. As described above, the Board will consider properly submitted stockholder nominations for candidates for the Board. Following verification of the stockholder status of persons proposing candidates, recommendations will be aggregated and considered by the Board. If any materials are provided by a stockholder in connection with the nomination of a director candidate, such materials will be forwarded to the Board. We have previously, and we may in the future, review materials provided by professional search firms or other parties to identify, evaluate and recruit potential director nominees who are not proposed by a stockholder. In addition, a professional search firm may be used to make initial contact with potential candidates to assess, among other things, their availability, fit and major strengths.

#### Communications with the Board

Stockholders may communicate with the Company by writing to: BlastGard International, Inc., Attention: Michael J. Gordon, 2451 McMullen Booth Road, Suite 212, Clearwater, FL 33759. Communications received from stockholders are forwarded directly to the Board, or to any individual member or members, as appropriate, depending on the facts and circumstances outlined in the communication. The Board has authorized the Chief Executive Officer of the Company to exclude communications that are patently unrelated to the duties and responsibilities of the Board, such as spam, junk mail and mass mailings. In addition, material that is unduly hostile, threatening, illegal or similarly unsuitable will be excluded, with the provision that any communication that is filtered out by the Secretary pursuant to the policy will be made available to any non-management director upon request.

#### Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our officers and directors, and persons who own more than ten percent of a registered class of our equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission (the "Commission"). Officers, directors and greater than ten percent stockholders are required by the Commission's regulations to furnish us with copies of all Section 16(a) forms they file. During fiscal 2011, none of our officers or directors filed any forms late to the best of our knowledge. A Form 3 was filed late in April 2013 by 8464081 Canada Inc. Also, the Company believes that Alpha Capital failed to file required Form 4's in fiscal 2013.

#### Item 11. Executive Compensation.

##### Summary Compensation Table

The following table sets forth the overall compensation earned over the fiscal year ended December 31, 2013 and 2012 by (1) each person who served as the principal executive officer of the Company during

fiscal year 2013; and (2) the Company's most highly compensated (up to a maximum of two) executive officers as of December 31, 2013 with compensation during fiscal year 2013 of \$100,000 or more.

Name and Principal Position	Fiscal Year	Salary (\$)	Bonus (\$)	Stock Awards	Warrant/Options Awards (\$ (1))	Non-Equity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$ (2) (3))	Total (\$)
Michael Bundy, COO	2013	\$115,000(4)	\$26,000	-0-	-0-	-0-	-0-	-0-	\$141,000
	2012	\$115,000(4)	\$26,000	-0-	-0-	-0-	-0-	-0-	\$141,000
Michael J. Gordon, CEO/CFO	2013	\$149,714(4)	-0-	-0-	-0-	-0-	-0-	-0-	\$149,714
	2012	\$149,714(4)	-0-	-0-	-0-	-0-	-0-	-0-	\$149,714

- (1) The options and restricted stock awards presented in this table reflect the full fair value as of the date of grant. However, the accompanying financial statements reflect the dollar amount expensed by the company during applicable fiscal year for financial statement reporting purposes pursuant to guidance issued by the FASB. Such guidance requires the company to determine the overall value of the stock awards and options as of the date of grant. The stock awards are valued based on the fair market value of such shares on the date of grant and are charged to compensation expense over the related vesting period. The options are valued at the date of grant based upon the Black-Scholes method of valuation, which is expensed over the service period over which the options become vested. As a general rule, for time-in-service-based options, the company will immediately expense any option or portion thereof which is vested upon grant, while expensing the balance on a pro rata basis over the remaining vesting term of the option. For a description of the guidance issued by the FASB and the assumptions used in determining the value of the options under the Black-Scholes model of valuation, see the notes to the consolidated financial statements included with this Form 10-K.
- (2) Includes all other compensation not reported in the preceding columns, including (i) perquisites and other personal benefits, or property, unless the aggregate amount of such compensation is less than \$10,000; (ii) any "gross-ups" or other amounts reimbursed during the fiscal year for the payment of taxes; (iii) discounts from market price with respect to securities purchased from the company except to the extent available generally to all security holders or to all salaried employees; (iv) any amounts paid or accrued in connection with any termination (including without limitation through retirement, resignation, severance or constructive termination, including change of responsibilities) or change in control; (v) contributions to vested and unvested defined contribution plans; (vi) any insurance premiums paid by, or on behalf of, the company relating to life insurance for the benefit of the named executive officer; and (vii) any dividends or other earnings paid on stock or option awards that are not factored into the grant date fair value required to be reported in a preceding column.
- (3) Includes compensation for service as a director described under Director Compensation, below.
- (4) Salary includes commissions and accrued cash compensation. The salary paid to Michael Gordon in 2013 included commissions of approximately \$53,000 based on total quarterly sales.

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. On November 11, 2013, the Board of Directors approved the lowering the conversion price from \$.05 per share to \$.02 per share on these Notes.

The foregoing table does not reflect lowering the conversion price on Mr. Gordon's convertible notes.

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

None of the outstanding common share purchase options or other equity-based awards granted to or held by any named executive officer in 2013 (except for the convertible notes described above) were re-priced or otherwise materially modified, including extension of exercise periods, the change of vesting or forfeiture conditions, the change or elimination of applicable performance criteria, or the change of the bases upon which returns are determined, nor was there any waiver or modification of any specified performance target, goal or condition to payout.

#### **Executive Officer Outstanding Equity Awards At Fiscal Year-End**

The following table provides certain information concerning any common share purchase options, stock awards or equity incentive plan awards held by each of our named executive officers that were outstanding as of December 31, 2013.

Name	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#) Unearned	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Rights That Have Not Vested	Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested
Michael Bundy	300,000	0	0	\$ 0.05	05/02/2015	0	0	0	0
Michael Gordon	1,250,000	0	0	\$ 0.03	01/27/2016	0	0	0	0

## Employment Agreements

Effective May 1, 2011, the Company entered into an employment agreement with Michael Bundy with base monthly salary of \$7,500 which increased to \$9,583.33 per month in December 2011 and to \$10,416.67 per month in January 2013. Mr. Bundy's agreement currently terminates on December 31, 2014 and said agreement automatically renews for an additional one year period, unless either party terminates the renewal on or before November 1<sup>st</sup> of each year. Effective April 1, 2007, the Company entered into an employment agreement with Michael Gordon. This agreement terminated on March 21, 2011 and Mr. Gordon is currently serving as an "employee at will." During fiscal 2010 and 2009, Mr. Gordon's salary of \$8,000 per month accrued. At December 31, 2010, the Company owed accrued salary of \$160,000 to Michael J. Gordon. For fiscal years 2013 and 2012, Michael Gordon was paid his salary. As of December 31, 2013, the accrued salary of 2010 and 2009 was converted into a note payable on demand, subject to the noteholders' right to convert the notes into Common Stock at a current conversion price of \$.02 per share. See "Item 13."

## Review of Risks Arising from Compensation Policies and Practices

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

## DIRECTOR COMPENSATION

### Compensation

In fiscal 2013 and 2012, no cash or securities were paid to directors of the Company.

### Summary of Director Compensation for 2013

The following table shows the overall compensation earned for the 2013 fiscal year with respect to each non-employee and non-executive director as of December 31, 2013.

Name and Principal Position	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)(2)	Non-Equity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Paul Henry Director (1)	\$ 0	0	\$0	0	0	-0-	\$ 0
Michael Gordon Director (1)	\$ 0	0	\$0	0	0	-0-	\$ 0
Keith Brill Director (1)	\$ 0	0	\$0	0	0	-0-	\$ 0
Solomon Meyer Director (1)	\$ 0	0	\$0	0	0	-0-	\$ 0

(1) No options for shares of Common Stock were granted in 2013 for those serving on the Board of Directors.

(2) No options and restricted stock awards were presented in this table. However, the accompanying financial statements reflect the dollar amount expensed by the company during applicable fiscal years for financial statement reporting purposes pursuant to guidance issued by the FASB. Such guidance requires the company to determine the overall value of the stock awards and options as of the date of grant. The stock awards are valued based on the fair market value of such shares on the date of grant and are charged to compensation expense over the related vesting period. The options are valued at the date of grant based upon the Black-Scholes method of valuation, which is expensed over the service

period over which the options become vested. As a general rule, for time-in-service-based options, the company will immediately expense any option or portion thereof which is vested upon grant, while expensing the balance on a pro rata basis over the remaining vesting term of the option. For a description of the guidance issued by the FASB and the assumptions used in determining the value of the options under the Black-Scholes model of valuation, see the notes to the consolidated financial statements included with this Form 10-K.

### **2005 Employee and Consulting Compensation Plan**

On November 30, 2005, we established an Employee Benefit and Consulting Compensation Plan (the "2005 Plan") covering 5,000,000 shares. Since stockholder approval of the 2005 Plan will not be obtained by November 30, 2006, then no Incentive Stock Options may be granted after that date under the 2005 Plan. As of February 7, 2011, there were non-statutory stock options to purchase 2,850,000 shares outstanding under the 2005 Plan. On January 28, 2011, the board approved a resolution to increase the 2005 Employee Benefit and Consulting Services Compensation Plan (the "Plan") from 5,000,000 shares to 10,000,000 shares; and granted all four directors and outside counsel an option on 1,250,000 shares exercisable at \$.03 per share. The options are for 5 years and are fully-vested, non-statutory stock options.

### **Administration**

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

### **Types of Awards**

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

### **Stock Options**

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

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

occurs. The termination and other provisions of a non-statutory stock option shall be fixed by the Board of Directors at the date of grant of each respective option.

### **Common Stock Award**

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

### **Eligibility**

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

### **Termination or Amendment of the 2005 Plan**

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

### **Awards**

To date, no options to purchase common shares have been exercised under the 2005 Plan. Unless sooner terminated, the 2005 Plan will expire on November 30, 2015 and no awards may be granted after that date. It is not possible to predict the individuals who will receive future awards under the 2005 Plan or the number of shares of Common Stock covered by any future award because such awards are wholly within the discretion of the Board. The table below contains information as of December 31, 2013 on the known benefits provided to certain persons and group of persons under the 2005 Plan (exclusive of options that terminated on or before December 31, 2013).

	<b>Number of Shares subject to Options</b>	<b>Average exercise price (\$) per Share</b>	<b>Intrinsic value of unexercised options at December 31, 2013</b>
Michael J. Gordon, CEO, CFO, Director	1,250,000	0.03	-0-
Michael Bundy, COO	300,000	0.05	-0-
Paul W. Henry, Director	1,250,000	0.03	-0-
Executive Officers as a group	1,550,000	0.034	-0-
Consultants, Legal Counsel, Former Directors	300,000	0.042	-0-
Non-employee Directors (four persons)	2,500,000	0.03	-0-

- (1) Intrinsic value is calculated by multiplying (a) the difference between the market value per share at December 31, 2013 (based upon a last sales price of \$.01 per share) and the option exercise price by (b) the number of shares of Common Stock underlying the option.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.**

The following table sets forth certain information regarding the beneficial ownership of our common stock as of March 1, 2014 by our executive officers and directors, both individually and as a group. Unless otherwise indicated, all shares are directly beneficially owned and investing power is held by the persons named.

<b>Name and Address of Beneficial Owner <sup>(1)</sup></b>	<b>Amount and Nature of Beneficial Ownership <sup>(1)</sup></b>	<b>Percentage Outstanding <sup>(2)</sup></b>
Michael Bundy <sup>(3)</sup>	300,000	*
Michael J. Gordon <sup>(4,9)</sup>	13,560,000	4.4%
Paul Henry <sup>(5)</sup>	1,815,000	*
Solomon Mayer	-0-	0.0%
Keith Brill	-0-	0.0%
Includes all officers and directors as a group (five persons) <sup>(6)</sup>	15,675,000	5.1%
TangoPoint Partners, LLC	9,666,667	3.3%
Alpha Capital Anstalt Pradafant 7 Furstentums 9490 Vaduz, Liechtenstein	32,545,051	11.0%
8464081 Canada Inc. <sup>(7)</sup>	236,759,834	64.0%

- \* Represents less than 1% of the outstanding shares of Common Stock.
- (1) Unless otherwise indicated, all shares are directly beneficially owned and investing power is held by the persons named. The address of each person is c/o BlastGard<sup>®</sup> International, Inc. at 2451 McMullen Booth Road, Ste., 212, Clearwater, FL 33759.
- (2) Based upon 294,797,657 shares of Common Stock outstanding as of March 1, 2014, plus the amount of shares each person or group has the right to acquire under options, warrants, rights, conversion privileges, or similar obligations.
- (3) Includes options to purchase 300,000 shares of common stock.
- (4) Includes 1,525,000 shares of our common, 285,000 shares beneficially owned by his children, 1,250,000 warrants and 10,500,000 shares of common stock issuable upon conversion of a \$210,000 demand note at \$.05 per share.
- (5) Includes options to purchase 1,250,000 shares.
- (6) Includes options to purchase 2,800,000 shares and notes convertible into 10,500,000 shares.
- (7) 8464081 Canada owns 161,349,841 shares and warrants to purchase 75,409,993 shares.

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

**Equity Compensation Plan Information**

The following summary information is as of March 1, 2014 and relates to our 2005 Stock Option Plan pursuant to which we have granted options to purchase our common stock:

Plan category	(a) Number of shares of common stock to be issued upon exercise of outstanding options	(b) Weighted average exercise price of outstanding options	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding shares reflected in column (a))
Equity compensation			
Plans (1)	6,550,000	\$.042	2,950,000

(1) Our Plan has not been approved by stockholders.

### Item 13. Certain Relationships, Related Transactions and Director Independence

During the last two fiscal years ended December 31, 2013, we entered into the following transactions in which our current officers and directors had a material interest, exclusive of employment contacts and compensation described under Item 11 of this Form 10-K.

(i) During the year ended December 31, 2013, the Company paid approximately \$7,250 on its \$100,000 credit line, which was secured by a personal guarantee of its Chief Financial Officer. As of December 31, 2013, approximately \$73,067 is owed pursuant to the line of credit.

(ii) 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 November 11, 2013, the Board of Directors approved the lowering the conversion price from \$.05 per share to \$.02 per share on these Notes.

### **Background of Secured Financings of BlastGard and Conversion into Common Stock**

Alpha Capital Anstalt, a secured debt holder which first loaned us money in December 2004, loaned us \$160,000 in February 2011, an additional \$300,000 in March 2011, an additional \$300,000 in September 2011 and an additional \$500,000 in November 2011 pursuant to secured convertible promissory notes. At December 31, 2012, the Company owed \$1,210,000 in principal (exclusive of accrued interest of \$206,314.71) to Alpha Capital Anstalt after reduction of principal of approximately \$50,000 which was converted into Common Stock in 2012.

As of March 21, 2013, the Company had outstanding \$1,267,707.07 in principal debt, including accrued interest thereon owed to Alpha Capital Anstalt, pursuant to secured promissory notes (collectively the "Company Debt"). Pursuant to an amendment and consent, all of the debt owed to Alpha Capital, which was previously past due and were the subject of security agreements, guarantee and other transaction documents, to the extent outstanding, have had their maturity date extended through June 14, 2013 and their conversion price lowered from \$0.010 per share to \$0.009 per share.

On April 4, 2013, Alpha Capital Anstalt, closed on an agreement dated March 21, 2013 (the "Purchase and Exchange Agreement") with 8464081 Canada Inc. (the "Purchaser") to sell to the Purchaser and its assignees the Company's Debt in the principal amount, including accrued interest thereon, of \$1,267,770.07 (which excludes \$182,000 of the principal due on this note that was maintained by Alpha

Capital) owned by it plus warrants to purchase 104,333,335 shares (exercisable at \$0.01 per share). The agreements required that within three (3) months of March 21, 2013, that the Purchaser shall convert all the notes acquired by it at the current conversion price of \$0.009 per share. Alpha Capital Anstalt (the "Seller") has also committed to convert the \$182,000 of principal retained by it into shares of the Company's Common Stock at the same conversion price. Also, the agreement required the Purchaser to offer to purchase the other December 2004 Debt for a purchase price equal to the total amount of principal and interest due on each note with a 10% premium.

On April 23, 2013, the aforementioned secured note holders converted their debt in the principal amount of approximately \$1.451 million including accrued interest thereon into 161,269,410 shares of common stock at a conversion price of \$.009 per share. Of the 161,269,410 shares, 132,426,499 shares were issued to 8464081 Canada Inc., 20,222,222 shares were issued to Alpha Capital Anstalt and 8,620,689 shares were issued to Laurentian Bank Securities ITF Robocheyne Consulting Ltd. Exemption from registration is claimed under Section 3(a)(9) of the Securities Act of 1933, as amended.

At December 31, 2012, the Company had outstanding other secured indebtedness borrowed in December 2004 in the amount of \$125,663. At September 30, 2013, this other secured indebtedness was reduced to \$32,566 as a result of the conversion of principal and accrued interest into 12,218,869 shares of Common Stock at a conversion price of \$.009 per share. As part of Alpha Capital Anstalt's agreement with 8464081 Canada, 8464081 Canada is reportedly in the process of purchasing this other secured indebtedness which approximates \$45,000, including accrued interest thereon, and, upon the completion of said purchase, such indebtedness will be converted into Common Stock at \$.009 per share.

Our outstanding secured debt has mandatory redemption provisions. A large portion of the secured debt provides that 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 Transaction Documents), 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 Secured Debt Holder's election, the Company must pay to the Secured Debt Holder not later than ten (10) days after request by such Secured Debt Holder, a sum of money determined by multiplying up to the outstanding principal amount of the Note designated by the Secured Debt Holder, at the Secured Debt Holder'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 Secured Debt Holder 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 the Secured Debt Holder 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 Secured Debt Holder may rescind the election to receive a Mandatory Redemption Payment at any time until such payment is actually received. Liquidated damages calculated that have been paid or accrued for the ten day period prior to the actual receipt of the Mandatory Redemption Payment by such Secured Debt Holder shall be credited against the Mandatory Redemption Payment provided the balance of the Mandatory Redemption Payment is timely paid. "**Change in Control**" is defined as (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 Secured Debt Holder had been obtained by the Company. The foregoing notwithstanding, the Secured Debt Holder may demand and receive from the Company the amount stated above or any other greater amount which the Secured Debt Holder is entitled to receive or demand pursuant to the Transaction Documents.

In connection with the aforementioned loan transactions, we also issued to Alpha Capital Anstalt warrants to purchase 104,333,335 shares of the Company's Common Stock, which warrants are currently

exercisable at a reduced exercise price of \$.009 per share, which exercise price is subject to adjustment pursuant to the provisions of the warrant. In the event a fundamental transaction occurs as defined in the warrants, which includes without limitation any person or group acquiring 50% of the aggregate Common Stock of the Company, then the holder of the warrants may have the right to have the warrants redeemed at a price equal to the Black-Scholes value of said warrants. These warrants were sold by Alpha Capital to 8464081 Canada.

Also, pursuant to the Purchase and Exchange Agreement by and among Alpha Capital Amstalt (the "Seller"), 8464081 Canada (the "Purchaser") and the Company, the parties agreed to the following:

- Purchaser has the right to nominate and appoint to the Board at least 50% of the Board members;
- Purchaser has a right of first refusal to participate in future financings up to its pro rata share of Common Stock of the Company.
- Purchaser undertakes to provide the Company with sufficient capital to allow the Company to conduct its business and remain a going concern until December 31, 2013, subject to further agreements between the Company and Purchaser. All such funding will be provided through equity transactions and will not be funded via debt.

This transaction resulted in the Purchaser, namely, 8464081 Canada Inc., acquiring control of the Company through its acquisition of Warrants to purchase 104,333,335 shares of Common Stock exercisable at \$.01 per share and its acquisition of secured debt in the principal amount of \$1,267,770.07, which together with accrued interest thereon, was convertible at \$.009 per share. The Purchaser paid Seller approximately \$1.82 million to acquire control of the Company, including giving Seller a promissory note in the amount of \$400,000, which note is due on August 31, 2013. The Purchaser and Seller also entered into a Pledge Agreement with respect to a portion of the securities of the Company that were the subject of the change of control.

#### **Exercise of Warrants/Reduction of Debt**

On August 23, 2013, 8464081 Canada Inc. exercised warrants to purchase 28,923,342 shares of the Company's underlying Common Stock at a reduced exercise price of \$0.009 per share due to anti-dilution provisions of said warrants. After this transaction, the Purchaser has warrants remaining to purchase 75,409,993 shares (exercisable at \$0.009 per share).

The Company owed approximately \$435,376.00 to Fifth Third Bank which was personally guaranteed by the former CEO of HighCom. In 2013, 8464081 Canada Inc. purchased the Company's note from Fifth Third Bank and took an assignment of the civil judgment on the note entered into against both HighCom and its former CEO. The indebtedness has been reduced to a civil judgment by the bank in the Ohio state court system. The net proceeds of the warrant exercise described in the preceding paragraph were utilized to release the Company from its obligations under the note.

#### **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 was 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 were to reach certain goals. BlastGard management believed that a portion of the revenue goals were very achievable and valued the contingent consideration at 68% of the market price at the time of the agreement.

As of the date of this filing, the final earn-out date of July 25, 2013 has passed, and the final calculation relative to the cash and shares earned consists of \$6,308 and a total of 11,076,953 shares. None of these items have been issued. See “Item 7.”

Board Members Who Are Deemed Independent

Our board of directors has determined that Paul Henry, Keith Brill, and Solomon Mayer are each an “independent director.” See “Audit Committee” under” Item 10” regarding the definition of an “independent director.”

**Item 14. Principal Accountant Fees and Services**

On December 17, 2012, the Company changed its registered independent public accountant from the firm of Peter Messineo, CPA (“PM”) to DKM Certified Public Accountants. The change was reported to the PCAOB as a change of auditors for the Company.

**(1) Audit Fees**

The aggregate fees billed for each of the last two fiscal years for professional services rendered by the aforementioned firms; the principal accountant for our audit of annual financial statements and review of financial statements included in our Form 10-Qs or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years was:

	DKM
	<hr/>
2013	\$ 15,000
2012	\$ 15,000

**(2) Audit-Related Fees**

The aggregate fees billed in each of the last two fiscal years for assurance and related services by the aforementioned firms; the principal accountants that are reasonably related to the performance of the audit or review of our financial statements and are not reported in the preceding paragraph:

	DKM
	<hr/>
2013	\$ -
2012	\$ -

### (3) Tax Fees

The aggregate fees billed in each of the last two fiscal years for professional services rendered; the principal accountant for tax compliance, tax advice, and tax planning was: CU Klein Accounting and Tax Consultants. As of December 17, 2012 CU Klein is a principal of DKM.

2013	\$	5,250
2012	\$	5,250

### (4) All Other Fees

None.

(5) The percentage of hours expended on the principal accountant's engagement to audit our financial statements for the most recent fiscal year that were attributed to work performed by persons other than the principal accountant's full time, permanent employees was 0%.

## Item 15. Exhibits

### Exhibit

<u>No.</u>	<u>Description</u>
2.1	Agreement and Plan of Reorganization dated January 31, 2004, by and among the Registrant, BlastGard Technologies, Inc., ("BTI") and the shareholders of BTI. (Incorporated by reference to Exhibit 2.4 to the Company's current report on Form 8-K dated January 31, 2004.)
3.1	The Company's Articles of Incorporation, as amended and currently in effect. (Incorporated by reference to Exhibit 3.7 to the Company's quarterly report on Form 10-QSB dated March 21, 2004).
3.1(A)	Amendment to Articles of Incorporation (Incorporated by reference to Form 8-K dated August 2, 2011).
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 21, 2004).
4.1	Subscription Agreement between the Company and the named investors dated December 2, 2004. (Incorporated by reference to exhibit 4.01 of the current report on Form 8-K filed December 3, 2004.)
4.2	Form of Secured Convertible Note issued to the named investors. (Incorporated by reference to exhibit 4.02 of the current report on Form 8-K filed December 3, 2004.)
4.4	Security and Pledge Agreement between the Company and Barbara Mittman as collateral agent for the named investors dated December 2, 2004. (Incorporated by reference to exhibit 4.06 of the current report on Form 8-K filed December 3, 2004.)
4.5	Security and Pledge Agreement between BlastGard Technologies, Inc. and Barbara Mittman as collateral agent for named investors dated December 2, 2004. (Incorporated by reference to exhibit 4.07 of the current report on Form 8-K filed December 3, 2004.)
4.6	Collateral Agent Agreement among the Company, Barbara Mittman (the collateral agent) and the named investors dated December 2, 2004. (Incorporated by reference to exhibit 4.08 of the current report on Form 8-K filed December 3, 2004.)

- 4.7 Guaranty Agreement between BlastGard Technologies, Inc. and Barbara Mittman as collateral agent for named investors dated December 2, 2004. (Incorporated by reference to exhibit 4.09 of the current report on Form 8-K filed December 3, 2004.)
- 4.8 Form of Subscription Agreement between the Company and the named investor dated February 3, 2011. (Incorporated by reference to Exhibit 4.01 of our Form 8-K filed with the SEC on February 4, 2011.)
- 4.9 Form of Secured Convertible Promissory Note issued to the named investor. (Incorporated by reference to Exhibit 4.02 of our Form 8-K filed with the SEC on February 4, 2011.)
- 4.10 Form of Class A Common Stock Purchase Warrant. (Incorporated by reference to Exhibit 4.03 of our Form 8-K filed with the SEC on February 4, 2011.)
- 4.11 Form of Subscription Agreement between the Company and the named investor dated March 10, 2011. (Incorporated by reference to Exhibit 4.01 of our Form 8-K filed with the SEC on March 10, 2011.)
- 4.12 Form of Secured Convertible Promissory Note issued to the named investor. (Incorporated by reference to Exhibit 4.02 of our Form 8-K filed with the SEC on March 10, 2011.)
- 4.13 Form of Class A Common Stock Purchase Warrant. (Incorporated by reference to Exhibit 4.03 of our Form 8-K filed with the SEC on March 10, 2010.)
- 4.14 Form of Subscription Agreement between the Company and the named investor dated June 17, 2011. (Incorporated by reference to form 8-K filed June 23, 2011.)
- 4.15 Form of Secured Convertible Promissory Note issued to the named investor. (Incorporated by reference to form 8-K filed June 23, 2011.)
- 4.16 Form of Class A Common Stock Purchase Warrant. (Incorporated by reference to Form 8-K filed June 23, 2011.)
- 4.17 Form of Subscription Agreement between the Company and the named investor dated November 8, 2011. (Incorporated by reference to Form 10-Q for the quarter ended September 30, 2011.)
- 4.18 Form of Secured Convertible Promissory Note issued to the named investor dated November 8, 2011. (Incorporated by reference to Form 10-Q for the quarter ended September 30, 2011.)
- 4.19 Form of Class A Common Stock Purchase Warrant dated November 8, 2011. (Incorporated by reference to Form 10-Q for the quarter ended September 30, 2011.)
- 10.1 Employment Agreement with James F. Gordon dated January 31, 2004. (Incorporated by reference to Exhibit 10.13 to the Company's quarterly report on Form 10-QSB dated March 21, 2004).
- 10.2 Employment Agreement with Michael J. Gordon dated January 31, 2004. (Incorporated by reference to Exhibit 10.14 to the Company's quarterly report on Form 10-QSB dated March 21, 2004).
- 10.3 Left blank intentionally.
- 10.4 Left blank intentionally.

- 10.5 Alliance Agreement with Centerpoint Manufacturing, Inc. dated October 25, 2004. (Incorporated by reference to Exhibit 10.17 to the Company's registration statement on Form SB-2, pre-effective amendment no. 4 (File No. 333-121455).)
- 10.6 Advisory Agreement with The November Group, Ltd., dated June 29, 2005. (Incorporated by reference to Exhibit 10.18 of the current report on Form 8-K filed July 6, 2005.)
- 10.7 Modification and Waiver Agreement (Incorporated by reference to Exhibit 10.1 in our Form 8-K filed December 8, 2006).
- 10.8 Form of Amended and Restated Second Modification and Waiver Agreement (Incorporated by reference to the Registrant's Exhibit 99.7 contained in our Form 8-K filed June 23, 2006.)
- 10.9 Form of Modification and Warrant Agreement (Incorporated by reference to the Registrant's Exhibit 99.14 contained in our Form 8-K filed June 23, 2006.)
- 10.13 Form of Third Modification and Waiver Agreement (Incorporated by reference to the Registrant's Exhibit 10.25 contained in our Registration Statement, file no. 333-135815.)
- 10.14 Amendment Agreement dated September 15, 2006 to Exhibit 4.11 (Incorporated by reference to Exhibit 10.18 contained in our Form 10-QSB for the quarter ended September 30, 2006).
- 10.15 Waiver Agreement, dated April 18, 2007. (Incorporated by reference to Exhibit 10.1 of our Form 8-K filed with the SEC on April 25, 2007.)
- 10.16 Fourth Waiver and Modification Agreement, dated March 20, 2007. (Incorporated by reference to Exhibit 10.2 of our Form 8-K filed with the SEC on April 25, 2007.)
- 10.17 Management Committee Charter, dated March 23, 2007. (Incorporated by reference to Exhibit 10.3 of our Form 8-K filed with the SEC on April 25, 2007.)
- 10.18 Left blank intentionally.
- 10.19 Employment Agreement for James F. Gordon dated April 1, 2007. (Incorporated by reference to Exhibit 10.5 of our Form 8-K filed with the SEC on April 25, 2007.)
- 10.20 Employment Agreement for Andrew McKinnon dated April 1, 2007. (Incorporated by reference to Exhibit 10.32 contained in our Form 10-QSB for the quarter ended March 21, 2007.)
- 10.21 Left blank intentionally.
- 10.22 Employment Agreement for Michael J. Gordon dated April 1, 2007. (Incorporated by reference to Exhibit 10.9 of our Form 8-K filed with the SEC on April 25, 2007.)
- 10.23 Source Capital March 9, 2007 and April 12, 2007 Waiver Agreements (Incorporated by reference to Exhibit 10.10 of our Form 8-K filed with the SEC on April 25, 2007.)
- 10.24 Employee Benefit and Consulting Services Compensation Plan (Incorporated by reference to Exhibit 99.1 to the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2005).
- 10.25 Fifth Waiver and Modification Agreement with Senior Lenders dated March 20, 2008 Plan (Incorporated by reference to Exhibit 99.1 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008).
- 10.26 Waiver Agreement with 2006 Lenders dated as of March 20, 2008 Plan (Incorporated by reference to Exhibit 99.1 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008).

- 10.27 TangoPoint Agreement, dated December 1, 2010 (Incorporated by reference to Exhibit 10.1 as contained in our Form 10-Q for the quarter ended September 30, 2010.)
- 10.28 Binding Letter of Intent Agreement by and between BlastGard International, Inc. and HighCom Security, Inc. (Incorporated by reference to Exhibit 10.1 of our Form 8-K filed with the SEC on February 2, 2010.)
- 10.29 Settlement Agreement with Bushido Capital Master Fund, L.P. (Incorporated by reference to Exhibit 10.2 of our Form 8-K filed with the SEC on February 2, 2010.)
- 10.30 Settlement Agreement with Pierce Diversified Strategy Master Fund LLC, Series Bus. (Incorporated by reference to Exhibit 10.3 of our Form 8-K filed with the SEC on February 2, 2010.)
- 10.31 Settlement Agreement dated December 22, 2010 by and among Mitch Silverman, TangoPoint Investments, LLC and BlastGard. (Incorporated by reference to Exhibit 10.4 of our Form 8-K filed with the SEC on February 2, 2010.)
- 10.32 Amendment to Letter of Intent by and between the Issuer and HighCom Security Inc. (Incorporated by reference to Form 8-K filed March 10, 2011.)
- 10.33 Form of Purchase and Exchange Agreement dated March 21, 2013. (Incorporated by reference to Form 8-K dated April 4, 2013.)
- 10.34 Form of Amendment and Consent between the Company and the December 2004 debt holders dated March 1, 2013. (Incorporated by reference to Form 8-K dated April 4, 2013.)
- 21.1 Subsidiaries of Registrant\*
- 31(a) Rule 13a-14(a) Certification – Principal Executive and Principal Financial Officer \*
- 32(a) Section 1350 Certification – Principal Executive and Principal Financial Officer \*
- 99.1 Employee Benefit and Consulting Services Compensation Plan (Incorporated by reference to Exhibit 99.1 to the Company’s Annual Report on Form 10-KSB for the fiscal year ended December 31, 2005).
- 99.2 Amendment to Exhibit 99.1 (Incorporated by reference to the Company’s Form 10-K for the fiscal year ended December 31, 2012.
- 99.3 HighCom Press Release dated April 3, 2014.\*
- 101.SCH Document, XBRL Taxonomy Extension \*
- 101.CAL Calculation Linkbase, XBRL Taxonomy Extension Definition \*
- 101.DEF Linkbase, XBRL Taxonomy Extension Labels \*
- 101.LAB Linkbase, XBRL Taxonomy Extension \*
- 101.PRE Presentation Linkbase \*

\* Filed herewith.

## SIGNATURES

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

Dated: April 4, 2014

BLASTGARD® INTERNATIONAL, INC.

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

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

Dated: April 4, 2014

By: /s/ Solomon Mayer  
Solomon Mayer  
Director

Dated: April 4, 2014

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

Dated: April 4, 2014

By: /s/ Paul Henry  
Paul Henry  
Director

Dated: April 4, 2014

By: /s/ Keith Brill  
Keith Brill  
Director

**Exhibit 21.1**

**SUBSIDIARIES OF THE REGISTRANT**

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

HighCom Security, Inc. – California (state of incorporation)

**Exhibit 31.1**  
**CERTIFICATION PURSUANT TO**  
**RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF**  
**1934, AS AMENDED**

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

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

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 4, 2014

/s/ Michael J. Gordon  
\_\_\_\_\_  
Michael J. Gordon  
Principal Executive and Principal Financial Officer

**Exhibit 32.1**

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

In connection with the BlastGard International, Inc. (the “registrant”) on Form 10-K for the year ended December 31, 2013 as filed with the Securities and Exchange Commission on the date hereof (the “report”), I, Michael J. Gordon, Principal Executive and Principal Financial Officer of the registrant, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

April 4, 2014

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

### Exhibit 99.3

#### HighCom Security Announces Two New NIJ 0101.06 Certified Compliant Models

**CLEARWATER FL — April 4, 2014** —HighCom Security, Inc., a leader in the design, development, and manufacturing of USA made hard body armor and related personal protective solutions, today announced the addition of two new hard armor models to their ballistic product line, receiving NIJ compliance status through the National Institute of Justice's Compliance Testing Program (NIJ CTP). The NIJ standard is the only nationally accepted standard for the body armor worn by law enforcement and corrections officers. HighCom is a wholly-owned subsidiary of BlastGard International, Inc. (OTCBB: BLGA).

HighCom's Guardian Series Hard Armor™ product line now includes two new NIJ 0101.06 certified models, the Guardian 4S17™ and the Guardian 3S9™. Built to exceed industry standards at affordable prices, these inserts are designed according to the NIJ ratings for Level IV (4S17) and Level III (3S9), offering law enforcement and military personnel different options for up armor requirements whether concerned about armor piercing threats or high powered rifle threats. NIJ introduced the Ballistic Resistance of Body Armor NIJ Standard-0101.06 to more effectively defend against increased velocities of ammunition calibers and provide improved performance against the threats law enforcement faces in today's world. "During this process we were able to test the boundaries of performance and weight while reducing the cost to law enforcement. Many companies are coming out with what they claim to be the next generation of armor while only slightly reducing weight or improving performance but the prices continue to go up. HighCom solutions prove manufacturers can effectively reduce weight, increase performance, and significantly reduce costs," said Michael Bundy, President of HighCom Security.

Chad Wright, Vice President of Manufacturing said, "Incorporating new development criteria, we were a little skeptical after the tremendous success of past Guardian models, such as the Guardian 4SAS-7™ which is still one of our top selling hard armor models. However, since the completion of our internal advanced R&D and ballistic laboratory in October of 2013, we have expanded our R&D pipeline and accelerated our validation stages. As a result, HighCom's new design model platform will generate several next generation solutions to improve the life-protecting equipment being used by law enforcement today."

These models are commercially available and will be sold through HighCom's global distribution network to Law Enforcement, Federal, Military and Special Ops personnel seeking the most advanced and best performing hard armor protection. These inserts will also be available with all HighCom solutions worldwide, both direct and via the Company's General Services Administration ("GSA") schedule.

#### **About HighCom Security, Inc.**

HighCom Security, Inc. ("HighCom") is a leading provider of high performance and affordable body armor, personal protective equipment, and armor systems and related accessories. The Company's ballistic solutions have been deployed to hundreds of thousands of operators in the world, including the U.S. Armed Forces, Allied forces, Federal Government Agencies, in addition to law enforcement and corrections, and other security personnel, both domestically and abroad. For more information on our Company, please visit our website at [www.highcomsecurity.com](http://www.highcomsecurity.com).

**Media Contact:** Kelly Gordon, HighCom Director of Marketing / Tel: 727-417-8485 /  
Email: [kelly.gordon@highcomsecurity.com](mailto:kelly.gordon@highcomsecurity.com)