

MusclePharm Corp  
Form POS AM  
August 06, 2012

As filed with the Securities and Exchange Commission on August 6, 2012

Registration No. 333-178427

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**POST-EFFECTIVE AMENDMENT No. 1**

**TO**

**FORM S-1**

**REGISTRATION STATEMENT UNDER**

**THE SECURITIES ACT OF 1933**

**MUSCLEPHARM CORPORATION**

(Exact name of registrant as specified in its charter)

|   |   |   |
|---|---|---|
| Nevada  | 2834  | 77-0664193                              |
| (State or other jurisdiction<br>of incorporation) | (Primary Standard Industrial<br>Classification Code Number) | (I.R.S. Employer<br>Identification No.) |

**4721 Ironton Street, Building A**

**Denver, CO 80239**

**Tel: (303) 396-6100**

(Address and telephone number of registrant's principal executive offices and principal place of business)

**Brad Pyatt**

**5348 Vegas Dr.**

**Las Vegas, NV 89108**

**Tel: (702) 953-1890**

(Name, address and telephone number of agent for service)

Communication Copies to:

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Approximate date of commencement of proposed sale to the public: **As soon as practicable after this Registration Statement becomes effective.**

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.  x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, please check the following box and list the Securities Act registration Statement number of the earlier effective registration statement for the same offering.  o

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If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

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

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company

**THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SUCH SECTION 8(a), MAY DETERMINE.**

**EXPLANATORY NOTE**

On January 26, 2012, the U.S. Securities and Exchange Commission declared effective the registration statement on Form S-1 (the “Registration Statement”) filed by MusclePharm Corporation (the “Company”). The Company is filing this post-effective amendment to the Registration Statement for the purpose of updating its financial and other disclosures.

The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the U.S. Securities and Exchange Commission (“SEC”) is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

*Subject to completion, dated August 6, 2012*

## **MUSCLEPHARM CORPORATION**

### **84,400,000 SHARES OF COMMON STOCK**

This prospectus relates to the resale of 84,400,000 Shares of our common stock, par value \$0.001 per share, by the selling security holders (the “Selling Security Holders”), including (i) 10,000,000 Put Shares that we will put to Southridge pursuant to the Equity Purchase Agreement, (ii) 42,000,000 Purchase Shares, and (iii) 32,400,000 Warrant Shares.

The Equity Purchase Agreement provides that Southridge is committed, at our sole option, to purchase up to \$10,000,000 of our common stock. We may draw on the facility from time to time, as and when we determine appropriate in accordance with the terms and conditions of the Equity Purchase Agreement.

Southridge is an “underwriter” within the meaning of the Securities Act of 1933, as amended (the “Securities Act”), in connection with the resale of the Put Shares under the Equity Purchase Agreement. No other underwriter or person has been engaged to facilitate the sale of the Put Shares in this offering. This offering will terminate twenty-four (24) months after the registration statement to which this prospectus is made a part is declared effective by the SEC. Southridge will pay us 94% of the average of the lowest closing bid price of our common stock reported by Bloomberg, LP in any two trading days, consecutive or inconsecutive, of the five consecutive trading day period commencing the date a put notice is delivered.

We will not receive any proceeds from the sale of the Shares. However, we will receive proceeds from the sale of our Put Shares under the Equity Purchase Agreement. The proceeds will be used for working capital or general corporate purposes. We will bear all costs associated with the registration of the Shares under the Securities Act.

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Our common stock is quoted on the OTCBB under the symbol "MSLP.OB." The Shares registered hereunder are being offered for sale by the Selling Security Holders at prices established on the OTCBB during the term of this offering. On August 3, 2012, the closing bid price of our common stock was \$0.01 per share. These prices will fluctuate based on the demand for our common stock.

**This investment involves a high degree of risk. You should purchase shares only if you can afford a complete loss. See "Risk Factors" beginning on page 9.**

**Neither the SEC nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

The date of this prospectus is \_\_\_\_\_, 2012

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You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from that which is contained in this prospectus. This prospectus may be used only where it is legal to sell these securities. The information in this prospectus may only be accurate on the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of securities. This prospectus contains important information about us that you should read and consider carefully before you decide whether to invest in our common stock. If you have any questions regarding the information in this prospectus, please contact Brad Pyatt, our Chief Executive Officer, at: MusclePharm Corporation, 4721 Ironton Street, Denver, CO 80239, or by phone at (303) 396-6100.



## **PROSPECTUS SUMMARY**

This summary highlights certain information contained elsewhere in this prospectus. Because it is a summary, it may not contain all of the information that is important to you. Before investing in our common stock, you should read this entire prospectus carefully, especially the sections entitled "Risk Factors" beginning on page 9 and "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 36, as well as our financial statements and related notes included elsewhere in this prospectus. In this prospectus, the terms "MusclePharm," "Company," "we," "us" and "our" refer to MusclePharm Corporation.

### **Overview**

MusclePharm Corporation was initially incorporated in the State of Nevada on August 4, 2006, under the name Tone in Twenty, for the purpose of engaging in the business of providing personal fitness training using isometric techniques ("Tone in Twenty"). Tone in Twenty was never able to raise the level of funding necessary to commence operations. On February 18, 2010, the Company acquired all of the issued and outstanding equity and voting interests of Muscle Pharm, LLC, a Colorado limited liability company, in exchange for 26,000,000 shares of the Company's common stock. The shares were issued pursuant to that certain Securities Exchange Agreement, dated February 1, 2010 (the "Securities Exchange Agreement"). As a result of this transaction, Muscle Pharm, LLC became a wholly owned subsidiary of the Company. The 26,000,000 shares represented approximately 99.7% of the common stock outstanding following the closing of this transaction. As part of this transaction, the Company's former President sold his 366,662 shares to Muscle Pharm, LLC for \$25,000 and these shares were then cancelled.

As part of the Securities Exchange Agreement, the Company agreed to seek shareholder approval of an amendment to the Company's Articles of Incorporation changing the name of the Company to MusclePharm Corporation." This amendment was approved by a majority of the Company's shareholders and the name change became effective on March 1, 2010.

MusclePharm currently manufactures and markets wide-ranging variety of high-quality sports nutrition products, including: Assault™, Battle Fuel™, Bullet Proof™, Combat™, SHRED Matrix®, and Re-con®. These products are comprised of amino acids, herb, and proteins scientifically tested and proven as safe and effective for the overall health of athletes. These nutritional supplements were created to enhance the effects of workouts, repair muscles, and nourish the body for optimal physical fitness.

### **Sales & Recent Developments**

MusclePharm is an expanding healthy life-style company that develops and distributes a full line scientifically approved nutritional supplements that are 100% free of any banned substances. Based on years of research, MusclePharm products are developed through an advanced six-stage research process involving the expertise of top nutritional scientists and field tested by more than 100 elite professional athletes from various sports including the National Football League, mixed martial arts, and Major League Baseball. The Company's propriety and award winning products address all categories of an active lifestyle, including muscle building, weight loss, and maintaining general fitness through a daily nutritional supplement regimen. MusclePharm products are sold in over 120 countries and available in over 5,000 U.S. retail outlets, including GNC, Vitamin Shoppe, and Vitamin World. The Company also sells its products in over 100 online stores, including bodybuilding.com, amazon.com and vitacost.com.

In 2011, two customers accounted for approximately 55% of net sales. Our largest customer in 2011 represented 41% of our sales. In 2010, three customers accounted for approximately 67% of our sales. The largest customer in 2010 accounted for 45% of our sales.

### **Where You Can Find Us**

Our principal executive office is located at 4721 Ironton Street, Denver, CO 80239, and our telephone number is (303) 396-6100. Our Internet address is [www.musclepharm.com](http://www.musclepharm.com).

## The Offering

### Common Stock Offered by the Selling Security Holders

84,400,000 shares of common stock.

### Common Stock

Outstanding Before the Offering 1,428,102,223 shares of common stock as of August 3, 2012.

### Common Stock

Outstanding After the Offering (1) 1,438,102,223 shares of common stock.

Terms of the Offering The selling security holder will determine when and how they will sell the common stock offered in this prospectus.

Termination of the Offering This offering will terminate at the earlier of (i) the date all of the shares of common stock are sold by the selling security holders or (ii) twenty-four (24) months after the registration statement to which this prospectus is made a part is declared effective by the SEC.

Use of Proceeds We will not receive any proceeds from the sale of the shares of common stock offered by the Selling Security Holders. However, we will receive proceeds from sale of our common stock to the Southridge under the Equity Purchase Agreement. We intend to use net proceeds from our sale of common stock to Southridge for working capital and general corporate purposes. See "Use of Proceeds."

Risk Factors The common stock offered hereby involves a high degree of risk and should not be purchased by investors who cannot afford the loss of their entire investment. See "Risk Factors" beginning on page 9.

OTCBB Symbol MSLP

This number assumes the full sale of the 10,000,000 Put Shares we are registering hereunder that are issuable to (1) Southridge pursuant to the Equity Purchase Agreement but does not include the 32,400,000 Warrant Shares. The 42,000,000 Purchase Shares being registered hereunder have already been issued.

### *Equity Purchase Agreement*

This offering relates to the resale of up to 10,000,000 Put Shares that we will put to Southridge pursuant to the Equity Purchase Agreement. Assuming the resale of all of the shares being offered in this prospectus, such shares would

constitute approximately 0.6% of the Company's outstanding common stock.

On November 4, 2011, the Company and Southridge entered into the Equity Credit Agreement pursuant to which, we have the opportunity, for a two-year period, commencing on the date on which the SEC first declares effective this registration statement (the "Commitment Period"), of which this prospectus forms a part, registering the resale of our common shares by Southridge, to resell shares of our common stock purchased by Southridge under the Equity Credit Agreement.

In order to sell shares to Southridge under the Equity Credit Agreement, during the Commitment Period, the Company must deliver to Southridge a written put notice on any trading day (the "Put Date"), setting forth the dollar amount to be invested by Southridge (the "Put Notice"). For each share of our common stock purchased under the Equity Credit Agreement, Southridge will pay ninety-four percent (94%) of the average of the lowest two closing bid prices on any two applicable trading days, consecutive or inconsecutive, during the five trading days immediately following the date on which the Company has deposited an estimated amount of put shares to Southridge's brokerage account in the manner provided by the Equity Credit Agreement (the "Valuation Period"). The Company may, at its sole discretion, issue a Put Notice to Southridge and Southridge will then be irrevocably bound to acquire such shares.

If, during any Valuation Period, the Company (i) subdivides or combines the common stock; (ii) pays a dividend in shares of common stock or makes any other distribution of shares of common stock; (iii) issues any options or other rights to subscribe for or purchase shares of common stock and the price per share is less than closing price in effect immediately prior to such issuance; (iv) issues any securities convertible into shares of common stock and the consideration per share for which shares of common stock may at any time thereafter be issuable pursuant to the terms of such convertible securities shall be less than the closing price in effect immediately prior to such issuance; (v) issue shares of common stock otherwise than as provided in the foregoing subsections (i) through (iv) at a price per share less than the closing price in effect immediately prior to such issuance, or without consideration; or (vi) makes a distribution of its assets or evidences of its indebtedness to the holders of common stock as a dividend in liquidation or by way of return of capital or other than as a dividend payable out of earnings or surplus legally available for dividends under applicable law (collectively, a “Valuation Event”), then a new Valuation Period shall begin on the trading day immediately after the occurrence of such Valuation Event and end on the fifth trading day thereafter.

We are relying on an exemption from the registration requirements of the Securities Act and/or Rule 506 of Regulation D promulgated thereunder. The transaction does involve a private offering, Southridge is an “accredited investor” and/or qualified institutional buyer and Southridge has access to information about us and its investment.

At the assumed offering price of \$0.01 per share, we will be able to receive up to \$112,800 in gross proceeds, assuming the sale of the entire 10,000,000 Put Shares being registered hereunder pursuant to the Equity Purchase Agreement. We would be required to register 1,049,829,788 additional shares to obtain the balance of \$10,000,000 under the Equity Purchase Agreement at the assumed offering price of \$0.01. Neither the Equity Purchase Agreement nor any rights or obligations of the parties under the Equity Purchase Agreement may be assigned by either party to any other person.

There are substantial risks to investors as a result of the issuance of shares of our common stock under the Equity Purchase Agreement. These risks include dilution of stockholders, significant decline in our stock price and our inability to draw sufficient funds when needed.

Southridge will periodically purchase our common stock under the Equity Purchase Agreement and will, in turn, sell such shares to investors in the market at the market price. This may cause our stock price to decline, which will require us to issue increasing numbers of common shares to Southridge to raise the same amount of funds, as our stock price declines.

**SUMMARY OF FINANCIAL INFORMATION**

The following selected financial information is derived from the Company's Financial Statements appearing elsewhere in this Prospectus and should be read in conjunction with the Company's Financial Statements, including the notes thereto, appearing elsewhere in this Prospectus.

*Summary of Statements of Operations***For the Years Ended December 31 (audited):**

|  | 2011(As<br>Restated) | 2010 (As<br>Restated) |
|--|----------------------|-----------------------|
| Sales  | \$17,212,636         | \$3,202,687           |
| Loss from operations   | \$(16,220,160)       | \$(18,251,836)        |
| Other expense  | \$(7,060,790)        | \$(1,317,501)         |
| Net loss   | \$(23,280,950)       | \$(19,569,337)        |
| Net loss per common share - basic and diluted                            | \$(.08)              | \$(.48)               |
| Weighted average number of common shares outstanding - basic and diluted | 281,484,658          | 41,141,549            |

**For the Three Months Ended March 31 (unaudited):**

|  | 2012           | 2011 (As<br>Restated) |
|--|----------------|-----------------------|
| Sales  | \$16,560,680   | \$3,033,936           |
| Loss from operations   | \$(727,293)    | \$(1,087,225)         |
| Other expense  | \$(15,308,000) | \$(3,924,697)         |
| Net loss   | \$(16,035,293) | \$(5,011,922)         |
| Net loss per common share - basic and diluted                            | \$(.01)        | \$(.03)               |
| Weighted average number of common shares outstanding - basic and diluted | 1,213,820,101  | 146,560,444           |

*Statement of Financial Position***For the Years Ended December 31 (audited):**

|                           | 2011           | 2010          |
|---------------------------|----------------|---------------|
| Cash                      | \$659,764      | \$43,704      |
| Total assets              | \$5,046,128    | \$2,720,981   |
| Working Capital (Deficit) | \$(13,693,267) | \$(1,721,207) |

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|                       |                |               |
|-----------------------|----------------|---------------|
| Long term debt        | \$ 307,240     | \$ 250,000    |
| Stockholders' deficit | \$(12,971,212) | \$(1,744,667) |

**For the Three Months Ended March 31 (unaudited):**

|                           | 2012           | 2011          |
|---------------------------|----------------|---------------|
| Cash                      | \$1,299,235    | \$333,373     |
| Total assets              | \$7,553,307    | \$4,560,606   |
| Working Capital (Deficit) | \$(18,140,341) | \$(3,530,722) |
| Long term debt            | \$248,896      | \$25,027      |
| Stockholders' deficit     | \$(17,209,090) | \$(2,130,839) |

## **RISK FACTORS**

*The following discussion and analysis should be read in conjunction with the other financial information and consolidated financial statements and related notes appearing in this prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results will depend upon a number of factors beyond our control and could differ materially from those anticipated in the forward-looking statements. Some of these factors are discussed below and elsewhere in this prospectus.*

### **Risks Related to Our Business and Industry**

***OUR INDEPENDENT AUDITORS HAVE EXPRESSED SUBSTANTIAL DOUBT ABOUT OUR ABILITY TO CONTINUE AS A GOING CONCERN, WHICH MAY HINDER OUR ABILITY TO OBTAIN FUTURE FINANCING.***

As reflected in the accompanying financial statements, the Company had a net loss of \$23,280,950 and net cash used in operations of \$5,801,761 for the year ended December 31, 2011, and a working capital deficit and stockholders' deficit of \$13,693,267 and \$12,971,212, respectively, at December 31, 2011. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The ability of the Company to continue its operations is dependent on management's plans, which include the raising of capital through debt and/or equity markets with some additional funding from other traditional financing sources, including term notes, until such time that funds provided by operations are sufficient to fund working capital requirements. The Company may need to incur liabilities with certain related parties to sustain the Company's existence.

The Company will require additional funding to finance the growth of its current and expected future operations as well as to achieve its strategic objectives. The Company believes its current available cash along with anticipated revenues may be insufficient to meet its cash needs for the near future. There can be no assurance that financing will be available in amounts or terms acceptable to the Company, if at all.

In response to these problems, management has taken the following actions:



- seeking additional third party debt and/or equity financing;
  
- execute a plan to recapitalize the company;
  
- continue with the implementation of the business plan;
  
- generate new sales from international customers; and
  
- allocate sufficient resources to continue with advertising and marketing efforts.

In their report dated April 13, 2012, our independent auditors stated that our financial statements for the period ended December 31, 2011, were prepared assuming that we would continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. These financial statements do not include any adjustments relating to the recovery of the recorded assets or the classification of the liabilities that might be necessary should the Company be unable to continue as a going concern.

***WE WILL NEED TO RAISE ADDITIONAL CAPITAL TO CARRY OUT OUR BUSINESS PLAN.***

We will need to raise additional capital to fund the growth of our business. There is no guarantee that we will be able to access additional capital at rates and on terms which are attractive to us, if at all. Without the additional funding needed to fund our growth we may not be able to grow as planned.

***OUR FAILURE TO APPROPRIATELY RESPOND TO COMPETITIVE CHALLENGES, CHANGING CONSUMER PREFERENCES AND DEMAND FOR NEW PRODUCTS COULD SIGNIFICANTLY HARM OUR CUSTOMER RELATIONSHIPS AND PRODUCT SALES.***

The nutritional sports supplement industry is characterized by intense competition for product offerings and rapid and frequent changes in consumer demand. Our failure to accurately predict product trends could negatively impact our products and inventory levels and cause our revenues to decline.

Our success with any particular product offering (whether new or existing) depends upon a number of factors, including our ability to:

- deliver products in a timely manner in sufficient volumes;
- accurately anticipate customer needs and forecast accurately to the manufacturer in a rapidly expanding business;
- differentiate our product offerings from those of our competitors;
- competitively price our products; and
- develop and/or acquire new products.

Products often have to be promoted heavily in stores or in the media to obtain visibility and consumer acceptance. Acquiring distribution for products is difficult and often expensive due to slotting and other promotional charges mandated by retailers. Products can take substantial periods of time to develop consumer awareness, consumer acceptance and sales volume. Accordingly, some products fail to gain or maintain sufficient sales volume and as a result have to be discontinued. In a highly competitive marketplace it may be difficult to have retailers open stock-keeping units (sku's) for new products.

***OUR INDUSTRY IS HIGHLY COMPETITIVE, AND OUR FAILURE TO COMPETE EFFECTIVELY COULD ADVERSELY AFFECT OUR MARKET SHARE, FINANCIAL CONDITION AND FUTURE GROWTH.***

The sports supplement industry is highly competitive with respect to:

- price;
  
- shelf space and store placement;
  
- brand and product recognition;
  
- new product introductions; and
  
- raw materials.

Several of our competitors are larger, more established and possess greater financial, personnel, distribution and other resources. We face competition in the health food channel from a limited number of large nationally known manufacturers, private label brands and many smaller manufacturers of dietary supplements.

***WE RELY ON A LIMITED NUMBER OF CUSTOMERS FOR A SUBSTANTIAL PORTION OF OUR SALES, AND THE LOSS OF OR MATERIAL REDUCTION IN PURCHASE VOLUME BY ANY OF THESE CUSTOMERS WOULD ADVERSELY AFFECT OUR SALES AND OPERATING RESULTS.***

In 2011, two customers accounted for approximately 55% of net sales. Our largest customer in 2011 represented 41% of our sales. In 2010, three customers accounted for approximately 67% of our sales. The largest customer in 2010 accounted for 45% of our sales. The loss of any of our major customers, a significant reduction in purchases by any major customer, or, any serious financial difficulty of a major customer, could have a material adverse effect on our sales and results of operations.

| Customer | 2011 | 2010 |
|----------|------|------|
| A        | 41 % | 45 % |
| B        | 14 % | 7 %  |
| C        | - %  | 15 % |

***ADVERSE PUBLICITY OR CONSUMER PERCEPTION OF OUR PRODUCTS AND ANY SIMILAR PRODUCTS DISTRIBUTED BY OTHERS COULD HARM OUR REPUTATION AND ADVERSELY AFFECT OUR SALES AND REVENUES.***

We are highly dependent upon positive consumer perceptions of the safety and quality of our products as well as similar products distributed by other sports nutrition supplement companies. Consumer perception of sports nutrition supplements and our products in particular can be substantially influenced by scientific research or findings, national media attention and other publicity about product use. Adverse publicity from such sources regarding the safety, quality or efficacy of dietary supplements and our products could harm our reputation and results of operations. The mere publication of reports asserting that such products may be harmful or questioning their efficacy could have a material adverse effect on our business, financial condition and results of operations, regardless of whether such reports are scientifically supported or whether the claimed harmful effects would be present at the dosages recommended for such products.

***IF WE ARE UNABLE TO RETAIN KEY PERSONNEL, OUR ABILITY TO MANAGE OUR BUSINESS EFFECTIVELY AND CONTINUE OUR GROWTH COULD BE NEGATIVELY IMPACTED.***

Key management employees include Brad J. Pyatt, Cory Gregory, Jeremy DeLuca, Lewis Gary Davis, Larry Meer, John H. Blucher, and certain other individuals. These key management employees are primarily responsible for our day-to-day operations, and we believe our success depends in large part on our ability to retain them and to continue to attract additional qualified individuals to our management team. Currently, we have executed employment agreements with our key management employees. We anticipate having all key executives under new performance based contracts by the end of the third quarter of 2012. The loss or limitation of the services of any of our key management employees or the inability to attract additional qualified personnel could have a material adverse effect on our business and results of operations. We may obtain key man insurance on one or more key executives.

***OUR OPERATING RESULTS MAY FLUCTUATE, WHICH MAKES OUR RESULTS DIFFICULT TO PREDICT AND COULD CAUSE OUR RESULTS TO FALL SHORT OF EXPECTATIONS.***

Our operating results may fluctuate as a result of a number of factors, many outside of our control. As a result, comparing our operating results on a period-to-period basis may not be meaningful, and you should not rely on our past results as an indication of our future performance. Our quarterly, year-to-date, and annual expenses as a

percentage of our revenues may differ significantly from our historical or projected rates. Our operating results in future quarters may fall below expectations. Each of the following factors may affect our operating results:

- our ability to deliver products in a timely manner in sufficient volumes;
- our ability to recognize product trends;
- our loss of one or more significant customers;
- the introduction of successful new products by our competitors; and
- adverse media reports on the use or efficacy of sports nutrition supplements.

Because our business is changing and evolving, our historical operating results may not be useful to you in predicting our future operating results.

***THE EFFECTS OF THE RECENT GLOBAL ECONOMIC CRISIS MAY IMPACT OUR BUSINESS, OPERATING RESULTS, OR FINANCIAL CONDITION.***

The recent global economic crisis has caused disruptions and extreme volatility in global financial markets and increased rates of default and bankruptcy, and has impacted levels of consumer spending. These macroeconomic developments could negatively affect our business, operating results, or financial condition. For example, if consumer spending continues to decrease, this may result in lower sales.

***OUR BUSINESS AND OPERATIONS ARE EXPERIENCING RAPID GROWTH. IF WE FAIL TO EFFECTIVELY MANAGE OUR GROWTH, OUR BUSINESS AND OPERATING RESULTS COULD BE HARMED.***

We have experienced and expect to continue to experience rapid growth in our operations, which has placed, and will continue to place, significant demands on our management, operational and financial infrastructure. If we do not effectively manage our growth, we may fail to timely deliver products to our customers in sufficient volume or the quality of our products could suffer, which could negatively affect our operating results. To effectively manage this growth, we will need to hire additional persons, particularly in sales and marketing, and we will need to continue to improve our operational, financial and management controls and our reporting systems and procedures. These additional employees, systems enhancements and improvements will require significant capital expenditures and management resources. Failure to implement these improvements could hurt our ability to manage our growth and our financial position.

***WE MAY BE EXPOSED TO MATERIAL PRODUCT LIABILITY CLAIMS, WHICH COULD INCREASE OUR COSTS AND ADVERSELY AFFECT OUR REPUTATION AND BUSINESS.***

As a marketer and distributor of products designed for human consumption, we are subject to product liability claims if the use of our products is alleged to have resulted in injury. Our products consist of vitamins, minerals, herbs and other ingredients that are classified as dietary supplements and in most cases are not subject to pre-market regulatory approval in the United States or internationally. Previously unknown adverse reactions resulting from human consumption of these ingredients could occur.

We have not had any product liability claims filed against us, but in the future we may be, subject to various product liability claims, including among others that our products had inadequate instructions for use, or inadequate warnings concerning possible side effects and interactions with other substances. The cost of defense can be substantially higher than the cost of settlement even when claims are without merit. The high cost to defend or settle product liability claims could have a material adverse effect on our business and operating results.

***OUR INSURANCE COVERAGE OR THIRD PARTY INDEMNIFICATION RIGHTS MAY NOT BE SUFFICIENT TO COVER OUR LEGAL CLAIMS OR OTHER LOSSES THAT WE MAY INCUR IN THE FUTURE.***

We maintain insurance, including property, general and product liability, and workers' compensation to protect ourselves against potential loss exposures. In the future, insurance coverage may not be available at adequate levels or on adequate terms to cover potential losses, including on terms that meet our customer's requirements. If insurance coverage is inadequate or unavailable, we may face claims that exceed coverage limits or that are not covered, which could increase our costs and adversely affect our operating results.

***OUR INTELLECTUAL PROPERTY RIGHTS ARE VALUABLE, AND ANY INABILITY TO PROTECT THEM COULD REDUCE THE VALUE OF OUR PRODUCTS AND BRAND.***

We have invested significant resources to protect our brands and intellectual property rights. However, we may be unable or unwilling to strictly enforce our intellectual property rights, including our trademarks, from infringement. Our failure to enforce our intellectual property rights could diminish the value of our brands and product offerings and harm our business and future growth prospects.

***WE MAY BE SUBJECT TO INTELLECTUAL PROPERTY RIGHTS CLAIMS, WHICH ARE COSTLY TO DEFEND, COULD REQUIRE US TO PAY DAMAGES AND COULD LIMIT OUR ABILITY TO SELL SOME OF OUR PRODUCTS.***

As a marketer and distributor of products designed for human consumption, we are subject to product liability claims if the use of our products is alleged to have resulted in injury. Our products consist of vitamins, minerals, herbs and other ingredients that are classified as dietary supplements and in most cases are not subject to pre-market regulatory approval in the United States or internationally. Previously unknown adverse reactions resulting from human consumption of these ingredients could occur.

***WE RELY ON HIGHLY SKILLED PERSONNEL AND, IF WE ARE UNABLE TO RETAIN OR MOTIVATE KEY PERSONNEL, HIRE QUALIFIED PERSONNEL, WE MAY NOT BE ABLE TO GROW EFFECTIVELY.***

Our performance largely depends on the talents and efforts of highly skilled individuals. Our future success depends on our continuing ability to identify, hire, develop, motivate and retain highly skilled personnel for all areas of our organization, particularly sales and marketing. Competition in our industry for qualified employees is intense. In addition, our compensation arrangements, such as our equity award programs, may not always be successful in attracting new employees and retaining and motivating our existing employees. Our continued ability to compete effectively depends on our ability to attract new employees and to retain and motivate our existing employees.

***An increase in product returns could negatively impact the Company's operating results and profitability.***

The Company permits the return of damaged or defective products and accepts limited amounts of product returns in certain instances. While such returns have historically been nominal and within management's expectations and the provisions established, future return rates may differ from those experienced in the past. Any significant increase in damaged or defective products or expected returns could have a material adverse effect on the Company's operating results for the period or periods in which such returns materialize.

***We have no manufacturing capacity and anticipate continued reliance on third-party manufacturers for the development and commercialization of our products.***

We do not currently operate manufacturing facilities for production of our products. We lack the resources and the capabilities to manufacture our current offered products on a commercial scale. We do not intend to develop facilities for the manufacture of products for clinical trials or commercial purposes in the foreseeable future. We rely on



third-party manufacturers to produce bulk products required to meet our sales needs. We plan to continue to rely upon contract manufacturers and, potentially, collaboration partners to manufacture commercial quantities of our products if and when approved for marketing by the applicable regulatory authorities.

Our contract manufacturers' failure to achieve and maintain high manufacturing standards, in accordance with applicable regulatory requirements, or the incidence of manufacturing errors, could result in patient injury or death, product shortages, product recalls or withdrawals, delays or failures in product testing or delivery, cost overruns or other problems that could seriously harm our business. Contract manufacturers often encounter difficulties involving production yields, quality control and quality assurance, as well as shortages of qualified personnel. Our existing manufacturers and any future contract manufacturers may not perform as agreed or may not remain in the contract manufacturing business. In the event of a natural disaster, business failure, strike or other difficulty, we may be unable to replace a third-party manufacturer in a timely manner and the production of our products would be interrupted, resulting in delays and additional costs.

***A SHORTAGE IN THE SUPPLY OF KEY RAW MATERIALS COULD INCREASE OUR COSTS OR ADVERSELY AFFECT OUR SALES AND REVENUES.***

We obtain all of our raw materials from third-party suppliers with whom we do not have significant long-term supply contracts. Since all of the ingredients in our products are commonly used, we have not experienced any shortages or delays in obtaining raw materials. If things changed, shortages could result in materially higher raw material prices or adversely affect our ability to manufacture a product. Price increases from a supplier would directly affect our profitability if we are not able to pass price increases on to customers. Our inability to obtain adequate supplies of raw materials in a timely manner or a material increase in the price of our raw materials could have a material adverse effect on our business, financial condition and results of operations.

***BECAUSE WE ARE SUBJECT TO NUMEROUS LAWS AND REGULATIONS, AND WE MAY BECOME INVOLVED IN LITIGATION FROM TIME TO TIME, WE COULD INCUR SUBSTANTIAL JUDGMENTS, FINES, LEGAL FEES AND OTHER COSTS.***

Our industry is highly regulated. The manufacture, labeling and advertising for our products are regulated by various federal, state and local agencies as well as those of each foreign country to which we distribute. These governmental authorities may commence regulatory or legal proceedings, which could restrict the permissible scope of our product claims or the ability to manufacture and sell our products in the future. The FDA regulates our products to ensure that the products are not adulterated or misbranded. Failure to comply with FDA requirements may result in, among other things, injunctions, product withdrawals, recalls, product seizures, fines and criminal prosecutions. Our advertising is subject to regulation by the FTC under the FTCA. In recent years the FTC has initiated numerous investigations of dietary supplement and weight loss products and companies. Additionally, some states also permit advertising and labeling laws to be enforced by private attorney generals, who may seek relief for consumers, seek class action certifications, seek class wide damages and product recalls of products sold by us. Any of these types of adverse actions against us by governmental authorities or private litigants could have a material adverse effect on our business, financial condition and results of operations.



## Other Risks Factors

***WE MAY, IN THE FUTURE, ISSUE ADDITIONAL COMMON SHARES, WHICH WOULD REDUCE INVESTORS' PERCENT OF OWNERSHIP AND MAY DILUTE OUR SHARE VALUE.***

Our Articles of Incorporation authorize the issuance of 2,500,000,000 shares of common stock, 5,000,000 shares of Series A Convertible Preferred Stock, 51 shares of Series B Preferred Stock, 500 shares of Series C Convertible Preferred Stock. The Company currently has 9,999,449 shares of blank-check preferred stock authorized but undesignated. The future issuance of common stock may result in substantial dilution in the percentage of our common stock held by our then existing shareholders. We may value any common stock issued in the future on an arbitrary basis. The issuance of common stock for future services or acquisitions or other corporate actions may have the effect of diluting the value of the shares held by our investors, and might have an adverse effect on any trading market for our common stock.

***OUR COMMON STOCK IS QUOTED ON THE OTCBB, WHICH MAY HAVE AN UNFAVORABLE IMPACT ON OUR STOCK PRICE AND LIQUIDITY.***

Our common stock is quoted on the OTCBB. The OTCBB is a significantly more limited market than the New York Stock Exchange or NASDAQ system. The quotation of our shares on the OTCBB may result in a less liquid market available for existing and potential stockholders to trade shares of our common stock, could depress the trading price of our common stock and could have a long-term adverse impact on our ability to raise capital in the future.

***OUR COMMON SHARES ARE SUBJECT TO THE "PENNY STOCK" RULES OF THE SEC AND THE TRADING MARKET IN OUR SECURITIES IS LIMITED, WHICH MAKES TRANSACTIONS IN OUR STOCK CUMBERSOME AND MAY REDUCE THE VALUE OF AN INVESTMENT IN OUR STOCK.***

The Securities and Exchange Commission has adopted Rule 15g-9 which establishes the definition of a "penny stock," for the purposes relevant to us, as any equity security that has a market price of less than \$5.00 per share or with an exercise price of less than \$5.00 per share, subject to certain exceptions.

For any transaction involving a penny stock, unless exempt, the rules require:

- (a) that a broker or dealer approve a person's account for transactions in penny stocks; and
- (b) the broker or dealer receive from the investor a written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased.

In order to approve a person's account for transactions in penny stocks, the broker or dealer must: (a) obtain financial information and investment experience objectives of the person; and (b) make a reasonable determination that the transactions in penny stocks are suitable for that person and the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prescribed by the Commission relating to the penny stock market, which, in highlight form: (a) sets forth the basis on which the broker or dealer made the suitability determination, and (b) that the broker or dealer received a signed, written agreement from the investor prior to the transaction. Generally, brokers may be less willing to execute transactions in securities subject to the "penny stock" rules. This may make it more difficult for investors to dispose of our Common shares and cause a decline in the market value of our stock.

Disclosure also has to be made about the risks of investing in penny stocks in both public offerings and in secondary trading and about the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Finally, monthly statements have to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks.

***LIABILITY OF DIRECTORS FOR BREACH OF DUTY OF CARE IS LIMITED.***

According to Nevada law (NRS 78.138(7)), all Nevada corporations limit the liability of directors and officers, including acts not in good faith. Our stockholders' ability to recover damages for fiduciary breaches may be reduced by this statute. In addition, we are obligated to indemnify our directors and officers regarding stockholder suits which they successfully defend (NRS 78.7502).

***BECAUSE WE DO NOT INTEND TO PAY ANY CASH DIVIDENDS ON OUR COMMON STOCK, OUR STOCKHOLDERS WILL NOT BE ABLE TO RECEIVE A RETURN ON THEIR SHARES UNLESS THEY SELL THEM.***

We intend to retain any future earnings to finance the development and expansion of our business. We do not anticipate paying any cash dividends on our common stock in the foreseeable future. Unless we pay dividends, our stockholders will not be able to receive a return on their shares unless they sell them. There is no assurance that stockholders will be able to sell shares when desired.

***WE WILL INCUR ONGOING COSTS AND EXPENSES FOR SEC REPORTING AND COMPLIANCE, AND WITHOUT REVENUE WE MAY NOT BE ABLE TO REMAIN IN COMPLIANCE WITH THE SEC, MAKING IT DIFFICULT FOR INVESTORS TO SELL THEIR SHARES, IF AT ALL.***

To remain eligible for quotation on the OTCBB, issuers must remain current in their filings with the SEC. Market Makers are not permitted to begin quotation of a security whose issuer does not meet this filing requirement. Securities already quoted on the OTCBB that become delinquent in their required filings will be removed following a 30 or 60 day grace period if they do not make their required filing during that time. In order for us to remain in compliance we will require future revenues to cover the cost of these filings, which could comprise a substantial portion of our available cash resources. If we are unable to generate sufficient revenues to remain in compliance it may be difficult for you to resell any shares you may purchase, if at all.

***WE MAY ISSUE ADDITIONAL SHARES OF PREFERRED STOCK IN THE FUTURE THAT MAY ADVERSELY IMPACT YOUR RIGHTS AS HOLDERS OF OUR COMMON STOCK.***

Our articles of incorporation authorize us to issue up to issue up to 15,000,000 shares of preferred stock in various classes. Currently, the Company has 51 shares of Series B preferred stock outstanding and 190 shares of Series C preferred stock outstanding. The Series C preferred stock is convertible into shares of the Company's common stock.

Our board of directors will have the authority to fix and determine the relative rights and preferences of preferred shares, as well as the authority to issue additional shares, without further stockholder approval. As a result, our board of directors could authorize the issuance of a series of preferred stock that would grant to holders preferred rights to our assets upon liquidation, the right to receive dividends before dividends are declared to holders of our common stock, and the right to the redemption of such preferred shares, together with a premium, prior to the redemption of the common stock. To the extent that we do issue such additional shares of preferred stock, your rights as holders of common stock could be impaired thereby, including, without limitation, dilution of your ownership interests in us. In addition, shares of preferred stock could be issued with terms calculated to delay or prevent a change in control or make removal of management more difficult, which may not be in your interest as a holder of common stock.

***WE ARE REGISTERING AN AGGREGATE OF 10,000,000 SHARES OF COMMON STOCK TO BE ISSUED UNDER THE EQUITY PURCHASE AGREEMENT. THE SALE OF SUCH SHARES COULD DEPRESS THE MARKET PRICE OF OUR COMMON STOCK.***

We are registering an aggregate of 10,000,000 shares of common stock under the registration statement of which this prospectus forms a part for issuance pursuant to the Equity Purchase Agreement. The 10,000,000 shares of our common stock will represent approximately 0.6% of our shares outstanding immediately after our exercise of the put right. The sale of these shares into the public market by Southridge could depress the market price of our common stock.

***THE COMPANY MAY NOT HAVE ACCESS TO THE FULL AMOUNT AVAILABLE UNDER THE EQUITY PURCHASE AGREEMENT.***

We have not drawn down funds and have not issued shares of our common stock under the Equity Purchase Agreement with Southridge. Our ability to draw down funds and sell shares under the Equity Purchase Agreement requires that the registration statement, of which this prospectus is a part, be declared effective by the SEC, and that this registration statement continue to be effective. In addition, the registration statement of which this prospectus is a part registers 10,000,000 total shares of our common stock issuable under the Equity Purchase Agreement, and our ability to access the Equity Purchase Agreement to sell any remaining shares issuable under the Equity Purchase Agreement is subject to our ability to prepare and file one or more additional registration statements registering the resale of these shares. These subsequent registration statements may be subject to review and comment by the staff of the SEC, and will require the consent of our independent registered public accounting firm. Therefore, the timing of effectiveness of these subsequent registration statements cannot be assured. The effectiveness of these subsequent registration statements is a condition precedent to our ability to sell the shares of common stock subject to these subsequent registration statements to Southridge under the Equity Purchase Agreement. Even if we are successful in causing one or more registration statements registering the resale of some or all of the shares issuable under the Equity Purchase Agreement to be declared effective by the SEC in a timely manner, we will not be able to sell shares under the Equity Purchase Agreement unless certain other conditions are met. Accordingly, because our ability to draw down amounts under the Equity Purchase Agreement is subject to a number of conditions, there is no guarantee that we will be able to draw down any portion or all of the \$10 million available to us under the Equity Purchase Agreement.

***CERTAIN RESTRICTIONS ON THE EXTENT OF PUTS MAY HAVE LITTLE, IF ANY, EFFECT ON THE ADVERSE IMPACT OF OUR ISSUANCE OF SHARES IN CONNECTION WITH THE EQUITY PURCHASE AGREEMENT, AND AS SUCH, SOUTHRIDGE MAY SELL A LARGE NUMBER OF SHARES, RESULTING IN SUBSTANTIAL DILUTION TO THE VALUE OF SHARES HELD BY EXISTING SHAREHOLDERS.***

Southridge has agreed, subject to certain exceptions listed in the Equity Purchase Agreement, to refrain from holding an amount of shares which would result in Southridge owning more than 9.99% of the then-outstanding shares of the Company's common stock at any one time. These restrictions, however, do not prevent Southridge from selling shares of common stock received in connection with a put, and then receiving additional shares of common stock in connection with a subsequent put. In this way, Southridge could sell more than 9.99% of the outstanding common stock in a relatively short time frame while never holding more than 9.99% at one time.

***SOUTHRIDGE WILL PAY LESS THAN THE THEN-PREVAILING MARKET PRICE FOR OUR COMMON STOCK.***

The common stock to be issued to Southridge pursuant to the Equity Purchase Agreement will be purchased at a 6% discount to the average of the lowest closing price of the common stock of any two trading days, consecutive or inconsecutive, during the five consecutive trading days immediately following the date of our notice to Southridge of our election to put shares pursuant to the Equity Purchase Agreement. Southridge has a financial incentive to sell our common stock immediately upon receiving the shares to realize the profit equal to the difference between the discounted price and the market price. If Southridge sells the shares, the price of our common stock could decrease. If our stock price decreases, Southridge may have a further incentive to sell the shares of our common stock that it holds. These sales may have a further impact on our stock price.

***YOUR OWNERSHIP INTEREST MAY BE DILUTED AND THE VALUE OF OUR COMMON STOCK MAY DECLINE BY EXERCISING THE PUT RIGHT PURSUANT TO OUR EQUITY PURCHASE AGREEMENT.***

Effective November 4, 2011, we entered into a \$10,000,000 Equity Purchase Agreement with Southridge. Pursuant to the Equity Purchase Agreement, when we deem it necessary, we may raise capital through the private sale of our common stock to Southridge at a price equal to 94% of the average of the lowest closing bid price of our common stock of any two trading days, consecutive or inconsecutive, during the five (5) trading day period immediately following the date our put notice is delivered and estimated put shares have been delivered and cleared through Southridge's brokerage account. Because the put price is lower than the prevailing market price of our common stock, to the extent that the put right is exercised, your ownership interest may be diluted.



## **SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

The information contained in this registration statement, including in the documents incorporated by reference into this registration statement, includes some statements that are not purely historical and that are “forward-looking statements.” Such forward-looking statements include, but are not limited to, statements regarding our and our management’s expectations, hopes, beliefs, intentions or strategies regarding the future, including our financial condition and results of operations. In addition, any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. The words “anticipates,” “believes,” “continue,” “could,” “estimates,” “expects,” “intends,” “may,” “might,” “plans,” “potential,” “predicts,” “projects,” “seeks,” “should,” “will,” “would” and similar expressions, or the negatives of such terms, may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking.

The forward-looking statements contained in this registration statement are based on current expectations and beliefs concerning future developments and the potential effects on the parties and the transaction. There can be no assurance that future developments actually affecting us will be those anticipated. Those that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements, including the following forward-looking statements, involve a number of risks, uncertainties (some of which are beyond the Company’s control) or other assumptions.

## **USE OF PROCEEDS**

We will not receive any proceeds from the sale of the common stock offered through this prospectus by the Selling Security Holders. However, we will receive proceeds (i) from any sale of the common stock under the Equity Purchase Agreement to Southridge or (ii) in the event that some or all of the warrants held by a Selling Security Holder are exercised for cash. There can be no assurance that any of the Selling Security Holders will exercise their warrants or that we will receive any proceeds therefrom. We intend to use the net proceeds received for working capital or general corporate needs.

## **DETERMINATION OF OFFERING PRICE**

Our common stock currently trades on the OTCBB under the symbol “MSLP.OB”. The proposed offering price of the Put Shares and the Purchased Shares is \$0.01 and has been estimated solely for the purpose of computing the amount of the registration fee in accordance with Rule 457(c) of the Securities Act of 1933, on the basis of the closing bid price of common stock of the Company as reported on the OTCBB on August 3, 2012. The offering price of the Warrant Shares is \$0.015, which is equal to the exercise price of the warrants. The Selling Security Holders may sell

shares in any manner at the current market price.

## **SELLING SECURITY HOLDERS**

### ***The Put Shares***

We agreed to register for resale 10,000,000 shares of our common stock by Southridge. On November 4, 2011, the Company and Southridge entered into the Equity Credit Agreement pursuant to which, we have the opportunity, for a two-year period, commencing on the date on which the SEC first declares effective this registration statement (the “Commitment Period”), to which this prospectus is made a part registering the resale of our common shares by Southridge, to resell shares of our common stock purchased under the Equity Credit Agreement.

In order to sell shares to Southridge under the Equity Credit Agreement, during the Commitment Period, the Company must deliver to Southridge a written put notice on any trading day (the “Put Date”), setting forth the dollar amount to be invested by Southridge (the “Put Notice”). For each share of our common stock purchased under the Equity Credit Agreement, Southridge will pay ninety-four percent (94%) of the average of the lowest two closing bid prices on any two applicable trading days, consecutive or inconsecutive, during the five trading days immediately following the date on which the Company has deposited an estimated amount of put shares to Southridge’s brokerage account in the manner provided by the Equity Credit Agreement (the “Valuation Period”). The Company may, at its sole discretion, issue a Put Notice to Southridge and Southridge will then be irrevocably bound to acquire such shares.

If, during any Valuation Period, the Company (i) subdivides or combines the common stock; (ii) pays a dividend in shares of common stock or makes any other distribution of shares of common stock; (iii) issues any options or other rights to subscribe for or purchase shares of common stock and the price per share is less than closing price in effect immediately prior to such issuance; (iv) issues any securities convertible into shares of common stock and the consideration per share for which shares of common stock may at any time thereafter be issuable pursuant to the terms of such convertible securities shall be less than the closing price in effect immediately prior to such issuance; (v) issue shares of common stock otherwise than as provided in the foregoing subsections (i) through (iv) at a price per share less than the closing price in effect immediately prior to such issuance, or without consideration; or (vi) makes a distribution of its assets or evidences of its indebtedness to the holders of common stock as a dividend in liquidation or by way of return of capital or other than as a dividend payable out of earnings or surplus legally available for dividends under applicable law (collectively, a “Valuation Event”), then a new Valuation Period shall begin on the trading day immediately after the occurrence of such Valuation Event and end on the fifth trading day thereafter.

We are relying on an exemption from the registration requirements of the Act for the private placement of our securities under the Equity Purchase Agreement pursuant to Section 4(2) of the Securities Act and/or Rule 506 of Regulation D promulgated thereunder. The transaction does not involve a public offering, Southridge is an “accredited investor” and/or qualified institutional buyer and the Investor has access to information about us and its investment.

There are substantial risks to investors as a result of the issuance of shares of our common stock under the Equity Purchase Agreement. These risks include dilution of stockholders, significant decline in our stock price and our ability to draw sufficient funds under the Equity Purchase Agreement when needed.

Southridge will periodically purchase shares of our common stock under the Equity Purchase Agreement and will in turn, sell such shares to investors in the market at the prevailing market price. This may cause our stock price to decline, which will require us to issue increasing numbers of shares to Southridge to raise the same amount of funds, as our stock price declines.

Southridge and any participating broker-dealers are “underwriters” within the meaning of the Securities Act. All expenses incurred with respect to the registration of the common stock will be borne by us, but we will not be obligated to pay any underwriting fees, discounts, commission or other expenses incurred by the Selling Security Holder in connection with the sale of such shares.

### ***The Purchased Shares***

The 42,000,000 Purchased Shares being offered for resale in this registration statement are held by certain shareholders who purchased shares of our common stock in private transactions.

*The Warrant Shares*

The 32,400,000 Warrant Shares being offered for resale in this registration statement are held by certain shareholders who purchased common stock purchase warrants in private transactions.

All expenses incurred with respect to the registration of the common stock will be borne by us, but we will not be obligated to pay any underwriting fees, discounts, commission or other expenses incurred by the Selling Security Holders in connection with the sale of such shares.

Except as indicated below, neither the Selling Security Holders nor any of their associates or affiliates has held any position, office, or other material relationship with us in the past three years.

The following table sets forth the name of the Selling Security Holders, the number of shares of common stock beneficially owned by each of the Selling Security Holders as of the date hereof and the number of share of common stock being offered by each of the Selling Security Holders. The shares being offered hereby are being registered to permit public secondary trading, and the selling stockholders may offer all or part of the shares for resale from time to time. However, the selling stockholder is under no obligation to sell all or any portion of such shares nor is the selling stockholders obligated to sell any shares immediately upon effectiveness of this prospectus. All information with respect to share ownership has been furnished by the Selling Security Holder. The “Number of Shares Beneficially Owned After the Offering” column assumes the sale of all shares offered.

Except as indicated below, neither the Selling Security Holders nor any of their associates or affiliates has held any position, office, or other material relationship with us in the past three years.

The following table sets forth the name of the Selling Security Holders, the number of shares of common stock beneficially owned by each of the Selling Security Holders as of the date hereof and the number of share of common stock being offered by each of the Selling Security Holders. The shares being offered hereby are being registered to permit public secondary trading, and the selling stockholders may offer all or part of the shares for resale from time to time. However, the selling stockholder is under no obligation to sell all or any portion of such shares nor is the selling stockholders obligated to sell any shares immediately upon effectiveness of this prospectus. All information with respect to share ownership has been furnished by the Selling Security Holders. The “Number of Shares Beneficially Owned After the Offering” column assumes the sale of all shares offered.

| Name                              | Shares             |                      | Amount                                | Percent                           |
|-----------------------------------|--------------------|----------------------|---------------------------------------|-----------------------------------|
|                                   | Beneficially Owned | Shares to be Offered |                                       |                                   |
|                                   | Prior to Offering  |                      | Beneficially Owned After Offering (1) | Beneficially Owned After Offering |
| Southridge Partners II, LP (2)    | 0                  | 10,000,000 (3)       | 0                                     | 0 %                               |
| Bleu Ridge Consultants, Inc. (4)  | 10,000,000 (5)     | 10,000,000 (5)       | 0                                     | 0 %                               |
| TSX Ventures, LLC (7)             | 42,000,000         | 42,000,000           | 0                                     | 0 %                               |
| First Capital Properties, LLC (8) | 11,383,000 (9)     | 6,000,000 (10)       | 5,383,000                             | less than 1 %                     |
| Jim Sjorerdsmas                   | 6,000,000 (11)     | 6,000,000 (11)       | 0                                     | 0 %                               |
| George Lee                        | 4,000,000 (12)     | 4,000,000 (12)       | 0                                     | 0 %                               |
| G Force Enterprises (13)          | 3,000,000 (14)     | 3,000,000 (14)       | 0                                     | 0 %                               |
| John Glotfelty                    | 1,200,000 (15)     | 1,200,000 (15)       | 0                                     | 0 %                               |
| Joe Peirce                        | 800,000 (16)       | 800,000 (16)         | 0                                     | 0 %                               |
| Earnco, LLC (17)                  | 600,000 (18)       | 600,000 (18)         | 0                                     | 0 %                               |
| Paul Dragul                       | 400,000 (19)       | 400,000 (19)         | 0                                     | 0 %                               |

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|            |         |      |         |      |   |   |   |
|------------|---------|------|---------|------|---|---|---|
| Scott Owen | 400,000 | (20) | 400,000 | (20) | 0 | 0 | % |
|------------|---------|------|---------|------|---|---|---|

(1) The number assumes each Selling Security Holder sells all of its shares being offering pursuant to this prospectus.

Southridge Partners II, LP is a limited partnership organized and existing under the laws of Bermuda. Southridge Investment Group, LLC is the managing partner of Southridge and has voting and investment power over the (2) shares beneficially owned by Southridge. Stephen M. Hicks is the managing member of Southridge Investment Group, LLC, and he has sole voting and investment power over the shares beneficially owned by Southridge Investment Group, LLC.

(3) The number assumes that Southridge purchases the maximum amount of registrable Put Shares in this registration statement.

Bleu Ridge Consultants, Inc. ("Bleu Ridge") is a corporation organized and existing under the laws of the State of (4) Colorado. Timothy J. Brasel is the Chief Executive Officer of Bleu Ridge and as such has sole voting and investment power over the shares beneficially owned by Bleu Ridge.

(5) This total includes 10,000,000 shares underlying warrants.

(6) Reserved.

(7) TSX Ventures, LLC (“TSX”) is a limited liability company organized and existing under the laws of the State of South Carolina. Drew Ciccarelli the managing member of TSX and as such has sole voting and investment power over the shares beneficially owned by TSX. Mr. Ciccarelli is the beneficial owner of 4,500,000 additional shares of common stock apart from the common stock held in TSX’s name.

(8) First Capital Properties, LLC (“First Capital”) is a limited liability company organized and existing under the laws of the State of Colorado. Timothy J. Brasel is the managing member of First Capital and as such has sole voting and investment power over the shares beneficially owned by First Capital.

(9) This total in includes 5,383,000 shares of common stock and 6,000,000 shares underlying warrants.

(10) This total includes 6,000,000 shares underlying warrants.

(11) This total includes 6,000,000 shares underlying warrants.

(12) This total includes 4,000,000 shares underlying warrants.

(13) G Force Enterprises (“G Force”) is a corporation organized and existing under the laws of the State of Colorado. Glen Gardner is the Chief Executive Officer of G Force and as such has sole voting and investment power over the shares beneficially owned by G Force.

(14) This total includes 3,000,000 shares underlying warrants.

(15) This total includes 1,200,000 shares underlying warrants.

(16) This total includes 800,000 shares underlying warrants.

(17) Earnco, LLC (“Earnco”) is a limited liability company organized and existing under the laws of the State of Colorado. Earnest Mathis is the managing member of Earnco and as such has sole voting and investment power over the shares beneficially owned by Earnco.

(18) This total includes 600,000 shares underlying warrants.

(19) This total includes 400,000 shares underlying warrants.

(20) This total includes 400,000 shares underlying warrants.

## **PLAN OF DISTRIBUTION**

This prospectus relates to the resale of 84,400,000 Shares of our common stock, par value \$0.001 per share, by the selling security holders (the “Selling Security Holders”), including (i) 10,000,000 Put Shares that we will put to Southridge pursuant to the Equity Purchase Agreement, (ii) 42,000,000 Purchase Shares, and (iii) 32,400,000 Warrant Shares.

The Selling Security Holders and any of its respective pledges, donees, assignees and other successors-in-interest may, from time to time, sell any or all of their shares of our common stock on any stock exchange, market or trading facility on which the shares are traded or in private transactions. The Selling Security Holders may use any one or more of the following methods when selling shares:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;



· block trades in which the broker-dealer will attempt to sell the shares as agent, but may position and resell a portion of the block as principal to facilitate the transaction;

· purchases by a broker-dealer as principal and resale by the broker-dealer for its account;

· an exchange distribution in accordance with the rules of the applicable exchange;

· privately negotiated transactions;

· broker-dealers may agree with the Selling Security Holders to sell a specified number of such shares at a stipulated price per share;

· through the writing of options on the shares;

· a combination of any such methods of sale; and

· any other method permitted pursuant to applicable law.

According to the terms of the Equity Purchase Agreement, neither Southridge nor any affiliate of Southridge acting on its behalf or pursuant to any understanding with it will execute any short sales during the term of this offering or any subsequent extension thereof pursuant to a renewal of the Equity Purchase Agreement.

The Selling Security Holders or their respective pledgees, donees, transferees or other successors in interest, may also sell the shares directly to market makers acting as principals and/or broker-dealers acting as agents for themselves or their customers. Such broker-dealers may receive compensation in the form of discounts, concessions or commissions from the Selling Security Holders and/or the purchasers of shares for whom such broker-dealers may act as agents or to whom they sell as principal or both, which compensation as to a particular broker-dealer might be in excess of customary commissions. Market makers and block purchasers purchasing the shares will do so for their own account and at their own risk. It is possible that a Selling Security Holder will attempt to sell shares of Common Stock in block transactions to market makers or other purchasers at a price per share which may be below the then market price. The Selling Security Holders cannot assure that all or any of the shares offered in this prospectus will be issued to, or sold by, the Selling Security Holders. In addition, the Selling Security Holders and any brokers, dealers or agents, upon effecting the sale of any of the shares offered in this prospectus are “underwriters” as that term is defined under the Securities Act or the Exchange Act, or the rules and regulations under such acts. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the shares purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act.

Discounts, concessions, commissions and similar selling expenses, if any, attributable to the sale of shares will be borne by a Selling Security Holder. The Selling Security Holders may agree to indemnify any agent, dealer or broker-dealer that participates in transactions involving sales of the shares if liabilities are imposed on that person under the Securities Act.

The Selling Security Holders may from time to time pledge or grant a security interest in some or all of the shares of common stock owned by them and, if they default in the performance of their secured obligations, the pledgees or secured parties may offer and sell the shares of common stock from time to time under this prospectus after we have filed an amendment to this prospectus under Rule 424(b)(3) or any other applicable provision of the Securities Act amending the list of Selling Security Holders to include the pledgee, transferee or other successors in interest as a Selling Security Holder under this prospectus.

The Selling Security Holders also may transfer the shares of common stock in other circumstances, in which case the transferees, pledgees or other successors in interest will be the selling beneficial owners for purposes of this prospectus and may sell the shares of common stock from time to time under this prospectus after we have filed an amendment to this prospectus under Rule 424(b)(3) or other applicable provision of the Securities Act amending the list of Selling Security Holders to include the pledgee, transferee or other successors in interest as a Selling Security Holder under this prospectus.

We are required to pay all fees and expenses incident to the registration of the shares of common stock. Otherwise, all discounts, commissions or fees incurred in connection with the sale of our common stock offered hereby will be paid by the Selling Security Holders.

The Selling Security Holders acquired the securities offered hereby in the ordinary course of business and have advised us that they have not entered into any agreements, understandings or arrangements with any underwriters or broker-dealers regarding the sale of their shares of common stock, nor is there an underwriter or coordinating broker acting in connection with a proposed sale of shares of common stock by any Selling Security Holder. We will file a supplement to this prospectus if a Selling Security Holder enters into a material arrangement with a broker-dealer for sale of common stock being registered. If the Selling Security Holders use this prospectus for any sale of the shares of common stock, they will be subject to the prospectus delivery requirements of the Securities Act.

Pursuant to a requirement by the Financial Industry Regulatory Authority, or FINRA, the maximum commission or discount to be received by any FINRA member or independent broker/dealer may not be greater than eight percent (8%) of the gross proceeds received by us for the sale of any securities being registered pursuant to SEC Rule 415 under the Securities Act.

The anti-manipulation rules of Regulation M under the Exchange Act, may apply to sales of our common stock and activities of the Selling Security Holders. The Selling Security Holders will act independently of us in making decisions with respect to the timing, manner and size of each sale.

Southridge is an “underwriter” within the meaning of the Securities Act in connection with the sale of our common stock under the Equity Purchase Agreement. For each share of common stock purchased under the Equity Purchase Agreement, Southridge will pay 94% of the average of the two lowest Bid Prices during the Valuation Period.

We will pay all expenses incident to the registration, offering and sale of the shares of our common stock to the public hereunder other than commissions, fees and discounts of underwriters, brokers, dealers and agents. If any of these other expenses exists, we expect Southridge to pay these expenses. We have agreed to indemnify Southridge and its controlling persons against certain liabilities, including liabilities under the Securities Act. We estimate that the expenses of the offering to be borne by us will be approximately \$25,000. We will not receive any proceeds from the resale of any of the shares of our common stock by Southridge. We may, however, receive proceeds from the sale of our common stock under the Equity Purchase Agreement.

## **DESCRIPTION OF SECURITIES TO BE REGISTERED**

## General

Our authorized capital stock consists of 2,500,000,000 shares of common stock, par value \$0.001 (1,428,102,223 of which are issued and outstanding as of August 3, 2012), 5,000,000 Shares of Series A Convertible Preferred Stock (of which none are issued and outstanding as of August 3, 2012), 51 shares of Series B Preferred Stock (51 of which are issued and outstanding as of August 3, 2012), 500 shares of Series C Preferred Stock (190 of which are issued and outstanding as of August 3, 2012). The Company also has 10,000 shares of blank check preferred stock authorized, 9,449 shares of which are undesignated as of August 3, 2012. Our preferred stock and/or common stock may be issued from time to time without prior approval by our stockholders. Our preferred stock and/or common stock may be issued for such consideration as may be fixed from time to time by our board of directors. Our board of directors may issue such shares of our preferred stock and/or common stock in one or more series, with such voting powers, designations, preferences and rights or qualifications, limitations or restrictions thereof as shall be stated in the resolution or resolutions.

## **Common Stock**

The Company, a Nevada corporation, is authorized to issue 2,500,000,000 shares of common stock, \$0.001 par value. The holders of common stock: (i) have equal rights to dividends from funds legally available therefore, ratably when as and if declared by the Company's Board of Directors; (ii) are entitled to share ratably in all assets of the Company available for distribution to holders of common stock upon liquidation, dissolution, or winding up of the affairs of the Company; (iii) do not have preemptive, subscription or conversion rights and there are no redemption or sinking fund provisions applicable thereto; (iv) are entitled to one non-cumulative vote per share of common stock, on all matters which shareholders may vote on at all meetings of shareholders; and (v) the holders of common stock have no conversion, preemptive or other subscription rights. There is no cumulative voting for the election of directors. As of August 3, 2012, there were 1,428,102,223 shares of common stock outstanding. Each holder of our common stock is entitled to one vote for each share of our common stock held on all matters submitted to a vote of stockholders.

## **Series A Convertible Preferred Stock**

As of August 3, 2012, there were 5,000,000 shares of Series A Convertible Preferred Stock designated and 0 shares of Series A Convertible Preferred Stock issued and outstanding. According to the Certificate of Designation filed with the Nevada Secretary of State, these shares are non-voting, and have no dividend or liquidation rights. Each share is convertible into two hundred (200) shares of common stock, provided, however, no holder of the Series A Convertible preferred stock will have the right to convert any of such shares to the extent that after giving effect to such conversion, the beneficial owner of such shares would beneficially own in excess of 4.9% of the shares of the common stock outstanding immediately after giving effect to such conversion.

## **Series B Preferred Stock**

As of August 3, 2012, there were 51 shares of Series B Preferred Stock designated and 51 shares of Series B Preferred Stock issued and outstanding. According to the Certificate of Designation filed with the Nevada Secretary of State, these shares have no dividend rights, liquidation rights on a pro rata basis, no conversion rights and rank senior to the Company's common stock. Each one (1) share of Series B Preferred Stock shall have voting rights equal to  $(x) 0.019607$  multiplied by the total issued and outstanding common stock eligible to vote at the time of the respective vote (the Numerator") divided by  $(y) 0.49$ , minus  $(z)$  the Numerator. The 51 shares of Series B Preferred Stock entitle the holders to voting rights equivalent to 51% of the shares of common stock then outstanding.

## **Series C Convertible Preferred Stock**

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As of August 3, 2012, there were 500 shares of Series C Preferred Stock and 0 shares of Series C Preferred Stock issued and outstanding. According to the Certificate of Designation filed with the Nevada Secretary of State, these shares have the following rights, designations and preferences:

*Stated Value:* The stated value per share of the Series C Convertible Preferred Stock is \$1,000.00

*Voting Rights:* The holders of the Series C Convertible Preferred Stock are not entitled to vote with the Company's common stockholders.

*Protective Provisions:* As long as any Series C Convertible Preferred Stock is outstanding, we are prohibited from taking any of the following actions without the consent of a majority of the then outstanding Series C Convertible Preferred Stock:

- (i) alter or change adversely the powers, preferences or rights given to the Series C Convertible Preferred Stock;
- (ii) alter or amend the certificate of designation;
- (iii) authorize or create any class of stock ranking as to dividends or distribution of assets upon a liquidation or otherwise senior to or pari passu with the Series C Convertible Preferred Stock;
- (iv) amend its certificate of incorporation, bylaws or other charter documents so as to affect adversely any rights of any holders of the Series C Convertible Preferred Stock;
- (v) increase the authorized or designated number of shares of Series C Convertible Preferred Stock;
- (vi) issue any additional shares of Series C Convertible Preferred Stock; or

(vii) enter into any agreement with respect to the foregoing.

*Voluntary Conversion:* A holder of Series C Convertible Preferred Stock can elect to convert its Series C Convertible Preferred Stock into shares of our common stock at any time from and after the Original Issue Date (as defined in the certificate of designation). Each share of Series C Convertible Preferred Stock is convertible into that number of shares of our common stock determined by dividing the stated value of such share of Series C Convertible Preferred Stock (as increased for accrued dividends) by the conversion price.

*Conversion Price:* The conversion price is the higher of (i) \$0.01 and (ii) such price that is a 50% discount to the average of the low 2 closing bid prices for the Company's common stock for the five trading days immediately prior to such day that a holder delivers a notice of conversion to the Company, subject to adjustment.

The summary of the rights, privileges and preferences of the Series C Convertible Preferred Stock described above is qualified in its entirety by reference to the certificate of designation, a copy of which is attached as an exhibit to this report and is incorporated herein by reference.

#### **INTERESTS OF NAMED EXPERTS AND COUNSEL**

No expert or counsel named in this prospectus as having prepared or certified any part of this prospectus or having given an opinion upon the validity of the securities being registered or upon other legal matters in connection with the registration or offering of the common stock was employed on a contingency basis, or had, or is to receive, in connection with the offering, a substantial interest, direct or indirect, in the registrant or any of its parents or subsidiaries. Nor was any such person connected with the registrant or any of its parents or subsidiaries as a promoter, managing or principal underwriter, voting trustee, director, officer, or employee.

The financial statements of the Company included in this prospectus and in the registration statement have been audited by Berman & Company, P.A., Certified Public Accountants, to the extent and for the period set forth in their report appearing elsewhere herein and in the registration statement, and are included in reliance upon such report given upon the authority of said firm as experts in auditing and accounting.

The validity of the issuance of the common stock hereby will be passed upon for us by Lucosky Brookman LLP.

#### **DESCRIPTION OF BUSINESS**

## General

Headquartered in Denver, Colorado, MusclePharm Corporation (“MusclePharm” or the “Company”) is an expanding healthy lifestyle company that develops and manufactures a full line of scientifically approved (Informed Choice approved) nutritional supplements that are 100% free of any banned substances. Based on years of research, MusclePharm products are created through an advanced six-stage research protocol involving the expertise of top nutritional scientists. These products are field tested by more than 100 elite professional athletes from various sporting organizations including the National Football League, mixed martial arts, and Major League Baseball. The Company’s award-winning proprietary products address all categories of an active lifestyle including, muscle building, weight loss and maintaining general fitness through a daily nutritional supplement regimen. MusclePharm is a marketing and branding company. It does not directly manufacturer or ship to end user customers. We extend and market the brand while innovating and distributing new products. Our customers are re-sellers of our products.

The Company’s headquarters in Denver, CO, features has a state-of-the-art exercise and weight lifting facility, with a full size octagon UFC™ fighting cage, an indoor football field, cardio work-out equipment and a state-of-the-art on-site medical department, complete with equipment for measuring and conducting clinical studies and supporting athletes. A staff team of medical and clinical professionals is on hand to assist with training. Additionally during the second quarter of 2012, the Company opened operations in Ontario, Canada through its subsidiary MusclePharm Canada, Inc. MusclePharm products are sold in over 120 countries and available in over 10,000 U.S. retail outlets, including Wal-Mart, Dicks Sporting Goods, GNC, Vitamin Shoppe, and Vitamin World. The Company also sells its products in over 100 online stores, including [bodybuilding.com](http://bodybuilding.com), [amazon.com](http://amazon.com) and [vitacost.com](http://vitacost.com).



## **Business Strategy**

Our primary focus at the current time is on the following:

- (1) Increase our distribution and sales through domestic and international growth and market penetration;
- (2) Conduct additional testing of the safety and efficacy of our products and create new products; and
- (3) Create marketing and branding opportunities through endorsements, sponsorships and brand extensions to increase brand awareness.

## **The Sports Nutrition and High Energy Supplement Market**

The sports nutrition and high energy supplement market is comprised of sports beverages, sports food and sports supplements. According to BCC Research's 2008 Global Research Report, sports beverages maintain the largest market share, with approximately \$24.9 billion in annual sales in 2007. The sports food segment had approximately \$1.2 billion in annual sales and the sports supplement segment saw 2007 annual sales of approximately \$1.1 billion. BCC projected that the sports supplement market would reach \$2.3 billion by 2013.

According to BCC Research, the United States is the largest consumer market for sports nutrition products, with annual sales reaching approximately \$22 billion in 2007, and projected sales of \$29 billion in 2013. Western Europe and Japan are the second and third largest consumers. The key market drivers for sports nutrition products are taste, price, variety and brand loyalty. In recent years, the consumption of sports nutrition products has shifted to mainstream consumers who have become the key drivers of growth within the industry.

## **Current Products**

We currently offer seventeen (17) high-quality, specially-formulated, athlete-focused supplement products. These include: Assault™, Armor-V, Battle Fuel™, Bullet Proof®, Combat Powder®, MuscleGel®, Shred Matrix®, Re-con®, BCAA 3:1:2™, Glutamine™, Creatine™, Casein™, CLA Core™, ZMA Max™, Hybrid - NO™. We are also currently beta-testing and offer the private label products Recover Elite™ and Perform Elite™, under the MMA Elite™ name. These products are planned for direct distribution to Wal-Mart and Walgreens in the future. Our products are comprised of amino acids, herbs and proteins scientifically tested and proven as safe and effective for the overall health of athletes. These

nutritional supplements were created to enhance the effects of workouts, repair muscles, and nourish the body for optimal physical fitness. The following is a brief description of each of our products:

## **Assault™**

### *Pre-Performance Amplifier*

- Fuel power for long-lasting energy;
- Enhance focus; and
- Build lean muscle mass.

Assault™ helps fight fatigue, boost performance, build muscle, increase intensity, hydrate muscles and feed them valuable, clinically-proven nutrients like ConCrete, Beta Alanine, BCAAs and Cinnulin. Our team of sports medicine specialists worked with top professional athletes to create a safe pre-workout that increases strength, aerobic and anaerobic performance, reduces stomach fat and meets all regulations when it comes to being free of banned substances. Assault™ is specifically designed for performance-boosting pre-workout power.

## **Battle Fuel™**

### *Maximizes Workout Performance with No Side Effects*

- Increases aggression and focus;
- Boosts testosterone and feeds anabolism; and
- promotes cellular health and recovery.

Battle Fuel™ helps athletes increase lean mass and strength, improve endurance and energy levels, naturally detoxify and enhance aggressive mental focus. Battle Fuel™ is an herbal formula that improves testosterone levels to drive strength, power and lean muscle mass development. An intense combination of cleansing agents and natural elements reduce fatigue and improve cellular immunity.

### **Bullet Proof™**

#### *Advanced Nighttime Recovery System*

- Promotes deep sleep to maximize repair;
- Optimizes anabolic/anti-catabolic environment; and
- Stimulates growth hormone/testosterone output.

Bullet Proof™ helps increase recovery effectiveness and hormonal up-regulation, improve lean muscle tissue growth and help relieve some forms of pain. Deep nourishing sleep is an athlete's best friend for the long-term building of strength, mass and speed. During this rest period, key ingredients like our proprietary blend of essential amino acids, Beta Alanine and zinc magnesium aspartate (ZMA) are hard at work repairing tissue and staving off muscle breakdown. Other ingredients boost your immune system and reduce swelling, preparing the body for that next hard workout.

### **Combat™**

#### *Feeds Muscle Up To 8 Hours*

- Technologically advanced protein super-food;
- Enhances digestion of nutrients; and
- Maximizes adaptive response to hard training.

Combat™ helps you: receive 25 grams of high quality protein, fuel fat loss, support healthy body composition, nourish lean muscle and speed recovery. Combat™ is designed to help fill that gap in nutrition many athletes and super-active

people experience, to ensure their bodies are growing and recovering. The staggered absorption rate of the five different protein components guarantees a complete 8-hour nutrient infusion.

## **Re-con®**

### *Post-Workout Recharger*

- Optimize an athlete's "anabolic window";
- Promote post workout growth & repair; and
- Replenish vital nutrients.

Re-con ® helps athletes recover quicker and more effectively, repair muscle cells, feed the body nutrients and grow stronger with ingredients like base-change amino acids (BCAAs), essential amino acid complexes (EAAs), cellular detoxifiers, muscle-loading carbohydrates and stress hormone regulators. This maximizes an athlete's anabolic window, the post-workout phase where the body repairs and rebuilds tissue. Re-con® nourishes and promotes growth from every angle, delivering proteins and nutritious elements in their ideal forms. Recon® provides muscle reconstruction nutrition.

## **MuscleGel®**

### *Delicious On-The-Go Protein and Nutrition*

- Stay leaner and be healthier;
- Proteins absorbs into the athlete's body easier; and
- Nutritious and easy to enjoy.

MuscleGel® helps athletes receive more of the nutrients the body needs every day, shed pounds and fat and enjoy the convenience of the ready-to-eat packs. Packed full of different proteins like “building block” amino acids, MuscleGel’s® patented gel format yields a fast-absorbing, highly bio-available source of next generation fitness food. For protein, carbohydrates and vitamins, MuscleGel® delivers. It works on-the-go, fills you up quickly and streams right to those parts of the athlete’s body where nutrients are needed most.

## **SHRED Matrix®**

### *Multi-Level Weight Loss System*

- Ramps up your metabolism;
- Suppresses hunger and cravings; and
- Burns fat through all-natural herbs.

SHRED Matrix ® helps burn fat naturally, counteract mood swings and help athletes stay focused on weight loss and results. This 8-Stage Weight Loss System is for people who exercise regularly. As a total body diet, it sheds pounds, burns fat cells and attacks fat loss from every angle. Proven ingredients like Sugar Stop™ and the enzyme aid matrix also keep your appetite in check. The formula is tuned so athletes won’t experience “jitters” or a crash.

## **Armor-V™**

### *Advanced Multi-Vitamin Complex*

- Complete source of vitamins and minerals;
- Total immune system support; and
- Added B vitamins and probiotics.

Armor-V™ helps athletes receive a full dose of important vitamins and minerals, keep vital organs like the liver clean of toxins, recover faster and keep the body’s hormones balanced. This system was designed to meet the standards of professional athletes, who need a dedicated source of vitamins and minerals. Loaded with anti-oxidants and system optimizers derived from fruits and vegetables, Armor V™ brings together organic, herbal and natural ingredients into a multi-nutrient complex that benefits active bodies.

## **BCAA™**

### *Rapidly Absorbed Branched Chain Amino Acid Complex*

- Delivers BCAAs before and after workout;
- Minimizes muscle damage; and
- 100% pharmaceutical grade.

BCAA™ helps you: receive ideal amounts of BCAAs, Leucine, Isoleucine and Valine from this patented ratio of 3:1:2, promote muscle development and maintenance, increase lean body mass and spur weight loss. BCAAs are part of the group of essential amino acids a body needs. Our patented 3:1:2 ratio is designed to release the ideal amounts of each amino acid both before and after a workout. This prevents muscle breakdown and leads to gains in body mass without losing weight.

## **Creatine**

### *Five Superior Blends of Creatine*

- Promote strength, power and endurance;
- No loading; and
- 100% pharmaceutical quality.

MusclePharm MP Core Series Creatine™ increases creatine status by enhancing uptake and bioavailability and also fuels stamina, strength and lean muscle growth. Many athletes who engage in high-intensity/short duration exercises like weightlifting use creatine. The clinically-proven ingredient Cinnulin heightens absorption, which assists our five pure and diverse creatine complexes, delivering a range of benefits launched directly into muscles. MP Creatine™ increases explosive energy, ATP energy and overall power.

### **ZMA Max™**

*Anabolic Mineral Support Formula with Fenugreek®*

- Increases testosterone;
- Promotes deep, healing sleep; and
- Supports healthy libido function

MusclePharm ZMA Max™ supports muscle growth and recovery, promotes deeper and more efficient sleep to maximize healing, tissue repair, anabolic hormone production and testosterone levels. It delivers the benefits of precise dosages and ZMA ingredient ratios, and adds the synergistic effects of clinically-proven Fenugreek® to support the balance of cholesterol levels as well as increase of healthy libido function in women and men.

### **CLA Core™**

*Supports Healthy Body Composition*

- Aids in weight loss;
- Increases metabolic rates; and
- Reduces body fat

CLA Core™ supports energy sources for hard-training people on low-carb diets, induces muscle gains without buildup of fatty tissue, and helps protect the joints. CLA is a high-quality linoleic acid that is naturally occurring and helps you

feel healthy and energized. Many researchers believe that this fatty acid also helps reduce body fat and increase muscle mass. CLA Core is a blend of Omega-6 and medium-chain triglycerides (MCTs).

## **Casein™**

### *100% Micellar Casein Protein*

- Delivers 25g of protein;
- Serves as ideal nighttime protein source; and
- Doubles as digestive enzyme and probiotic blend.

Casein™ delivers a steady, prolonged release of amino acids, works hard while body is at rest and promotes added nutrient utilization through the natural enzymes. As a slow digesting protein, Casein repairs and rebuilds muscle at night while you are asleep—feeding your muscles even hours after you went to bed. The great-tasting shake also works overtime readying you for that next day's workout.

## **Hybrid N.O.™**

### *Nitric Oxide Amplifier*

- Dramatically enhance muscle pumps
- Increase muscle fullness and vascularity
- Maximize vasodilation

Hybrid N.O.™ promotes muscle pumps through enhanced vasodilation, utilizes GlycoCarn™, a scientifically-researched nitric oxide booster, and encourages blood flow throughout the muscles. Hybrid N.O. promotes higher exercise tolerance by increasing levels of plasma nitrite and nitrate, which increases systemic nitric oxide bioavailability. Hybrid N.O. delivers maximum muscle pumps and increased health.



## **Glutamine**

### *Rapidly Absorbed Glutamine Complex*

- Increase recovery time;
- Enhance muscle growth; and
- 100% pharmaceutical grade.

MusclePharm Core Series MP Glutamine™ supplement increases whole body glutamine status by enhancing an athlete's uptake, bioavailability and digestion. Feeding the body a dedicated source of glutamine ultimately provides optimal muscle-tissue saturation through an exclusive array of three pure, yet diverse nutritional glutamine complexes that deliver a substantial range of benefits. MP Glutamine™ helps athletes rehydrate, rebuild and recover from even the toughest of workouts quicker and more efficiently.

## **PERFORM Elite™**

### *Pre-Performance Amplifier*

- Fuel power for long-lasting energy;
- Increase strength & endurance;
- Enhance focus & intensity; and
- Build lean muscle mass.

Perform Elite™ helps: fight fatigue, boost performance, build muscle, amp up intensity, hydrate muscles and feed muscle cells the nutrients they need. People need a pre-workout supplement because it prepares them to stay focused, energetic and fully-powered from start to finish. In Perform Elite™, ingredients like creatine and beta alanine feed muscle cells the nutrients they need to grow bigger and stronger. Without a pre-workout like Perform Elite™, muscles don't have the building blocks they need to gain size and strength.

## **RECOVER Elite™ (540g)**

### *Post-Workout Recharger*

- Optimize athletes' "muscle building";
- Promote post workout growth & repair;
- Replenish vital nutrients; and
- Speed recovery time.

Recover Elite™ helps athletes recover quicker and more effectively, repair muscle cells, maintain nutrient levels and grow bigger and stronger. When people work out, their muscle cells break down. In that post-workout period, it is important to feed these cells a supply of the right nutrients like the ones in Recover Elite™, so they can rebuild properly. When this is done correctly, muscles become both stronger and larger. If you don't use a post-workout supplement, these cells don't have the building blocks they need to recover and you won't increase size or strength.

### **Future Products**

We have trademarked and registered an energy product for active lifestyles and competitive athletes, under the name Energel®. This product will be distributed primarily via internet sales, convenience stores, cycling shops, ski shops, and fitness and runner shoes retail sales stores by the end of the second quarter of 2012.

## Sales & Distribution

We sell our products both domestically and internationally. With respect to domestic sales, we have three traditional distribution systems:

- 1) Approximately 41% of sales in 2011 were through a domestic Internet site named Bodybuilding.com (“Body Building”), which is the largest online retailer of sports nutrition products in the United States. Body Building awarded MusclePharm the title of the “Breakout Brand,” “Best Packaging” and “Best New Product for Assault” in 2011 and MusclePharm is now the number two best-selling brand on BB.com, and has two products in their top ten best sellers, and eight products in the top fifty selling products out of over 14,000 sku’s. In addition to Body Building.com, we also sell domestically through several distributors and over 100 Internet sites;
- 2) We sell through traditional brick and mortar stores, and are carried in approximately 450 The Vitamin Shoppes outlets and we sell our products into over 5000 GNC stores, and we are in 400 Vitamin World retail stores;

We have regional salesmen that support wholesale distributors like Europa, selling in up to 15,000 smaller retail or regional stores. We also work with other large distributors who have begun to place the Company’s product in 3) small retail stores and gyms across the United States. Internationally, we are expanding rapidly into Central America, Mexico, Brazil, the Middle East, Europe, Russia, and the UK, and have Sportika Export as our international distributor that services over 120 countries.

In addition, we just recently launched a partnership with Eurpac to distribute our line of products to U.S. military bases and stores all over the world.

## Marketing Strategy

Our core marketing strategy is to brand MusclePharm as the “must have” nutritional supplement line for high performance athletes. We want to be known as the athlete’s company, run by athletes who create their products for other athletes both professional and otherwise. We have endorsements from over 50 UFC fighters, well-known NFL players, as well as top X-Game and fitness athletes. Athletes are considered role models and many people strive to emulate their fitness and well-being regimen. Athlete sponsorships are the most logical tactic for our business. The objective of these athletic endorsements is to build both consumer awareness and confidence and to drive consumer demand for our products.

MusclePharm in 2011 became the Official Supplement Provider and Sponsor of the Ultimate Fighting Championship (“UFC”). Our agreement includes prominent logo placement on the mat, and our branding can be seen on Fox and pay-per-view worldwide.

The fighters we sponsor feature our brand on their uniforms and we also extensively advertise at the Ultimate Fighting Championship events. In 2011, we launched a state-of-the-art website that will tap into the social networking world, further expanding our brand and consumer awareness.

The Company is also currently engaged in various in-store promotions, including point-of-purchase stands, aisle displays in our retail outlets, as well as sample demonstrations and athlete appearances in Wal-Mart, GNC, Vitamin World and Vitamin Shoppe locations.

### **Research and Development**

Each and every product sold by MusclePharm is the end result of a long development process involving leading nutrition scientists, doctors, and top professional athletes.

## **Manufacturing and Product Quality**

We are committed to producing and selling highly efficacious products that are trusted for their quality and safety. To date, our products have been outsourced to a third party manufacturer where the products are manufactured in full compliance with the Good Manufacturing Practice standards set by the Food & Drug Administration.

## **Trademarks and Patents**

We regard our trademarks and other proprietary rights as valuable assets and believe that protecting our key trademarks is crucial to our business strategy of building strong brand name recognition. These trademarks are crucial elements of our business, and have significant value in the marketing of our products.

Our policy is to pursue registrations for all of the trademarks associated with our products. Federally registered trademarks have a perpetual life, provided that they are maintained and renewed on a timely basis and used correctly as trademarks, subject to the rights of third parties to attempt to cancel a trademark if priority is claimed or there is confusion of usage. We rely on common law trademark rights to protect our unregistered trademarks. Common law trademark rights generally are limited to the geographic area in which the trademark is actually used, while a United States federal registration of a trademark enables the registrant to stop the unauthorized use of the trademark by any third party anywhere in the United States. Furthermore, the protection available, if any, in foreign jurisdictions may not be as extensive as the protection available to us in the United States.

Although we seek to ensure that we do not infringe on the intellectual property rights of others, there can be no assurance that third parties will not assert intellectual property infringement claims against us.

## **Competition**

The sports nutrition business is highly competitive. Competition is based primarily on quality and assortment of products, marketing support, and availability of new products. Currently, our main competitors are three private companies: Optimum Nutrition, Inc. (“Optimum”), Iovate Health Sciences, Inc. (“IHS”), and Bio-Engineered Supplements and Nutrition, Inc. (“BSN”). Optimum is a wholly owned subsidiary of Glanbia Nutritionals, Inc., an international nutritional ingredients group. Optimum owns and operates two brands of nutritional supplements (Optimum Nutrition and American Body Building), providing a line of products across multiple categories. IHS is a nutritional supplement company that delivers a range of products to the nutritional marketplace. Headquartered in Oakville, Ontario, Canada,

IHS's line of products can be found in major retail stores and include such brands as Hydroxy-Cut™, Cell-Tech™, Six Star Nutrition™. BSN is also a sports nutrition leader whose top products include No-Explode™ and Syntha Six Protein™.

MusclePharm intends to compete by aggressively marketing our brand, emphasizing our relationships with professional athletes, and maximizing our relationships with those athletes, retail outlets and industry publications that align with our vision. We also tout the strength of the science behind MusclePharm products, as this is a key point of difference.

### **Regulatory Matters**

The manufacture, packaging, labeling, advertising, promotion, distribution and sale of our products are subject to regulation by numerous governmental agencies. Our products are subject to regulation by, among other regulatory entities, the Consumer Product Safety Commission (CPSC), the U.S. Department of Agriculture (USDA), the Environmental Protection Agency (EPA) and the U.S. Food and Drug Administration (FDA). Advertising and other forms of promotion and methods of marketing are subject to regulation primarily by the U.S. Federal Trade Commission (FTC), which regulates these activities under the Federal Trade Commission Act (FTCA). The manufacture, labeling and advertising of our products are also regulated by various state and local agencies as well as those of each foreign country to which we distribute our products.

The Dietary Supplement Health and Education Act of 1994 (DSHEA) revised the provisions of the Federal Food, Drug, and Cosmetic Act (FFDC Act) concerning the regulation of dietary supplements. All of the products we market are regulated as dietary supplements under the FFDC Act.

Under the current provisions of the FFDC Act, there are four categories of claims that pertain to the regulation of dietary supplements. Health claims are claims that describe the relationship between a nutrient or dietary ingredient and a disease or health related condition and can be made on the labeling of dietary supplements if supported by significant scientific agreement and authorized by the FDA in advance via notice and comment rulemaking. Nutrient content claims describe the nutritional value of the product and may be made if defined by the FDA through notice and comment rulemaking and if one serving of the product meets the definition. Statements of nutritional support or product performance, which are permitted on labeling of dietary supplements without FDA pre-approval, are defined to include statements that: (i) claim a benefit related to a classical nutrient deficiency disease and disclose the prevalence of such disease in the United States; (ii) describe the role of a nutrient or dietary ingredient intended to affect the structure or function in humans; (iii) characterize the documented mechanism by which a dietary ingredient acts to maintain such structure or function; or (iv) describe general well-being from consumption of a nutrient or dietary ingredient. In order to make a nutritional support claim, the marketer must possess adequate substantiation to demonstrate that the claim is not false or misleading and if the claim is for a dietary ingredient that does not provide traditional nutritional value, prominent disclosure of the lack of FDA review of the relevant statement and notification to the FDA of the claim is required. Drug claims are representations that a product is intended to diagnose, mitigate, treat, cure or prevent a disease. Drug claims are prohibited from use in the labeling of dietary supplements.

Claims made for our dietary supplement products may include statements of nutritional support and health and nutrient content claims when authorized by the FDA or otherwise allowed by law. The FDA's interpretation of what constitutes an acceptable statement of nutritional support may change in the future, thereby requiring that we revise our labeling. In addition, a dietary supplement that contains a new dietary ingredient (i.e., one not on the market before October 15, 1994) must have a history of use or other evidence of safety establishing that it is reasonably expected to be safe. The manufacturer must notify the FDA at least 75 days before marketing products containing new dietary ingredients and provide the FDA the information upon which the manufacturer based its conclusion that the product has a reasonable expectation of safety. There is no assurance that the FDA will accept the evidence of safety for any new dietary ingredients that we may wish to market, and the FDA's refusal to accept that evidence could prevent the marketing of the new dietary ingredients and dietary supplements containing a new dietary ingredient.

Our dietary supplements must comply with the Dietary Supplement and Nonprescription Drug Consumer Protection Act, which became effective on December 22, 2007. This Act amends the FFDC Act to mandate the reporting of serious adverse events received by us to the FDA.

The FDA has also announced its intention to promulgate new GMPs specific to dietary supplements, to fully enforce DSHEA and monitor compliance with the Bioterrorism Act of 2002.

Our failure to comply with applicable FDA regulatory requirements could result in, among other things, injunctions, product withdrawals, recalls, product seizures, fines and criminal prosecutions. We intend to comply with the new GMPs once they are adopted. The new GMPs, predicted to be finalized shortly, would be more detailed and stringent than the GMPs that currently apply to dietary supplements and may, among other things, require dietary supplements

to be prepared, packaged, produced and held in compliance with regulations similar to the GMP regulations for drugs. There can be no assurance that, if the FDA adopts GMP regulations for dietary supplements, we will be able to comply with the new regulations without incurring a substantial expense.

As a result of our efforts to comply with applicable statutes and regulations in the United States and elsewhere, we have from time to time reformulated, eliminated or relabeled certain of our products and revised certain advertising claims. We cannot predict the nature of any future laws, regulations, interpretations or applications, nor can we determine what effect additional governmental regulations or administrative orders, when and if promulgated, would have on our business in the future. They could, however, require the reformulation of certain products to meet new standards, the recall or discontinuance of certain products not capable of reformulation, additional record keeping, expanded documentation of the properties of certain products, expanded or different labeling, and/or scientific substantiation. Any or all of such requirements could have a material adverse effect on our business, financial condition and results of operations.



Our advertising of dietary supplement products is subject to regulation by the FTC under the FTCA. Section 5 of the FTCA prohibits unfair methods of competition and unfair or deceptive acts or practices in or affecting commerce. Section 12 of the FTCA provides that the dissemination or the causing to be disseminated of any false advertisement pertaining to drugs or foods, which would include dietary supplements, is an unfair or deceptive act or practice. Under the FTC's Substantiation Doctrine, an advertiser is required to have a "reasonable basis" for all objective product claims before the claims are made. Failure to adequately substantiate claims may be considered either deceptive or unfair practices. Pursuant to this FTC requirement, we are required to have adequate substantiation for all material advertising claims made for our products.

On November 18, 1998, the FTC issued "Dietary Supplements: An Advertising Guide for Industry." This guide provides marketers of dietary supplements with guidelines on applying FTC law to dietary supplement advertising. It includes examples of the principles that should be used when interpreting and substantiating dietary supplement advertising. Although the guide provides additional explanation, it does not substantively change the FTC's existing policy that all supplement marketers have an obligation to ensure that claims are presented truthfully and to verify the adequacy of the support behind such claims. Our outside counsel reviews our advertising claims for compliance with FTC requirements.

The FTC has a variety of processes and remedies available to it for enforcement, both administratively and judicially, including compulsory process, cease and desist orders and injunctions. FTC enforcement can result in orders requiring, among other things, limits on advertising, corrective advertising, consumer redress, divestiture of assets, rescission of contracts and such other relief as may be deemed necessary. A violation of such orders could have a material adverse effect on our business, financial condition and results of operations.

Advertising and labeling for dietary supplements and conventional foods are also regulated by state, county and other local governmental authorities. Some states also permit these laws to be enforced by private attorney generals. These private attorney generals may seek relief for consumers, seek class action certifications, seek class-wide damages, seek class-wide refunds and product recalls of products sold by us. There can be no assurance that state and local authorities will not commence regulatory action, which could restrict the permissible scope of our product advertising claims, or products that can be sold in the future.

Governmental regulations in foreign countries where we plan to or expand sales may prevent or delay entry into the market or prevent or delay the introduction, or require the reformulation, of certain of our products. Compliance with such foreign governmental regulations is generally the responsibility of our distributors for those countries. These distributors are independent contractors over whom we have limited control.

*Number of Total Employees and Number of Full Time Employees*

We believe that our success will depend greatly on our ability to identify, attract, and retain capable employees. As of August 3, 2012, we had 32 full time employees. Our employees are not represented by any collective bargaining unit, and we believe our relations with our employees are good. We have recently completed staffing for the in-house medical and physiology center on-site in our work-out, fight training and training facilities.

## **DESCRIPTION OF PROPERTY**

MusclePharm's corporate headquarters is located in Denver, Colorado. This commercial office building is 30,320 sq. ft. with 5,000 sq. ft. being used for offices and the other 25,000 sq. ft. utilized for research and development. The space includes a full performance training center, medical laboratory, and a 96-seat theatre room. The term of the lease is 65 months, expiring on December 31, 2015. We currently pay approximately \$13,500 in lease payments per month.

MusclePharm is leasing a small office and distribution warehouse in Boise, ID. The lease expires in February 2013 and the Company pays approximately \$3,500 per month in rent fees. MusclePharm also leases a 500 sq. ft. office space on a month-to-month basis. The Company currently pays \$500 per month in rent fees.

MusclePharm is leasing a 152,562 sq. ft. warehouse facility in Franklin, TN. The term of the lease is for 38 months, expiring on August 31, 2015. The Company currently pays \$8,866 per month in lease payments.

MusclePharm, through its Ontario subsidiary Canada MusclePharm Enterprises Corp., is leasing a 10,000 sq. ft. office and warehouse facility in Hamilton, Ontario, Canada. The term of the lease is for 24 months, expiring on March 31, 2014. The Company currently pays \$6,655 per month in leasing payments.

**LEGAL PROCEEDINGS**

Except as disclosed in Footnote 8 to the Company's restated financial statements for the three months ended March 31, 2012, contained herein, we are currently not involved in any new litigation that we believe could have a material adverse effect on our financial condition or results of operations. Except as disclosed in Footnote 8 to the Financial Statements contained herein, there is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of our Company or any of our subsidiaries, threatened against or affecting our company, our common stock, any of our subsidiaries or of our companies or our subsidiaries' officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect.

**MARKET FOR COMMON EQUITY AND RELATED SHAREHOLDER MATTERS***(a) Market Information*

Our shares of common stock were cleared for trading under the symbol "TTWZ:OB" on the OTCBB on November 24, 2008, and later began trading on the OTCBB under the symbol "MSLP:OB" on April 27, 2010. Prior to this period, there was minimal trading in our common stock. The high and low prices for our common stock during the calendar quarters ended were:

| Quarter ended      | High    | Low     |
|--------------------|---------|---------|
| June 30, 2012      | \$0.030 | \$0.012 |
| March 31, 2012     | \$0.037 | \$0.006 |
| December 31, 2011  | \$0.026 | \$0.007 |
| September 30, 2011 | \$0.039 | \$0.014 |
| June 30, 2011      | \$0.081 | \$0.025 |
| March 31, 2011     | \$0.130 | \$0.036 |
| December 31, 2010  | \$0.900 | \$0.050 |
| September 30, 2010 | \$1.030 | \$0.410 |
| June 30, 2010      | \$1.180 | \$0.950 |
| March 31, 2010     | \$-     | \$-     |

Quotations on the OTCBB reflect bid and ask quotations, may reflect inter-dealer prices, without retail markup, markdown or commission, and may not represent actual transactions. In periods prior to June 30, 2010, there was no

volume in the Company's common stock.

*(b) Holders*

As of August 3, 2012, we estimate that there were approximately 3,750 holders of record of our common stock. This figure does not take into account those shareholders whose certificates are held in the name of broker-dealers, "street name," or other nominees.

*(c) Dividends*

We have not paid any dividends to the holders of our common stock and we do not expect to pay any such dividends in the foreseeable future as we expect to retain our future earnings for use in the operation and expansion of our business.

*(d) Securities Authorized for Issuance under Equity Compensation Plan*

As of December 31, 2011, we had an employee stock option plan under which 5,000,000 shares had been reserved for issuance. The following table shows information with respect to this plan as of the fiscal year ended December 31, 2011.

**Equity Compensation Plan Information**

| Plan category  | Number of securities to be issued upon exercise of outstanding options, warrants and rights (a) | Weighted-average exercise price of outstanding options, warrants and rights(b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c) |
|--|---|--|---|
| Equity compensation plans approved by security holders     | 1,617,500   | \$ 0.50  | 3,382,500   |
| Equity compensation plans not approved by security holders | -   | -  | -   |
| Total  | 1,617,500   | \$ 0.50  | 3,382,500   |

**Transfer Agent**

Our stock transfer agent is Empire Stock Transfer, Inc., 1859 Whitney Mesa Dr., Henderson, NV 89014.

**PENNY STOCK RULES**

The U.S. Securities and Exchange Commission has also adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. Penny stocks are generally equity securities with a price of less than \$5.00 (other than securities registered on certain national securities exchanges or quoted on the Nasdaq system, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system).

A purchaser is purchasing penny stock, which limits the ability to sell the stock. The shares offered by this prospectus constitute penny stock under the Exchange Act. The shares will remain penny stocks for the foreseeable future. The classification of penny stock makes it more difficult for a broker-dealer to sell the stock into a secondary market, which makes it more difficult for a purchaser to liquidate his/her investment. Any broker-dealer engaged by the purchaser for the purpose of selling his or her shares in us will be subject to Rules 15g-1 through 15g-10 of the Exchange Act. Rather than creating a need to comply with those rules, some broker-dealers will refuse to attempt to sell penny stock.

The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from those rules, to deliver a standardized risk disclosure document, which:

- Contains a description of the nature and level of risk in the market for penny stock in both public offerings and secondary trading;
- Contains a description of the broker's or dealer's duties to the customer and of the rights and remedies available to the customer with respect to a violation of such duties or other requirements of the Securities Act;
- Contains a brief, clear, narrative description of a dealer market, including bid" and ask" price for the penny stock and the significance of the spread between the bid and ask price;
- Contains a toll-free number for inquiries on disciplinary actions;
  - Defines significant terms in the disclosure document or in the conduct of trading penny stocks; and
- Contains such other information and is in such form (including language, type, size and format) as the Securities and Exchange Commission shall require by rule or regulation.

The broker-dealer also must provide, prior to effecting any transaction in a penny stock, to the customer:

- The bid and offer quotations for the penny stock;
- The compensation of the broker-dealer and its salesperson in the transaction;

The number of shares to which such bid and ask prices apply, or other comparable information relating to the depth and liquidity of the market for such stock; and

· Monthly account statements showing the market value of each penny stock held in the customer's account.

In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from those rules; the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written acknowledgement of the receipt of a risk disclosure statement, a written agreement to transactions involving penny stocks, and a signed and dated copy of a written suitability statement. These disclosure requirements will have the effect of reducing the trading activity in the secondary market for our stock because it will be subject to these penny stock rules. Therefore, stockholders may have difficulty selling their securities.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **Special Note Regarding Forward-Looking Statements**

This registration statement and other reports filed by our Company from time to time with the U.S. Securities and Exchange Commission (collectively the Filings") contain or may contain forward-looking statements and information that are based upon beliefs of, and information currently available to, our management as well as estimates and assumptions made by our management. Readers are cautioned not to place undue reliance on these forward-looking statements, which are only predictions and speak only as of the date hereof. When used in the filings, the words anticipate," believe," estimate," expect," future," intend," plan," or the negative of these terms and similar expressions as they relate to us or our management identify forward-looking statements. Such statements reflect our current view with respect to future events and are subject to risks, uncertainties, assumptions, and other factors, including those set forth in the Risk Factors on page 9. Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove incorrect, actual results may differ significantly from those anticipated, believed, estimated, expected, intended, or planned.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Our financial statements are prepared in accordance with accounting principles generally accepted in the United States (GAAP<sup>®</sup>). These accounting principles require us to make certain estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions upon which we rely are reasonable based upon information available to us at the time that these estimates, judgments and assumptions are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities as of the date of the financial statements as well as the reported amounts of revenues and expenses during the periods presented. Our financial statements would be affected to the extent there are material differences between these estimates and actual results. In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require management's judgment in its application. There are also areas in which management's judgment in selecting any available alternative would not produce a materially different result. The following discussion should be read in conjunction with our consolidated financial statements and notes thereto appearing elsewhere in this report.

### **Plan of Operation**

Headquartered in Denver, Colorado, MusclePharm is a rapidly expanding healthy life-style company that develops and distributes a full line of scientifically approved nutritional supplements that are 100% free of any banned substances. Based on years of research, MusclePharm products are created through an advanced six-stage research protocol involving the expertise of top nutritional scientists and field tested by more than 100 elite professional athletes from various sports including the National Football League, mixed martial arts, and Major League Baseball. The Company's propriety and award winning products address all categories of an active lifestyle including muscle building, weight loss, and maintaining general fitness through a daily nutritional supplement regimen. MusclePharm is sold in over 120 countries and available in over 5,000 U.S. retail outlets, including GNC, Vitamin Shoppe, and Vitamin World. The Company also sells its products in over 100 online stores, including bodybuilding.com, amazon.com and vitacost.com.



Our primary focus at the current time is on the following:

- (1) Increase our distribution and sales;
- (2) Continue aggressive marketing campaign to further build upon our brand and market awareness;
- (3) Conduct additional testing of the safety and efficacy of our products; and
- (4) Hire additional key employees to continue to strengthen the Company.

## **Results of Operations**

*For the Year Ended December 31, 2011 (As Restated) Compared to the Year Ended December 31, 2010 (As Restated)*

### *Revenues*

Net revenues from the sale of products were approximately \$17 million for the year ended December 31, 2011, as compared to revenue from the sale of products of approximately \$3.2 million for the year ended December 31, 2010. Sales activities during the year ended December 31, 2011, increased due to the increase in advertising and promotion efforts, as well as the change in the Company's manufacturers, which provided more consistent shipments to customers. The increase is also related to the significant capital spent on marketing with distributors and marketing and brand recognition with endorsements and sponsorships.

### *Cost of Sales*

Cost of sales for the year ended December 31, 2011, were approximately \$14.8 million or 86% of revenue, as compared to approximately \$2.8 million or 88% of revenue for the year ended December 31, 2010. The cost of sales as a percentage of revenues were not consistent from December 31, 2010 to December 31, 2011. The cost of sales as a percentage of revenues increased due primarily to a reclassification of advertising expense to cost of sales in the amount of \$374,455 during 2011 due to our restatement. There were no such reclassifications in 2010.

*Operating Expenses*

Operating expenses for the year ended December 31, 2011, were approximately \$18.6 million, as compared to approximately \$18.7 million for the year ended December 31, 2010.

The approximate \$.1 million decrease is primarily due to an increase in stock based compensation – of approximately \$3.7 million, an increase in depreciation expense of approximately \$0.2 million and an increase in travel, meetings and entertainment of approximately \$0.3 million, offset by a decrease in investment advisory services of approximately \$2.4 million, a decrease in research and development costs of approximately \$1.2 million and the decrease of advertising expense of \$0.9 million.

*Operating Loss*

Operating loss for the year ended December 31, 2011 was approximately \$16.2 million, as compared to approximately \$18.3 million for the year ended December 31, 2010.

*Interest Expense*

Interest expense for the year ended December 31, 2011, was approximately \$3.7 million, as compared to approximately \$0.5 million for the year ended December 31, 2010. The increase in interest expense primarily relates to amortization of the debt discounts and debt issue costs of \$3.5 million and interest charges incurred on our debt instruments of approximately \$0.2 million.

*Other Expenses*

Other expenses for the year ended December 31, 2011, were approximately \$7 million, as compared to approximately \$1.3 million for the year ended December 31, 2010. The \$5.7 million increase in other expenses is primarily due to an increase in derivative expense of approximately \$4.7 million, an increase in interest expense of approximately \$3.2 million and increases in the losses on settlement of accounts payable of approximately \$3.4 million, offset by changes in the fair value of derivative liabilities of approximately \$5.3 million and licensing income of approximately \$0.2 million.

*Net Loss*

Net loss for the year ended December 31, 2011, was approximately \$23.3 million, or loss per share of \$0.08, as compared to the net loss of approximately \$19.6 million or loss per share of \$0.48 for the year ended December 31, 2010.

Inflation did not have a material impact on the Company's operations for the period. Other than the foregoing, management knows of no trends, demands, or uncertainties that are reasonably likely to have a material impact on the Company's results of operations.

***For the Three Months Ended March 31, 2012 Compared to the Three Months Ended March 31, 2011:***

*Sales*

Sales increased approximately \$13.5 million or 446% to \$16,560,680 for the three months ended March 31, 2012, as compared to \$3,033,936 for the three months ended March 31, 2011. The increase in sales was primarily attributable to increased brand awareness. Since inception, the Company has focused on an aggressive marketing plan to penetrate the market. As such, new promotional efforts have been made to increase sales by adding new customers and expanding our product line. The inclusion of new Gel squeeze tubes in various flavors has increased sales and seems to be reaching new customer demands. Another area of the increase is due to the growth in the international markets. Overall as a direct result of the aggressive marketing plan, our products are currently being offered in more retail stores, both domestic and international, and our products are receiving better shelf placement.

*Gross Profit*

Gross profit increased approximately \$3.0 million or 480% for the three months ended March 31, 2012 compared to the same three months ended March 31, 2011. Meanwhile the gross profit percentage increased slightly to approximately 22% during the three months ended March 31, 2012 from 21% for the same period ending March 31, 2011.

*General and Administrative Expenses*

General and administrative expenses for the three months ended March 31, 2012 increased approximately \$2.7 million over the same three months ended March 31, 2011. The increases seen in sales had corresponding increases in the general and administrative expenses bringing the total to \$4,392,811 for the quarter ending March 31, 2012, as compared to \$1,719,627 for the comparable three months ended March 31, 2011.

The major increase was the result of \$856,000 in athlete endorsements, \$1,084,000 in increases for salaries and benefits, \$159,000 in stock based compensation, \$146,000 through increased advertising and promotions, and other increases in general administrative expenses of \$340,000. The total increase was offset by decreases in professional fees of approximately \$182,000, and decrease in store support of \$250,000.

*Loss from Operations*

The loss from operations for the three months ended March 31, 2012, was \$727,293 as compared to a loss of \$1,087,225 for the comparable three months ended March 31, 2011. The improved operating performance for the period is primarily attributable to an aggressive marketing plan and the Company's ability to gain brand recognition resulting in increased sales during the three months ended March 31, 2012, as compared to the three months ended March 31, 2011.

*Other Expenses*

Other net expenses for the three months ended March 31, 2012, were \$15,308,000, as compared to \$3,924,697 for the comparable three months ended March 31, 2011. The increase in other expenses of \$11,383,303 is primarily attributed to items shown in the table below:

|   | Three Months Ended |                 |
|---|--------------------|-----------------|
|   | March 31,<br>2012  | March 31, 2011  |
| Derivative expense                              | \$ (1,456,910 )    | \$ (1,359,369 ) |
| Change in fair value of derivative liabilities  | \$ (8,357,171 )    | \$ (131,717 )   |
| Loss on settlement of accounts payable and debt | \$ (2,941,826 )    | \$ (1,914,689 ) |
| Interest expense                                | \$ (2,570,516 )    | \$ (518,922 )   |
| Other income (expense)                          | \$ 18,422          | \$ -            |
|   | \$ (15,308,000)    | \$ (3,924,697 ) |

The increase in this expense category was mainly attributed to fair value changes in derivative contracts and the increase in interest expense.

*Net Loss*

Net loss for the three months ended March 31, 2012, was \$16,035,293 or \$(0.01) loss per share as compared to \$5,011,922 or loss per share of \$(0.03) compared to the three months ended March 31, 2011.

Inflation did not have a material impact on the Company's operations for the period. Other than the foregoing, management knows of no trends, demands, or uncertainties that are reasonably likely to have a material impact on the Company's results of operations.

**Liquidity and Capital Resources**

The following table summarizes total current assets, liabilities and working capital at March 31, 2012, compared to December 31, 2011.

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|                           | March 31, 2012   | December 31, 2011 | Increase/Decrease |
|---------------------------|------------------|-------------------|-------------------|
| Current Assets            | \$ 6,373,160     | \$ 4,016,833      | \$ 2,356,327      |
| Current Liabilities       | \$ 24,513,501    | \$ 17,710,100     | \$ 6,803,401      |
| Working Capital (Deficit) | \$ (18,140,341 ) | \$ (13,693,267 )  | \$ (4,447,074 )   |

Our primary source of operating cash has been through the sale of equity and through the issuance of convertible secured promissory notes and other short-term debt as discussed below.

At March 31, 2012, the Company had cash of \$1,299,235 and working capital deficit of approximately \$17.8 million, compared to cash of \$659,764 and a working capital deficit of approximately \$13.7 million at December 31, 2011. The working capital deficit increase of approximately \$4.1 million is primarily due to an increase in derivative liabilities of approximately \$8 million, and an decrease in other assets of \$0.3 million offset by an increase in accounts receivable of \$2 million and a decrease in accounts payable and accrued liabilities of approximately \$1.6 million, and \$0.6 million in cash.

Cash provided by operating activities was approximately \$1.4 million for the three months ended March 31, 2012, as compared to cash used in operating activities of approximately \$0.8 million for the three months ended March 31, 2011. The increase in cash provided by operating activities of approximately \$2.2 million for the three months ended March 31, 2012, compared to the three months ended March 31, 2011, was primarily due to an increased payables and deferred revenue of approximately \$2.6 million, an increase in derivative liabilities of \$8.2 million, a net increase in expenses related to the repayment and conversion of debt of \$1 million, and a increase in depreciation and amortization \$1.7 million, offset by an increase net loss of \$11 million, and an increase in accounts receivable and prepaids of \$0.3 million.

Cash used in investing activities increased to \$0.3 million from \$0.2 million for the three months ended March 31, 2012 and 2011 due to slightly higher spending on fixed assets. Future investments in property and equipment, as well as further development of our Internet presence will largely depend on available capital resources.

Cash flows used in financing activities were approximately \$.5 million for the three months ended March 31, 2012, as compared to cash flows provided by financing activities of approximately \$1.4 million for three months ended March 31, 2011. The approximately \$1.9 million decrease is due to the \$3.3 million increase in repayments of debt and \$0.2 million purchase of treasury stock offset by an increase proceeds from issuance of debt of \$1.4 million and proceeds from warrant exercises of approximately \$0.3 million.

| Cash Flows From Financing Activities: For the Three Months Ended | March 31<br>2012 | March 31<br>2011 |
|--|------------------|------------------|
| Proceeds from issuance of debt                                   | 2,842,950        | 1,482,000        |
| Repayment of debt  | (3,346,433)      | -                |
| Debt issuance costs  | (30,000 )        | (69,700 )        |
| Repurchase of common stock                                       | (230,400 )       | -                |
| Proceeds from issuance of common stock and warrants              | 285,760          | -                |
| Net Cash (Used In) Provided By Financing Activities              | (478,123 )       | 1,412,300        |

### Going Concern

As reflected in the accompanying unaudited interim consolidated financial statements, the Company had a net loss of \$16,035,293 and net cash provided by operations of \$1,423,375 for the three months ended March 31, 2012 and a working capital deficit and stockholders' deficit of \$18,140,341 and \$17,209,090 respectively, at March 31, 2012. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The ability of the Company to continue its operations is dependent on management's plans, which include the raising of capital through debt and/or equity markets with some additional funding from other traditional financing sources, including term notes, sale of aged debt to third parties in exchange for free trading stock, until such time that funds provided by operations are sufficient to fund working capital requirements. The Company may need to incur liabilities with certain related parties to sustain the Company's existence.

The Company will require additional funding to finance the growth of its current and expected future operations as well as to achieve its strategic objectives. The Company believes its current available cash along with anticipated revenues may be insufficient to meet its cash needs for the near future. There can be no assurance that financing will

be available in amounts or terms acceptable to the Company, if at all.

In response to these problems, management has taken the following actions:

- seeking additional third party debt and/or equity financing;
- continue with the implementation of the business plan;
- allocate sufficient resources to continue with advertising and marketing efforts.

### **Financings**

Our primary source of operating cash has been through the sale of equity and through the issuance of convertible secured promissory notes.

The Company continues to explore potential expansion opportunities in the industry in order to boost sales, while leveraging distribution systems to consolidate lower costs. The Company needs to continue to raise money in order to execute the business plan.



### Off-Balance Sheet Arrangements

Other than the operating leases, as of March 31, 2012, the Company did not have any off-balance sheet arrangements. We are obligated under an operating lease for the rental of office space. Future minimum rental commitments with a remaining term in excess of one year as of March 31, 2012 are as follows:

Years Ended December 31,

|                              |           |
|------------------------------|-----------|
| 2012                         | \$64,771  |
| 2013                         | 92,421    |
| 2014                         | 98,481    |
| 2015                         | 104,542   |
| Total minimum lease payments | \$360,215 |

### Critical Accounting Policies

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the financial statements, which management considered in formulating its estimate could change in the near term due to one or more future non-conforming events. Accordingly, the actual results could differ significantly from estimates.

### Risks and Uncertainties

The Company operates in an industry that is subject to rapid change and intense competition. The Company's operations will be subject to significant risk and uncertainties including financial, operational, technological, regulatory and other risks, including the potential risk of business failure.

## **Principles of Consolidation**

All significant intercompany accounts and transactions have been eliminated in consolidation.

## **Use of Estimates**

The preparation of financial statements in conformity with United States of America generally accepted accounting principles 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.

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the financial statements, which management considered in formulating its estimate could change in the near term due to one or more future non-conforming events. Accordingly, the actual results could differ significantly from estimates.

## **Accounts Receivable and Allowance for Doubtful Accounts**

Accounts receivable represents trade obligations from customers that are subject to normal trade collection terms. The Company periodically evaluates the collectability of its accounts receivable and considers the need to establish an allowance for doubtful accounts based upon historical collection experience and specific customer information. Accordingly, the actual amounts could vary from the recorded allowances.

The Company does not charge interest on past due receivables. Receivables are determined to be past due based on the payment terms of the original invoices.

### **Fair Value of Financial Instruments**

The Company measures assets and liabilities at fair value based on an expected exit price as defined by the authoritative guidance on fair value measurements, which represents the amount that would be received on the sale of an asset or paid to transfer a liability, as the case may be, in an orderly transaction between market participants. As such, fair value may be based on assumptions that market participants would use in pricing an asset or liability. The authoritative guidance on fair value measurements establishes a consistent framework for measuring fair value on either a recurring or nonrecurring basis whereby inputs, used in valuation techniques, are assigned a hierarchical level.

The following are the hierarchical levels of inputs to measure fair value:

·Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Inputs reflect quoted prices for identical assets or liabilities in markets that are not active; quoted prices for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the assets or liabilities; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Unobservable inputs reflecting the Company's assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

### **Revenue Recognition**

The Company records revenue when all of the following have occurred: (1) persuasive evidence of an arrangement exists, (2) product has been shipped or delivered, (3) the sales price to the customer is fixed or determinable, and (4) collectability is reasonably assured.

Depending on individual customer agreements, sales are recognized either upon shipment of products to customers or upon delivery. The Company records sales allowances and discounts as a direct reduction of sales.

The Company has determined that advertising related credits that were granted to customers fell within the guidance of ASC No. 605-50-55 (“*Revenue Recognition*” – *Customer Payments and Incentives – Implementation Guidance and Illustrations*). The guidance indicates that, absent evidence of benefit to the vendor, appropriate treatment requires netting these types of payments against revenues and not expensing as advertising expense.

The Company has an informal 7-day right of return for products. There were nominal returns at the quarter ended March 31, 2012 and March 31, 2011.

### **Accounts Receivable**

MusclePharm performs ongoing evaluations of its customer’s financial condition and generally does not require collateral. Management reviews accounts receivable periodically and reduces the carrying amount by a valuation allowance that reflects management’s best estimate of amounts that may not be collectible. Allowances, if any, for uncollectible accounts receivable are determined based upon information available and historical experience.

### **Beneficial Conversion Feature**

For conventional convertible debt where the rate of conversion is below market value, the Company records a “beneficial conversion feature” (“BCF”) and related debt discount.

When the Company records a BCF, the relative fair value of the BCF would be recorded as a debt discount against the face amount of the respective debt instrument. The discount would be amortized to interest expense over the life of the debt.

### **Derivative Liabilities**

Fair value accounting requires bifurcation of embedded derivative instruments such as conversion features in convertible debt or equity instruments, and measurement of their fair value for accounting purposes. In determining the appropriate fair value, the Company uses the Black-Scholes option-pricing model. In assessing the convertible debt instruments, management determines if the convertible debt host instrument is conventional convertible debt and further if there is a beneficial conversion feature requiring measurement. If the instrument is not considered conventional convertible debt, the Company will continue its evaluation process of these instruments as derivative financial instruments.

Once determined, derivative liabilities are adjusted to reflect fair value at each reporting period end, with any increase or decrease in the fair value being recorded in results of operations as an adjustment to fair value of derivatives. In addition, the fair value of freestanding derivative instruments such as warrants, are also valued using the Black-Scholes option-pricing model.

### **Debt Issue Costs and Debt Discount**

The Company may pay debt issue costs, and record debt discounts in connection with raising funds through the issuance of convertible debt. These costs are amortized over the life of the debt to interest expense. If a conversion of the underlying debt occurs, a proportionate share of the unamortized amounts is immediately expensed.

### **Original Issue Discount**

For certain convertible debt issued, the Company provides the debt holder with an original issue discount. The original issue discount is recorded to debt discount and additional paid in capital at an amount not to exceed gross proceeds raised, reducing the face amount of the note and is amortized to interest expense over the life of the debt.

### **Share-Based Payments**

Generally, all forms of share-based payments, including stock option grants, warrants, restricted stock grants and stock appreciation rights are measured at their fair value on the awards' grant date, based on estimated number of awards that are ultimately expected to vest. Share-based compensation awards issued to non-employees for services rendered are recorded at either the fair value of the services rendered or the fair value of the share-based payment, whichever is more readily determinable.

## Restatement

On May 14, 2012, the Company determined that a material misstatement exists in the Company's 2011 quarterly and 2011 and 2010 annual financial statements. The Company concluded that the following financial statements contained material misstatements: (i) the Company's audited financial statements for the year ended December 31, 2011, filed in an annual report on Form 10-K with the U.S. Securities and Exchange Commission (the "SEC") on April 16, 2012; (ii) the Company's audited financial statements for the year ended December 31, 2010, filed in an annual report on Form 10-K with the U.S. Securities and Exchange Commission (the "SEC") on April 1, 2011; (iii) the Company's unaudited financial statements for the period ended September 30, 2011, filed in a quarterly report on Form 10-Q with the SEC on November 14, 2011; (iv) the Company's unaudited financial statements for the period ended June 30, 2011, filed in a quarterly report on Form 10-Q with the SEC on August 16, 2011; and (v) the Company's unaudited financial statements for the period ended March 31, 2011, filed in a quarterly report on Form 10-Q with the SEC on May 23, 2011.

The foregoing financial statements contained material misstatements pertaining to the Company's calculation of net sales and presentation of general and administrative expenses and cost of sales. The Company has determined that advertising related credits that were granted to customers fell within the guidance of ASC No. 605-50-55 ("*Revenue Recognition*" – *Customer Payments and Incentives – Implementation Guidance and Illustrations*). The guidance indicates that, absent evidence of benefit to the vendor, appropriate treatment requires netting these types of payments against revenues and not expensing as advertising expense. The Company also noted other credits and discounts that, upon further review, had been previously classified as advertising expense as a component of general and administrative expense that require a reallocation of presentation as amounts to be netted against revenues. Additionally, for the year ended December 31, 2011, the Company reclassified certain advertising expenses relating to sample items to cost of sales. There were no such reclassifications for 2010. The Company's net loss and loss per share will not be affected by this reallocation in the statement of operations.

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Promotions, credits and non-specific advertising with its customers have been reclassified from general and administrative expenses to revenues.

Samples shipped to customers not clearly identifiable were reclassified from general and administrative expense to cost of sales.

|   | Year Ended<br>December 31,<br>2011 |               | Year Ended<br>December 31,<br>2011 |                | Year Ended<br>December 31,<br>2010 |                |
|---|------------------------------------|---------------|------------------------------------|----------------|------------------------------------|----------------|
|   | As Restated                        | Adjustments   | As Issued                          | As Restated    | Adjustments                        | As Issued      |
| Sales - net                                     | \$17,212,636                       | \$(3,625,701) | \$20,838,337                       | \$3,202,687    | \$(844,608)                        | \$4,047,295    |
| Cost of sales                                   | 14,845,069                         | 374,455       | 14,470,614                         | 2,804,274      | -                                  | 2,804,274      |
| Gross profit                                    | 2,367,567                          | (4,000,156)   | 6,367,723                          | 398,413        | (844,608)                          | 1,243,021      |
| General and administrative expenses             | 18,587,727                         | (4,000,156)   | 22,587,883                         | 18,650,249     | (844,608)                          | 19,494,857     |
| Loss from operations                            | (16,220,160)                       | -             | (16,220,160)                       | (18,251,836)   | -                                  | (18,251,836)   |
| Other income (expense)                          |                                    |               |                                    |                |                                    |                |
| Derivative expense                              | (4,777,654)                        | -             | (4,777,654)                        | (93,638)       | -                                  | (93,638)       |
| Change in fair value of derivative liabilities  | 5,162,100                          | -             | 5,162,100                          | (149,306)      | -                                  | (149,306)      |
| Loss on settlement of accounts payable and debt | (3,862,458)                        | -             | (3,862,458)                        | (433,400)      | -                                  | (433,400)      |
| Interest expense                                | (3,711,278)                        | -             | (3,711,278)                        | (480,589)      | -                                  | (480,589)      |
| Other expense                                   | (121,500)                          | -             | (121,500)                          | (160,568)      | -                                  | (160,568)      |
| Licensing income                                | 250,000                            | -             | 250,000                            | -              | -                                  | -              |
| Total other income (expense) - net              | (7,060,790)                        | -             | (7,060,790)                        | (1,317,501)    | -                                  | (1,317,501)    |
| Net loss  | \$(23,280,950)                     | \$-           | \$(23,280,950)                     | \$(19,569,337) | \$-                                | \$(19,569,337) |
| Net loss available to common stockholders       |                                    |               |                                    |                |                                    |                |
| Net loss  | \$23,280,950                       | \$-           | \$23,280,950                       | \$(19,569,337) | \$-                                | \$(19,569,337) |
| Series C preferred stock dividend               | (293)                              | -             | (293)                              | -              | -                                  | -              |
| Net loss available to common stockholders       | \$(23,280,657)                     | \$-           | \$(23,280,657)                     | \$(19,569,337) | \$-                                | \$(19,569,337) |

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|  |             |      |             |            |      |            |
|--|-------------|------|-------------|------------|------|------------|
| Net loss per common share available to common stockholders - basic and diluted           | \$ (0.08 )  | \$ - | \$ (0.08 )  | \$ (0.48 ) | \$ - | \$ (0.48 ) |
| Weighted average number of common shares outstanding during the year – basic and diluted | 281,484,658 | -    | 281,484,658 | 41,141,549 | -    | 41,141,549 |



### *Accounts Receivable*

MusclePharm performs ongoing evaluations of its customer's financial condition and generally does not require collateral. Management reviews accounts receivable periodically and reduces the carrying amount by a valuation allowance that reflects management's best estimate of amounts that may not be collectible. Allowances, if any, for uncollectible accounts receivable are determined based upon information available and historical experience.

### *Property and Equipment*

Property and equipment are stated at cost less accumulated depreciation. Included in property and equipment are website development costs which represent capitalized costs of design, configuration, coding, installation, and testing of the Company's website. Depreciation is computed on the straight-line method over the asset's useful lives which range from three to five years. Maintenance and repairs are charged to expense as incurred; improvements and betterments are capitalized.

### *Long-Lived Assets*

MusclePharm's primary long-lived assets are property and equipment. The Company assesses the recoverability of its long-lived assets whenever events and circumstances indicate the carrying value of an asset or asset group may not be recoverable from estimated future cash flows expected to result from its use and eventual disposition.

### *Fair Value Measurements*

The Company follows guidance for fair value measurements which defines fair value, establishes a framework for using fair value to measure financial assets and liabilities on a recurring basis, and expands disclosures about fair value measurements. The Company also applies the guidance to non-financial assets and liabilities measured at fair value on a non-recurring basis, which includes goodwill and intangible assets. The guidance establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions of what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of the inputs as follows:

Level 1 – Valuation is based upon unadjusted quoted market prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2 – Valuation is based upon quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; or valuations based on models where the significant inputs are observable in the market.

Level 3 – Valuation is based on models where significant inputs are not observable. The unobservable inputs reflect the Company's own assumptions about the inputs that market participants would use.

Financial instruments consist of cash, accounts receivable, prepaid expenses, accounts payable and accrued expenses. The carrying amount of these financial instruments approximates fair value due to their short-term nature or the current rates at which the Company could borrow funds with similar remaining maturities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial statements.

## Derivative Financial Instruments

Fair value accounting requires bifurcation of embedded derivative instruments such as conversion features in convertible debt or equity instruments, and measurement of their fair value for accounting purposes. In determining the appropriate fair value, the Company uses the Black-Scholes option-pricing model. In assessing the convertible debt instruments, management determines if the convertible debt host instrument is conventional convertible debt and further if there is a beneficial conversion feature requiring measurement. If the instrument is not considered conventional convertible debt, the Company will continue its evaluation process of these instruments as derivative financial instruments.

### *Revenue Recognition (As Restated)*

The Company records revenue when all of the following have occurred: (1) persuasive evidence of an arrangement exists, (2) product has been shipped or delivered by the third party manufacturer, (3) the sales price to the customer is fixed or determinable, and (4) collectability is reasonably assured.

Depending on individual customer agreements, sales are recognized either upon shipment of products to customers or upon delivery. For one of our largest customers, which represent 14% of total revenue in 2011, revenue is recognized upon delivery.

The Company has determined that advertising related credits that were granted to customers fell within the guidance of ASC No. 605-50-55 (“*Revenue Recognition*” – *Customer Payments and Incentives – Implementation Guidance and Illustrations*). The guidance indicates that, absent evidence of benefit to the vendor, appropriate treatment requires netting these types of payments against revenues and not expensing as advertising expense.

The Company records store support, give aways, sales allowances and discounts as a direct reduction of sales. The Company recorded reductions to gross revenues totaling approximately \$4,000,000 and \$1,000,000 for the years ended December 31, 2011 and 2010, respectively.

The Company grants volume incentive rebates to certain customers based on contractually agreed percentages ranging from 2.5% - 5.5% as a percentage of sales once a certain threshold has been met. The credits are recorded as a direct reduction to sales. Included in the reductions to revenues above are volume incentive rebates. Total volume incentive rebates granted for the years ended December 31, 2011 and 2010 were approximately \$500,000 and \$0, respectively.

The Company has an informal 7-day right of return for products. There were nominal returns in 2011 and 2010.

During the years ended December 31, 2011 and 2010, the Company had the following concentrations of revenues with customers:

| Customer | 2011 (As Restated) |   | 2010 As Restated) |   |
|----------|--------------------|---|-------------------|---|
| A        | 41                 | % | 45                | % |
| B        | 14                 | % | 7                 | % |
| C        | -                  | % | 15                | % |

The Company does not manufacture or physically hold any inventory. Inventory is held and distributed by the Company's third party manufacturer.

### ***Sponsorship and Endorsement Agreements***

As a component of its marketing strategy, the Company enters into sponsorship and endorsement agreements with prominent athletes, trainers, and other high profile individuals that provide the Company ongoing sources of exposure to its products. The agreements sometimes specify certain contingencies that must be met to receive payments; others may require regular or periodic payments with no specified service or events that trigger payments under an agreement, or a combination of both. Agreements that are contingent upon the successful completion of an event prior to payment are considered unearned until the completion of the triggering event, and as such, no expense or liability is recorded until the successful completion of the triggering event. Where agreements are based on time and not on specific triggering events, the services are considered to be earned ratably over the period of the agreement, and as such expenses and liabilities are recorded ratably over the term of the agreement.

On September 1, 2011, the Company signed a sponsorship agreement with Zuffa Marketing, LLC, the owner of Ultimate Fighting Championship™ (“UFC™”). The Company is one of five primary sponsors with Dodge Trucks, Harley-Davidson, Bud Light and Tapout. The Company is the “Official Supplement Company of the UFC.” The Company receives brand placement at UFC™ events. Our agreement includes prominent logo placement on the mat, and our branding can be seen on Fox and pay-per-view worldwide.

### ***Stock-Based Compensation***

MusclePharm measures and recognizes compensation expense for all share-based awards made to employees and directors, including stock options and stock purchase warrants, based on estimated fair values. The Company must estimate the fair value of share-based awards on the grant date using an option pricing model. MusclePharm values share-based awards using the Black-Scholes option pricing model. The Black-Scholes model is highly complex and dependent on key estimates by management.

### ***Recent Accounting Pronouncements***

In May 2011, the FASB issued ASU No. 2011-04, which amended ASC Topic 820 to achieve common fair value measurements and disclosure requirements in U.S. GAAP and International Financial Reporting Standards (“IFRS”). The amendments in ASU No. 2011-05 result in common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs. Consequently, the amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. This amendment is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Company does not anticipate this amendment will have a material impact on its financial statements.

## **CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

There have been no changes in or disagreements with accountants on accounting or financial disclosure matters.

## **DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS**

*Directors and Executive Officers*

The following table and text sets forth the names and ages of all our directors and executive officers and our key management personnel as of August 3, 2012. All of our directors serve until the next annual meeting of stockholders and until their successors are elected and qualified, or until their earlier death, retirement, resignation or removal. Executive officers serve at the discretion of the Board of Directors, and are elected or appointed to serve until the next Board of Directors meeting following the annual meeting of stockholders. Also provided is a brief description of the business experience of each director and executive officer and the key management personnel during the past five years and an indication of directorships held by each director in other companies subject to the reporting requirements under the Federal securities laws.

| Name             | Age | Position   |
|------------------|-----|--|
| Brad J. Pyatt    | 32  | Chief Executive Officer and Co-Chairman of the Board |
| Cory Gregory     | 33  | Senior President                                     |
| Jeremy DeLuca    | 33  | President and Chief Marketing Officer                |
| Lawrence S. Meer | 51  | Treasurer  |
| John H. Blucher  | 54  | Chief Operating Officer and Co-Chairman of the Board |
| Lewis Gary Davis | 58  | Chief Financial Officer                              |
| David W. Prosser | 62  | Director   |
| Mark Groussman   | 39  | Director   |
| Gordon Burr      | 63  | Director   |

The biographies of each of our executive officers and directors are as follows:

**Brad J. Pyatt, age 32, Chief Executive Officer, Co-Chairman**

Mr. Pyatt has served as the Chief Executive Officer and Director of the Company since February 18, 2010, and as President and Chief Executive Officer of Muscle Pharm, LLC, since its inception in April 2008. His background includes seven years of experience as a professional athlete, and more than five years of experience in the sports nutrition arena. Mr. Pyatt played in National Football League (NFL) for the Indianapolis Colts during the 2003, 2004, and 2005 NFL seasons as well for the Miami Dolphins during the 2006 NFL season. Mr Pyatt also played in the Arena Football League (AFL) for the Colorado Crush during the 2007 and 2008 AFL seasons. Mr. Pyatt attended the University of Kentucky from 1999 to 2002, where he studied kinesiology exercise science, as well the University of Northern Colorado, from 2002 to 2003.

The Company believes that Mr. Pyatt's experience in the sports nutrition sector over the past five plus years, along with his background as a former professional athlete, give him an unique perspective on the nutrition industry as a whole and makes him a valuable member to the Company's board of directors.

**Cory Gregory, age 33, Senior President**

Mr. Gregory is currently the Senior President and member of the Company's board of directors, roles he has served in since May 2010. Prior to joining the Company, Mr. Gregory served as the President, managing member, and owner of T3 Personal Training LLC ("T3") from April 2009 until November 2000. T3 was a personal training service that managed and oversaw over 40 clients using 7 trainers over a ten year period. During the same period, Mr. Gregory served as President of the Ohio Natural Bodybuilding Federation, a federation founded by Mr. Gregory in 2004 which hosted 14 bodybuilding competitions over a six year period. In 2004, Mr. Gregory purchased the Old School Gym, located in Pataskala, OH, which he continues to own at present day.

The Company believes that Mr. Gregory's extensive bodybuilding and personal training experience provide him with the insight necessary to understand the ongoing demands and changes to the nutrition industry and as such, makes him a valuable member to the Company's board of directors.

**Jeremy DeLuca, age 33, President and Chief Marketing Officer**

Mr. DeLuca is the Company's President and Chief Marketing Officer. Prior to joining the Company, from April 1999 to November 2010, Mr. DeLuca served as the President of Bodybuilding.com, an online sports nutrition and supplements company which he co-founded in 1999 ("Bodybuilding.com"). As President, Mr. DeLuca was actively involved in all aspects of Bodybuilding.com's business, with a focus on marketing, sales, and e-commerce. Mr. DeLuca's responsibilities also included managing all vendor relations, marketing strategies, sales promotions, store content and store site development. During Mr. DeLuca's tenure, Bodybuilding.com grew tremendously, achieving annual sales of over \$200,000,000 in 2010.



**Lawrence S. Meer, age 51, Treasurer**

Mr. Meer has served as Chief Financial Officer of the Company since July 2010. Prior to becoming the Chief Financial Officer he was the Director of Finance at Muscle Pharm, LLC from October 2009 to July 2010. His other past experience includes daily cash management and treasury functions, including the establishment of credit and collection procedures to maximize cash flow, reduce corporate debt and enhance shareholder value. He previously served as President and Chief Financial Officer in Miami, FL, at Color It, Inc., a textile finishing business, from March 2002 to December 2008. Mr. Meer also previously served as Executive Vice President at Customer Assets in Denver, CO, an India-based call center, from 2000 to 2002. Prior to joining Customer Assets, he was Chief Financial Officer and Chief Operating Officer at GS Sportswear in Denver, CO, a sportswear promotional company, from 1998 to 2000. Mr. Meer also served as Chief Financial Officer at Davis Audio-Visual, Inc., a retailer of audio-visual equipment, from 1996 to 1998; and Vice President of Finance at Pacer Cats in Englewood, CO., a ticketing and concession software provider from 1991 to 1996. Mr. Meer earned a BS in accounting from the University of Colorado at Boulder.

**John H. Bluher, age 54, Chief Operating Officer, Co-Chairman**

Mr. Bluher is a specialist in corporate governance for growing companies. He is also a specialist in investment management, capital structuring, merger and acquisition, private equity and valuations of public and private companies. He has significant experience working with corporate structuring, corporate boards and committees, risk management, and public company corporate governance. His experience also includes negotiating transactions and purchases, and sales of assets and properties on a global basis. He has deep experience in creating and implementing corporate governance plans, working in the corporate board room, and as director of risk, developing internal audit programs and insurance programs for public companies. During 2010, Mr. Bluher provided consulting services to a leading financial advisory and management consultant firm. Mr. Bluher was responsible for managing transactions, business development, developing corporate governance standards and corporate structuring for companies. Since December 2009, Mr. Bluher assisted in raising capital, marketing and co-managed Coachman Energy Funds at Caddis Capital, LLC, a private equity portfolio focused on oil and gas investments. From February 2010 to August 2010, Mr. Bluher acted as investment banker and special financial advisor to the AARP Mutual Fund Board of Trustees in a platform divestiture. From December 2007 to May 2009, Mr. Bluher served as managing director and general counsel at Lehman Brothers, Inc.'s (NYSE:LEH) investment management division. Mr. Bluher also served as global chief legal and compliance officer and managing director of Neuberger Berman during this period. From August 2004 to June 2007, Mr. Bluher served as general counsel and director of risk and Janus Capital, Inc. (NYSE:JNS). From June 2002 to July 2004, Mr. Bluher served as executive vice president, general counsel and corporate secretary and director of risk management of Knight Trading Group (NASDAQ:NITE). From January 2001 to May 2002, Mr. Bluher served as senior vice president and global chief compliance officer for Prudential Securities, Inc. (NYSE:PRU). From October 1997 to January 2001, Mr. Bluher served as general counsel and chief compliance officer of Sun America, Inc. (NYSE:SAI) later (NYSE:AIG). From 1992 – 1997, Mr. Bluher served as senior vice president, regional and divisional Counsel at Prudential Securities, Inc. From 1987 to 1992, Mr. Bluher was senior counsel for the Division of Enforcement at the Securities and Exchange Commission. Mr. Bluher holds a Bachelor of Science and a J.D. degree from the University of Wyoming and holds FINRA Series 7, Series 24 and Series 14 licenses. He has served on the boards of ICI Mutual Insurance Company, the NASDAQ Chairman's Advisory Board, Cherry Hills Founders Group,

Inc., Targeted Medical Pharma, Inc., Arete Industries, Inc., and Safe Communications, Inc., and the University of Wyoming Foundation Board, and College of Law Advisory Board. Mr. Blucher is a frequent speaker at financial services industry meetings and conferences.

**Lewis Gary Davis, age 58, Chief Financial Officer**

From January, 2010 to prior to joining the company, Mr. Davis, age 58, worked as a certified public accountant for various clients, specializing in mergers and acquisitions. From November, 2004 to January, 2010, Mr. Davis served as executive vice president and chief financial officer of Bodybuilding.com, a sports, fitness and nutritional supplement on-line retail store. He previously was vice president and chief financial officer of US Ecology Corporation. Davis earned a Bachelor's Degree in Accounting from Boise State University and is near completion of a Master's Degree in Finance from Rochester Institute of Technology. He is a licensed certified public accountant.

**David W. Prosser, age 62, Director**

Donald W. Prosser, age 62, has been the principal executive officer of Arête Industries, Inc. since January 2011 and a director of Arête since September, 2003. Arête is a voluntary filer under the Securities Exchange Act of 1934. Mr. Prosser owns a certified public accounting firm, Donald W. Prosser, P.C., specializing in tax services and accounting and has represented a number of private and public companies serving in the capacity of accountant, member of boards of directors, and as chief financial officer. From 1997 to 1999, Mr. Prosser served as CFO and Director for Chartwell International, Inc., a public company publishing high school athletic information and providing athletic recruiting services. From 1999 to 2000, he served as CFO and Director for Anything Internet, Inc. and from 2000 to 2001, served as CFO and Director for its successor, Inform Worldwide Holdings, Inc., a publicly traded company. From November 2002 through June 2008, Mr. Prosser served as CFO of VCG Holding Corp., a public company. He also has served on the board of directors of Veracity Management Global, Inc., a publicly traded company, since January, 2008. Mr. Prosser has been a certified public accountant since 1975. Mr. Prosser attended the University of Colorado from 1970 to 1971 and Western State College of Colorado from 1972 to 1975, where he earned a Bachelor's Degree in Accounting and History (1973) and a Master's Degree in Accounting – Income Taxation (1975).

**Gordon Burr, age 63, Director**

Gordon Burr, age 63, is the founder and president of the B-Mex/Exciting Games group, which is a group of US and Mexican companies that constructed, own and operate casinos in Mexico. Mr. Burr occupies a principal role in both corporate strategy and in daily operations and has served as President of the B-Mex/Exciting Games group since its inception in 2005. Prior to his involvement with B-Mex/Exciting Games, Mr. Burr served as a Vice President of Business Development and Manager for several companies in the United States. From 2003 to 2004, he was VP of Business Development for Pelion Systems, Inc., a software company providing manufacturing optimization software and solutions that merged with JCIT International to form DemandPoint. Before that, Mr. Burr was Manager of Business Development for C2 Media, a corporate printing roll-up, between 2001 and 2003, and was involved in fundraising and later operations. Mr. Burr also serves on the board of directors for the Colorado Honor Corps, a local division of the Tragedy Assistance Program for Survivors, which provides assistance for persons who have lost a military loved one. Mr. Burr is also a co-founder and Vice Chairman of *Fundación Curando a México*, a non-profit charity in Mexico partnered with Project C.U.R.E. in the US to bring medical equipment, supplies, training and other services to hospitals serving the low-income population in Mexico.

**Mark Groussman, age 39, Director**

Mark Groussman, age 39, was appointed as the Chief Executive Officer of American Strategic Minerals Corporation in June 2012. Mr. Groussman has been a consultant and investor in both private and public companies for the past 11 years. Mr. Groussman has been the managing member of Bull Hunter LLC since 2001 and the president of Melechdavid, Inc. since 2001. Both of these companies invest in small capitalization in private and public companies.

Mr. Groussman received his B.A. from George Washington University in 1995 and received a M.S. in Real Estate Finance from New York University in 1999. Mr. Groussman's appointment to the Board was pursuant to the terms of a consulting agreement between the Company and Melechdavid, Inc., a corporation owned by Mr. Groussman.

## **Advisory Board**

We have established an Advisory Board currently consisting of nine members, which serves to advise management with respect to product formulations, product ideas, marketing and related matters. Members of the Advisory Board do not meet on a formal or regular basis. Our management team consults with one or more members of the Advisory Board as needed, from time to time, by means of meetings or telephone conference calls.

Following is a brief description of the background of our advisory board members:

***Dr. Eric Serrano – Chief Medical Advisor.*** Dr. Serrano has been practicing medicine in the State of Ohio for over 12 years and is considered one of the leading sports nutrition doctors in the country. His clients include a wide array of athletes from the NFL, NHL, and MLB, in addition to many elite amateur athletes. Dr. Serrano was a professor of family practice medicine at Ohio State University, where he was awarded Professor of The Year and Preceptor of The Year. Dr. Serrano currently lectures across the country to universities, medical groups and health & fitness conferences on the topics of sports nutrition, performance enhancement, and injury prevention. Dr. Serrano's expertise in blood analysis, sports nutrition, and injury prevention gives athletes the advantage over the competition. He has formulated numerous nutritional supplements for some of the leading nutritional companies on the market and also been a contributing writer for some of the leading health and fitness magazines. Dr. Serrano has been involved in the final formulations for each of our products. Dr. Serrano received his B.A. from Kansas State University in Biology, his M.A. from Kansas State University in Exercise Physiology, and his M.D. from the University of Kansas Medical School.

**Roscoe M. Moore, Jr. – Chief Scientific Director.** A Former U.S. Assistant Surgeon General, Dr. Roscoe M. Moore, Jr. served with the United States Department of Health and Human Services (HHS) and was for the last twelve years of his career the principal person responsible for global development support within the Office of the Secretary, HHS, with primary emphasis on Continental Africa and other less developed countries of the world (e.g. Indonesia, Malaysia, and Vietnam). He was the principal liaison person between the HHS and Ministries of Health in Africa with regard to the development of infrastructure and technical support for the delivery of preventive and curative health needs for the continent. Dr. Moore represented the HHS in cooperative international efforts with African nations in addressing continued health and human resource problems. Dr. Moore received his undergraduate and Doctor of Veterinary Medicine degrees from Tuskegee Institute; his Master of Public Health degree in Epidemiology from the University of Michigan; and his Doctor of Philosophy degree in Epidemiology from the Johns Hopkins University. He was awarded the Doctor of Science degree (Honoris Causa) in recognition of his distinguished public health career by Tuskegee University. Dr. Moore was a career officer within the Commissioned Corps of the United States Public Health Service (USPHS) entering with the U.S. National Institutes of Health and rising to the rank of Assistant United States Surgeon General (Rear Admiral, USPHS) within the Immediate Office of the Secretary, HHS. He was selected as Chief Veterinary Medical Officer, USPHS, by Surgeon General C. Everett Koop.

***Dr. Richard Ogden PHD, (CSCS) – Medical Advisor***

Dr. Ogden's career in clinical research and development spans nearly forty years. After earning a Ph.D. from Cambridge University, his career started with postdoctoral research studying RNA transcription and processing. Following that, he undertook independent research, funded by the National Science Foundation. In 1984, he joined Agouron Pharmaceuticals, Inc. as one of its founding scientists. Following Agouron's merger with Pfizer, he served as a Senior Director and was the scientific liaison for the Agouron/Pfizer commercial and corporate organizations. In this role, he worked with organizations all over the world. In 2006, Dr. Ogden, co-founded RORR Inc., a medical, scientific Consulting and Education company with clients in the U.S. and Europe. In addition to publication in numerous medical journals, he is co-editor of two books relating to AIDS therapy.

***Dr. Michael Ray Stevens – Advisor.*** Dr. Stevens has over twenty years of well diversified experience in the healthcare and pharmaceutical industry. Dr. Stevens spent 17 years at Bristol-Myers Squibb, where he held positions of increasing responsibility in the areas of Market Research (Oncology and HIV), Marketing (Oncology), and Medical Affairs (HIV). In addition served as a member of the Executive Council for the Forum for Collaborative HIV Research — a public-private partnership facilitating discussion on emerging issues in HIV clinical research and working to translate research results into patient care. He has also served on 15 Protocol Committees within the Adult AIDS Clinical Trials Group (ACTG). Michael received his BS Pharmacy and Doctor of Pharmacy degrees from Purdue University.

***Dr. Ron Sekura – Director of Therapeutic Research.*** Dr. Sekura is the former Chief of the Pharmaceutical and Regulatory Affairs Branch of the Division of AIDS at The National Institute of Allergy and Infectious Diseases (NIAID) of the National Institute of Health (NIH) as well as a former Research Chemist at The National Institute of Child Health and Human Development (NICHD) at the NIH and the Center for Biologics Evaluation and Research

(CBER), and FDA. He received his Bachelor of Science and Master of Science in Biochemistry degrees at Pennsylvania State University and his PhD at Cornell University. Dr. Sekura is the author of over sixty scientific publications.

***Maribel Selbovitz – Director of Global Therapeutics Product Procurement Development.*** Ms. Selbovitz is a graduate of Cornell University and received her Master’s in Public Health at the Johns Hopkins University Bloomberg School of Health. She worked as the Client Intake Specialist at Positive Health Project and Syringe Exchange Program Coordinator at the Foundation for Research on Sexually Transmitted Diseases and is a partner in BioEquity Partners. Selbovitz is a member of the Cornell AIDS Clinical Trials Group Community Advisory Board and AIDS Treatment Advocacy Coalition. She presented at the 5th European Conference on Clinical and Social Research on AIDS and Drugs, International Conference on Antiviral Research, 5th IAS Conference on HIV Pathogenesis, Treatment and Prevention and XVIII International AIDS Conference.

**Louie Simmons – Chief Strength Advisor.** Mr. Simmons is a strength consultant for the New England Patriots, Green Bay Packers, Seattle Seahawks, Cleveland Browns, and numerous Football Bowl Subdivision college football teams. Mr. Simmons is the owner of the West Side Barbell, located in Columbus, Ohio.

**Greg Jackson – Director of Fight Development.** Mr. Jackson is an expert in mixed martial arts, representing a combination of basic Judo and wrestling. He has trained and developed top-ranked fight teams, with several fights appearing on spike TV's Ultimate Fighter.

**Paul Dillet – Chief Bodybuilding Advisor.** Mr. Paul Dillet is one of the most influential bodybuilders and a legend in the bodybuilding world. He has been instrumental in creating a new era in fitness and bodybuilding for the everyday athlete.

## **Legal Proceedings**

None of the members of the board of directors or other executives has been involved in any bankruptcy proceedings, criminal proceedings, any proceeding involving any possibility of enjoining or suspending members of our board of directors or other executives from engaging in any business, securities or banking activities, and have not been found to have violated, nor been accused of having violated, any Federal or State securities or commodities laws.

## **Director Independence**

On an annual basis, each director and executive officer will be obligated to disclose any transactions with our Company and any of its subsidiaries in which a director or executive officer, or any member of his or her immediate family, have a direct or indirect material interest. Following completion of these disclosures, our board of directors will make an annual determination as to the independence of each director using the current standards for "independence" that satisfy both the criteria for the Nasdaq and the NYSE Amex Equities.

As of December 31, 2011, the board of directors determined that the Company does not currently have any directors that are considered "independent" under the aforementioned standards.

## *Committees of the Board of Directors*

Concurrent with having sufficient members and resources, the board of directors intends to establish an audit committee and a compensation committee. The audit committee will review the results and scope of the audit and other services provided by the independent auditors and review and evaluate the system of internal controls. The compensation committee will review and recommend compensation arrangements for the officers and employees. No final determination has yet been made as to the memberships of these committees or when we will have sufficient members to establish committees. We believe that we will need a minimum of three (3) independent directors to have effective committee systems.



## EXECUTIVE COMPENSATION

| Name and Principal Position                                      | Year | Salary (\$)  | Bonus (\$)                           | Stock Awards (\$) | Option Awards (\$) | Non-Equity Incentive   |                             | Total (\$)  |
|--|------|--------------|--------------------------------------|-------------------|--------------------|------------------------|-----------------------------|-------------|
|  |      |              |                                      |                   |                    | Plan Compensation (\$) | All Other Compensation (\$) |             |
| Brad J. Pyatt<br><i>Chief Executive Officer</i>                  | 2011 | \$250,000    | \$170,410 (1)                        | \$1,555,921(1)    | \$0                | \$0                    | \$0                         | \$1,976,331 |
|  | 2010 | \$194,821    | \$0                                  | \$2,650,000       | \$0                | \$0                    | \$0                         | \$2,844,821 |
|  | 2009 | \$133,992    | \$0                                  | \$0               | \$0                | \$0                    | \$0                         | \$133,992   |
| Cory Gregory<br><i>Senior President</i>                          | 2011 | \$150,000    | \$ <sup>170</sup> <sub>410</sub> (2) | \$1,555,921(2)    | \$0                | \$0                    | \$0                         | \$1,876,331 |
|  | 2010 | \$78,892     | \$0                                  | \$2,650,000       | \$0                | \$0                    | \$0                         | \$2,728,892 |
|  | 2009 | \$17,846     | \$0                                  | \$0               | \$0                | \$0                    | \$0                         | \$17,846    |
| Lawrence S. Meer<br><i>Chief Financial Officer</i>               | 2011 | \$74,400     | \$0                                  | \$0               | \$0                | \$0                    | \$0                         | \$74,400    |
|  | 2010 | \$75,493     | \$0                                  | \$0               | \$228,000(3)       | \$0                    | \$0                         | \$303,493   |
| Leonard K. Armenta (4)<br><i>Former Executive Vice President</i> | 2011 | \$86,400     | \$0                                  | \$0               | \$0                | \$0                    | \$0                         | \$86,400    |
|  | 2010 | \$83,215     | \$0                                  | \$0               | \$228,000(3)       | \$0                    | \$0                         | \$311,215   |
|  | 2009 | \$54,799     | \$0                                  | \$0               | \$0                | \$0                    | \$0                         | \$54,799    |
| Jeremy DeLuca<br><i>President, Chief Marketing Officer</i>       | 2011 | \$65,833 (5) | \$170,410 (6)                        | \$1,555,921(5)    | \$0                | \$0                    | \$0                         | \$1,792,164 |
| John H. Bluhner<br><i>Chief Operating Officer</i>                | 2011 | \$36,458 (7) | \$50,000 (8)                         | \$0               | \$0                | \$0                    | \$0                         | \$86,458    |

## Explanatory Information Relating to 2011 Summary Compensation Table

- (1) Pursuant to the terms of Mr. Pyatt's employment agreement, for each one million dollars (\$1,000,000) in revenue growth achieved by the Company from the revenue figure reported for the prior fiscal year, Mr. Pyatt shall receive (i) ten thousand dollars (\$10,000) and (ii) one hundred thousand dollars

(\$100,000) worth of the Company's common stock, such stock to be valued based on the average closing price for the twenty (20) trading days prior to the date of issuance of such stock. During the year ended December 31, 2011, the Company experienced revenue growth of \$17,041,041.76 from the prior year. As such, Mr. Pyatt received a cash bonus payment of \$170,410. Further, in accordance with Mr. Pyatt's employment agreement, Mr. Pyatt received a stock award of \$1,704,104, equal to 148,182,957 shares of the Company's common stock, at a price per share of \$0.01150, which was the closing price of the Company's common stock on February 1, 2012, the original anticipated date of issuance. These shares were re-priced to \$0.01055, which was the closing price of the Company's common stock on December 31, 2011. With such price change, the bonus shares issued to Mr. Pyatt are valued at \$1,555,921 as of December 31, 2011.

Subsequent to the filing of the Company's Annual Report on Form 10-K/A, filed on July 9, 2012, Mr. Pyatt voluntarily agreed to return (i) \$30,311 of his cash bonus and (ii) \$303,109 worth of his stock bonus, equal to a total of 26,357,328 shares of common stock. The shares of common stock have been returned and the cash portion shall be withheld from future bonus payments.

(2) Pursuant to the terms of Mr. Gregory's employment agreement, for each one million dollars (\$1,000,000) in revenue growth achieved by the Company from the revenue figure reported for the prior fiscal year, Mr. Gregory shall receive (i) ten thousand dollars (\$10,000) and (ii) one hundred thousand dollars (\$100,000) worth of the Company's common stock, such stock to be valued based on the average closing price for the twenty (20) trading days prior to the date of issuance of such stock. During the year ended December 31, 2011, the Company experienced revenue growth of \$17,041,041.76 from the prior year. As such, Mr. Gregory received a cash bonus payment of \$170,410. Further, in accordance with Mr. Gregory's employment agreement, Mr. Gregory received a stock award of \$1,704,104, equal to 148,182,957 shares of the Company's common stock, at a price per share of \$0.01150, which was the closing price of the Company's common stock on February 1, 2012, the original anticipated date of issuance. These shares were re-priced to \$0.01055, which was the closing price of the Company's common stock on December 31, 2011. With such price change, the bonus shares issued to Mr. Gregory are valued at \$1,555,921 as of December 31, 2011.

Subsequent to the filing of the Company's Annual Report on Form 10-K/A, filed on July 9, 2012, Mr. Gregory voluntarily agreed to return (i) \$30,311 of his cash bonus and (ii) \$303,109 worth of his stock bonus, equal to a total of 26,357,328 shares of common stock. The shares of common stock have been returned and the cash portion shall be withheld from future bonus payments.

(3) Represents 1,000,000 options issued, valued on the date of grant, April 2, 2010.

(4) Mr. Armenta resigned from his position as the Company's Executive Vice President on September 16, 2011.

(5) This figure is based on a pro-rated annual salary of \$125,000.

(6) Pursuant to the terms of Mr. DeLuca's employment agreement, for each one million dollars (\$1,000,000) in revenue growth achieved by the Company from the revenue figure reported for the prior fiscal year, Mr. DeLuca shall receive (i) ten thousand dollars (\$10,000) and (ii) one hundred thousand dollars (\$100,000) worth of the Company's common stock, such stock to be valued based on the average closing price for the twenty (20) trading days prior to the date of issuance of such stock. During the year ended December 31, 2011, the Company experienced revenue growth of \$17,041,041.76 from the prior year. As such, Mr. DeLuca received a cash bonus payment of \$170,410. Further, in accordance with Mr. DeLuca's employment agreement, Mr. DeLuca received a stock award of \$1,704,104, equal to 148,182,957 shares of the Company's common stock, at a price per share of \$0.01150, which was the closing price of the Company's common stock on February 1, 2012, the original anticipated date of issuance. These shares were re-priced to \$0.01055, which was the closing price of the Company's common stock on December 31, 2011. With such price change, the bonus shares issued to Mr. DeLuca are valued at \$1,555,921 as of December 31, 2011.

Subsequent to the filing of the Company's Annual Report on Form 10-K/A, filed on July 9, 2012, Mr. DeLuca voluntarily agreed to return (i) \$30,311 of his cash bonus and (ii) \$303,109 worth of his stock bonus, equal to a total of 26,357,328 shares of common stock. The shares of common stock have been returned and the cash portion shall be withheld from future bonus payments.

(7) This figure is based on a pro-rated annual salary of \$175,000.

(8) Mr. Blucher received this bonus pursuant to the terms of his employment agreement.

**2011 OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END**

**OPTION AWARDS**

|          |   |   |   |                                |                            |
|----------|---|---|---|--------------------------------|----------------------------|
| Name (a) | Number of Securities Underlying Unexercised Options Exercisable (#) (b) | Number of Securities Underlying Unexercised Options (#) (c) | Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#) (d) | Option Exercise Price (\$) (e) | Option Expiration Date (f) |
|----------|---|---|---|--------------------------------|----------------------------|

**STOCK AWARDS**

|   |   |  |   |
|---|---|--|---|
| Number of Shares or Units of Stock Held (g) | Market Value of Units of Stock That Have Not Vested (h) | Equity Incentive Plan Awards: Number of Unearned Shares, Other Rights That Have Not Vested | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Other Rights |
|---|---|--|---|

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|   |               |   |   |         |          |   |   | (#)<br>(i) | That<br>Have<br>Not<br>Vested<br>(#)<br>(j) |
|---|---------------|---|---|---------|----------|---|---|------------|---|
| Brad J. Pyatt<br><i>Chief Executive Officer</i>               | -             | - | - | -       | -        | - | - | -          | -   |
| Cory Gregory<br><i>Senior President</i>                       | -             | - | - | -       | -        | - | - | -          | -   |
| Lawrence S. Meer<br><i>Chief Financial Officer</i>            | 1,000,000 (1) | - | - | \$ 0.50 | 4/2/2015 | - | - | -          | -   |
| Leonard K. Armenta (2)<br><i>Former Executive VP</i>          | -             | - | - | -       | -        | - | - | -          | -   |
| Jeremy DeLuca<br><i>Chief Marketing Officer<br/>President</i> | -             | - | - | -       | -        | - | - | -          | -   |
| John H. Blucher<br><i>Chief Operating Officer</i>             | -             | - | - | -       | -        | - | - | -          | -   |

(1) Represents 1,000,000 options issued, valued on the date of grant, April 2, 2010.

(2) Resigned on September 16, 2011.

**Director Compensation**

The following summary compensation table sets forth all compensation awarded to, earned by, or paid to the named directors by us during the years ended December 31, 2011, 2010 and 2009.

| Name<br>and<br>Principal<br>Position<br>(a) | Year<br>(b) | Salary<br>(\$)<br>(c) | Bonus<br>(\$)<br>(d) | Stock<br>Awards<br>(\$)<br>(e) | Option<br>Awards<br>(\$)<br>(f) | Non-Equity<br>Incentive<br>Plan<br>Compensation<br>(\$)<br>(g) | All Other<br>Compensation<br>(\$)<br>(h) | Total<br>(\$)<br>(i) |
|---|-------------|-----------------------|----------------------|--------------------------------|---------------------------------|--|--|----------------------|
|   |             |                       |                      |                                |                                 |  |  |                      |
| Brad J. Pyatt<br><i>Director</i>            | 2011        | \$ 0                  | \$ 0                 | \$ 0                           | \$ 0                            | \$ 0   | \$ 0                                     | \$ 0                 |
|   | 2010        | \$ 0                  | \$ 0                 | \$ 0                           | \$ 0                            | \$ 0   | \$ 0                                     | \$ 0                 |
|   | 2009        | \$ 0                  | \$ 0                 | \$ 0                           | \$ 0                            | \$ 0   | \$ 0                                     | \$ 0                 |
| Cory Gregory<br><i>Director</i>             | 2011        | \$ 0                  | \$ 0                 | \$ 0                           | \$ 0                            | \$ 0   | \$ 0                                     | \$ 0                 |
|   | 2010        | \$ 0                  | \$ 0                 | \$ 0                           | \$ 0                            | \$ 0   | \$ 0                                     | \$ 0                 |
|   | 2009        | \$ 0                  | \$ 0                 | \$ 0                           | \$ 0                            | \$ 0   | \$ 0                                     | \$ 0                 |

**Employment Agreements***Brad J. Pyatt, Chief Executive Officer*

On August 15, 2011, the Company entered into an employment agreement (the “Pyatt Employment Agreement”) with Brad J. Pyatt, individually, pursuant to which Mr. Pyatt will serve as the Company’s Chief Executive Officer (the “CEO”). The term of the Pyatt Employment Agreement is for a period of sixty (60) months, commencing retroactively on January 1, 2011, and expiring on December 31, 2015 (the “Pyatt Term”). Pursuant to the terms of the Employment Agreement, the CEO is to receive a base salary of \$250,000 for the 2011 calendar year; \$350,000 for the 2012 calendar year; \$400,000 for the 2013 calendar year; \$450,000 for the 2014 calendar year; and \$500,000 for the 2015 calendar year. Further, the CEO shall receive, upon execution of the Pyatt Employment Agreement, 31 shares of the Company’s Series B Preferred Stock. In addition, upon the three year anniversary of the Pyatt Employment Agreement, the CEO shall receive 10,000 shares of the Company’s Series A Preferred Stock.

During the Pyatt Term, the CEO’s responsibilities will include all aspects of the day to day business operations of the Company. The CEO shall also be responsible for determining necessary strategic partnerships and investment opportunities relating to the Company, both nationally and internationally, and shall have wide discretion in

implementing the vision, strategic goals and operational mission of the Company. The CEO shall, on a full time and exclusive basis, devote all of his business time, attention and energies to the operations of the Company and other duties as required by the Pyatt Employment Agreement, and shall use his best efforts to advance the best interests of the Company.

On November 14, 2011, the Company entered into an amended and restated employment agreement with Mr. Pyatt. The parties amended the Pyatt Employment Agreement in order to amend section 3(c) as it relates to Mr. Pyatt's bonus payment. The amended Pyatt Employment Agreement now provides that, for each one million dollars (\$1,000,000) in revenue growth achieved by the Company from the revenue figure reported for the prior fiscal year, Mr. Pyatt shall receive (i) ten thousand dollars (\$10,000) and (ii) one hundred thousand dollars (\$100,000) worth of the Company's common stock, such stock to be valued based on the average closing price for the twenty (20) trading days prior to the date of issuance of such stock. The aforementioned payments to Mr. Pyatt shall be made within 90 days after the end of the Company's fiscal year.

*Cory Gregory, Senior President*

On August 15, 2011, the Company entered into an employment agreement (the "Gregory Employment Agreement") with Cory Gregory, individually, pursuant to which Mr. Gregory will serve as the Company's Senior President (the "Senior President"). The term of the Gregory Employment Agreement is for a period of sixty (60) months, commencing retroactively on January 1, 2011, and expiring on December 31, 2015 (the "Gregory Term"). Pursuant to the terms of the Gregory Employment Agreement, the Senior President is to receive a base salary of \$150,000 for the 2011 calendar year; \$200,000 for the 2012 calendar year; \$250,000 for the 2013 calendar year; \$300,000 for the 2014 calendar year; and \$350,000 for the 2015 calendar year. Further, the Senior President shall receive, upon execution of the Gregory Employment Agreement, 20 shares of the Company's Series B Preferred Stock. In addition, upon the three year anniversary of the Gregory Employment Agreement, the Senior President shall receive 10,000 shares of the Company's Series A Preferred Stock.

During the Gregory Term, the Senior President's responsibilities will include, but shall not be limited to, on a full time and exclusive basis, devoting all of his business time, attention and energies to the operations of the Company and other duties as required by the Gregory Employment Agreement and as directed by the Board of Directors, and shall use his best efforts to advance the best interests of the Company.

On November 14, 2011, the Company entered into an amended and restated employment agreement with Mr. Gregory. The parties amended the Gregory Employment Agreement in order to amend section 3(c) as it relates to Mr. Gregory's bonus payment. The amended Gregory Employment Agreement now provides that, for each one million dollars (\$1,000,000) in revenue growth achieved by the Company from the revenue figure reported for the prior fiscal year, Mr. Gregory shall receive (i) ten thousand dollars (\$10,000) and (ii) one hundred thousand dollars (\$100,000) worth of the Company's common stock, such stock to be valued based on the average closing price for the twenty (20) trading days prior to the date of issuance of such stock. The aforementioned payments to Mr. Gregory shall be made within 90 days after the end of the Company's fiscal year.

*John H. Bluher, Chief Operating Officer*

On September 16, 2011, the Company entered into an employment agreement (the "Bluher Employment Agreement") with John H. Bluher, individually ("Bluher"), appointing Bluher as the Company's Chief Operating Officer.

Pursuant to the terms of the Bluher Employment Agreement, Bluher is to serve as the Company's Chief Operating Officer from September 16, 2011 (the "Bluher Effective Date"), until September 15, 2013 (the "Bluher Term"). Upon expiration of the Bluher Term, the Bluher Employment Agreement shall be automatically renewed unless either the Company or Bluher provides the other party with written notice at least sixty (60) days prior to the last date of the respective term. During the Bluher Term, Bluher's responsibilities will include general oversight and management of the Company's daily operations, as well as any responsibilities delegated to him by the Company's Chief Executive Officer or board of directors (the "Bluher Duties").

In consideration for performance of the Bluher's Duties during the Term, Bluher is to receive an initial base salary of one hundred and seventy five thousand dollars (\$175,000) per year (the "Bluher Base Salary"), any increases to such salary during the Bluher Term to be determined at the discretion of the Company. Bluher is also eligible to receive an annual performance bonus based on certain goals and performances levels mutually established by the parties, except for 2011, in which Mr. Bluher will receive a bonus of \$50,000.

Bluher was also entitled to receive, beginning on December 31, 2012, and on each successive calendar year end thereafter, stock options to purchase shares of the Company's common stock in the amount of five hundred thousand dollars (\$500,000) (the "2012 Options"). The 2012 Options were to be exercisable into shares of the Company's common

stock at an exercise price equal to the average of the high and low reported selling prices of the Company's common stock on the date of grant and vest in accordance with the schedule outlined in the Bluherr Employment Agreement.

On March 13, 2012, the Company and Bluherr executed an amendment to the Bluherr Employment Agreement, whereby Bluherr waived his rights to the equity based compensation in both the Bluherr Employment Agreement and a consulting agreement with Endion Capital, LLC, and now is to receive (i) 20,000,000 shares of the Company's common stock with piggy-back registration rights, subject to a lock-up period of one year and (ii) a warrant to purchase 10,000,000 shares of the Company's common stock at an exercise price of \$0.008 per share, subject to a lock-up period of six months. The Company and Bluherr have since terminated such amendment. The Company and Bluherr plan to enter into a new compensation arrangement prior to September 30, 2012.



*Jeremy DeLuca, President, Chief Marketing Officer*

On November 14, 2011 (the “DeLuca Execution Date”), the Company entered into an employment agreement (the “DeLuca Employment Agreement”) with Jeremy DeLuca, the Company’s President and Chief Marketing Officer (the “President”). The term of the DeLuca Employment Agreement commences on the DeLuca Execution Date and expires on December 31, 2014 (the “DeLuca Term”). Pursuant to the terms of the DeLuca Employment Agreement, the President is to receive a base salary of \$125,000 for the 2011 calendar year; \$175,000 for the 2012 calendar year; \$225,000 for the 2013 calendar year; and \$300,000 for the 2014 calendar year. In addition, upon the three year anniversary of the DeLuca Employment Agreement, the President shall receive 5,000 shares of the Company’s Series A Preferred Stock.

The DeLuca Employment Agreement also provides that, for each one million dollars (\$1,000,000) in revenue growth achieved by the Company from the revenue figure reported for the prior fiscal year, Mr. DeLuca shall receive (i) ten thousand dollars (\$10,000) and (ii) one hundred thousand dollars (\$100,000) worth of the Company’s common stock, such stock to be valued based on the average closing price for the twenty (20) trading days prior to the date of issuance of such stock. The aforementioned payments to Mr. DeLuca shall be made within 90 days after the end of the Company’s fiscal year.

During the DeLuca Term, the President’s responsibilities will include all aspects of the day to day business operations of the Company. The President shall also be responsible for determining necessary strategic partnerships and investment opportunities relating to the Company, both nationally and internationally, and shall have wide discretion in implementing the vision, strategic goals and operational mission of the Company. The President shall, on a full time and exclusive basis, devote all of his business time, attention and energies to the operations of the Company and other duties as required by the DeLuca Employment Agreement, and shall use his best efforts to advance the best interests of the Company.

## **SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth information known to MusclePharm with respect to the beneficial ownership of the Company’s common stock as of August 3, 2012, unless otherwise noted, by:

- each stockholder known to MusclePharm to own beneficially more than 5% of MusclePharm’s common stock;
- each of MusclePharm’s directors;

- each of MusclePharm's executive officers; and
  
- all of MusclePharm's current directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or dispositive power with respect to securities. Common shares relating to options or warrants currently exercisable, or exercisable within 60 days of August 3, 2012, are deemed outstanding for computing the percentage of the person holding such securities but are not deemed outstanding for computing the percentage of any other person. Except as indicated by footnote, and subject to the community property laws where applicable, the persons or entities named in the tables have sole voting and dispositive power with respect to all shares shown as beneficially owned by them.

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| Name and Address of Beneficial Owner  | Amount and Nature of Beneficial Ownership | Percentage of Beneficial Ownership (1) |   |
|---|---|--|---|
| Brad J. Pyatt, Chief Executive Officer and Co-Chairman<br>4721 Ironton St.<br>Denver, CO 80239  | 140,604,960                               | 9.85                                   | % |
| Cory Gregory, Senior President<br>4721 Ironton St.<br>Denver, CO 80239                          | 132,308,658                               | 9.26                                   | % |
| Lawrence S. Meer, Treasurer<br>4721 Ironton St.<br>Denver, CO 80239                             | 0   | 0                                      | % |
| Jeremy DeLuca, Chief Marketing Officer<br>4721 Ironton St.<br>Denver, CO 80239                  | 121,825,644                               | 8.53                                   | % |
| John H. Bluher, Chief Operating Officer and Co-Chairman<br>4721 Ironton St.<br>Denver, CO 80239 | 10,000,000 (2)                            | *                                      | % |
| Lewis Gary Davis<br>4721 Ironton St.<br>Denver, CO 80239  | 0   | 0                                      | % |
| Donald W. Prosser<br>4721 Ironton St.<br>Denver, CO 80239                                       | 0   | 0                                      | % |
| Mark Groussman<br>4721 Ironton St.<br>Denver, CO 80239  | 11,250,000 (3)                            | *                                      | % |
| Gordon Burr<br>4721 Ironton St.<br>Denver, CO 80239   | 120,000,000(4)                            | 8.40                                   | % |
| All executive officers and directors as a group (9 persons)                                     | 535,989,262                               | 37.53                                  | % |
| Drew Ciccarelli   | 105,000,000(5)                            | 7.35                                   | % |
| All executive officers, directors and 5% holders as a group                                     | 640,989,262                               | 44.88                                  | % |

\*denotes less than 1%

(1) Percent of class based on 1,428,102,223 common shares outstanding as of August 3, 2012. This percentage does not include preferred stock ownership or other ownership of convertible securities.

(2) Includes 10,000,000 warrants to purchase shares of common stock at an exercise price of \$0.01.

Includes (i) 7,500,000 shares of common stock and (ii) 3,750,000 warrants to purchase shares of the Company's  
(3) common stock, held in the name of Meldavid, Inc., a Florida corporation. Mr. Grossman is the CEO of Meldavid, Inc., and as such, hold sole dispositive voting power over such securities.

Includes 120,000,000 warrants to purchase shares of the Company's common stock held in the name of El Chichon  
(4) Partners, LLC, a Colorado limited liability company. Mr. Burr is the manager of El Chichon Partners, LLC, and as such, holds sole dispositive voting power over such securities.

These shares are held by Mr. Chichon individually, and through (i) TSX Ventures, LLC, a South Carolina limited  
(5) liability company and (ii) Five Star Consulting, LLC, a Nevada limited liability company, entities of which Mr. Chichon maintains sole dispositive voting power.

## Changes in Control

We are not aware of any arrangements that may result in changes in control" as that term is defined by the provisions of Item 403(c) of Regulation S-K.

## TRANSACTIONS WITH RELATED PERSONS, PROMOTERS AND CERTAIN CONTROL PERSONS

Any future transactions or loans between us and our officers, directors, principal stockholders or affiliates will be on terms no less favorable to us than could be obtained from an unaffiliated third party, and will be approved by a majority of disinterested directors.

On February 18, 2010, the Company issued a total of 26,000,000 shares of its common stock to the 12 former owners of Muscle Pharm, LLC in reliance on the exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended.

On November 18, 2010, Brad Pyatt, the Company's Chief Executive Officer, loaned the Company \$100,000 and received an 8% Convertible Promissory Note exchange. On November 23, 2010, Mr. Pyatt loaned the Company \$256,250 and received an 8% Convertible Promissory Note in exchange. On December 14, 2010, Mr. Pyatt converted all principal and accrued interest underlying the notes (\$358,077.40) into 7,161,548 shares of the Company's common stock.

Muscle Pharm, LLC was formed as a Colorado limited liability company on April 22, 2008. The initial owners of Muscle Pharm LLC were Brad J. Pyatt and Cory Gregory. Mr. Pyatt received a 60% membership interest in exchange for his contribution of formulations for potential products, contacts with GNC Canada and other potential customers, and contacts with professional athletes. Mr. Gregory received a 40% membership interest in exchange for his contacts with Dr. Serrano, Louie Simmons, potential distributors, professional athletes and potential investors. Neither Mr. Pyatt nor Mr. Gregory contributed any cash and no value was placed on their respective contributions.

Other than as set forth above, there are no transactions since our inception, or proposed transactions, to which we were or are to be a party, in which any of the following persons had or is to have a direct or indirect material interest:

- (a) Any director or executive officer of the Company;
- (b) Any majority security holder; and
- (c) Any member of the immediate family (including spouse, parents, children, siblings, and in-laws) of any of the persons in the above.

#### **DISCLOSURE OF COMMISSION POSITION ON INDEMNIFICATION OF SECURITIES ACT LIABILITIES**

Our directors and officers are indemnified as provided by the Nevada corporate law and our Bylaws. We have agreed to indemnify each of our directors and certain officers against certain liabilities, including liabilities under the Securities Act. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons pursuant to the provisions described above, or otherwise, we have been

advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than our payment of expenses incurred or paid by our director, officer or controlling person in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

**MusclePharm Corporation and Subsidiaries****Consolidated Balance Sheets**

|  | (Unaudited)<br>March 31, 2012 | December 31, 2011 |
|--|-------------------------------|-------------------|
| Assets   |                               |                   |
| Current Assets   |                               |                   |
| Cash   | \$ 1,299,235                  | \$ 659,764        |
| Accounts receivable – net  | 4,541,865                     | 2,569,092         |
| Prepaid stock compensation   | 336,800                       | 534,456           |
| Prepaid sponsorship fees   | 103,333                       | 203,333           |
| Other  | 91,927                        | 50,188            |
| Total Current Assets   | 6,373,160                     | 4,016,833         |
| Property and equipment – net   | 1,123,647                     | 907,522           |
| Debt issue costs – net   | 575                           | 68,188            |
| Other assets   | 55,925                        | 53,585            |
| Total Assets   | \$ 7,553,307                  | \$ 5,046,128      |
| Liabilities and Stockholders' Deficit  |                               |                   |
| Current Liabilities:   |                               |                   |
| Accounts payable and accrued liabilities   | \$ 7,804,895                  | \$ 9,359,073      |
| Customer deposits  | 428,603                       | 8,047             |
| Debt – net   | 1,181,400                     | 1,281,742         |
| Derivative liabilities   | 15,098,603                    | 7,061,238         |
| Total Current Liabilities  | 24,513,501                    | 17,710,100        |
| Long Term Liabilities:   |                               |                   |
| Debt – net   | 248,896                       | 307,240           |
| Total Liabilities  | 24,762,397                    | 18,017,340        |
| Stockholders' Deficit  |                               |                   |
| Series A, Convertible Preferred Stock, \$0.001 par value; 5,000,000 shares authorized, none issued and outstanding | -                             | -                 |

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|  |               |               |
|--|---------------|---------------|
| Series B, Preferred Stock, \$0.001 par value; 51 shares authorized, 51 and 51, respectively, issued and outstanding                                  | -             | -             |
| Series C, Convertible Preferred Stock, \$0.001 par value; 500 shares authorized, none and 190, respectively, issued and outstanding                  | -             | -             |
| Common Stock, \$0.001 par value; 2,500,000,000 shares authorized, 1,403,787,767 and 605,930,613 issued and 1,389,244,828 and 605,930,613 outstanding | 1,403,787     | 605,931       |
| Treasury Stock, at cost; 14,542,939 and zero shares repurchased  | (230,400 )    | -             |
| Additional paid-in capital   | 42,809,498    | 31,579,538    |
| Accumulated deficit  | (61,191,975 ) | (45,156,681 ) |
| Total Stockholders' Deficit  | (17,209,090 ) | (12,971,212 ) |
| <br>   |               |               |
| Total Liabilities and Stockholders' Deficit  | \$ 7,553,307  | \$ 5,046,128  |

See accompanying notes to unaudited financial statements.



**PART I – FINANCIAL INFORMATION****MusclePharm Corporation and Subsidiaries****Consolidated Statements of Operations****(unaudited)**

|  | Three Months Ended March 31, |                       |
|--|------------------------------|-----------------------|
|  | 2012                         | 2011<br>(As Restated) |
| Sales - net  | \$ 16,560,680                | \$ 3,033,936          |
| Cost of sales  | 12,895,162                   | 2,401,534             |
| Gross profit   | 3,665,518                    | 632,402               |
| General and administrative expenses  | 4,392,811                    | 1,719,627             |
| Loss from operations   | (727,293 )                   | (1,087,225 )          |
| Other income (expense)   |                              |                       |
| Derivative expense   | (1,456,910 )                 | (1,359,369 )          |
| Change in fair value of derivative liabilities   | (8,357,171 )                 | (131,717 )            |
| Loss on settlement of accounts payable and debt  | (2,941,826 )                 | (1,914,689 )          |
| Interest expense   | (2,570,516 )                 | (518,922 )            |
| Other income   | 18,423                       | -                     |
| Total other expense - net  | (15,308,000 )                | (3,924,697 )          |
| Net loss   | \$(16,035,293 )              | \$(5,011,922 )        |
| Net loss per share - basic and diluted   | \$(0.01 )                    | \$(0.03 )             |
| Weighted average number of common shares outstanding during the period – basic and diluted | 1,213,820,101                | 146,560,444           |

See accompanying notes to unaudited financial statements.

**PART I – FINANCIAL INFORMATION****MusclePharm Corporation and Subsidiaries****Consolidated Statements of Cash Flows****(unaudited)**

|   | Three Months Ended |                |
|---|--------------------|----------------|
|   | March 31,<br>2012  | March 31, 2011 |
| Cash Flows From Operating Activities:                                       |                    |                |
| Net loss  | \$(16,035,293)     | (5,011,922 )   |
| Adjustments to reconcile net loss to net cash used in operating activities: |                    |                |
| Depreciation  | 89,655             | 10,345         |
| Bad debt  | -                  | (13,801 )      |
| Stock issued for services - third parties                                   | -                  | 70,431         |
| Amortization of prepaid stock compensation                                  | 159,354            | 533,203        |
| Amortization of debt discount   | 2,357,490          | 432,081        |
| Amortization of debt issue costs  | 97,612             | 53,156         |
| Loss on settlement of accounts payable                                      | -                  | 1,914,689      |
| Loss on debt repayment  | 779,500            | -              |
| Loss on conversion of debt  | 351,021            | -              |
| Loss on conversion of Series C preferred shares                             | 614,984            | -              |
| Loss on repayment of debt   | 1,196,321          | -              |
| Derivative expense  | 1,456,910          | 1,359,369      |
| Change in fair value of derivative liabilities                              | 8,357,171          | 131,717        |
| Changes in operating assets and liabilities:                                |                    |                |
| (Increase) decrease in:   |                    |                |
| Accounts receivable   | (1,972,773 )       | (1,580,423 )   |
| Prepaid and other   | 94,223             | 30,098         |
| Inventory   | -                  | (31,011 )      |
| Increase (decrease) in:   |                    |                |
| Accounts payable and accrued liabilities                                    | 3,456,644          | 1,314,846      |
| Customer Deposits   | 420,556            | (75,733 )      |
| Due to factor   | -                  | (5,853 )       |
| Net Cash Provided by (Used In) Operating Activities                         | 1,423,375          | (868,808 )     |
| Cash Flows From Investing Activities:                                       |                    |                |
| Purchase of property and equipment  | (305,781 )         | (253,853 )     |
| Net Cash Used In Investing Activities                                       | (305,781 )         | (253,853 )     |
| Cash Flows From Financing Activities:                                       |                    |                |
| Proceeds from issuance of debt  | 2,842,950          | 1,482,000      |

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|  |              |            |
|--|--------------|------------|
| Debt issue costs   | (30,000 )    | (69,700 )  |
| Repayment of debt  | (3,346,433 ) | -          |
| Repurchase of common stock (treasury stock)  | (230,400 )   | -          |
| Proceeds from issuance of common stock and warrants  | 285,760      | -          |
| Net Cash (Used In) Provided By Financing Activities  | (478,123 )   | 1,412,300  |
| Net increase in cash   | 639,471      | 289,669    |
| Cash at beginning of period  | 659,764      | 43,704     |
| Cash at end of period  | \$1,299,235  | \$ 333,373 |
| Supplemental disclosures of cash flow information:   |              |            |
| Cash paid for interest   | \$101,706    | \$ 54,215  |
| Cash paid for taxes  | \$-          | \$ -       |
| Supplemental disclosure of non-cash investing and financing activities:                          |              |            |
| Stock issued for future services - third parties   | \$-          | \$ 228,000 |
| Debt discount recorded on convertible and unsecured debt accounted for as a derivative liability | \$2,347,672  | \$ 224,531 |
| Recognition of stock purchase warrants as discount to debt                                       | \$           | \$ 863,440 |
| Stock issued to settle debt - third parties  | \$           | \$ 903,850 |
| Conversion of convertible debt and accrued interest for common stock                             | \$1,069,402  | \$ 437,500 |
| Stock issued to settle accrued executive compensation  | \$4,667,764  | \$ -       |
| Conversion of notes to common stock payable  | \$-          | \$ 522,000 |
| Reclassification of derivative liability to additional paid in capital                           | \$4,124,387  | \$ 189,132 |
| Stock issued to settle accrued liabilities   | \$135,000    | \$ -       |

See accompanying notes to unaudited financial statements.

**MusclePharm Corporation and Subsidiaries**

**Notes to Consolidated Financial Statements**

**(March 31, 2012)**

**(Unaudited)**

**Note 1 Nature of Operations and Basis of Presentation**

**Nature of Operations**

MusclePharm Corporation (the “Company”, “We”, “Our” or “MP”), was organized as a limited liability company in the State of Colorado on April 22, 2008. On February 18, 2010, the Company executed a reverse recapitalization with Tone in Twenty, Inc. and changed its name to MP.

During the second quarter of 2012, the Company opened operations in Canada under the subsidiary name MusclePharm Canada, Inc. The business will have distribution and sales activity on site in its warehouse in Hamilton, Ontario. The business currently employs five people.

The Company markets branded sports nutrition products.

**Basis of Presentation**

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules and regulations of the United States Securities and Exchange Act of 1934, as amended for interim financial information.

The financial information as of December 31, 2011 is derived from the audited financial statements presented in the Company’s Annual Report on Form 10-K for the years ended December 31, 2011 and 2010. The unaudited interim consolidated financial statements should be read in conjunction with the Company’s Annual Report on Form 10-K, which contains the audited financial statements and notes thereto, together with the Management’s Discussion and

Analysis, for the years ended December 31, 2011 and 2010.

Certain information or footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been or omitted, pursuant to the rules and regulations of the Securities and Exchange Commission for interim financial reporting. Accordingly, they do not include all the information and footnotes necessary for a comprehensive presentation of financial position, results of operations, or cash flows. It is management's opinion, however, that all material adjustments (consisting of normal recurring adjustments) have been made which are necessary for a fair financial statement presentation. The interim results for the three months ended March 31, 2012 are not necessarily indicative of results for the full fiscal year.

## **Restatement**

On May 14, 2012, the Company determined that a material misstatement exists in the Company's 2011 quarterly and annual financial statements. The Company concluded that the following financial statements contained material misstatements: (i) the Company's audited financial statements for the year ended December 31, 2011, filed in an annual report on Form 10-K with the U.S. Securities and Exchange Commission (the "SEC") on April 16, 2012; (ii) the Company's unaudited financial statements for the period ended September 30, 2011, filed in a quarterly report on Form 10-Q with the SEC on November 14, 2011; (iii) the Company's unaudited financial statements for the period ended June 30, 2011, filed in a quarterly report on Form 10-Q with the SEC on August 16, 2011; and (iv) the Company's unaudited financial statements for the period ended March 31, 2011, filed in a quarterly report on Form 10-Q with the SEC on May 23, 2011.

The foregoing financial statements contained material misstatements pertaining to the Company's calculation of net sales and presentation of general and administrative expenses and cost of sales. The Company has determined that advertising related credits that were granted to customers fell within the guidance of ASC No. 605-50-55 ("*Revenue Recognition*" – *Customer Payments and Incentives – Implementation Guidance and Illustrations*). The guidance indicates that, absent evidence of benefit to the vendor, appropriate treatment requires netting these types of payments against revenues and not expensing as advertising expense. The Company also noted other credits and discounts that, upon further review, had been previously classified as advertising expense as a component of general and administrative expense that require a reallocation of presentation as amounts to be netted against revenues. The Company's net loss will not be affected by this reallocation in the statement of operations.

Promotions, credits and non-specific advertising with its customers have been reclassified from general and administrative expenses to revenues.

Samples shipped to customers not clearly identifiable were reclassified from general and administrative expense to cost of sales.

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|  | For The<br>Three Months<br>Ended March<br>31,<br>2011<br>Restated | Adjustments   | <b>March 31,</b><br>2011<br>As Issued |
|--|---|---------------|---------------------------------------|
| Sales - net  | \$3,033,936   | \$ (483,838 ) | \$3,517,774                           |
| Cost of sales  | 2,401,534   | 77,326        | 2,324,208                             |
| Gross profit (loss)  | 632,402   | (561,164 )    | 1,193,566                             |
| General and administrative expenses  | 1,719,627   | (561,164 )    | 2,280,791                             |
| Gain (loss) from operations  | (1,087,225 )  | -             | (1,087,225 )                          |
| Other income (expense)   |   |               |                                       |
| Derivative expense   | (1,359,369 )  | -             | (1,359,369 )                          |
| Change in fair value of derivative liabilities   | (131,717 )  | -             | (131,717 )                            |
| Loss on settlement of accounts payable and debt  | (1,914,689 )  | -             | (1,914,689 )                          |
| Interest expense   | (518,922 )  | -             | (518,922 )                            |
| Other income (expense)   | -   | -             | -                                     |
| Total other income (expense) - net   | (3,924,697 )  | -             | (3,924,697 )                          |
| Net loss   | \$(5,011,922 )  | \$ -          | \$(5,011,922 )                        |
| Net loss per share available to common stockholders - basic and diluted                    | \$(0.03 )   | \$ -          | \$(0.03 )                             |
| Weighted average number of common shares outstanding during the period – basic and diluted | 146,560,444   | -             | 146,560,444                           |

**MusclePharm Corporation and Subsidiaries**

**Notes to Consolidated Financial Statements**

**March 31, 2012**

**(Unaudited)**

**Note 2 Summary of Significant Accounting Policies**

**Principles of Consolidation**

All significant intercompany accounts and transactions have been eliminated in consolidation.

**Use of Estimates**

The preparation of financial statements in conformity with United States of America generally accepted accounting principles 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.

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the financial statements, which management considered in formulating its estimate could change in the near term due to one or more future non-conforming events. Accordingly, the actual results could differ significantly from estimates.

**Risks and Uncertainties**

The Company operates in an industry that is subject to rapid change and intense competition. The Company's operations will be subject to significant risk and uncertainties including financial, operational, technological,

regulatory and other risks, including the potential risk of business failure.

### **Cash and Cash Equivalents**

The Company considers all highly liquid instruments purchased with an original maturity of three months or less and money market accounts to be cash equivalents. At March 31, 2012 and December 31, 2011, the Company had no cash equivalents.

### **Accounts Receivable and Allowance for Doubtful Accounts**

Accounts receivable represents trade obligations from customers that are subject to normal trade collection terms. The Company periodically evaluates the collectability of its accounts receivable and considers the need to establish an allowance for doubtful accounts based upon historical collection experience and specific customer information. Accordingly, the actual amounts could vary from the recorded allowances.

The Company does not charge interest on past due receivables. Receivables are determined to be past due based on the payment terms of the original invoices. Accounts receivable at March 31, 2012 and December 31, 2011:

|                                       |             |             |
|---------------------------------------|-------------|-------------|
| Accounts receivable                   | \$4,721,674 | \$2,766,776 |
| Less: allowance for doubtful accounts | (179,809 )  | (197,684 )  |
| Accounts receivable – net             | \$4,541,865 | \$2,569,092 |

### **Prepaid Sponsorship Fees**

Prepaid sponsorship fees represents fees paid in connection with future advertising to be received.



**MusclePharm Corporation and Subsidiaries****Notes to Consolidated Financial Statements****March 31, 2012****(Unaudited)**

At March 31, 2012 and December 31, 2011, the Company had the following concentrations of accounts receivable with customers:

| Customer | 2012 | 2011 |
|----------|------|------|
| A        | 36 % | 7 %  |
| B        | 12 % | 3 %  |
| C        | 3 %  | 12 % |
| D        | 3 %  | 10 % |
| E        | 9 %  | 3 %  |
| F        | 4 %  | 36 % |

**Property and Equipment**

Property and equipment are stated at cost and depreciated to their estimated residual value over their estimated useful lives. When assets are retired or otherwise disposed of, the assets and related accumulated depreciation are relieved from the accounts and the resulting gains or losses are included in operating income in the statements of operations. Repairs and maintenance costs are expensed as incurred. Depreciation is provided using the straight-line method for all property and equipment.

**Long-Lived Assets**

The Company reviews long-lived assets for impairment whenever events or changes in circumstances, such as service discontinuance or technological obsolescence, indicate that the carrying amount of the long-lived asset may not be recoverable. When such events occur, the Company compares the carrying amount of the asset to the undiscounted expected future cash flows related to the asset. If the comparison indicates that impairment is present, the amount of the impairment is calculated as the difference between the excess of the carrying amount over the fair value of the asset. If a readily determinable market price does not exist, fair value is estimated using discounted expected cash flows attributable to the asset. During the three months ended March 31, 2012 and 2011, the Company recorded no impairment expense.

## Website Development Costs

Costs incurred in the planning stage of a website are expensed, while costs incurred in the development stage are capitalized and amortized over the estimated useful life of the asset.

## Fair Value of Financial Instruments

The Company measures assets and liabilities at fair value based on an expected exit price as defined by the authoritative guidance on fair value measurements, which represents the amount that would be received on the sale of an asset or paid to transfer a liability, as the case may be, in an orderly transaction between market participants. As such, fair value may be based on assumptions that market participants would use in pricing an asset or liability. The authoritative guidance on fair value measurements establishes a consistent framework for measuring fair value on either a recurring or nonrecurring basis whereby inputs, used in valuation techniques, are assigned a hierarchical level.

The following are the hierarchical levels of inputs to measure fair value:

·Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Inputs reflect quoted prices for identical assets or liabilities in markets that are not active; quoted prices for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the assets or liabilities; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Unobservable inputs reflecting the Company's assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

The following are the major categories of liabilities measured at fair value on a recurring basis as of March 31, 2012 and December 31, 2011, using quoted prices in active markets for identical liabilities (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

|           |              |
|-----------|--------------|
| March 31, | December 31, |
| 2012      | 2011         |

Derivative liabilities (Level 2) \$15,098,603 \$7,061,238

The Company's financial instruments consisted primarily of accounts receivable, prepaids, accounts payable and accrued liabilities, derivative liabilities and debt. The carrying amounts of the Company's financial instruments generally approximated their fair values as of March 31, 2012 and December 31, 2011, respectively, due to the short-term nature of these instruments.

### **Revenue Recognition**

The Company records revenue when all of the following have occurred: (1) persuasive evidence of an arrangement exists, (2) product has been shipped or delivered, (3) the sales price to the customer is fixed or determinable, and (4) collectability is reasonably assured.

**MusclePharm Corporation and Subsidiaries****Notes to Consolidated Financial Statements****March 31, 2012****(Unaudited)**

Depending on individual customer agreements, sales are recognized either upon shipment of products to customers or upon delivery. The Company records sales allowances and discounts as a direct reduction of sales. The Company has determined that advertising related credits that were granted to customers fell within the guidance of ASC No. 605-50-55 ("*Revenue Recognition*" – *Customer Payments and Incentives – Implementation Guidance and Illustrations*). The guidance indicates that, absent evidence of benefit to the vendor, appropriate treatment requires netting these types of payments against revenues and not expensing as advertising expense. Sales for the three months ended March 31, 2012 and 2011 are as follows:

|             | Three Months Ended March 31, |              |             | March 31,   |
|-------------|------------------------------|--------------|-------------|-------------|
|             | 2012                         | 2011         | Adjustments | 2011        |
|             |                              | Restated     |             | As Issued   |
| Sales       | \$ 19,302,769                | \$ 3,671,215 | \$ -        | \$3,671,215 |
| Discounts   | 2,742,089                    | 637,279      | 483,838     | 153,441     |
| Sales - Net | \$ 16,560,680                | \$ 3,033,936 | \$ 483,838  | \$3,517,774 |

The Company has an informal 7-day right of return for products. There were nominal returns for the three months ended March 31, 2012 and 2011.

For the three months ended March 31, 2012 and 2011, the Company had the following concentrations of revenues with customers:

| Customer | 2012 | 2011 |
|----------|------|------|
| A        | 38 % | 39 % |
| B        | 18 % | 9 %  |
| C        | 11 % | 3 %  |

The Company does not manufacture or physically hold any inventory. Inventory is held and distributed by the Company's third party manufacturer.

## Licensing Income and Royalty Revenue

On May 5, 2011, the Company granted an exclusive indefinite term license to a third party for \$250,000. The licensee may market, manufacture, design and sell the Company's existing apparel line. The licensee will pay the Company a 10% net royalty based on its net income at the end of each fiscal year. To date, no royalty revenue has been earned.

## Cost of Sales

Cost of sales represents costs directly related to the production and manufacturing of the Company's products. Cost of sales for the three months ended March 31, 2012 and 2011 are as follows:

|               | For The Three Months Ended March 31,<br>2012 | 2011<br>As Issued | Adjustments | March 31,<br>2011<br>Restated |
|---------------|--|-------------------|-------------|-------------------------------|
| Cost of Sales | \$ 12,895,162                                | \$ 2,324,208      | \$ 77,326   | \$2,401,534                   |

See discussion of restatement

## Shipping and Handling

Product sold is shipped directly to the customer from the manufacturer. Costs associated to the shipments are recorded as shipping expenses. During the three months ended March 31, 2012 and March 31, 2011 shipping expense is \$569,240 and \$125,534 respectively.

## Advertising

The Company expenses advertising costs when incurred.

Advertising expense for the three months ended March 31, 2012 and 2011 are as follows:

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|             | For The Three Months Ended March 31,<br>2012 | 2011<br>Restated | Adjustments | March 31,<br>2011<br>As Issued |
|-------------|--|------------------|-------------|--------------------------------|
| Advertising | \$ 1,976,319                                 | \$ 582,194       | \$ 561,164  | \$1,143,358                    |

See discussion of restatement

## **MusclePharm Corporation and Subsidiaries**

### **Notes to Consolidated Financial Statements**

**March 31, 2012**

**(Unaudited)**

#### **Beneficial Conversion Feature**

For conventional convertible debt where the rate of conversion is below market value, the Company records a "beneficial conversion feature" ("BCF") and related debt discount.

When the Company records a BCF, the relative fair value of the BCF would be recorded as a debt discount against the face amount of the respective debt instrument. The discount would be amortized to interest expense over the life of the debt.

#### **Derivative Liabilities**

Fair value accounting requires bifurcation of embedded derivative instruments such as conversion features in convertible debt or equity instruments, and measurement of their fair value. In determining the appropriate fair value, the Company uses the Black-Scholes option-pricing model. In assessing the convertible debt instruments, management determines if the convertible debt host instrument is conventional convertible debt and further if there is a beneficial conversion feature requiring measurement. If the instrument is not considered conventional convertible debt, the Company will continue its evaluation process of these instruments as derivative financial instruments.

Once derivative liabilities are determined, they are adjusted to reflect fair value at the end of each reporting period. Any increase or decrease in the fair value is recorded in results of operations as an adjustment to fair value of derivatives. In addition, the fair value of freestanding derivative instruments such as warrants, are also valued using the Black-Scholes option-pricing model. Once a derivative liability ceases to exist any remaining fair value will be reclassified to additional paid in capital.

#### **Debt Issue Costs and Debt Discount**

The Company may pay debt issue costs, and record debt discounts in connection with raising funds through the issuance of convertible debt. These costs are amortized over the life of the debt to interest expense. If a conversion of the underlying debt occurs, a proportionate share of the unamortized amounts is immediately expensed.

### **Original Issue Discount**

For certain convertible debt issued, the Company provides the debt holder with an original issue discount. The original issue discount is recorded to debt discount, reducing the face amount of the note and is amortized to interest expense over the life of the debt.

### **Share-Based Payments**

The Company has incentive plans that reward employees with stock options, warrants, restricted stock and stock appreciation rights. The amount of compensation cost for these share-based awards is measured based on the fair value of the awards, as of the date that the share-based awards are issued and adjusted to the estimated number of awards that are expected to vest.

Fair value of stock options, warrants, and stock appreciation rights, is generally determined using a Black-Scholes option pricing model, which incorporates assumptions about expected volatility, risk free rate, dividend yield, and expected life. Compensation cost for share-based awards is recognized on a straight-line basis over the vesting period.

### **Earnings (loss) Per Share**

Net earnings (loss) per share is computed by dividing net income (loss) less preferred dividends for the period by weighted average number of shares of common stock outstanding during each period. Diluted earnings (loss) per share is computed by dividing net income (loss) less preferred dividends by the weighted average number of shares of common stock, common stock equivalents and potentially dilutive securities outstanding during the period.

Since the Company reflected a net loss for the three months ended March 31, 2012 and 2011, respectively, the effect of considering any common stock equivalents, if exercisable, would have been anti-dilutive. A separate computation of diluted earnings (loss) per share is not presented.

The Company has the following common stock equivalents at March 31, 2012 and 2011 respectively:



|   | 2012       | 2011       |
|---|------------|------------|
| Stock options (exercise price - \$0.50/share)           | 1,617,500  | 2,767,500  |
| Warrants (exercise price \$0.002- \$1.50/share)         | 72,096,327 | 16,310,000 |
| Convertible debt (exercise price \$0.002- \$0.02/share) | 2,100,000  | 46,504,410 |
| Total common stock equivalents                          | 75,813,827 | 65,581,910 |

In the above table, some of the outstanding instruments from 2012 and 2011 contains ratchet provisions that would cause variability in the exercise price at the balance sheet date. As a result, common stock equivalents could change at each reporting period.

### **Reclassification**

The Company has reclassified certain prior period amounts to conform to the current period presentation including the restatement previously mentioned. These reclassifications had no effect on the financial position, results of operations or cash flows for the periods presented.

### **Recent Accounting Pronouncements**

In May 2011 the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) No. 2011-04 “Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. Generally Accepted Accounting Principles (“GAAP”) and International Financial Reporting Standards (“IFRS”). ASU 2011-04 includes common requirements for measurement of and disclosure about fair value between U.S. GAAP and IFRS. ASU 2011-04 requires reporting entities to disclose additional information for fair value measurements categorized within Level 3 of the fair value hierarchy. In addition, ASU 2011-04 requires reporting entities to make disclosures about amounts and reasons for all transfers in and out of Level 1 and Level 2 fair value measurements. The new and revised disclosures are effective for interim and annual reporting periods beginning after December 15, 2011.

**MusclePharm Corporation and Subsidiaries**

**Notes to Consolidated Financial Statements**

**March 31, 2012**

**(Unaudited)**

**Note 3 Going Concern**

As reflected in the accompanying unaudited interim consolidated financial statements, the Company had a net loss of \$16,035,293 and net cash provided by operations of \$1,423,375 for the three months ended March 31, 2012 and a working capital deficit and stockholders' deficit of \$18,140,341 and \$17,209,090 respectively, at March 31, 2012. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The ability of the Company to continue its operations is dependent on Management's plans, which include the raising of capital through debt and/or equity markets with some additional funding from other traditional financing sources, including term notes, until such time that funds provided by operations are sufficient to fund working capital requirements. The Company may need to incur liabilities with certain related parties to sustain the Company's existence.

The Company will require additional funding to finance the growth of its current and expected future operations as well as to achieve its strategic objectives. The Company believes its current available cash along with anticipated revenues may be insufficient to meet its cash needs for the near future. There can be no assurance that financing will be available in amounts or terms acceptable to the Company, if at all.

In response to these problems, management has taken the following actions:

- seeking additional third party debt and/or equity financing,
- continue with the implementation of the business plan,
- allocate sufficient resources to continue with advertising and marketing efforts

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. These financial statements do not include any adjustments relating to the recovery of the recorded assets or the classification of the liabilities that might be necessary should the Company be unable to continue as a going concern.

#### Note 4 Property and Equipment

Property and equipment consisted of the following at March 31, 2012 and December 31, 2011:

|   | 2012        | 2011       | Estimated Useful Life |
|---|-------------|------------|-----------------------|
| Furniture, fixtures and gym equipment           | \$908,018   | \$781,786  | 3 years               |
| Leasehold improvements                          | 388,879     | 244,770    | *                     |
| Auto  | 72,507      | 37,068     | 5 years               |
| Displays  | 32,057      | 32,057     | 5 years               |
| Website   | 11,462      | 11,462     | 3 years               |
| Total   | 1,412,923   | 1,107,143  |                       |
| Less: Accumulated depreciation and amortization | (289,276 )  | (199,621 ) |                       |
|   | \$1,123,647 | \$907,522  |                       |

\* The shorter of 5 years or the life of the lease.

#### Note 5 Debt

At March 31, 2012 and December 31, 2011, debt consists of the following:

|                            | 2012        | 2011        |
|----------------------------|-------------|-------------|
| Convertible debt - secured | \$14,000    | \$1,749,764 |
| Less: debt discount        | (8,671 )    | (1,395,707) |
| Convertible debt - net     | 5,329       | 354,057     |
| Auto loan - secured        | 23,522      | 26,236      |
| Unsecured debt             | 3,950,290   | 2,380,315   |
| Less: debt discount        | (2,548,845) | (1,171,626) |
| Unsecured debt - net       | 1,401,445   | 1,208,689   |
| Total debt                 | 1,430,296   | 1,588,982   |
| Less: current portion      | (1,181,400) | (1,281,742) |

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|                |           |           |
|----------------|-----------|-----------|
| Long term debt | \$248,896 | \$307,240 |
|----------------|-----------|-----------|

Debt in default of \$50,600 and \$505,600, at March 31, 2012 and December 31, 2011 respectively, is included as a component of short-term debt.

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**MusclePharm Corporation and Subsidiaries****Notes to Consolidated Financial Statements****March 31, 2012****(Unaudited)****Convertible Debt – Secured - Derivative Liabilities**

During the three months ended March 31, 2012 and the year ended December 31, 2011 the Company issued convertible notes totaling \$500,000 and 4,679,253 respectively. The Convertible notes consist of the following terms:

|                       |   | <b>Three Months Ended<br/>March 31, 2012<br/>Amount of<br/>Principal Raised</b> | <b>Year Ended<br/>December 31, 2011<br/>Amount of<br/>Principal Raised</b> |
|-----------------------|---|---|--|
| Interest Rate         |   | 8% - 10%  | 0% - 18%   |
| Default interest rate |   | 0% - 20%  | 0% - 25%   |
| Maturity              |   | January 3, 2013 to January 3, 2013  | June 30, 2011 to June 29, 2015   |
| Conversion terms 1    | 62% of the lowest closing prices in the 7 days preceding conversion days  | 100,000   |  |
| Conversion terms 2    | 35% multiplied by the average of the lowest three (3) Trading Prices (as defined below) for the Common Stock during the ten (10) Trading Day period ending on the latest complete Trading Day prior to the Conversion Date. " | \$400,000   | -  |
| Conversion terms 3    | Lesser of (1) a Fifty Percent (50%) discount to the two lowest closing bid prices of the five days trading days immediately preceding the date of conversion or (ii) Two and One-Half Cents (\$0.025) per share               | \$  | \$ 525,000   |
|                       |   | \$  | \$ 537,600   |

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|                     |  |          |              |
|---------------------|--|----------|--------------|
| Conversion terms 4  | 200% - The "market price" will be equal to the average of (i) the average of the closing price of Company's common stock during the 10 trading days immediately preceding the date hereof and (ii) the average of the 10 trading days immediately subsequent to the date hereof. |          |              |
| Conversion terms 5  | 200% of Face. Average of the trading price 10 trading days immediately preceding the closing of the transaction  | \$       | \$ 177,000   |
| Conversion terms 6  | 200% of Face. Fixed conversion price of \$0.02   | \$       | \$ 105,000   |
| Conversion terms 7  | 300% of Face. Fixed conversion price of \$0.02   | \$       | \$ 15,000    |
| Conversion terms 8  | 35% of the three lowest trading prices for previous 10 trading days  | \$       | \$ 250,000   |
| Conversion terms 9  | 45% of the three lowest trading prices for previous 10 trading days  | \$       | \$ 327,500   |
| Conversion terms 10 | 50% of average closing prices for 10 preceding trading days  | \$       | \$ 76,353    |
| Conversion terms 11 | 50% of lowest trade price for the last 20 trading days   | \$       | \$ 45,000    |
| Conversion terms 12 | 50% of the 3 lowest trades for previous 20 trading days  | \$       | \$ 33,000    |
| Conversion terms 13 | 50% of the lowest closing price for previous 5 trading days  | \$       | \$ 250,000   |
| Conversion terms 14 | 60% Multiplied by the average of the lowest 3 trading prices for common stock during the ten trading days prior to the conversion date   | \$       | \$ 233,000   |
| Conversion terms 15 |  |          |              |
| Conversion terms 16 | 62% of lowest trade price for the last 7 trading days  | \$       | \$ 40,000    |
| Conversion terms 17 | 65% of the lowest trade price in the 30 trading days previous to the conversion  | \$19,950 | \$ 335,000   |
| Conversion terms 18 | 65% of the three lowest trading price for previous 30 trading days   | \$       | \$ 153,800   |
| Conversion terms 19 | 70% of lowest average trading price for 30 trading days  | \$       | \$ 1,366,000 |
| Conversion terms 20 | No fixed conversion option   | \$       | \$ 35,000    |
| Conversion terms 21 | 35% multiplied by the average of the lowest three (3) Trading Prices (as defined below) for the Common Stock during the ten (10) Trading Day period ending on the latest complete Trading Day prior to the Conversion Date. "  | \$       | \$ 75,000    |
| Conversion terms 22 | Fixed conversion price of \$0.03   | \$       | \$ 100,000   |

\$519,950

\$ 4,679,253

The debt holders are entitled, at their option, to convert all or part of the principal and accrued interest into shares of the Company's common stock at conversion prices and terms discussed above. The Company classifies embedded conversion features in these notes as a derivative liability due to management's assessment that the Company may not have sufficient authorized number of shares of common stock required to net-share settle or due to the existence of a ratchet due to an anti-dilution provision. See Note 6 regarding accounting for derivative liabilities.

**MusclePharm Corporation and Subsidiaries****Notes to Consolidated Financial Statements****March 31, 2012****(Unaudited)**

During the three months ended March 31, 2012 the Company converted debt and accrued interest, totaling \$1,420,423 into 247,308,238 shares of common stock. The resulting loss on conversion of \$351,021, is included in the \$2,941,826 loss on settlement of accounts payable and debt as shown in the consolidated statement of operations.

Convertible debt consisted of the following activity and terms:

|   |             | Interest Rate | Maturity                           |
|---|-------------|---------------|------------------------------------|
| Balance as of December 31, 2011   | 1,749,764   |               |                                    |
| Borrowings during the three months ended March 31, 2012   | 519,950     | 8% - 10%      | January 3, 2013 to January 3, 2013 |
| Conversion of debt to into 209,732,045 shares of common stock with a valuation of \$950,739 (\$0.0035 - \$0.0095/share) | (759,095 )  |               |                                    |
| Repayment of convertible debt   | (2,518,343) |               |                                    |
| Interest and accrued interest   | 15,632      |               |                                    |
| Loss on repayment   | 1,006,092   |               |                                    |
| Convertible debt balance as of December 31, 2012  | \$14,000    |               |                                    |

**(B) Unsecured Debt**

Unsecured debt consisted of the following activity and terms:

|   |            | Interest Rate | Maturity                           |
|---|------------|---------------|------------------------------------|
| Unsecured Debt balance as of December 31, 2011  | 2,380,432  |               |                                    |
| Borrowings during the three months ended March 31, 2012   | 2,323,000  | 15%           | July 13, 2013 – September 30, 2013 |
| Conversion of debt to into 37,576,155 shares of common stock with a valuation of \$469,683 (\$0.0095 - \$0.016/share) | (150,000 ) |               |                                    |
| Repayments  | (825,376 ) |               |                                    |



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|   |             |
|---|-------------|
| Interest and accrued interest               | 32,005      |
| Loss on repayment                           | 190,229     |
| Unsecured Debt balance as of March 31, 2012 | \$3,950,290 |

**(C) Auto Loan**

Auto loan account consisted of the following activity and terms:

|   |          | Interest Rate | Maturity               |
|---|----------|---------------|------------------------|
| Auto loan balance as of December 31, 2011 | \$26,236 |               |                        |
| Repayments                                | (2,714 ) | 6.99%         | 26 payments of \$1,008 |
| Auto loan balance as of March 31, 2012    | 23,522   |               |                        |

**(D) Debt Issue Costs**

During the three months ended March 31, 2012 and 2011, the Company paid debt issue costs totaling \$30,000 and \$69,700, respectively.

The following is a summary of the Company's debt issue costs for the three months ended March 31, 2012 and year ended December 31, 2011 as follows:

|  | March 31, 2012 | 2011      |
|--|----------------|-----------|
| Debt issue costs                             | \$ 219,713     | 305,283   |
| Accumulated amortization of debt issue costs | (219,138 )     | (237,095) |
| Debt issue costs – net                       | \$ 575         | 68,188    |

During the three months ended March 31, 2012, the Company amortized \$97,612 in debt issue costs.

**(E) Debt Discount**

During the three months ended March 31, 2012 and 2011, the Company recorded debt discounts totaling \$2,347,672 and \$1,087,971, respectively.

The debt discounts recorded in 2012 and 2011 pertain to convertible debt and warrants that contain embedded conversion options that are required to bifurcated and reported at fair value.

The Company amortized \$2,357,490 and \$3,237,219 to interest expense in the three months ended March 31, 2012 and year ended December 31, 2011 as follows:

|                                | 2012        | 2011        |
|--------------------------------|-------------|-------------|
| Debt discount                  | \$4,915,006 | 5,804,552   |
| Amortization of debt discounts | (2,357,490) | (3,237,219) |
| Debt discount – net            | \$2,557,516 | 2,567,333   |

**Note 6 Derivative Liabilities**

The Company identified conversion features embedded within convertible debt, warrants and series A, preferred stock issued in 2011 and 2010 (see Notes 5 and 9). The Company has determined that the features associated with the embedded conversion option should be accounted for at fair value as a derivative liability as the Company could not determine if a sufficient number of shares would be available to settle all transactions.

**MusclePharm Corporation and Subsidiaries****Notes to Consolidated Financial Statements****March 31, 2012****(Unaudited)**

As a result of the application of ASC No. 815, the fair value of the conversion feature is summarized as follow:

|   |              |
|---|--------------|
| Derivative liability - December 31, 2011  | \$7,061,238  |
| Fair value at the commitment date for debt instruments  | 1,096,808    |
| Fair value at the commitment date for warrants issued   | 2,707,774    |
| Fair value mark to market adjustment for debt instruments   | (1,517,609 ) |
| Fair value mark to market adjustment for warrants   | 9,874,838    |
| Fair value mark to market adjustment for Series A, Preferred Stock issued   | (59 )        |
| Reclassification to additional paid in capital for financial instruments that ceased to be a derivative liability | (4,124,387 ) |
| Derivative liability - March 31, 2012   | \$15,098,603 |

The Company recorded the debt discount to the extent of the gross proceeds raised, and expensed immediately the remaining value of the derivative as it exceeded the gross proceeds of the note. The Company recorded a derivative expense of \$1,456,910 and \$1,359,369 for the three months ended March 31, 2012 and 2011, respectively.

The fair value at the commitment and re-measurement dates for the Company's derivative liabilities were based upon the following management assumptions as of March 31, 2012:

|                         | Commitment Date      | Re-measurement Date  |
|-------------------------|----------------------|----------------------|
| Expected dividends      | 0                    | 0                    |
| Expected volatility     | 228% -249 %          | 226% -249 %          |
| Expected term:          | 6 months – 2.5 years | 6 months – 2.5 years |
| Risk free interest rate | 0.12% - 0.69 %       | 0.2% - 0.33 %        |

**Note 7 Stockholders' Deficit**

The Company has three separate series of authorized preferred stock:

**(A) Series A, Convertible Preferred Stock**

This class of stock has the following provisions:

Non-voting,  
No rights to dividends,  
No liquidation value,  
Convertible into 200 shares of common stock

**(B) Series B, Preferred Stock (Related Parties)**

In August 2011, the Company issued an aggregate 51 shares of Series B, preferred stock to 2 of its officers and directors. The Company accounted for the share issuance at par value since there was no future economic value that could be associated with the issuance.

This class of stock has the following provisions:

Voting rights entitling the holders to an aggregate 51% voting control,  
Initially no rights to dividends,  
Stated value of \$0.001 per share,  
Liquidation rights entitle the receipt of net assets on a pro-rata basis; and  
Non-convertible

**(C) Series C, Convertible Preferred Stock**

In October 2011, the Company issued 190 shares of Series C, preferred stock, having a fair value of \$190,000. Of the total shares issued, 100 shares were issued for \$100,000 (\$1,000 /share). The remaining 90 shares were issued for services rendered having a fair value of \$90,000 (\$1,000 /share), based upon the stated value per share. In March 2012, all 190 shares were converted into 19,000,000 common shares at a conversion price of \$0.00001 per share.

This class of stock has the following provisions:

Stated Value - \$1,000 per share,

Non-voting,

Liquidation rights entitle an amount equal to the stated value, plus any accrued and unpaid dividends  
As long as any Series C, convertible preferred stock is outstanding, the Company is prohibited from executing  
various corporate actions with the majority consent of the Series C, convertible preferred stockholders authorization;  
and

Convertible at the higher of (a) \$0.01 or (b) such price that is a 50% discount to market using the average of the low 2  
closing bid prices, 5 days preceding conversion

Due to the existence of an option to convert at a variable amount, the Company has applied ASC No. 815, and treated  
this series of preferred stock as a derivative liability due to the potential for settlement in a variable quantity of shares.  
Additionally, the Company computed the fair value of the derivative liability at the commitment date and  
remeasurement date, which was \$293 and \$175, respectively, using the black-scholes assumptions below. This  
transaction is analogous to a dividend with a direct charge to retained earnings.

**MusclePharm Corporation and Subsidiaries****Notes to Consolidated Financial Statements****March 31, 2012****(Unaudited)****(D) Common Stock**

In the three months ended March 31, 2012, the Company issued the following common stock:

| Transaction Type  | Quantity    | Valuation   | Loss on Settlement | Range of Value per Share |
|---|-------------|-------------|--------------------|--------------------------|
| Conversion of convertible debt                          | 209,732,083 | \$950,739   | \$ 61,124          | \$ 0.0038–0.0173         |
| Conversion of unsecured/secured debt                    | 37,576,155  | \$469,683   | \$ 289,897         | \$ 0.0095–0.016          |
| Forbearance of agreement terms                          | 55,000,000  | \$914,500   | \$ -               | \$ 0.0084-0.0324         |
| Cash and warrants                                       | 32,000,000  | \$285,760   | \$ -               | \$ 0.0089                |
| Executive compensation (1)                              | 444,548,916 | \$4,667,764 | \$ -               | \$ 0.0105                |
| Conversion of Series C, preferred stock to common stock | 19,000,000  | \$614,984   | \$ 614,984         | \$ 0.0324                |
| Total   | 797,857,154 | \$7,903,431 | \$ 966,005         | \$ 0.0038–.0324          |

The fair value of all stock issuances above is based upon the quoted closing trading price on the date of issuance, except for stock and warrants issued for cash, which is based on the cash received.

(1) Represents stock issued for prior year 2011 accrued compensation.

The forbearance of agreement terms valuation of \$914,500 is reduced by \$135,000 accrual, for items expensed in the year ended December 31, 2011, but are treated in the current period as a non-cash settlement, which nets to \$779,500 as shown in the statement of cash flows as loss on debt.

**(E) Stock Options**

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The Company applied fair value accounting for all shares based payments awards. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model. The Black-Scholes assumptions used in the year ended December 31, 2010 is as follows:

|                         |           |   |
|-------------------------|-----------|---|
| Exercise price          | \$0.50    |   |
| Expected dividends      | 0         | % |
| Expected volatility     | 74.8      | % |
| Risk free interest rate | 1.4       | % |
| Expected life of option | 2.5 years |   |
| Expected forfeiture     | 0         | % |

The following is a summary of the Company's stock option activity:

|  | Options   | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life | Aggregate Intrinsic Value |
|--|-----------|---------------------------------|---|---------------------------|
| Balance – December 31, 2011                        | 1,617,500 | \$ 0.50                         | 3.25 years                                  | -                         |
| Granted  | -         | \$                              |   |                           |
| Exercised  | -         | \$                              |   |                           |
| Forfeited/Cancelled                                | -         | \$ 0.50                         |   |                           |
| Balance – March 31, 2012 – outstanding             | 1,617,500 | \$ 0.50                         | 3 years                                     | \$ -                      |
| Balance – March 31, 2012 – exercisable             | 1,617,500 | \$ 0.50                         | 3 years                                     | \$ -                      |
| Outstanding options held by related parties – 2012 | 1,000,000 |                                 |   |                           |
| Exercisable options held by related parties – 2012 | 1,000,000 |                                 |   |                           |

**(F) Stock Warrants**

All warrants issued during the three months ended March 31, 2012 were accounted for as derivative liabilities. See Note 6.

During the three months ended March 31, 2012, the Company entered into convertible and unsecured note agreements. As part of these agreements, the Company issued warrants to purchase 181,625,000 shares of common stock. Each warrant vests six month after issuance and expire July 13, 2014 – September 30, 2014, with exercise prices ranging from \$0.012 - \$0.015. All warrants contain anti-dilution rights, and are treated as derivative liabilities.

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A summary of warrant activity for the Company for the three months ended March 31, 2012 and for the year ended December 31, 2011 is as follows:

|                                 | Number of Warrants | Weighted Average Exercise Price |
|---------------------------------|--------------------|---------------------------------|
| Outstanding – December 31, 2011 | 283,338,233        | \$ .02                          |
| Granted                         | 181,625,000        | \$ .013                         |
| Exercised                       | (32,000,000 )      | \$ 0.0089                       |
| Balance as March 31, 2012       | 432,963,233        | \$ .017                         |

| Warrants Outstanding    |                    | Warrants Exercisable                                   |                                 |                     |                                 |                 |
|-------------------------|--------------------|--|---------------------------------|---------------------|---------------------------------|-----------------|
| Range of exercise price | Number Outstanding | Weighted Average Remaining Contractual Life (in years) | Weighted Average Exercise Price | Numbers Exercisable | Weighted Average Exercise Price | Intrinsic Value |
| \$0.012 - \$1.50        | 432,963,233        | 2.58   | \$ 0.017                        | 72,096,327          | \$ 0.038                        | \$ 9,593,413    |

**(G) Treasury Stock**

On March 26, 2012, the Company repurchased 14,542,939 shares of its common stock for the sum of \$230,400 or \$0.0158. The Company records the value of its common stock held in treasury at cost. The Company has not cancelled or retired these shares, and they remain available for reissuance.



**MusclePharm Corporation and Subsidiaries**

**Notes to Consolidated Financial Statements**

**March 31, 2012**

**(Unaudited)**

**Note 8 Commitments, Contingencies and Other Matters**

**(A) Operating Lease**

In August 2010, the Company leased office space under a non-cancelable operating lease, expiring in December 2015.

Future minimum annual rental payments are approximately as follows:

Years Ended December 31,

|                              |           |
|------------------------------|-----------|
| 2012 (9 months)              | \$64,771  |
| 2013                         | 92,421    |
| 2014                         | 98,481    |
| 2015                         | 104,542   |
| Total minimum lease payments | \$360,215 |

Rent expense for the three months ended March 31, 2012 and 2011 was \$43,573 and \$44,076, respectively.

**(B) Legal Matters**

From time to time, the Company may become involved in various lawsuits and legal proceedings, which arise in the ordinary course of business. Litigation is subject to inherent uncertainties as to outcomes. Although there can be no assurances, based on information currently available, management believes that it is probable that the ultimate outcome of matters that are pending or threatened will not have a material effect on the company's consolidated financial condition.

Other legal matters to which the Company is party do exist. At this time the outcome of these matters is not probable nor reasonably estimable. The Company intends to defend these matters vigorously. The company is party to the following legal matters as of March 31, 2012:

Plaintiff alleges the Company's use of the tagline "Train like an unchained beast" infringes on their mark "Beast" for dietary supplements. Plaintiff's primary goal is not damages, but rather that the Company cease using the tagline. The Company believes the case is without merit.

Plaintiff has filed notices of intent to commence litigation on over 200 sports nutrition and dietary supplement companies in the US and Canada, including the Company. Plaintiff alleges violations of California's Proposition 65. The Company considers this case without merit and merely an attempt by a commercial plaintiff to pressure settlements.

On April 20, 2012, Musclepharm received notice of a pending lawsuit in U.S. Federal District Court in Utah alleging misvaluation of stock used to settle a debt obligation. The Company believes the Plaintiffs case is without merit.

### **(C) Payroll Taxes**

As of March 31, 2012 accounts payable and accrued expenses included approximately \$163,000 pertaining to accrued payroll taxes. The taxes represent employee withholdings that have yet to be remitted to the taxing agencies.

Included in the \$163,000 is an amount due prior to the Company becoming a publicly traded company in February 2010, when the Company existed as an LLC, which at that time had accrued payroll taxes/penalties and interest of approximately \$53,000.

**MusclePharm Corporation and Subsidiaries**

**Notes to Consolidated Financial Statements**

**March 31, 2012**

**(Unaudited)**

**Note 9 Defined Contribution Plan**

The Company has a defined contribution plan, in which all eligible employees participate. The 401(k) plan is a contributory plan. Matching contributions are based upon the amount of the employees' contributions. Beginning January 1, 2012, the Company may make an additional discretionary 401(k) plan matching contribution to eligible employees. During the first quarter ended March 31, 2012 and March 31, 2011 the Company's matching contribution was \$2,630 and \$0.00, respectively.

**Note 10 Subsequent Events**

**Debt Issuance**

In April 2012, the Company raised gross proceeds of \$1,291,000 through the sale of (18 month) promissory notes bearing interest at an annual rate of 15%. In consideration of the promissory notes, the Company issued 107,583,333 stock purchase warrants equal to 100% of the face amount of the notes, with an exercise price of \$0.012 per share and debt issue costs of \$76,950. All warrants contain anti-dilution rights and are treated as derivative liabilities.

During the 2<sup>nd</sup> quarter there have been principal and interest payments related to the unsecured notes of approximately \$558,000.

**Share Issuances**

On April 1, 2012 the Company issued 2,000,000 shares of the Company's common stock valued at \$50,000 to a consultant for services rendered based on \$0.025 price/share. The share price was calculated based on a 20 day average closing price prior to issuance.

On May 1, 2012 the Company issued 3,773,585 shares of the Company's common stock valued at \$100,000 for services rendered. The share price was calculated based on a 20 day average closing price prior to issuance.

On May 9, 2012 the Company issued 4,347,826 shares of the Company's common stock valued at \$50,000 for future services. The share price was calculated based on a 20 day average closing price prior to issuance.

**MusclePharm Corporation**

**Consolidated Financial Statements**

**December 31, 2011 (Restated) and 2010 (Restated)**

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of:

MusclePharm Corporation

We have audited the accompanying consolidated balance sheets of MusclePharm Corporation and Subsidiary as of December 31, 2011 and 2010, and the related consolidated statements of operations, stockholders' deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the 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 audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MusclePharm Corporation and Subsidiary as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has a net loss of \$23,280,950 and net cash used in operations of \$5,801,761 for the year ended December 31, 2011; and has a working capital deficit of \$13,693,267, and a stockholders' deficit of \$12,971,212 at December 31, 2011. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plan in regards to these matters is also described in Note 2.

Berman & Company, P.A.

Boca Raton, Florida

April 13, 2012 except for note 1 as to which the date is June 28, 2012

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*Member Florida Institute of Certified Public Accountants*

**MusclePharm Corporation and Subsidiary****Consolidated Balance Sheets**

|   | December 31,<br>2011 | December 31,<br>2010 |
|---|----------------------|----------------------|
| Assets  |                      |                      |
| Current Assets  |                      |                      |
| Cash  | \$ 659,764           | \$ 43,704            |
| Accounts receivable - net   | 2,569,092            | 426,761              |
| Prepaid stock compensation  | 534,456              | 1,965,911            |
| Prepaid sponsorship fees  | 203,333              | -                    |
| Other   | 50,188               | 58,065               |
| Total Current Assets  | 4,016,833            | 2,494,441            |
| Property and equipment - net  | 907,522              | 138,551              |
| Debt issue costs - net  | 68,188               | 34,404               |
| Other assets  | 53,585               | 53,585               |
| Total Assets  | \$ 5,046,128         | \$ 2,720,981         |
| Liabilities and Stockholders' Deficit   |                      |                      |
| Current Liabilities:  |                      |                      |
| Accounts payable and accrued liabilities  | \$ 9,359,073         | \$ 3,227,483         |
| Customer deposits   | 8,047                | 75,733               |
| Debt - net  | 1,281,742            | 289,488              |
| Derivative liabilities  | 7,061,238            | 622,944              |
| Total Current Liabilities   | 17,710,100           | 4,215,648            |
| Long Term Liabilities:  |                      |                      |
| Debt - net  | 307,240              | 250,000              |
| Total Liabilities   | 18,017,340           | 4,465,648            |
| Stockholders' Deficit   |                      |                      |
| Series A, Convertible Preferred Stock, \$0.001 par value; 5,000,000 shares authorized, none issued and outstanding                  | -                    | -                    |
| Series B, Preferred Stock, \$0.001 par value; 51 shares authorized, 51 and none, respectively, issued and outstanding               | -                    | -                    |
| Series C, Convertible Preferred Stock, \$0.001 par value; 500 shares authorized, 190 and none, respectively, issued and outstanding | -                    | -                    |



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|   |               |               |
|---|---------------|---------------|
| Common Stock, \$0.001 par value; 2,500,000,000 shares authorized,605,930,613 and 118,649,439 issued and outstanding | 605,931       | 118,649       |
| Additional paid-in capital  | 31,579,538    | 20,012,122    |
| Accumulated deficit   | (45,156,681 ) | (21,875,438 ) |
| Total Stockholders' Deficit   | (12,971,212 ) | (1,744,667 )  |
| <br>  |               |               |
| Total Liabilities and Stockholders' Deficit   | \$5,046,128   | \$2,720,981   |

See accompanying notes to consolidated financial statements

**MusclePharm Corporation and Subsidiary****Consolidated Statements of Operations**

|  | For The Year Ended December 31, |                  |
|--|---------------------------------|------------------|
|  | 2011                            | 2010             |
|  | As Restated                     | As Restated      |
| Sales - net  | \$ 17,212,636                   | \$ 3,202,687     |
| Cost of sales  | 14,845,069                      | 2,804,274        |
| Gross profit   | 2,367,567                       | 398,413          |
| General and administrative expenses  | 18,587,727                      | 18,650,249       |
| Loss from operations   | (16,220,160 )                   | (18,251,836 )    |
| Other income (expense)   |                                 |                  |
| Derivative expense   | (4,777,654 )                    | (93,638 )        |
| Change in fair value of derivative liabilities   | 5,162,100                       | (149,306 )       |
| Loss on settlement of accounts payable and debt  | (3,862,458 )                    | (433,400 )       |
| Interest expense   | (3,711,278 )                    | (480,589 )       |
| Other expense  | (121,500 )                      | (160,568 )       |
| Licensing income   | 250,000                         | -                |
| Total other income (expense) - net   | (7,060,790 )                    | (1,317,501 )     |
| Net loss   | \$ (23,280,950 )                | \$ (19,569,337 ) |
| Net loss available to common stockholders  |                                 |                  |
| Net loss   | \$ (23,280,950 )                | \$ (19,569,337 ) |
| Series C preferred stock dividend  | (293 )                          | -                |
| Net loss available to common stockholders  | \$ (23,280,657 )                | \$ (19,569,337 ) |
| Net loss per share available to common stockholders - basic and diluted                  | \$ (0.08 )                      | \$ (0.48 )       |
| Weighted average number of common shares outstanding during the year – basic and diluted | 281,484,658                     | 41,141,549       |

See accompanying notes to consolidated financial statements

**MusclePharm Corporation and Subsidiary****Consolidated Statement of Stockholders' Deficit****Years Ended December 31, 2011 and 2010**

|   | Series A, Convertible Preferred Stock |        | Series B, Convertible Stock |        | Series C, Preferred Stock |        | Common Stock |          | Additional Paid-in Capital | Accumulated Deficit | Total Stockholder Deficit |
|---|---------------------------------------|--------|-----------------------------|--------|---------------------------|--------|--------------|----------|----------------------------|---------------------|---------------------------|
|   | Shares                                | Amount | Shares                      | Amount | Shares                    | Amount | Shares       | Amount   |                            |                     |                           |
| Balance - December 31, 2009                                   | -                                     | \$-    | -                           | \$-    | -                         | \$-    | 26,000,000   | \$26,000 | \$1,099,508                | \$(2,306,101)       | \$(1,180,593)             |
| Recapitalization and deemed issuance                          | 83,333                                | 83     | -                           | -      | -                         | -      | 70,838       | 71       | (25,261)                   | -                   | (25,107)                  |
| Issuance of common stock:                                     |                                       |        |                             |        |                           |        |              |          |                            |                     |                           |
| Conversion of preferred stock to common stock                 | (83,333)                              | (83)   | -                           | -      | -                         | -      | 16,666,600   | 16,667   | (16,584)                   | -                   | -                         |
| Conversion of convertible debt to common stock                | -                                     | -      | -                           | -      | -                         | -      | 7,708,906    | 7,709    | 1,025,791                  | -                   | 1,033,500                 |
| Stock and warrants  | -                                     | -      | -                           | -      | -                         | -      | 4,167,767    | 4,168    | 1,524,508                  | -                   | 1,528,676                 |
| Services - third parties                                      | -                                     | -      | -                           | -      | -                         | -      | 22,457,214   | 22,457   | 4,532,158                  | -                   | 4,554,615                 |
| Services - third parties - future services                    | -                                     | -      | -                           | -      | -                         | -      | 10,545,200   | 10,545   | 2,724,003                  | -                   | 2,734,548                 |
| Services - related parties                                    | -                                     | -      | -                           | -      | -                         | -      | 10,000,000   | 10,000   | 5,290,000                  | -                   | 5,300,000                 |
| Services paid with previously issued stock to related parties | -                                     | -      | -                           | -      | -                         | -      | -            | -        | 1,039,500                  | -                   | 1,039,500                 |
| Settlement of debt - third parties                            | -                                     | -      | -                           | -      | -                         | -      | 4,165,571    | 4,166    | 1,186,898                  | -                   | 1,191,064                 |
| Settlement of debt - related party                            | -                                     | -      | -                           | -      | -                         | -      | 7,161,548    | 7,161    | 350,916                    | -                   | 358,077                   |
| Settlement of accounts payable                                | -                                     | -      | -                           | -      | -                         | -      | 9,014,286    | 9,014    | 424,386                    | -                   | 433,400                   |
|   | -                                     | -      | -                           | -      | -                         | -      | 50,000       | 50       | 30,450                     | -                   | 30,500                    |

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|  |   |   |    |   |     |              |          |            |              |  |              |
|--|---|---|----|---|-----|--------------|----------|------------|--------------|--|--------------|
| Debt offering - additional interest expense                            |   |   |    |   |     |              |          |            |              |  |              |
| Extension of debt maturity date  | - | - | -  | - | -   | 130,000      | 130      | 95,370     | -            |  | 95,500       |
| Contract settlement in connection with lawsuit                         | - | - | -  | - | -   | 511,509      | 511      | 99,489     | -            |  | 100,000      |
| Share based payments   | - | - | -  | - | -   | -            | -        | 630,990    | -            |  | 630,990      |
| Net loss   | - | - | -  | - | -   | -            | -        | -          | (19,569,337) |  | (19,569,337) |
| Balance - December 31, 2010  | - | - | -  | - | -   | 118,649,439  | 118,649  | 20,012,122 | (21,875,438) |  | (1,744,660)  |
| Issuance of common and preferred stock:                                |   |   |    |   |     |              |          |            |              |  |              |
| Conversion of convertible debt   | - | - | -  | - | -   | 254,061,743  | 254,062  | 4,014,795  | -            |  | 4,268,857    |
| Conversion of secured/unsecured debt                                   | - | - | -  | - | -   | 40,277,378   | 40,277   | 817,675    | -            |  | 857,952      |
| Cash   | - | - | -  | - | -   | 82,000,000   | 82,000   | 793,000    | -            |  | 875,000      |
| Cash   | - | - | -  | - | 100 | -            | -        | 100,000    | -            |  | 100,000      |
| Services - third parties   | - | - | -  | - | -   | 46,521,157   | 46,522   | 1,153,322  | -            |  | 1,199,844    |
| Services - third parties   | - | - | -  | - | 90  | -            | -        | 90,000     | -            |  | 90,000       |
| Services - third parties - future services                             | - | - | -  | - | -   | 4,000,000    | 4,000    | 210,250    | -            |  | 214,250      |
| Extension of debt maturity date  | - | - | -  | - | -   | 9,375,000    | 9,375    | 151,875    | -            |  | 161,250      |
| Settlement of accounts payable   | - | - | -  | - | -   | 54,545,896   | 54,546   | 3,592,173  | -            |  | 3,646,719    |
| Cancellation of shares   | - | - | -  | - | -   | (3,500,000 ) | (3,500 ) | 3,500      | -            |  | -            |
| Share based payments - related parties                                 | - | - | 51 | - | -   | -            | -        | -          | -            |  | -            |
| Dividends on series C preferred stock - related parties                | - | - | -  | - | -   | -            | -        | -          | (293 )       |  | (293 )       |
| Reclassification of derivative liability to additional paid in capital | - | - | -  | - | -   | -            | -        | 640,826    | -            |  | 640,826      |

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|                                   |   |     |    |     |     |     |             |           |              |                |             |
|-----------------------------------|---|-----|----|-----|-----|-----|-------------|-----------|--------------|----------------|-------------|
| Net loss                          | - | -   | -  | -   | -   | -   | -           | -         | -            | (23,280,950)   | (23,280,9   |
| Balance -<br>December 31,<br>2011 | - | \$- | 51 | \$- | 190 | \$- | 605,930,613 | \$605,931 | \$31,579,538 | \$(45,156,681) | \$(12,971,2 |

See accompanying notes to consolidated financial statements

**MusclePharm Corporation and Subsidiary****Consolidated Statements of Cash Flows**

|   | Year Ended           |                      |
|---|----------------------|----------------------|
|   | December 31,<br>2011 | December 31,<br>2010 |
| Cash Flows From Operating Activities:                                       |                      |                      |
| Net loss  | \$(23,280,950)       | \$(19,569,337)       |
| Adjustments to reconcile net loss to net cash used in operating activities: |                      |                      |
| Depreciation  | 171,587              | 18,567               |
| Bad debt  | 120,477              | 119,468              |
| Warrants issued for services - third parties                                | 1,989,982            | -                    |
| Stock issued for services - third parties                                   | 1,289,844            | 4,554,615            |
| Stock issued for services - related parties                                 | -                    | 5,300,000            |
| Services paid with previously issued stock to related parties               | -                    | 1,039,500            |
| Stock issued to extend maturity date of debt                                | 161,250              | 95,500               |
| Stock issued as settlement in connection with lawsuit                       | -                    | 100,000              |
| Stock issued with unsecured debt offering-additional interest expense       | -                    | 30,500               |
| Share based payments  | -                    | 630,990              |
| Amortization of prepaid stock compensation                                  | 1,745,705            | 768,637              |
| Amortization of debt discount and debt issue costs                          | 3,466,718            | 485,689              |
| Loss on settlement of accounts payable                                      | 2,123,129            | 433,400              |
| Loss on conversion of debt  | 1,739,329            | -                    |
| Derivative expense  | 4,777,654            | 93,638               |
| Change in fair value of derivative liabilities                              | (5,162,100)          | 149,306              |
| Changes in operating assets and liabilities:                                |                      |                      |
| (Increase) decrease in:   |                      |                      |
| Accounts receivable   | (2,262,808)          | (434,753)            |
| Prepaid sponsorship fees  | (203,333)            | -                    |
| Inventory   | -                    | 4,245                |
| Deposits  | -                    | 32,116               |
| Other   | 7,877                | (66,703)             |
| Increase (decrease) in:   |                      |                      |
| Accounts payable and accrued liabilities                                    | 7,581,564            | 2,358,430            |
| Customer deposits   | (67,686)             | 60,715               |
| Net Cash Used In Operating Activities                                       | (5,801,761)          | (3,795,477)          |
| Cash Flows From Investing Activities:                                       |                      |                      |
| Purchase of property and equipment  | (831,511)            | (117,303)            |
| Net Used In Investing Activities  | (831,511)            | (117,303)            |
| Cash Flows From Financing Activities:                                       |                      |                      |
| Cash overdraft  | -                    | (17,841)             |
| Due to related party  | -                    | (27,929)             |
| Proceeds from issuance of debt  | 6,612,900            | 2,140,608            |

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|   |             |             |
|---|-------------|-------------|
| Proceeds from issuance of debt - related party  |             | 358,077     |
| Repayment of debt   | (75,285 )   | -           |
| Cash paid for debt issue costs  | (263,283 )  | -           |
| Proceeds from issuance of preferred stock   | 100,000     | -           |
| Proceeds from issuance of common stock and warrants-net of recapitalization payment               | 875,000     | 1,503,569   |
| Net Cash Provided By Financing Activities   | 7,249,332   | 3,956,484   |
| Net increase in cash  | 616,060     | 43,704      |
| Cash at beginning of year   | 43,704      | -           |
| Cash at end of year   | \$659,764   | \$43,704    |
| Supplemental disclosures of cash flow information:  |             |             |
| Cash paid for interest  | \$28,806    | \$15,882    |
| Supplemental disclosure of non-cash investing and financing activities:                           |             |             |
| Stock issued for future services - third parties  | \$214,250   | \$2,734,548 |
| Non cash increase in accounts payable related to future services to be paid for with common stock | \$100,000   | \$-         |
| Debt discount recorded on convertible and unsecured debt accounted for as a derivative liability  | \$5,473,291 | \$380,000   |
| Conversion of convertible debt and accrued interest for common stock                              | \$3,387,480 | \$1,033,500 |
| Stock issued to settle debt - third parties   | \$-         | \$1,191,064 |
| Stock issued to settle debt - related party   | \$-         | \$358,077   |
| Stock issued to settle accounts payable and due to factor   | \$1,440,779 | \$433,400   |
| Reclassification of derivative liability to additional paid in capital                            | \$640,826   | \$-         |
| Conversion of preferred stock to common stock   | \$-         | \$83        |
| Stock issued to acquire equipment   | \$82,811    | \$-         |
| Auto acquired through financing   | \$26,236    | \$-         |
| Dividends on series C preferred stock - related parties   | \$293       | \$-         |
| Original issue discount   | \$-         | \$37,500    |

See accompanying notes to consolidated financial statements

**MusclePharm Corporation and Subsidiary**

**Consolidated Notes to Financial Statements**

**December 31, 2011(Restated) and 2010 (Restated)**

**Note 1 Nature of Operations and Summary of Significant Accounting Policies (Restated)**

**Nature of Operations**

MusclePharm Corporation (the “Company”, “We”, “Our” or “MP”), was organized as a limited liability company in the State of Colorado on April 22, 2008. On February 18, 2010, the Company executed a reverse recapitalization with Tone in Twenty, Inc. and changed its name to MP (See Note 3).

The Company markets branded sports nutrition products.

**Restatement**

On May 14, 2012, the Company determined that a material misstatement exists in the Company’s 2011 quarterly and 2011 and 2010 annual financial statements. The Company concluded that the following financial statements contained material misstatements: (i) the Company’s audited financial statements for the year ended December 31, 2011, filed in an annual report on Form 10-K with the U.S. Securities and Exchange Commission (the “SEC”) on April 16, 2012; (ii) the Company’s audited financial statements for the year ended December 31, 2010, filed in an annual report on Form 10-K with the SEC on April 1, 2011; (iii) the Company’s unaudited financial statements for the period ended September 30, 2011, filed in a quarterly report on Form 10-Q with the SEC on November 14, 2011; (iv) the Company’s unaudited financial statements for the period ended June 30, 2011, filed in a quarterly report on Form 10-Q with the SEC on August 16, 2011; and (v) the Company’s unaudited financial statements for the period ended March 31, 2011, filed in a quarterly report on Form 10-Q with the SEC on May 23, 2011.

The foregoing financial statements contained material misstatements pertaining to the Company’s calculation of net sales and presentation of general and administrative expenses and cost of sales. The Company has determined that advertising related credits that were granted to customers fell within the guidance of ASC No. 605-50-55 (“*Revenue Recognition*” – *Customer Payments and Incentives – Implementation Guidance and Illustrations*). The guidance indicates that, absent evidence of benefit to the vendor, appropriate treatment requires netting these types of payments



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against revenues and not expensing as advertising expense. The Company also noted other credits and discounts that, upon further review, had been previously classified as advertising expense as a component of general and administrative expense that require a reallocation of presentation as amounts to be netted against revenues. The Company's net loss and loss per share will not be affected by this reallocation in the statement of operations.

Promotions, credits and non-specific advertising with its customers have been reclassified from general and administrative expenses to revenues.

Samples shipped to customers not clearly identifiable were reclassified from general and administrative expense to cost of sales.

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|   | Year Ended<br>December 31,<br>2011<br>As Restated | Adjustments     | Year Ended<br>December 31,<br>2011<br>As Issued | Year Ended<br>December 31,<br>2010<br>As Restated | Adjustments   | Year Ended<br>December 31,<br>2010<br>As Issued |
|---|---|-----------------|---|---|---------------|---|
| Sales - net   | \$ 17,212,636                                     | \$ (3,625,701 ) | \$ 20,838,337                                   | \$ 3,202,687                                      | \$ (844,608 ) | \$ 4,047,295                                    |
| Cost of sales   | 14,845,069  | 374,455         | 14,470,614                                      | 2,804,274   | -             | 2,804,274                                       |
| Gross profit  | 2,367,567   | (4,000,156 )    | 6,367,723                                       | 398,413   | (844,608 )    | 1,243,021                                       |
| General and<br>administrative<br>expenses                   | 18,587,727  | (4,000,156 )    | 22,587,883                                      | 18,650,249  | (844,608 )    | 19,494,857                                      |
| Loss from<br>operations                                     | (16,220,160 )                                     | -               | (16,220,160 )                                   | (18,251,836 )                                     | -             | (18,251,836 )                                   |
| <b>Other income<br/>(expense)</b>                           |   |                 |   |   |               |   |
| Derivative<br>expense                                       | (4,777,654 )                                      | -               | (4,777,654 )                                    | (93,638 )   | -             | (93,638 )                                       |
| Change in fair<br>value of<br>derivative<br>liabilities     | 5,162,100   | -               | 5,162,100                                       | (149,306 )  | -             | (149,306 )                                      |
| Loss on<br>settlement of<br>accounts<br>payable and<br>debt | (3,862,458 )                                      | -               | (3,862,458 )                                    | (433,400 )  | -             | (433,400 )                                      |
| Interest<br>expense   | (3,711,278 )                                      | -               | (3,711,278 )                                    | (480,589 )  | -             | (480,589 )                                      |
| Other expense   | (121,500 )  | -               | (121,500 )                                      | (160,568 )  | -             | (160,568 )                                      |
| Licensing<br>income   | 250,000   | -               | 250,000   | -   | -             | -   |
| Total other<br>income<br>(expense) - net                    | (7,060,790 )                                      | -               | (7,060,790 )                                    | (1,317,501 )                                      | -             | (1,317,501 )                                    |
| Net loss  | \$ (23,280,950 )                                  | \$ -            | \$ (23,280,950 )                                | \$ (19,569,337 )                                  | \$ -          | \$ (19,569,337 )                                |
| Net loss<br>available to<br>common<br>stockholders          |   |                 |   |   |               |   |
| Net loss  | \$ (23,280,950 )                                  | \$ -            | \$ (23,280,950 )                                | \$ (19,569,337 )                                  | \$ -          | \$ (19,569,337 )                                |
|   | (293 )  | -               | (293 )  | -   | -             | -   |

|  |                  |      |                  |                  |      |                  |
|--|------------------|------|------------------|------------------|------|------------------|
| Series C preferred stock dividend  |                  |      |                  |                  |      |                  |
| Net loss available to common stockholders  | \$ (23,280,657 ) | \$ - | \$ (23,280,657 ) | \$ (19,569,337 ) | \$ - | \$ (19,569,337 ) |
| Net loss per share available to common stockholders - basic and diluted                  | \$ (0.08 )       | \$ - | \$ (0.08 )       | \$ (0.48 )       | \$ - | \$ (0.48 )       |
| Weighted average number of common shares outstanding during the year – basic and diluted | 281,484,658      | -    | 281,484,658      | 41,141,549       | -    | 41,141,549       |

## Risks and Uncertainties

The Company operates in an industry that is subject to rapid change and intense competition. The Company's operations will be subject to significant risk and uncertainties including financial, operational, technological, regulatory and other risks, including the potential risk of business failure.

## Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the financial statements, which management considered in formulating its estimate could change in the near term due to one or more future non-conforming events. Accordingly, the actual results could differ significantly from estimates.

## **Principles of Consolidation**

All inter-company accounts and transactions have been eliminated in consolidation.

## **Cash and Cash Equivalents**

The Company considers all highly liquid instruments purchased with an original maturity of three months or less and money market accounts to be cash equivalents. At December 31, 2011 and 2010, the Company had no cash equivalents.

The Company minimizes its credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. At December 31, 2011 there was one account that had a balance that exceeded the federally insured limit by approximately \$378,000. In 2010, there were no balances that exceeded the federally insured limit.

## **Accounts Receivable and Allowance for Doubtful Accounts**

Accounts receivable represent trade obligations from customers that are subject to normal trade collection terms. The Company periodically evaluates the collectability of its accounts receivable and considers the need to establish an allowance for doubtful accounts based upon historical collection experience and specific customer information. Accordingly, the actual amounts could vary from the recorded allowances.

The Company does not charge interest on past due receivables. Receivables are determined to be past due based on the payment terms of the original invoices.

**MusclePharm Corporation and Subsidiary**

**Consolidated Notes to Financial Statements**

**December 31, 2011(Restated) and 2010 (Restated)**

Accounts receivable at December 31, 2011 and 2010 were as follows:

|                                       |             |           |
|---------------------------------------|-------------|-----------|
| Accounts receivable                   | \$2,766,776 | \$542,863 |
| Less: allowance for doubtful accounts | (197,684 )  | (116,102) |
| Accounts receivable – net             | \$2,569,092 | \$426,761 |

As of December 31, 2011 and 2010, the Company had the following concentrations of accounts receivable with customers:

| Customer | 2011 | 2010 |
|----------|------|------|
| A        | 36 % | 24 % |
| B        | 12 % | 2 %  |
| C        | 10 % | - %  |
| D        | 7 %  | 40 % |
| E        | 5 %  | 11 % |

**Property and Equipment**

Property and equipment are stated at cost and depreciated to their estimated residual value over their estimated useful lives. When assets are retired or otherwise disposed of, the assets and related accumulated depreciation are relieved from the accounts and the resulting gains or losses are included in operating income in the statements of operations. Repairs and maintenance costs are expensed as incurred. Depreciation is provided using the straight-line method for all property and equipment.

**Website Development Costs**

Costs incurred in the planning stage of a website are expensed, while costs incurred in the development stage are capitalized and amortized over the estimated useful life of the asset.

## **Long-Lived Assets**

The Company reviews long-lived assets for impairment whenever events or changes in circumstances, such as service discontinuance or technological obsolescence, indicate that the carrying amount of the long-lived asset may not be recoverable. When such events occur, the Company compares the carrying amount of the asset to the undiscounted expected future cash flows related to the asset. If the comparison indicates that impairment is present, the amount of impairment is calculated as the difference between the excess of the carrying amount over the fair value of the asset. If a readily determinable market price does not exist, fair value is estimated using discounted expected cash flows attributable to the asset.

## **Fair Value of Financial Instruments**

The Company measures assets and liabilities at fair value based on an expected exit price as defined by the authoritative guidance on fair value measurements, which represents the amount that would be received on the sale of an asset or paid to transfer a liability, as the case may be, in an orderly transaction between market participants. As such, fair value may be based on assumptions that market participants would use in pricing an asset or liability. The authoritative guidance on fair value measurements establishes a consistent framework for measuring fair value on either a recurring or nonrecurring basis whereby inputs, used in valuation techniques, are assigned a hierarchical level.

The following are the hierarchical levels of inputs to measure fair value:

·Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Inputs reflect quoted prices for identical assets or liabilities in markets that are not active; quoted prices for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the assets or liabilities; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Unobservable inputs reflecting the Company's assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

**MusclePharm Corporation and Subsidiary**

**Consolidated Notes to Financial Statements**

**December 31, 2011(Restated) and 2010 (Restated)**

The following are the major categories of liabilities measured at fair value on a recurring basis as of December 31, 2011 and 2010, using quoted prices in active markets for identical liabilities (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

|                                | 2011        | 2010      |
|--------------------------------|-------------|-----------|
| Derivative liabilities Level 2 | \$7,061,238 | \$622,944 |

The Company's financial instruments consisted primarily of accounts receivable, prepaids, accounts payable and accrued liabilities, derivative liabilities and debt. The carrying amounts of the Company's financial instruments generally approximated their fair values as of December 31, 2011 and 2010, respectively, due to the short-term nature of these instruments.

**Revenue Recognition (Restated)**

The Company records revenue when all of the following have occurred: (1) persuasive evidence of an arrangement exists, (2) product has been shipped or delivered by the third party manufacturer, (3) the sales price to the customer is fixed or determinable, and (4) collectability is reasonably assured.

Depending on individual customer agreements, sales are recognized either upon shipment of products to customers or upon delivery. For one of our largest customers, which represent 14% of total revenue in 2011, revenue is recognized upon delivery.

The Company has determined that advertising related credits that were granted to customers fell within the guidance of ASC No. 605-50-55 (“*Revenue Recognition*” – *Customer Payments and Incentives – Implementation Guidance and Illustrations*). The guidance indicates that, absent evidence of benefit to the vendor, appropriate treatment requires netting these types of payments against revenues and not expensing as advertising expense.

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The Company records store support, give aways, sales allowances and discounts as a direct reduction of sales. The Company recorded reductions to gross revenues totaling approximately \$4,000,000 and \$1,000,000 for the years ended December 31, 2011 and 2010, respectively.

The Company grants volume incentive rebates to certain customers based on contractually agreed percentages ranging from 2.5% - 5.5% as a percentage of sales once a certain threshold has been met. The credits are recorded as a direct reduction to sales. Included in the reductions to revenues above are volume incentive rebates. Total volume incentive rebates granted for the years ended December 31, 2011 and 2010 were approximately \$500,000 and \$0, respectively.

The Company has an informal 7-day right of return for products. There were nominal returns in 2011 and 2010.

During the years ended December 31, 2011 and 2010, the Company had the following concentrations of revenues with customers:

| Customer | 2011 | 2010 |
|----------|------|------|
| A        | 41 % | 45 % |
| B        | 14 % | 7 %  |
| C        | - %  | 15 % |

The Company does not manufacture or physically hold any inventory. Inventory is held and distributed by the Company's third party manufacturer.

### **Licensing Income and Royalty Revenue**

On May 5, 2011, the Company granted an exclusive indefinite term license to a third party for \$250,000. The licensee may market, manufacture, design and sell the Company's existing apparel line. The licensee will pay the Company a 10% net royalty based on its net income at the end of each fiscal year. To date, no royalty revenue has been earned.

### **Cost of Sales (Restated)**

Cost of sales represents costs directly related to the production and third party manufacturing of the Company's products.



In 2011, cost of sales increased due to a reclassification from advertising expense in the amount of \$374,454.

See discussion of restatement

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**MusclePharm Corporation and Subsidiary**

**Consolidated Notes to Financial Statements**

**December 31, 2011(Restated) and 2010 (Restated)**

**Shipping and Handling**

Product sold is typically shipped directly to the customer from the manufacturer. Any freight billed to customers is offset against shipping costs and included in cost of sales.

Freight billed to customers for the years ended December 31, 2011 and 2010 was \$309,690 and \$71,983, respectively.

**Advertising (Restated)**

The Company expenses advertising costs when incurred.

Advertising for the years ended December 31, 2011 and 2010 are as follows:

|             | 2011         |                 | 2011         | 2010         |               | 2010         |
|-------------|--------------|-----------------|--------------|--------------|---------------|--------------|
|             | As Issued    | Adjustments     | Restated     | As Issued    | Adjustments   | Restated     |
| Advertising | \$ 9,241,741 | \$ (4,000,156 ) | \$ 5,241,585 | \$ 7,084,955 | \$ (844,608 ) | \$ 6,240,347 |

See discussion of restatement

**Income Taxes**

Through February 18, 2010, the Company was taxed as a pass-through entity (LLC) under the Internal Revenue Code and was not subject to federal and state income taxes; accordingly, no provision was made. The financial statements reflect the LLC's transactions without adjustment, if any, required for income tax purposes for the period ended February 18, 2010. In computing the expected tax benefit, the Company reflected a net loss of \$23,280,950 in the year ended December 31, 2011 and \$19,169,454 for the period from February 18, 2010 to December 31, 2010.

In 2011, and the period from February 18, 2010 through December 31, 2010, income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Beginning with the adoption of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, (included in FASB ASC Subtopic 740-10, *Income Taxes — Overall*), the Company recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely to be realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

The Company records interest and penalties related to unrecognized tax benefits in income tax expense. There were none for the years ended December 31, 2011 and 2010.

### **Beneficial Conversion Feature**

For conventional convertible debt where the rate of conversion is below market value, the Company records a "beneficial conversion feature" ("BCF") and related debt discount.

When the Company records a BCF, the relative fair value of the BCF is recorded as a debt discount against the face amount of the respective debt instrument. The discount is amortized to interest expense over the life of the debt.

### **Derivative Liabilities**

Fair value accounting requires bifurcation of embedded derivative instruments, such as ratchet provisions or conversion features in convertible debt or equity instruments, and measurement of their fair value. In determining the appropriate fair value, the Company uses the Black-Scholes option-pricing model. In assessing the convertible debt

instruments, management determines if the convertible debt host instrument is conventional convertible debt and further if there is a beneficial conversion feature requiring measurement. If the instrument is not considered conventional convertible debt, the Company will continue its evaluation process of these instruments as derivative financial instruments.

Once derivative liabilities are determined, they are adjusted to reflect fair value at the end of each reporting period. Any increase or decrease in the fair value is recorded in results of operations as an adjustment to fair value of derivatives. In addition, the fair value of freestanding derivative instruments such as warrants, are also valued using the Black-Scholes option-pricing model.

**MusclePharm Corporation and Subsidiary**

**Consolidated Notes to Financial Statements**

**December 31, 2011(Restated) and 2010 (Restated)**

**Debt Issue Costs and Debt Discount**

The Company may pay debt issue costs, and record debt discounts in connection with raising funds through the issuance of convertible debt. These costs are amortized to interest expense over the life of the debt. If a conversion of the underlying debt occurs, a proportionate share of the unamortized amounts is immediately expensed.

**Original Issue Discount**

For certain convertible debt issued, the Company provides the debt holder with an original issue discount. The original issue discount is recorded to debt discount, reducing the face amount of the note and is amortized to interest expense over the life of the debt.

**Share-based payments**

The Company has incentive plans that reward employees with stock options, warrants, restricted stock and stock appreciation rights. The amount of compensation cost for these share-based awards is measured based on the fair value of the awards, as of the date that the share-based awards are issued and adjusted to the estimated number of awards that are expected to vest.

Fair value of stock options, warrants, and stock appreciation rights, is generally determined using a Black-Scholes option pricing model, which incorporates assumptions about expected volatility, risk free rate, dividend yield, and expected life. Compensation cost for share-based awards is recognized on a straight-line basis over the vesting period.

**Net Earnings (Loss) per Share**

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Net earnings (loss) per share is computed by dividing net income (loss) less preferred dividends for the period by weighted average number of shares of common stock outstanding during each period. Diluted earnings (loss) per share is computed by dividing net income (loss) less preferred dividends by the weighted average number of shares of common stock, common stock equivalents and potentially dilutive securities outstanding during the period.

Since the Company reflected a net loss in 2011 and 2010, respectively, the effect of considering any common stock equivalents, if exercisable, would have been anti-dilutive. A separate computation of diluted earnings (loss) per share is not presented.

The Company has the following common stock equivalents at December 31, 2011 and 2010:

|   | 2011        | 2010       |
|---|-------------|------------|
| Stock options (exercise price - \$0.50/share)                       | 1,617,500   | 2,767,500  |
| Warrants (exercise price \$0.015- \$1.50/share)                     | 61,696,327  | 750,000    |
| Convertible preferred series C shares (exercise price \$0.01/share) | 19,000      | -          |
| Convertible debt (exercise price \$0.002- \$0.02/share)             | 448,592,711 | 11,197,139 |
| Total common stock equivalents                                      | 511,925,538 | 14,714,639 |

In the above table, some of the outstanding convertible debt from 2011 and 2010 contains ratchet provisions that would cause variability in the exercise price at the balance sheet date. As a result, common stock equivalents could change at each reporting period.

### Reclassification

The Company has reclassified certain prior period amounts to conform to the current period presentation. These reclassifications had no effect on the financial position, results of operations or cash flows for the periods presented.

**MusclePharm Corporation and Subsidiary**

**Consolidated Notes to Financial Statements**

**December 31, 2011(Restated) and 2010 (Restated)**

**Recent Accounting Pronouncements**

In May 2011, the FASB issued ASU No. 2011-04, which amended ASC Topic 820 to achieve common fair value measurements and disclosure requirements in U.S. GAAP and International Financial Reporting Standards (“IFRS”). The amendments in ASU No. 2011-05 result in common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs. Consequently, the amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. This amendment is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Company does not anticipate this amendment will have a material impact on its financial statements.

**Note 2 Going Concern**

As reflected in the accompanying financial statements, the Company had a net loss of \$23,280,950 and net cash used in operations of \$5,801,761 for the year ended December 31, 2011; and a working capital deficit and stockholders’ deficit of \$13,693,267 and \$12,971,212, respectively, at December 31, 2011. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The ability of the Company to continue its operations is dependent on Management's plans, which include the raising of capital through debt and/or equity markets with some additional funding from other traditional financing sources, including term notes, until such time that funds provided by operations are sufficient to fund working capital requirements. The Company may need to incur liabilities with certain related parties to sustain the Company’s existence.

The Company will require additional funding to finance the growth of its current and expected future operations as well as to achieve its strategic objectives. The Company believes its current available cash along with anticipated revenues may be insufficient to meet its cash needs for the near future. There can be no assurance that financing will be available in amounts or terms acceptable to the Company, if at all.

In response to these problems, management has taken the following actions:

- seeking additional third party debt and/or equity financing,
- continue with the implementation of the business plan,
- generate new sales from international customers; and
- allocate sufficient resources to continue with advertising and marketing efforts

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. These financial statements do not include any adjustments relating to the recovery of the recorded assets or the classification of the liabilities that might be necessary should the Company be unable to continue as a going concern.

### **Note 3 Reverse Recapitalization**

On February 18, 2010, the Company merged with Tone in Twenty, Inc. (“TIT”), a then public shell corporation, and MP became the surviving corporation, in a transaction treated as a reverse recapitalization. TIT did not have any operations and majority-voting control was transferred to MP.

In the recapitalization, MP acquired 26,000,000 shares of common stock from TIT in exchange for all member units in MP. Prior to the transaction, the Company paid approximately \$25,000 to a former executive of TIT to acquire 366,662 of the 437,500 shares issued and outstanding, these shares were then immediately cancelled and retired. The remaining 70,838 shares were held by the selling stockholders as a deemed issuance in the recapitalization. After the transaction, there were 26,070,838 shares issued and outstanding. The transaction resulted in MP acquiring 99.7% control.

The transaction also requires a recapitalization of MP. Since MP acquired a controlling voting interest, it was deemed the accounting acquirer, while TIT was deemed the legal acquirer. The historical financial statements of the Company are those of MP and of the consolidated entities from the date of recapitalization and subsequent.

Since the transaction is considered a reverse recapitalization, the presentation of pro-forma financial information was not required.



**MusclePharm Corporation and Subsidiary****Consolidated Notes to Financial Statements****December 31, 2011(Restated) and 2010 (Restated)****Note 4 Property and Equipment**

Property and equipment consisted of the following at December 31, 2011 and 2010:

|   | 2011       | 2010      | Estimated Useful Life |
|---|------------|-----------|-----------------------|
| Furniture, fixtures and gym equipment           | \$781,786  | \$55,305  | 3 years               |
| Leasehold improvements                          | 244,770    | 67,760    | *                     |
| Auto  | 37,068     | -         | 5 years               |
| Displays  | 32,057     | 32,057    | 5 years               |
| Website   | 11,462     | 11,462    | 3 years               |
| Total   | 1,107,143  | 166,584   |                       |
| Less: Accumulated depreciation and amortization | (199,621 ) | (28,033 ) |                       |
|   | \$907,522  | \$138,551 |                       |

\* The shorter of 5 years or the life of the lease.

**Note 5 Debt**

At December 31, 2011 and 2010, debt consists of the following:

|                            | 2011        | 2010      |
|----------------------------|-------------|-----------|
| Convertible debt - secured | \$1,749,764 | \$605,000 |
| Less: debt discount        | (1,395,707) | (331,261) |
| Convertible debt - net     | 354,057     | 273,739   |
| Auto loan - secured        | 26,236      | -         |
| Secured debt               | -           | 187,500   |
| Unsecured debt             | 2,380,315   | 78,249    |

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|                       |             |           |
|-----------------------|-------------|-----------|
| Less: debt discount   | (1,171,626) | -         |
| Unsecured debt - net  | 1,208,689   | 78,249    |
| Total debt            | 1,588,982   | 539,488   |
| Less: current portion | (1,281,742) | (289,488) |
| Long term debt        | \$307,240   | \$250,000 |

As of December 31, 2011 and 2010, total debt in default as a component of short-term debt was \$505,600 and \$427,500, respectively.

**(A) Convertible Debt – Secured - Derivative Liabilities**

During the years ended December 31, 2011 and 2010, the Company issued convertible notes totaling \$4,679,253, (including non-cash convertible note and accrued interest of \$26,353 related to a reclassification from unsecured debt), and \$846,000, respectively. The Convertible notes consist of the following terms:

**MusclePharm Corporation and Subsidiary****Consolidated Notes to Financial Statements****December 31, 2011(Restated) and 2010 (Restated)**

|                       | Year ended<br>December 31, 2011<br>Amount of<br>Principal Raised | Year ended<br>December 31, 2010<br>Amount of<br>Principal Raised |   |
|-----------------------|--|--|---|
| Interest Rate         | 0% - 18%   | 8  | % |
| Default interest rate | 0% - 25%   | 0% - 22%   |   |
| Maturity              | June 30, 2011 to June 29, 2015                                   | December 31, 2010 - December 1, 2013                             |   |
| Conversion terms 1    | \$525,000  | \$-  |   |
| Conversion terms 2    | \$537,600  | \$-  |   |
| Conversion terms 3    | \$177,000  | \$-  |   |
| Conversion terms 4    | \$105,000  | \$-  |   |

Lesser of (1) a Fifty Percent (50%) discount to the two lowest closing bid prices of the five days trading days immediately preceding the date of conversion or (ii) Two and One-Half Cents (\$0.025) per share 200% - The "market price" will be equal to the average of (i) the average of the closing price of Company's common stock during the 10 trading days immediately preceding the date hereof and (ii) the average of the 10 trading days immediately subsequent to the date hereof. 200% of Face. Average of the trading price 10 trading days immediately preceding the closing of the transaction 200% of Face. Fixed conversion price of

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|                     |   |              |            |
|---------------------|---|--------------|------------|
|                     | \$0.02  |              |            |
| Conversion terms 5  | 300% of Face. Fixed conversion price of \$0.02  | \$ 15,000    | \$-        |
| Conversion terms 6  | 35% of the three lowest trading prices for previous 10 trading days   | \$ 250,000   | \$-        |
| Conversion terms 7  | 45% of the three lowest trading prices for previous 10 trading days   | \$ 327,500   | \$-        |
| Conversion terms 8  | 50% of average closing prices for 10 preceding trading days   | \$ 76,353    | \$-        |
| Conversion terms 9  | 50% of lowest trade price for the last 20 trading days  | \$ 45,000    | \$-        |
| Conversion terms 10 | 50% of the 3 lowest trades for previous 20 trading days   | \$ 33,000    | \$-        |
| Conversion terms 11 | 50% of the lowest closing price for previous 5 trading days   | \$ 250,000   | \$-        |
| Conversion terms 12 | 60% Multiplied by the average of the lowest 3 trading prices for common stock during the ten trading days prior to the conversion date              | \$ 233,000   | \$ 130,000 |
| Conversion terms 13 | 62% of lowest trade price for the last 7 trading days   | \$ 40,000    | \$-        |
| Conversion terms 14 | 65% of the lowest trade price in the 30 trading days previous to the conversion   | \$ 335,000   | \$ 250,000 |
| Conversion terms 15 | 65% of the three lowest trading price for previous 30 trading days  | \$ 153,800   | \$-        |
| Conversion terms 16 | 70% of lowest average trading price for 30 trading days   | \$ 1,366,000 | \$-        |
| Conversion terms 17 | No fixed conversion option  | \$ 35,000    | \$-        |
| Conversion terms 18 | 35% multiplied by the average of the lowest three (3) Trading Prices (as defined below) for the Common Stock during the ten (10) Trading Day period | \$ 75,000    | \$-        |

|                     |   |             |           |
|---------------------|---|-------------|-----------|
|                     | ending on the latest complete Trading Day prior to the Conversion Date. " |             |           |
| Conversion terms 19 | Fixed conversion price of \$0.03  | \$100,000   | \$-       |
| Conversion terms 20 | 150% of Face  | \$-         | \$5,000   |
| Conversion terms 21 | 200% of Face  | \$-         | \$426,000 |
| Conversion terms 22 | 300% of Face  | \$-         | \$35,000  |
|                     |   | \$4,679,253 | \$846,000 |

The debt holders are entitled, at their option, to convert all or part of the principal and accrued interest into shares of the Company's common stock at conversion prices and terms discussed above. The Company classifies embedded conversion features in these notes as a derivative liability due to management's assessment that the Company may not have sufficient authorized number of shares of common stock required to net-share settle or due to the existence of a ratchet due to an anti-dilution provision. See Note 6 regarding accounting for derivative liabilities.

During the year ended December 31, 2011, the Company converted debt and accrued interest, totaling \$5,126,809 into 294,339,121 shares of common stock resulting in a loss on conversion of \$1,739,329.

Convertible debt consisted of the following activity and terms:

During the year ended December 31, 2011, \$585,000 of convertible notes matured without conversion. These notes became demand loans and were reclassified as unsecured debt. Derivative liabilities associated with these notes were eliminated given the expiration of the embedded conversion option.

|   |             | Interest Rate | Maturity                           |
|---|-------------|---------------|------------------------------------|
| Convertible Debt balance as of December 31, 2009  | \$897,500   |               |                                    |
| Borrowings during the year ended December 31, 2010  | 846,000     | 8             | % March 3, 2010 - December 1, 2013 |
| Conversion of debt into 9,908,906 shares of common stock with a valuation of \$1,143,500 (\$0.045 - \$0.667 /share) | (1,138,500) |               |                                    |
| Balance as of December 31, 2010   | 605,000     |               |                                    |
| Borrowings during the year ended December 31, 2011  | 4,652,900   | 0% - 18       | % January 30, 2011 - June 29, 2015 |
| Reclassifications from convertible notes to unsecured demand notes  | (585,000 )  |               |                                    |

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Conversion of debt to into 254,061,743 shares  
of common stock with a valuation of \$4,268,857 (2,923,136)  
(\$0.0032 - \$0.101/share)  
Convertible Debt balance as of December 31,  
2011 \$1,749,764

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**MusclePharm Corporation and Subsidiary****Consolidated Notes to Financial Statements****December 31, 2011(Restated) and 2010 (Restated)****(B) Secured Debt**

Secured debt consisted of the following activity and terms:

|   |           | Interest Rate | Maturity                      |
|---|-----------|---------------|-------------------------------|
| Secured Debt balance as of December 31, 2009  | \$-       |               |                               |
| Borrowings during the year ended December 31, 2010  | 187,500   | 0             | % May 18, 2010 - May 26, 2010 |
| Balance as of December 31, 2010   | 187,500   |               |                               |
| Conversion of debt to into 7,500,000 shares of common stock with a valuation of \$437,500 (\$0.058 - \$0.059/share) | (187,500) |               |                               |
| Secured Debt balance as of December 31, 2011  | \$-       |               |                               |

**(C) Unsecured Debt**

Unsecured debt consisted of the following activity and terms:

|   |             | Interest Rate | Maturity                           |
|---|-------------|---------------|------------------------------------|
| Unsecured Debt balance as of December 31, 2009  | \$ 30,000   |               |                                    |
| Borrowings during the year ended December 31, 2010  | 1,177,499   | 0% - 10       | % On Demand - September 29, 2011   |
| Conversion of debt into 9,127,119 shares of common stock with a valuation of \$1,439,141 (\$0.50/share) | (1,129,250) |               |                                    |
| Unsecured Debt balance as of December 31, 2010  | 78,249      |               |                                    |
| Borrowings during the year ended December 31, 2011  | 1,960,000   | 8% - 15       | % February 8, 2011 - June 21, 2014 |
| Reclassifications from convertible notes to unsecured demand notes                                      | 585,000     |               |                                    |
|   | (167,649 )  |               |                                    |

Conversion of debt to into 32,777,378 shares of  
common stock with a valuation of \$420,452  
(\$0.01 - \$0.05/share)

Repayments (75,285 )  
Unsecured Debt balance as of December 31, 2011 \$2,380,315

**(D) Auto Loan**

Auto loan account consisted of the following activity and terms:

|   |          | Interest<br>Rate | Maturity                  |
|---|----------|------------------|---------------------------|
| Auto loan balance as of December 31, 2010                               | -        |                  |                           |
| Non-Cash fixed assets additions during the year ended December 31, 2011 | 32,568   | 6.99%            | 36 payments of<br>\$1,008 |
| Repayments  | (6,332 ) |                  |                           |
| Auto loan balance as of December 31, 2011                               | \$26,236 |                  |                           |

**(E) Debt Issue Costs**

During the years ended 2011 and 2010, the Company paid debt issue costs totaling \$263,283 and \$42,000, respectively.

The following is a summary of the Company's debt issue costs:

|  | 2011      | 2010     |
|--|-----------|----------|
| Debt issue costs                             | \$305,283 | \$42,000 |
| Accumulated amortization of debt issue costs | (237,095) | (7,596 ) |
| Debt issue costs – net                       | \$68,188  | \$34,404 |

During 2011 and 2010, the Company amortized \$229,499 and \$7,596.

**(F) Debt Discount**



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During the years ended 2011 and 2010, the Company recorded debt discounts totaling \$5,473,291 and \$380,000, respectively.

The debt discount recorded in 2011 and 2010 pertains to convertible debt that contains embedded conversion options that are required to bifurcated and reported at fair value (See Note 9).

The Company amortized \$3,237,219 in 2011 and \$48,739 in 2010 to interest expense.

|                                | 2011        | 2010      |
|--------------------------------|-------------|-----------|
| Debt discount                  | \$5,804,552 | \$380,000 |
| Amortization of debt discounts | (3,237,219) | (48,739)  |
| Debt discount – net            | \$2,567,333 | \$331,261 |

**MusclePharm Corporation and Subsidiary****Consolidated Notes to Financial Statements****December 31, 2011(Restated) and 2010 (Restated)****Note 6 Derivative Liabilities**

The Company identified conversion features embedded within convertible debt, warrants and series A, preferred stock issued in 2011 and 2010 (see Notes 5 and 9). The Company has determined that the features associated with the embedded conversion option should be accounted for at fair value as a derivative liability as the Company could not determine if a sufficient number of shares would be available to settle all transactions. Additionally, at one point during 2011, the Company had received conversion notices from investors for which sufficient authorized shares were not available.

As a result of the application of ASC No. 815, the fair value of the conversion feature is summarized as follow:

|   |             |
|---|-------------|
| Derivative liability - December 31, 2009  | \$-         |
| Fair value at the commitment date for convertible instruments   | 473,638     |
| Fair value mark to market adjustment  | 149,306     |
| Derivative liability - December 31, 2010  | 622,944     |
| Fair value at the commitment date for convertible instruments   | 6,590,351   |
| Fair value at the commitment date for warrants issued   | 5,650,576   |
| Fair value at the commitment date for Series A, Preferred Stock issued  | 293         |
| Fair value mark to market adjustment for convertible instruments  | (2,293,164) |
| Fair value mark to market adjustment for warrants   | (2,868,818) |
| Fair value mark to market adjustment for Series A, Preferred Stock issued   | (118 )      |
| Reclassification to additional paid in capital for financial instruments that ceased to be a derivative liability | (640,826 )  |
| Derivative liability - December 31, 2011  | \$7,061,238 |

The Company recorded the debt discount to the extent of the gross proceeds raised, and expensed immediately the remaining value of the derivative as it exceeded the gross proceeds of the note. The Company recorded a derivative expense of \$4,777,654 and \$93,638 for 2011 and 2010 respectively.

The fair value at the commitment and re-measurement dates for the Company's derivative liabilities were based upon the following management assumptions as of December 31, 2011:

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|                         | Commitment Date |   | Re-measurement Date |   |
|-------------------------|-----------------|---|---------------------|---|
| Expected dividends      | 0               | % | 0                   | % |
| Expected volatility     | 150% -226       | % | 150% -226           | % |
| Expected term:          | 0.02 – 5 years  |   | 0.02 – 5 years      |   |
| Risk free interest rate | 0.06% - 2.76    | % | 0.09% - 0.31        | % |

The fair value at the commitment and re-measurement dates for the Company's derivative liabilities were based upon the following management assumptions as of December 31, 2010:

|                         | Commitment Date |   | Re-measurement Date |   |
|-------------------------|-----------------|---|---------------------|---|
| Expected dividends      | 0               | % | 0                   | % |
| Expected volatility     | 150             | % | 150                 | % |
| Expected term:          | 0.75 – 3 years  |   | 0.37 – 2.92 years   |   |
| Risk free interest rate | 0.18% - 2.76    | % | 0.19                | % |

**MusclePharm Corporation and Subsidiary****Consolidated Notes to Financial Statements****December 31, 2011(Restated) and 2010 (Restated)****Note 7 Income Taxes**

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due. Deferred taxes relate to differences between the basis of assets and liabilities for financial and income tax reporting which will be either taxable or deductible when the assets or liabilities are recovered or settled.

At December 31, 2011, the Company has a net operating loss carry-forward of approximately \$16,355,000 available to offset future taxable income expiring through 2031. Utilization of future net operating losses may be limited due to potential ownership changes under Section 382 of the Internal Revenue Code.

The valuation allowance at December 31, 2010 was \$ 2,495,000. The net change in valuation allowance during the year ended December 31, 2011 was an increase of approximately \$6,075,000. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based on consideration of these items, management has determined that enough uncertainty exists relative to the realization of the deferred income tax asset balances to warrant the application of a full valuation allowance as of December 31, 2011.

The effects of temporary differences that gave rise to significant portions of deferred tax assets at December 31, 2011 and 2010 are approximately as follows:

|  | December 31, 2011 | December 31, 2010 |
|--|-------------------|-------------------|
| Net operating loss carry forward                   | \$ 6,061,000      | \$ 1,986,000      |
| Amortization of debt discount and debt issue costs | 1,465,000         | 465,000           |
| Stock options and warrants                         | 971,000           | 0                 |
| Bad debt   | 73,000            | 44,000            |
| Valuation allowance                                | (8,570,000        | ) (2,495,000 )    |

Net deferred tax asset                                   \$ -                                   \$ -

There was no income tax expense for the year ended December 31, 2011 and 2010 due to the Company's net losses.

The Company's tax expense differs from the "expected" tax expense for the years ended December 31, 2011 and 2010, (computed by applying the Federal Corporate tax rate of 34% to loss before taxes and 4.63% for Colorado State Corporate Taxes, the blended rate used was 37.1%), are approximately as follows:

|   | December 31, 2011 | December 31, 2010 |
|---|-------------------|-------------------|
| Federal tax benefit at statutory rate         | \$ (7,916,000)    | ) \$ (6,216,000)  |
| State tax benefit – net of federal tax effect | (501,000)         | ) (888,000)       |
| Derivative expense                            | 1,625,000         | 35,000            |
| Change in fair value of derivative liability  | (1,755,000)       | ) 55,000          |
| Loss on settlement of accounts payable        | 1,313,000         | 161,000           |
| Non-deductible stock compensation             | 1,091,000         | 4,354,000         |
| Other non-deductible expenses                 | 68,000            | 4,000             |
| Change in valuation allowance                 | 6,075,000         | 2,495,000         |
| Income tax benefit                            | \$ -              | \$ -              |

**MusclePharm Corporation and Subsidiary**

**Consolidated Notes to Financial Statements**

**December 31, 2011(Restated) and 2010 (Restated)**

**Note 8 Commitments, Contingencies and other matters**

**(A) Operating Lease**

In August 2010, the Company leased office space under a non-cancelable operating lease, expiring in December 2015.

Future minimum annual rental payments are approximately as follows:

Year Ended December 31,

|                              |           |
|------------------------------|-----------|
| 2012                         | \$86,000  |
| 2013                         | 92,000    |
| 2014                         | 98,000    |
| 2015                         | 105,000   |
| Total minimum lease payments | \$381,000 |

Rent expense for the years ended December 31, 2011 and 2010 was \$154,155 and \$138,357, respectively.

**(B) Factoring Agreement**

In April 2010, the Company entered into a factoring agreement and sold its accounts receivable. During 2010, the Company was subject legal proceedings with the factor, as a result of the Company's customers not remitting funds directly to the factor. At December 31, 2010, the Company no longer factored its accounts receivable.

A settlement, of \$96,783, was reached. During 2010, the Company repaid \$25,000, leaving a balance of \$71,783 due to factor. In 2011, the Company paid \$10,000.

On February 28, 2011, the remaining \$65,930, inclusive of fees and interest, was settled with the issuance of 2,187,666 shares of common stock, having a fair value of \$131,206 (\$0.06/share), based upon the quoted closing trading price. The Company recorded a loss on settlement of accounts payable \$65,330.

### **(C) Legal Matters**

From time to time, the Company may become involved in various lawsuits and legal proceedings, which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise that may harm its business. The Company is party to the following legal matters as of December 31, 2011:

Plaintiff alleges the Company use of Creatine Nitrate in product infringed on a patent held by the Plaintiff. The Company believes the Plaintiffs case is without merit.

Plaintiff alleges the Company's use of the tagline "Train like an unchained beast" infringes on their mark "Beast" for dietary supplements. Plaintiff's primary goal is not damages, but rather that the Company cease using the tagline. Settlement discussions are ongoing in this case and the Company intends to defend its position.

Plaintiff has filed notices of intent to commence litigation on over 200 sports nutrition and dietary supplement companies in the US and Canada, including the Company. Plaintiff alleges violations of California's Proposition 65. The Company considers this case without merit and merely an attempt by a commercial plaintiff to pressure settlements. Plaintiff conveyed a settlement offer in the amount of \$121,500 to which the Company has not yet responded. The Company has recorded an accrual in the amount of \$121,500 as of December 31, 2011.

Beginning in October 2009, the Company engaged in various business dealings regarding the manufacturing, sale and distribution of products with Fit Foods Manufacturing, Ltd. and Fit Foods Distribution, Inc. Jointly, "Fit Foods"). MusclePharm and Fit Foods subsequently became involved in a business dispute regarding their respective obligations and filed claims against each other in District Court. The Parties settled their dispute on December 22, 2010. The Company issued 13,987,393 shares of common stock having a fair value of \$676,980 (\$0.048/share), based upon the quoted closing trading price which settled outstanding accounts payable of \$333,666, resulting in a loss on settlement of \$343,314 All settlement payments have been made and the case was dismissed on July 1, 2011.

**MusclePharm Corporation and Subsidiary**

**Consolidated Notes to Financial Statements**

**December 31, 2011(Restated) and 2010 (Restated)**

**(D) Payroll Taxes**

As of December 31, 2011 and 2010, accounts payable and accrued expenses included approximately \$168,000 and \$367,860, respectively, pertaining to accrued payroll taxes. The taxes represent employee withholdings that have yet to be remitted to the taxing agencies.

**Note 9 Stockholders' Deficit**

The Company has three separate series of authorized preferred stock:

**(A) Series A, Convertible Preferred Stock**

During 2010, the Company issued 16,666,600 shares of common stock in connection with the conversion of 83,333 shares of Series A, convertible preferred stock. There was no gain or loss on conversion as the transaction was accounted for at par value in connection with the reverse recapitalization in 2010. (See Note 3)

This class of stock has the following provisions:

- Non-voting,
- No rights to dividends,
- No liquidation value,
- Convertible into 200 shares of common stock

**(B) Series B, Preferred Stock (Related Parties)**



In August 2011, the Company issued an aggregate 51 shares of Series B, preferred stock to 2 of its officers and directors. The Company accounted for the share issuance at par value since there was no future economic value that could be associated with the issuance.

This class of stock has the following provisions:

- Voting rights entitling the holders to an aggregate 51% voting control,
- Initially no rights to dividends,
- Stated value of \$0.001 per share,
- Liquidation rights entitle the receipt of net assets on a pro-rata basis; and
- Non-convertible

**(C) Series C, Convertible Preferred Stock**

In October 2011, the Company issued 190 shares of Series C, preferred stock, having a fair value of \$190,000. Of the total shares issued, 100 shares were issued for \$100,000 (\$1,000 /share). The remaining 90 shares were issued for services rendered having a fair value of \$90,000 (\$1,000 /share), based upon the stated value per share.

This class of stock has the following provisions:

- Stated Value - \$1,000 per share,
- Non-voting,
- Liquidation rights entitle an amount equal to the stated value, plus any accrued and unpaid dividends  
As long as any Series C, convertible preferred stock is outstanding, the Company is prohibited from executing
- various corporate actions with the majority consent of the Series C, convertible preferred stockholders authorization; and
- Convertible at the higher of (a) \$0.01 or (b) such price that is a 50% discount to market using the average of the low 2 closing bid prices, 5 days preceding conversion

Due to the existence of an option to convert at a variable amount, the Company has applied ASC No. 815, and treated this series of preferred stock as a derivative liability due to the potential for settlement in a variable quantity of shares. Additionally, the Company computed the fair value of the derivative liability at the commitment date and remeasurement date, which was \$293 and \$175, respectively, using the black-scholes assumptions below. This transaction is analogous to a dividend with a direct charge to retained earnings.

**MusclePharm Corporation and Subsidiary****Consolidated Notes to Financial Statements****December 31, 2011(Restated) and 2010 (Restated)****(D) Common Stock**

In 2011, the Company issued the following common stock:

| Transaction Type  | Quantity     | Valuation    | Range of Value per Share |
|---|--------------|--------------|--------------------------|
| Conversion of convertible debt                          | 254,061,743  | \$4,268,857  | \$ 0.003–0.10            |
| Conversion of unsecured/secured debt                    | 40,277,378   | \$857,952    | \$ 0.05–0.06             |
| Settlement of accounts payable and accrued expenses (1) | 54,545,896   | \$3,646,719  | \$ 0.03–0.12             |
| Extension of debt maturity date                         | 9,375,000    | \$161,250    | \$ 0.017–0.02            |
| Services – rendered                                     | 46,521,157   | \$1,199,844  | \$ 0.00–1.15             |
| Cash and warrants                                       | 82,000,000   | \$875,000    | \$ 0.03                  |
| Services – prepaid stock compensation (2)               | 4,000,000    | \$214,250    | \$ 0.05–.08              |
| Cancelled shares (3)                                    | (3,500,000 ) | \$-          | \$ 0.03                  |
| Total   | 487,281,174  | \$11,223,872 | \$ 0.00–1.15             |

The fair value of all stock issuances above is based upon the quoted closing trading price on the date of issuance, except for stock issued for cash and warrants, which was based upon the cash received. Stock issued in the conversion of preferred stock was recorded at par value.

The following is a more detailed description of some of the Company's stock issuances from the table above:

**(1) Settlement of Accounts Payable and Accrued Expenses and Loss on Settlement**

The Company settled \$1,523,590 in accounts payable and recorded a loss on settlement of \$2,123,129.

|   |             |
|---|-------------|
| Loss on settlement of accounts payable and accrued expenses | \$2,123,129 |
| Loss on settlement of debt (Note 5)                         | 1,739,329   |

Total loss on settlement \$3,862,458

**(2) Prepaid Stock Compensation**

The following represents the allocation of prepaid stock compensation as of December 31, 2011 and 2010:

|   |             |
|---|-------------|
| Prepaid stock compensation – December 31, 2009  | \$-         |
| Prepaid stock compensation additions during the year ended December 31, 2010                      | 2,734,548   |
| Amortization of prepaid stock compensation  | (768,637 )  |
| Prepaid stock compensation – December 31, 2010  | 1,965,911   |
| Prepaid stock compensation additions during the year ended December 31, 2011                      | 214,250     |
| Non cash increase in accounts payable related to future services to be paid for with common stock | 100,000     |
| Amortization of prepaid stock compensation  | (1,745,705) |
| Prepaid stock compensation – December 31, 2011  | \$534,456   |

The agreements commenced during the periods February – July 2011 and terminate August 2011 through July 2012.

The following represents the allocation of prepaid stock compensation at December 31, 2011:

Prepaid expense that will be amortized in 2012 \$534,456

**MusclePharm Corporation and Subsidiary****Consolidated Notes to Financial Statements****December 31, 2011(Restated) and 2010 (Restated)****(3) Cancelled Shares**

The Company cancelled 3,500,000 shares during the year ended December 31, 2011, valued at par (\$0.001). The Company has disputed the issuance of these shares due to non-performance by a consultant. These shares were originally issued in 2010 as a component of stock issued for services rendered.

In 2010, the Company issued the following common stock:

| Transaction Type   | Quantity    | Valuation    | Range of Value per Share |
|--|-------------|--------------|--------------------------|
| Reverse recapitalization   | 26,070,838  | \$-          | -                        |
| Conversion of preferred stock  | 16,666,600  | \$16,667     | \$ 0.001                 |
| Conversion of convertible debt                                       | 7,708,906   | \$1,033,500  | \$ 0.05–0.67             |
| Settlement of accounts payable (1)                                   | 9,014,286   | \$433,400    | \$ 0.05–0.42             |
| Settlement of notes payable (2)                                      | 4,165,571   | \$1,191,064  | \$ 0.05–0.55             |
| Settlement of notes payable - officer                                | 7,161,548   | \$358,077    | \$ 0.05                  |
| Cash and warrants – net of payment in recapitalization of (\$25,107) | 4,167,767   | \$1,503,569  | \$ 0.27–0.50             |
| Services – rendered  | 22,457,214  | \$4,554,615  | \$ 0.05–1.16             |
| Services – rendered – officers (bonus)                               | 10,000,000  | \$5,300,000  | \$ 0.53                  |
| Services – prepaid stock compensation (5)                            | 10,545,200  | \$2,734,548  | \$ 0.06–1.16             |
| Contract settlement (3)  | 511,509     | \$100,000    | \$ 0.20                  |
| Extension of debt maturity date (4)                                  | 130,000     | \$95,500     | \$ 0.61–1.15             |
| Secured debt offering  | 50,000      | \$30,500     | \$ 0.61                  |
| Total  | 118,649,439 | \$17,376,547 | \$ 0.001–1.16            |

The fair value of all stock issuances above is based upon the quoted closing trading price on the date of issuance, except for stock issued for cash and warrants, which was based upon the cash received. Stock issued in the conversion of preferred stock was recorded at par value.

The following is a more detailed description of some of the Company's stock issuances from the table above:

**(1) Settlement of Accounts Payable and Loss on Settlement**

Of the total shares issued to settle accounts payable, the Company issued 8,928,571 shares of common stock having a fair value of \$400,000 (\$0.045/share), based upon the quoted closing trading price. The Company settled \$375,000 in accounts payable, paid a fee of \$25,000, and recorded a loss on settlement of \$112,500.

The Company also paid cash to settle accounts payable of \$84,715 and recorded a gain on settlement, as a result, the Company has recorded a total net loss on settlement of accounts payable of \$27,785.

**(2) Settlement of Notes payable**

In connection with the stock issued to settle notes payable, the Company issued 1,965,571 shares of common stock having a fair value of \$1,081,064 (\$0.55/share), based upon the quoted closing trading price. The Company settled \$678,325 in notes payable and recorded a loss on settlement of \$402,739.

**(3) Contract Settlement**

In connection with litigation (See Note 8), the Company issued stock that has been accounted for as a settlement expense and a component of other expense.

**(4) Extension of Debt Maturity**

The Company issued stock to extend the maturity date of certain notes and recorded additional interest expense.

**MusclePharm Corporation and Subsidiary**

**Consolidated Notes to Financial Statements**

**December 31, 2011(Restated) and 2010 (Restated)**

**(5) Prepaid Stock Compensation**

The agreements commenced during the periods March – December 2010 and terminate during the periods March 2011 - November 2012.

Prepaid stock compensation is included as a component of prepaid and other current and long term assets.

**(E) Stock Options**

On February 1, 2010, the Company's board of directors and shareholders approved the 2010 Stock Incentive Plan ("2010 Plan"). The 2010 Plan allows the Company to grant incentive stock options, non-qualified stock options, restricted stock awards, restricted stock units and stock appreciation rights to key employees and directors of the Company or its subsidiaries, consultants, advisors and service providers. Any stock option granted in the form of an incentive stock option will be intended to comply with the requirements of Section 422 of the Internal Revenue Code of 1986, as amended. Only stock options granted to employees qualify for incentive stock option treatment. No incentive stock option shall be granted after February 1, 2020, which is 10 years from the date the 2010 Plan was initially adopted. A stock option may be exercised in whole or in installments, which may be cumulative. Shares of common stock purchased upon the exercise of a stock option must be paid for in full at the time of the exercise in cash or such other consideration determined by the compensation committee. Payment may include tendering shares of common stock or surrendering of a stock award, or a combination of methods.

The 2010 Plan will be administered by the compensation committee. The compensation committee has full and exclusive power within the limitations set forth in the 2010 Plan to make all decisions and determinations regarding the selection of participants and the granting of awards; establishing the terms and conditions relating to each award; adopting rules, regulations and guidelines; and interpreting the 2010 Plan. The Compensation Committee will determine the appropriate mix of stock options and stock awards to be granted to best achieve the objectives of the Plan. The 2010 Plan may be amended by the Board or the compensation committee, without the approval of stockholders, but no such amendments may increase the number of shares issuable under the 2010 Plan or adversely affect any outstanding awards without the consent of the holders thereof. The total number of shares that may be issued shall not exceed 5,000,000, subject to adjustment in the event of certain recapitalizations, reorganizations and

similar transactions.

On April 2, 2010, the Company issued 2,767,500 stock options, having a fair value of \$630,990, which was expensed immediately since all stock options vested immediately. These options expire on April 2, 2015.

The Company applied fair value accounting for all share based payment awards. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model. The Black-Scholes assumptions used in the year ended December 31, 2010 is as follows:

|                         |           |   |
|-------------------------|-----------|---|
| Exercise price          | \$0.50    |   |
| Expected dividends      | 0         | % |
| Expected volatility     | 74.8      | % |
| Risk free interest rate | 1.4       | % |
| Expected life of option | 2.5 years |   |
| Expected forfeitures    | 0         | % |

**MusclePharm Corporation and Subsidiary****Consolidated Notes to Financial Statements****December 31, 2011(Restated) and 2010 (Restated)**

The following is a summary of the Company's stock option activity:

|  | Options     | Weighted Average<br>Exercise Price | Weighted<br>Average<br>Remaining<br>Contractual<br>Life | Aggregate<br>Intrinsic<br>Value |
|--|-------------|------------------------------------|---|---------------------------------|
| Balance – December 31, 2009                        | -           | -                                  | -   |                                 |
| Granted  | 2,767,500   | 0.50                               | 4.25 years  |                                 |
| Exercised  | -           | -                                  | -   |                                 |
| Forfeited/Cancelled                                | -           | -                                  | -   |                                 |
| Balance – December 31, 2010                        | 2,767,500   | \$ 0.50                            | 4.25 years  | -                               |
| Granted  | -           | \$                                 |   |                                 |
| Exercised  | -           | \$                                 |   |                                 |
| Forfeited/Cancelled                                | (1,150,000) | \$ 0.50                            |   |                                 |
| Balance – December 31, 2011 – outstanding          | 1,617,500   | \$ 0.50                            | 3.25 years  | \$ -                            |
| Balance – December 31, 2011 – exercisable          | 1,617,500   | \$ 0.50                            | 3.25 years  | \$ -                            |
| Grant date fair value of options granted – 2010    |             | \$ 630,990                         |   |                                 |
| Weighted average grant date fair value – 2010      |             | \$ 0.50                            |   |                                 |
| Outstanding options held by related parties – 2011 | 2,000,000   |                                    |   |                                 |
| Exercisable options held by related parties – 2010 | 2,000,000   |                                    |   |                                 |
| Outstanding options held by related parties – 2011 | 1,000,000   |                                    |   |                                 |
| Exercisable options held by related parties – 2011 | 1,000,000   |                                    |   |                                 |

**(F) Stock Warrants**

During 2010, the Company issued 750,000 five-year warrants, with a weighted average exercise price of \$0.021/share.

All warrants issued during 2011 were accounted for as derivative liabilities. See Note 6.



During 2011, the Company entered into convertible and unsecured note agreements. As part of these agreements, the Company issued warrants to purchase 162,388,233 shares of common stock. Each warrant vests six month after issuance and expire July 14, 2013 – June 28, 2016, with exercise prices ranging from \$0.015 - \$0.06.

During 2011, the Company issued 120,200,000 warrants for services performed. The warrants have a vesting range of immediate to six months after issuance and expire February 28, 2014 – April 15, 2016, with exercise prices ranging from \$0.002 - \$0.1. The value of the warrants, \$1,989,982, calculated using the below black-scholes assumptions, was expensed as compensation with the offset being recorded to derivative liabilities, since the Company applied the provisions of ASC No. 815, pertaining to the potential settlement in a variable amount of shares.

**MusclePharm Corporation and Subsidiary****Consolidated Notes to Financial Statements****December 31, 2011(Restated) and 2010 (Restated)**

A summary of warrant activity for the Company for the year ended December 31, 2010 and for the year ended December 31, 2011 is as follows:

|                              | Number of<br>Warrants | Weighted Average Exercise Price |
|------------------------------|-----------------------|---------------------------------|
| Balance at December 31, 2009 | -                     | -                               |
| Granted                      | 750,000               | \$ 1.5                          |
| Exercised                    | -                     | \$ -                            |
| Forfeited                    | -                     | \$ -                            |
| Balance as December 31, 2010 | 750,000               | \$ 1.50                         |
| Granted                      | 282,588,233           | \$ .02                          |
| Exercised                    | -                     | \$ -                            |
| Forfeited                    | -                     | \$ -                            |
| Balance as December 31, 2011 | 283,338,233           | \$ .02                          |

| Warrants Outstanding         |                       |  | Warrants Exercisable                  |                        |                                       |                    |
|------------------------------|-----------------------|--|---------------------------------------|------------------------|---------------------------------------|--------------------|
| Range of<br>exercis<br>price | Number<br>Outstanding | Weighted<br>Average<br>Remaining<br>Contractual Life<br>(in years) | Weighted<br>Average<br>Exercise Price | Numbers<br>Exercisable | Weighted<br>Average<br>Exercise Price | Intrinsic<br>Value |
| \$ 0.02 - \$1.50             | 283,338,233           | 2.85   | \$ \$0.021                            | 61,696,327             | \$ 0.042                              | \$875,000          |

**Note 10 Subsequent Events****(A) Common Stock**

On March 26, 2012, the Company increase the Company's authorized common stock from 1,000,000,000 shares to 2,500,000,000 shares.

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During the 1<sup>st</sup> quarter of 2012, the Company issued 20,000,000 shares of common stock to an officer, having a fair value of \$280,000 (\$0.014/share), based upon the quoted closing trading price.

### **(B) Warrants**

During the 1<sup>st</sup> quarter of 2012, the Company issued 32,000,000 shares of common stock for \$285,760 (\$0.00893/share) in connection with the exercise of warrants.

### **(C) Debt, Debt Conversion and Warrants**

#### *Notes*

During the 1<sup>st</sup> quarter of 2012, the Company executed notes payable and received net proceeds of \$3,061,000. The notes are unsecured, bear interest at 15% and mature 18 months from issuance. In connection with this debt issuance, the Company granted 241,125,000, 2.5 year warrants, with exercise prices ranging from \$0.012/share - \$0.015/share, and vest 6 months from grant.

#### *Convertible Notes*

During the 1<sup>st</sup> quarter of 2012, the Company executed convertible notes for \$519,950 resulting in net cash proceeds of \$489,950, (\$30,000 paid as debt issue costs). The notes mature between 6 months – 1 year. The notes bear interest ranging from 8% - 10%, with default interest rates ranging from 20% - 24%.

These notes may be convertible as follows, depending upon the terms of each issuance:

- 35% of the average, 3 lowest trading days, prior to the 10 days before conversion,
- 62% of the lowest trading price during the 7 days before conversion; and
- 65% of the lowest trading price during the 30 days before conversion

#### *Debt Conversions*

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During the 1<sup>st</sup> quarter of 2012, the Company settled \$2,443,214 of secured convertible debt, unsecured debt and accrued interest with the payment of \$2,895,576 and the issuance of 267,308,200 shares of common stock. In addition, all related 58,971,327 warrants were cancelled. As a result of the debt conversion and cancellation of warrants, all associated derivative liabilities underlying these instruments cease to exist.

During the 1<sup>st</sup> quarter of 2012, the Company repurchased 14,542,939 shares of common stock from an investor for \$230,400 (\$0.0158/share). The Company has paid \$100,000, the balance will be paid in the 2<sup>nd</sup> quarter of 2012. In connection with the repurchase, the Company has accounted for this transaction in accordance with ASC 505-30, “*treasury stock*” .

**MUSCLEPHARM CORPORATION**

**84,400,000 SHARES OF COMMON STOCK**

**PROSPECTUS**

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS DOCUMENT OR THAT WE HAVE REFERRED YOU TO. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH INFORMATION THAT IS DIFFERENT. THIS PROSPECTUS IS NOT AN OFFER TO SELL COMMON STOCK AND IS NOT SOLICITING AN OFFER TO BUY COMMON STOCK IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

**The Date of This Prospectus is \_\_\_\_\_, 2012**

## **PART II – INFORMATION NOT REQUIRED IN THE PROSPECTUS**

### **INDEMNIFICATION OF DIRECTORS AND OFFICERS**

#### **Nevada Law**

Section 78.7502 of the Nevada General Corporation Law contains provisions authorizing indemnification by the Company of directors, officers, employees or agents against certain liabilities and expenses that they may incur as directors, officers, employees or agents of the Company or of certain other entities. Section 78.7502(3) provides for mandatory indemnification, including attorney's fees, if the director, officer, employee or agent has been successful on the merits or otherwise in defense of any action, suit or proceeding or in defense of any claim, issue or matter therein.

Section 78.751 provides that such indemnification may include payment by the Company of expenses incurred in defending a civil or criminal action or proceeding in advance of the final disposition of such action or proceeding upon receipt of an undertaking by the person indemnified to repay such payment if he shall be ultimately found not to be entitled to indemnification under the Section. Indemnification may be provided even though the person to be indemnified is no longer a director, officer, employee or agent of the Company or such other entities.

Section 78.752 authorizes the Company to obtain insurance on behalf of any such director, officer employee or agent against liabilities, whether or not the Company would have the power to indemnify such person against such liabilities under the provisions of the Section 78.7502. The indemnification and advancement of expenses provided pursuant to Sections 78.7502 and 78.751 are not exclusive, and subject to certain conditions, the Company may make other or further indemnification or advancement of expenses of any of its directors, officers, employees or agents. Because neither the Articles of Incorporation, as amended, or By-laws of the Company otherwise provide, notwithstanding the failure of the Company to provide indemnification and despite a contrary determination by the board of directors or its shareholders in a specific case, a director, officer, employee or agent of the Company who is or was a party to a proceeding may apply to a court of competent jurisdiction for indemnification or advancement of expenses or both, and the court may order indemnification and advancement of expenses, including expenses incurred in seeking court-ordered indemnification or advancement of expenses if it determines that the petitioner is entitled to mandatory indemnification pursuant to Section 78.7502(3) because he has been successful on the merits, or because the Company has the power to indemnify on a discretionary basis pursuant to Section 78.7502 or because the court determines that the petitioner is fairly and reasonably entitled to indemnification or advancement of expenses or both in view of all the relevant circumstances.

#### **Articles of Incorporation and Bylaws**

Our Articles of Incorporation and By-laws, as amended, empower us to indemnify our current or former directors, officers, employees or agents or persons serving by our request in such capacities in any other enterprise or persons who have served by our request in such capacities in any other enterprise to the full extent permitted by the laws of the State of Nevada. Pursuant to Nevada law and our Articles of Incorporation and By-laws, our officers and directors (and former officers and directors) are entitled to indemnification from us to the full extent permitted by law. Our Articles of Incorporation and By-laws generally provide for such indemnification for claims arising out of the acts or omissions of our officers and directors in their capacity as such, undertaken in good faith and in a manner reasonably believed to be in, or not opposed to, our best interests and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his conduct was unlawful. The conditions and extent of indemnification are set forth in the Articles of Incorporation and By-laws. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to officers, directors or persons controlling us pursuant to the foregoing provisions, we have been informed that in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

## **RECENT SALES OF UNREGISTERED SECURITIES**

### *Issuance of Shares Pursuant to a Share Exchange Agreement*

On February 18, 2010, the Company issued a total of 26,000,000 shares of its common stock to the 12 former owners of Muscle Pharm, LLC, in exchange for all of the Muscle Pharm, LLC units. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On May 17, 2012, the Company issued 196,604 shares of its common stock to the holder of a warrant agreement in exchange for the cancellation of the agreement. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On July 12, 2012, the Company issued 7,000,000 of its common stock to the holder of a warrant agreement in exchange for the cancellation of the agreement. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

### *Conversion of Preferred Stock into Shares of Common Stock*

On February 26, 2010, 83 shares of the Company's Series A Convertible Preferred Stock were converted into 83,200 shares of the Company's common stock, issued to one investor pursuant to a conversion notice. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On March 30, 2010, 500 shares of the Company's Series A Convertible Preferred Stock were converted into 500,000 shares of the Company's common stock, issued to one investor pursuant to a conversion notice. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On March 30, 2010, 750 shares of the Company's Series A Convertible Preferred Stock were converted into 750,000 shares of the Company's common stock, issued to one investor pursuant to a conversion notice. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.



On April 29, 2010, 550 shares of the Company's Series A Convertible Preferred Stock were converted into 550,000 shares of the Company's common stock, issued to one investor pursuant to a conversion notice. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On May 12, 2010, 550 shares of the Company's Series A Convertible Preferred Stock were converted into 550,000 shares of the Company's common stock, issued to one investor pursuant to a conversion notice. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On May 19, 2010, 650 shares of the Company's Series A Convertible Preferred Stock were converted into 650,000 shares of the Company's common stock, issued to one investor pursuant to a conversion notice. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On July 7, 2010, 600 shares of the Company's Series A Convertible Preferred Stock were converted into 600,000 shares of the Company's common stock, issued to one investor pursuant to a conversion notice. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On July 7, 2010, 100 shares of the Company's Series A Convertible Preferred Stock were converted into 100,000 shares of the Company's common stock, issued to one investor pursuant to a conversion notice. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On July 7, 2010, 100 shares of the Company's Series A Convertible Preferred Stock were converted into 100,000 shares of the Company's common stock, issued to one investor pursuant to a conversion notice. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On July 7, 2010, 18 shares of the Company's Series A Convertible Preferred Stock were converted into 18,000 shares of the Company's common stock, issued to one investor pursuant to a conversion notice. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On July 30, 2010, 450 shares of the Company's Series A Convertible Preferred Stock were converted into 450,000 shares of the Company's common stock, issued to one investor pursuant to a conversion notice. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On August 13, 2010, 300 shares of the Company's Series A Convertible Preferred Stock were converted into 300,000 shares of the Company's common stock, issued to one investor pursuant to a conversion notice. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On August 13, 2010, 100 shares of the Company's Series A Convertible Preferred Stock were converted into the Company's 100,000 shares of common stock, issued to one investor pursuant to a conversion notice. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On August 23, 2010, 550 shares of the Company's Series A Convertible Preferred Stock were converted into 550,000 shares of the Company's common stock, issued to one investor pursuant to a conversion notice. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On August 30, 2010, 575 shares of the Company's Series A Convertible Preferred Stock were converted into 575,000 shares of the Company's common stock, issued to one investor pursuant to a conversion notice. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

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On September 9, 2010, 600 shares of the Company's Series A Convertible Preferred Stock were converted into 600,000 shares of the Company's common stock, issued to one investor pursuant to a conversion notice. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On September 14, 2010, 1,100 shares of the Company's Series A Convertible Preferred Stock were converted into 1,100,000 shares of the Company's common stock, issued to one investor pursuant to a conversion notice. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On September 21, 2010, 1,240 shares of the Company's Series A Convertible Preferred Stock were converted into 1,240,000 shares of the Company's common stock, issued to one investor pursuant to a conversion notice. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On September 23, 2010, 1,290 shares of the Company's Series A Convertible Preferred Stock were converted into 1,290,000 shares of the Company's common stock, issued to one investor pursuant to a conversion notice. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On September 24, 2010, 1,340 shares of the Company's Series A Convertible Preferred Stock were converted into 1,340,000 shares of the Company's common stock, issued to one investor pursuant to a conversion notice. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On September 28, 2010, 1,540 shares of the Company's Series A Convertible Preferred Stock were converted into 1,540,000 shares of the Company's common stock, issued to one investor pursuant to a conversion notice. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On September 29, 2010, 1,600 shares of the Company's Series A Convertible Preferred Stock were converted into 1,600,000 shares of the Company's common stock, issued to one investor pursuant to a conversion notice. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On November 29, 2010, 150 shares of the Company's Series A Convertible Preferred Stock were converted into 150,000 shares of the Company's common stock, issued to one investor pursuant to a conversion notice. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On December 2, 2010, 363 shares of the Company's Series A Convertible Preferred Stock were converted into 363,400 shares of the Company's common stock, issued to one investor pursuant to a conversion notice. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On December 16, 2010, 1,087 shares of the Company's Series A Convertible Preferred Stock were converted into 1,087,000 shares of the Company's common stock, issued to one investor pursuant to a conversion notice. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On December 17, 2010, 202 shares of the Company's Series A Convertible Preferred Stock were converted into 201,776 shares of the Company's common stock, issued to one investor pursuant to a conversion notice. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On December 20, 2010, 200 shares of the Company's Series A Convertible Preferred Stock were converted into 200,000 shares of the Company's common stock, issued to one investor pursuant to a conversion notice. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On December 30, 2010, 78 shares of the Company's Series A Convertible Preferred Stock were converted into 78,224 shares of the Company's common stock, issued to one investor pursuant to a conversion notice. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On March 28, 2012, 190 shares of the Company's Series A Convertible Preferred Stock were converted into 19,000,000 shares of the Company's common stock, issued to one investor pursuant to a conversion notice. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

***Conversion of Convertible Notes into Shares of Common Stock***

On March 22, 2010, a convertible noteholder converted \$5,000 in principal into 7,500 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On March 23, 2010, a convertible noteholder converted \$100,000 in principal into 350,000 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On March 24, 2010, a convertible noteholder converted \$10,000 in principal into 20,000 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On March 25, 2010, a convertible noteholder converted \$12,500 in principal into 18,750 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On March 28, 2010, a convertible noteholder converted \$25,000 in principal into 50,000 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On May 3, 2010, a convertible noteholder converted \$5,000 in principal into 7,500 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On May 3, 2010, a convertible noteholder converted \$12,500 in principal into 21,500 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On June 17, 2010, a convertible noteholder converted \$5,000 in principal into 7,500 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On June 17, 2010, a convertible noteholder converted \$5,000 in principal into 10,000 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

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On June 17, 2010, a convertible noteholder converted \$5,000 in principal into 10,000 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On June 17, 2010, a convertible noteholder converted \$2,500 in principal into 5,000 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On June 17, 2010, a convertible noteholder converted \$4,000 in principal into 8,000 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On June 17, 2010, a convertible noteholder converted \$5,000 in principal into 10,000 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On June 17, 2010, a convertible noteholder converted \$5,000 in principal into 10,000 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On June 17, 2010, a convertible noteholder converted \$2,000 in principal into 4,000 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On June 17, 2010, a convertible noteholder converted \$2,500 in principal into 5,000 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On June 30, 2010, a convertible noteholder converted \$10,000 in principal into 30,000 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On June 30, 2010, a convertible noteholder converted \$2,500 in principal into 5,000 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On June 30, 2010, a convertible noteholder converted \$25,000 in principal into 50,000 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On June 30, 2010, a convertible noteholder converted \$5,000 in principal into 10,000 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On September 21, 2010, a convertible noteholder converted \$5,000 in principal into 10,000 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On September 29, 2010, a convertible noteholder converted \$140,000 in principal into 400,000 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On September 29, 2010, a convertible noteholder converted \$5,000 in principal into 7,500 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.



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On September 29, 2010, a convertible noteholder converted \$5,000 in principal into 7,500 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On September 29, 2010, a convertible noteholder converted \$2,500 in principal into 5,000 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On September 29, 2010, a convertible noteholder converted \$5,000 in principal into 10,000 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On September 29, 2010, a convertible noteholder converted \$150,000 in principal into 428,572 shares of common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On September 29, 2010, a convertible noteholder converted \$102,500 in principal into 312,957 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On November 15, 2010, a convertible noteholder converted \$150,000 in principal into 1,639,179 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On November 15, 2010, a convertible noteholder converted \$25,000 in principal into 273,891 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On November 15, 2010, a convertible noteholder converted \$25,000 in principal into 273,722 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On December 14, 2010, a convertible noteholder converted \$120,000 in principal into 2,594,564 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On December 14, 2010, a convertible noteholder converted \$50,000 in principal into 1,106,521 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On January 25, 2011, a convertible noteholder converted \$215,880 in principal into 3,270,904 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On February 17, 2011, a convertible noteholder converted \$64,841 in principal into 1,080,689 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On February 22, 2011, a convertible noteholder converted \$12,000 in principal into 333,333 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On February 25, 2011, a convertible noteholder converted \$15,000 in principal into 443,787 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

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On March 1, 2011, a convertible noteholder converted \$13,000 in principal into 416,667 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On March 3, 2011, a convertible noteholder converted \$10,000 in principal into 392,157 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On March 18, 2011, a convertible noteholder converted \$12,000 in principal into 500,000 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On March 22, 2011, a convertible noteholder converted \$15,000 in principal into 581,395 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On March 24, 2011, a convertible noteholder converted \$13,000 in principal into 540,741 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On April 27, 2011, a convertible noteholder converted \$8,225 in principal into 350,000 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On April 28, 2011, a convertible noteholder converted \$25,208 in principal into 892,326 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On April 29, 2011, a convertible noteholder converted \$25,170 in principal into 923,685 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On May 2, 2011, a convertible noteholder converted \$25,219 in principal into 951,667 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On May 11, 2011, a convertible noteholder converted \$36,400 in principal into 1,400,000 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On May 11, 2011, a convertible noteholder converted \$36,400 in principal into 1,400,000 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On May 17, 2011, a convertible noteholder converted \$10,228 in principal into 417,467 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On May 17, 2011, a convertible noteholder converted \$10,228 in principal into 417,467 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On May 17, 2011, a convertible noteholder converted \$2,018 in principal into 82,834 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

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On May 19, 2011, a convertible noteholder converted \$10,067 in principal into 402,667 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On May 19, 2011, a convertible noteholder converted \$40,088 in principal into 1,083,450 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On May 19, 2011, a convertible noteholder converted \$10,024 in principal into 237,256 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On May 19, 2011, a convertible noteholder converted \$9,018 in principal into 243,722 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On May 19, 2011, a convertible noteholder converted \$10,022 in principal into 230,388 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On May 19, 2011, a convertible noteholder converted \$50,110 in principal into 1,186,025 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On May 19, 2011, a convertible noteholder converted \$25,110 in principal into 865,848 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On May 19, 2011, a convertible noteholder converted \$25,110 in principal into 865,848 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On May 19, 2011, a convertible noteholder converted \$5,034 in principal into 165,048 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On May 19, 2011, a convertible noteholder converted \$25,170 in principal into 825,241 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On May 19, 2011, a convertible noteholder converted \$10,068 in principal into 335,598 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On May 19, 2011, a convertible noteholder converted \$5,140 in principal into 102,805 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On May 19, 2011, a convertible noteholder converted \$15,102 in principal into 554,199 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On May 24, 2011, a convertible noteholder converted \$39,000 in principal into 1,500,000 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

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On May 27, 2011, a convertible noteholder converted \$25,000 in principal into 1,250,000 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On May 31, 2011, a convertible noteholder converted \$78,000 in principal into 3,000,000 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On June 2, 2011, a convertible noteholder converted \$125,345 in principal into 3,679,355 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On June 3, 2011, a convertible noteholder converted \$15,000 in principal into 625,000 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On June 8, 2011, a convertible noteholder converted \$50,000 in principal into 2,840,910 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On June 9, 2011, a convertible noteholder converted \$63,473 in principal into 3,100,000 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On June 20, 2011, a convertible noteholder converted \$50,000 in principal into 4,132,232 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On June 20, 2011, a convertible noteholder converted \$71,663 in principal into 4,500,000 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On June 23, 2011, a convertible noteholder converted \$47,775 in principal into 3,000,000 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On June 29, 2011, a convertible noteholder converted \$15,000 in principal into 955,414 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On June 29, 2011, a convertible noteholder converted \$20,000 in principal into 1,273,885 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On June 30, 2011, a convertible noteholder converted \$6,600 in principal into 417,722 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On July 1, 2011, the Company issued 699,200 shares of the Company's common stock for a May 2011 conversion of convertible notes to common stock payable. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On July 3, 2011, a convertible noteholder converted \$5,000 in principal into 208,644 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.



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On July 8, 2011, a convertible noteholder converted \$8,600 in principal into 353,713 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On July 11, 2011, a convertible noteholder converted \$50,000 in principal into 3,636,364 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On July 12, 2011, a convertible noteholder converted \$40,000 in principal into 3,095,455 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On July 14, 2011, a convertible noteholder converted \$75,000 in principal into 6,234,327 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On July 20, 2011, a convertible noteholder converted \$77,000 in principal into 5,000,000 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder

On July 20, 2011, a convertible noteholder converted \$46,500 in principal into 6,038,961 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder

On July 26, 2011, a convertible noteholder converted \$75,000 in principal into 5,999,069 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On July 28, 2011, a convertible noteholder converted \$75,000 in principal into 5,999,069 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On July 29, 2011, a convertible noteholder converted \$8,000 in principal into 333,616 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On August 1, 2011, a convertible noteholder converted \$50,000 in principal into 3,300,247 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On August 2, 2011, a convertible noteholder converted \$125,000 in principal into 5,216,103 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On August 3, 2011, a convertible noteholder converted \$10,000 in principal into 660,049 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On August 16, 2011, a convertible noteholder converted \$87,500 in principal into 5,000,000 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On August 24, 2011, a convertible noteholder converted \$15,000 in principal into 980,392 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

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On August 29, 2011, a convertible noteholder converted \$15,000 in principal into 1,013,514 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On September 6, 2011, a convertible noteholder converted \$10,000 in principal into 872,180 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On September 7, 2011, a convertible noteholder converted \$52,500 in principal into 3,000,000 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On September 13, 2011, a convertible noteholder converted \$50,000 in principal into 10,164,384 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On September 19, 2011, a convertible noteholder converted \$10,000 in principal into 1,204,819 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On September 22, 2011, a convertible noteholder converted \$12,000 in principal into 1,445,783 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On September 23, 2011, a convertible noteholder converted \$25,000 in principal into 2,577,320 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On September 26, 2011, a convertible noteholder converted \$12,000 in principal into 1,445,783 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On October 4, 2011, a convertible noteholder converted \$6,000 in principal into 863,636 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On October 4, 2011, a convertible noteholder converted \$60,000 in principal into 8,700,000 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On October 10, 2011, a convertible noteholder converted \$25,000 in principal into 3,270,933 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On October 21, 2011, a convertible noteholder converted \$35,000 in principal into 3,000,000 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On October 28, 2011, a convertible noteholder converted \$10,000 in principal into 1,030,928 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On November 2, 2011, a convertible noteholder converted \$11,000 in principal into 1,111,111 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

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On November 4, 2011, a convertible noteholder converted \$19,000 in principal into 2,039,604 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On November 8, 2011, a convertible noteholder converted \$16,666 in principal into 1,969,162 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On November 18, 2011, a convertible noteholder converted \$50,000 in principal into 8,163,265 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On November 18, 2011, a convertible noteholder converted \$100,000 in principal into 10,394,521 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On November 22, 2011, a convertible noteholder converted \$75,000 in principal into 4,687,500 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On November 22, 2011, a convertible noteholder converted \$75,000 in principal into 4,687,500 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On November 23, 2011, a convertible noteholder converted \$16,666 in principal into 1,932,290 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On November 23, 2011, a convertible noteholder converted \$25,000 in principal into 2,990,431 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On November 23, 2011, a convertible noteholder converted \$33,000 in principal into 4,955,237 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On November 30, 2011, a convertible noteholder converted \$25,000 in principal into 3,443,527 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On December 1, 2011, a convertible noteholder converted \$50,000 in principal into 11,773,848 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On December 13, 2012 the Company issued to a convertible noteholder 15,652,207 shares of the Company's common stock in connection with the conversion \$125,000 in principal on May 6, 2011. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On December 15, 2011, a convertible noteholder converted \$49,500 in principal into 6,848,182 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On December 16, 2011, a convertible noteholder converted \$16,668 in principal into 3,217,140 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

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On December 16, 2011, a convertible noteholder converted \$58,500 in principal into 15,000,000 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On December 16, 2011, a convertible noteholder converted \$70,157 in principal into 15,590,562 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On December 16, 2011, a convertible noteholder converted \$25,000 into 4,950,495 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On December 22, 2011, a convertible noteholder converted \$19,000 in principal into 5,663,190 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On December 29, 2011, a convertible noteholder converted \$20,000 in principal into 5,865,103 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On December 27, 2011, a convertible noteholder converted \$20,000 in principal into 6,250,000 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On December 31, 2011, a convertible noteholder converted \$26,353 in principal into 6,821,129 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On January 4, 2012, a convertible noteholder converted \$22,202.74 in principal into 5,509,365 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On January 5, 2012, a convertible noteholder converted \$75,000 in principal and \$11,700 in accrued interest and fees into 17,340,000 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On January 20, 2012, a convertible noteholder converted \$100,000 in principal into 31,347,962 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On January 23, 2012, a convertible noteholder converted \$75,000 in principal and \$18,086 in accrued interest and fees into 20,236,156 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On January 25, 2012, a convertible noteholder converted \$104,000 in principal into 25,000,000 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On January 25, 2012, a convertible noteholder converted \$18,000 in principal into 3,747,658 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On January 26, 2012, a convertible noteholder converted \$61,000 in principal into 22,181,818 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.



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On February 15, 2012, a convertible noteholder converted \$71,760 in principal into 16,000,000 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On February 25, 2012, a convertible noteholder converted \$25,000 in principal and \$701 in accrued interest into 9,398,496 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On March 1, 2012, a convertible noteholder converted \$73,125 in principal into 15,000,000 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On March 3, 2012, a convertible noteholder converted \$19,210 in principal into 4,546,746 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On March 12, 2012, a convertible noteholder converted \$63,000 in principal into 15,000,000 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On March 19, 2012, a convertible noteholder converted \$63,000 in principal into 15,000,000 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On March 22, 2012, a convertible noteholder converted \$141,000 in principal into 47,000,000 shares of the Company's common stock. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder

*Exercise of Warrants*

On January 26, 2012, a warrant holder exercised a warrant valued at \$53,580 into 6,000,000 shares of the Company's common stock at an exercise price of \$0.00893/share. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On January 26, 2012, a warrant holder exercised a warrant valued at \$89,300 into 10,000,000 shares of the Company's common stock at an exercise price of \$0.00893/share. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On January 26, 2012, a warrant holder exercised a warrant valued at \$5,358 into 600,000 shares of the Company's common stock at an exercise price of \$0.00893/share. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On January 26, 2012, a warrant holder exercised a warrant valued at \$35,720 into 4,000,000 shares of the Company's common stock at an exercise price of \$0.00893/share. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On January 26, 2012, a warrant holder exercised a warrant valued at \$3,572 into 400,000 shares of the Company's common stock at an exercise price of \$0.00893/share. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On January 26, 2012, a warrant holder exercised a warrant valued at \$53,580 into 6,000,000 shares of the Company's common stock at an exercise price of \$0.00893/share. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On January 26, 2012, a warrant holder exercised a warrant valued at \$26,790 into 3,000,000 shares of the Company's common stock at an exercise price of \$0.00893/share. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On January 26, 2012, a warrant holder exercised a warrant valued at \$10,716 into 1,200,000 shares of the Company's common stock at an exercise price of \$0.00893/share. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On January 26, 2012, a warrant holder exercised a warrant valued at \$7,144 into 800,000 shares of the Company's common stock at an exercise price of \$0.00893/share. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

### ***Convertible Debt Issuance***

On August 12, 2010, the Company raised gross proceeds of \$50,000 through the sale of a (9 months) convertible note at a conversion price of 60% of the average of the lowest three closing prices in the ten days preceding a conversion date. The note bears interest at annual rate of 8%. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On September 14, 2010, the Company raised gross proceeds of \$40,000 through the sale of a (9 months) convertible note at a conversion price of 60% of the average of the lowest three closing prices in the ten days preceding a conversion date. The note bears interest at annual rate of 8%. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On December 1, 2010, the Company entered into a convertible promissory note of up to \$1,650,000 with one accredited investor. The note bears a one-time interest rate of eight percent (8%) and has a maturity date of December 1, 2013. The note was issued with an original issue discount of approximately fifteen percent (15%). Prepayment under the note is not permitted, unless approved by the investor. Under the terms of the note, the investor is entitled, at its option, to convert all or part of the principal amount and accrued interest into shares of the Company's common stock, par value \$0.001 per share, at a conversion price equal to seventy percent (70%) of the lowest closing price of the Company's common stock in the thirty (30) trading days immediately prior to the conversion, subject to adjustment in certain circumstances.

On December 21, 2010, the Company raised gross proceeds of \$50,000 through the sale of a (9 months) convertible note at a conversion price of 60% of the average of the lowest three closing prices in the ten days preceding a conversion date. The note bears interest at annual rate of 8%. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On January 5, 2011, the Company raised gross proceeds of \$10,000 through the sale of a (30 Day) convertible note at a conversion price of the average 10 day closing pricing divided by 200% of the outstanding principal balance. The note bears interest at annual rate of 8%. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On January 14, 2011, the Company raised gross proceeds of \$75,000 through the sale of a (6 month) convertible note at a conversion price equal to the lesser of (i) the average of the lowest two closing prices during the five days preceding a conversion date or (ii) \$0.025/share. The notes bear interest at an annual rate of 12%. The Company also issued 1,250,000 common stock purchase warrants with an exercise price of \$0.065 per share to the noteholders. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On January 20, 2011, the Company raised gross proceeds of \$40,000 through the sale of a (40 Day) convertible note at a conversion price of the average 10 day closing pricing divided by 200% of the outstanding principal balance. The note bears interest at annual rate of 8%. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On January 21, 2011, the Company raised gross proceeds of \$9,000 through the sale of a (10 Day) convertible note at a conversion price of the average 10 day closing pricing divided by 200% of the outstanding principal balance. The note bears interest at annual rate of 8%. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

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On January 23, 2011, the Company raised gross proceeds of \$10,000 through the sale of a (14 Day) convertible note at a conversion price of the average 10 day closing pricing divided by 200% of the outstanding principal balance. The note bears interest at annual rate of 8%. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On January 24, 2011, the Company raised gross proceeds of \$50,000 through the sale of a (14 Day) convertible note at a conversion price of the average 10 day trade pricing divided by 200% of the outstanding principal balance. The note bears interest at annual rate of 8%. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On January 25, 2011, the Company raised gross proceeds of \$50,000 through the sale of a (10 Day) convertible note at a conversion price of the average 10 day closing pricing divided by 200% of the outstanding principal balance. The note bears interest at annual rate of 8%. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On January 25, 2011, the Company raised gross proceeds of \$75,000 through the sale of a (6 month) convertible note at a conversion price equal to the lesser of (i) the average of the lowest two closing prices during the five days preceding a conversion date or (ii) \$0.025/share. The notes bear interest at an annual rate of 12%. The Company also issued 1,155,000 common stock purchase warrants with an exercise price of \$0.065 per share to the noteholders. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On January 25, 2011, the Company raised gross proceeds of \$75,000 through the sale of a (6 month) convertible note at a conversion price equal to the lesser of (i) the average of the lowest two closing prices during the five days preceding a conversion date or (ii) \$0.025/share. The notes bear interest at an annual rate of 12%. The Company also issued 1,155,000 common stock purchase warrants with an exercise price of \$0.065 per share to the noteholders. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On January 26, 2011, the Company raised gross proceeds of \$8,000 through the sale of a (12 Day) convertible note at a conversion price of the average 10 day closing pricing divided by 200% of the outstanding principal balance. The note bears interest at annual rate of 8%. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On January 26, 2011, the Company raised gross proceeds of \$10,000 through the sale of a (10 Day) convertible note at a conversion price of the average 10 day closing pricing divided by 200% of the outstanding principal balance. The note bears interest at annual rate of 8%. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On January 28, 2011, the Company raised gross proceeds of \$25,000 through the sale of a (10 Day) convertible note at a conversion price of the average 10 day closing pricing divided by 200% of the outstanding principal balance. The note bears interest at annual rate of 8%. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On January 31, 2011, the Company raised gross proceeds of \$25,000 through the sale of a (1 Month) convertible notes at a conversion price of the average 10 day closing pricing divided by 200% of the outstanding principal balance. The notes bear interest at a rate of 8%. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On February 1, 2011, the Company raised gross proceeds of \$5,000 through the sale of a (14 Day) convertible notes at a conversion price of the average 10 day closing pricing divided by 200% of the outstanding principal balance. The notes bear interest at a rate of 8%. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On February 2, 2011, the Company raised gross proceeds of \$10,000 through the sale of a (14 Day) convertible note at a conversion price of the average 10 day closing pricing divided by 200% of the outstanding principal balance. The note bears interest at annual rate of 8%. The issuance of such securities was exempt from registration pursuant to

Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On February 2, 2011, the Company raised gross proceeds of \$10,000 through the sale of a (15 Day) convertible note at a conversion price of the average 10 day closing pricing divided by 200% of the outstanding principal balance. The note bears interest at annual rate of 8%. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On February 4, 2011, the Company raised gross proceeds of \$125,000 through the sale of a (10 Day) convertible note at a conversion price of the average 10 day closing pricing divided by 200% of the outstanding principal balance. The notes bear interest at a rate of 8%. The note bears interest at annual rate of 8%. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On February 4, 2011, the Company raised gross proceeds of \$5,000 through the sale of a (14 Day) convertible note at a conversion price of the average 10 day closing pricing divided by 200% of the outstanding principal balance. The note bears interest at annual rate of 8%. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On February 10, 2011, the Company raised gross proceeds of \$50,000 through the sale of a (15 Day) convertible note at a conversion price of the average 10 day closing pricing divided by 200% of the outstanding principal balance. The note bears interest at annual rate of 8%. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On February 10, 2011, the Company raised gross proceeds of \$40,000 through the sale of a (9 months) convertible note at a conversion price of 60% of the average of the lowest three closing prices in the ten days preceding a conversion date. The notes bear interest at annual rates of between 8% - 10%. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On February 28, 2011, the Company raised gross proceeds of \$75,000 through the sale of a (6 month) convertible note at a conversion price equal to the lesser of (i) the average of the lowest two closing prices during the five days preceding a conversion date or (ii) \$0.025/share. The notes bear interest at an annual rate of 12%. The Company also issued 3,000,000 common stock purchase warrants with an exercise price of \$0.065 per share to the noteholders. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On February 28, 2011, the Company raised gross proceeds of \$75,000 through the sale of a (6 month) convertible note at a conversion price equal to the lesser of (i) the average of the lowest two closing prices during the five days preceding a conversion date or (ii) \$0.025/share. The notes bear interest at an annual rate of 12%. The Company also issued 3,000,000 common stock purchase warrants with an exercise price of \$0.065 per share to the noteholders. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On March 1, 2011, the Company raised gross proceeds of \$25,000 through the sale of a (13 Day) convertible notes at a conversion price of the average 10 day closing pricing divided by 200% of the outstanding principal balance. The notes bear interest at a rate of 8%. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On March 4, 2011, the Company raised gross proceeds of \$25,000 through the sale of a (20 Day) convertible notes at a conversion price of the average 10 day closing pricing divided by 200% of the outstanding principal balance. The notes bear interest at a rate of 8%. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On March 4, 2011, the Company raised gross proceeds of \$25,000 through the sale of a (20 Day) convertible notes at a conversion price of the average 10 day closing pricing divided by 200% of the outstanding principal balance. The



notes bear interest at a rate of 8%. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On March 8, 2011, the Company raised gross proceeds of \$40,000 through the sale of a (9 months) convertible note at a conversion price of 60% of the average of the lowest three closing prices in the ten days preceding a conversion date. The notes bear interest at annual rates of between 8% - 10%. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On March 8, 2011, the Company raised gross proceeds of \$100,000 through the sale of a (1 year) convertible notes at a conversion price of \$0.03 per share. The notes bear interest at an annual rate of 6%. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On March 11, 2011, the Company raised gross proceeds of \$25,000 through the sale of a (1 Month) convertible notes at a conversion price of the average 10 day closing pricing divided by 200% of the outstanding principal balance. The notes bear interest at a rate of 8%. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On March 14, 2011, the Company raised gross proceeds of \$50,000 through the sale of a (1 year) convertible note at a conversion price of 60% of the average of the lowest three closing prices in the ten days preceding a conversion date. The notes bear interest at annual rates of between 8% - 10%. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On March 21, 2011, the Company raised gross proceeds of \$25,000 through the sale of a (1 Month) convertible notes at a conversion price of the average 10 day closing pricing divided by 200% of the outstanding principal balance. The notes bear interest at a rate of 8%. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On March 22, 2011, the Company raised gross proceeds of \$25,000 through the sale of a (1 Month) convertible notes at a conversion price of the average 10 day closing pricing divided by 200% of the outstanding principal balance. The notes bear interest at a rate of 8%. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On March 23, 2011, the Company raised gross proceeds of \$25,000 through the sale of a (2 Month) convertible notes at a conversion price of the average 10 day closing pricing divided by 200% of the outstanding principal balance. The notes bear interest at a rate of 8%. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On March 23, 2011, the Company raised gross proceeds of 25,000 through the sale of a (1 Month) convertible notes at a conversion price of the average 10 day closing pricing divided by 200% of the outstanding principal balance. The notes bear interest at a rate of 8%. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On March 23, 2011, the Company raised gross proceeds of \$25,000 through the sale of a (1 Month) convertible notes at a conversion price of the average 10 day closing pricing divided by 200% of the outstanding principal balance. The notes bear interest at a rate of 8%. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On March 24, 2011, the Company raised gross proceeds of \$75,000 through the sale of a (6 month) convertible note at a conversion price equal to the lesser of (i) the average of the lowest two closing prices during the five days preceding a conversion date or (ii) \$0.025/share. The notes bear interest at an annual rate of 12%. The Company also issued 3,000,000 common stock purchase warrants with an exercise price of \$0.065 per share to the noteholders. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On March 24, 2011, the Company raised gross proceeds of \$75,000 through the sale of a (6 month) convertible note at a conversion price equal to the lesser of (i) the average of the lowest two closing prices during the five days preceding a conversion date or (ii) \$0.025/share. The notes bear interest at an annual rate of 12%. The Company also issued 3,000,000 common stock purchase warrants with an exercise price of \$0.065 per share to the noteholders. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On March 25, 2011, the Company raised gross proceeds of \$10,000 through the sale of a (1 month) convertible notes at a conversion price of the average 10 day closing pricing divided by 200% of the outstanding principal balance. The notes bear interest at a rate of 8%. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On March 29, 2011, the Company raised gross proceeds of \$50,000 through the sale of a (3 year) convertible notes at a conversion price of 65% of the average of the lowest three closing prices in the 30 days preceding conversion. The notes bear interest at an annual rate of 8%. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On March 29, 2011, the Company raised gross proceeds of \$15,000 through the sale of a (1 month) convertible notes at a conversion price of the average 10 day closing pricing divided by 200% of the outstanding principal balance. The notes bear interest at a rate of 8%. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On April 27, 2011, the Company raised gross proceeds of \$40,000 through the sale of a (6 month) convertible note at a conversion price of 60% of the average of the lowest three closing prices in the ten days preceding a conversion date. The notes bear interest at annual rates of between 8% - 10%. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On May 6, 2011, the Company raised gross proceeds of \$246,000 through the sale of a (6 month) convertible note at a conversion price equal to the lesser of (i) the average of the lowest two closing prices during the five days preceding a conversion date or (ii) \$0.025/share. The notes bear interest at an annual rate of 12%. The Company also issued 10,000,000 common stock purchase warrants with an exercise price of \$0.03 per share to certain accredited investors. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On May 31, 2011, the Company raised gross proceeds of \$10,000 through the sale of a (1 Month) convertible notes at a conversion price of the average 10 day closing pricing divided by 200% of the outstanding principal balance. The notes bear interest at a rate of 8%. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On June 7, 2011, the Company entered into a convertible promissory note of up to \$900,000 with one accredited investor. The above note bears a one-time interest rate of eight percent (8%) and has a maturity date of June 7, 2014. Prepayment under the note is not permitted, unless approved by the investor. Under the terms of the note, the investor is entitled, at its option, to convert all or part of the principal amount and accrued interest into shares of the Company's common stock, par value \$0.001 per share, at a conversion price equal to seventy percent (70%) of the lowest closing price of the common stock in the thirty (30) trading days immediately prior to the conversion, subject to adjustment in certain circumstances.

On June 14, 2011, the Company raised gross proceeds of \$40,000 through the sale of a (9 month) convertible note at a conversion price of 60% of the average of the lowest three closing prices in the ten days preceding a conversion date. The notes bear interest at annual rates of between 8% - 10%. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On June 24, 2011, the Company raised gross proceeds of \$20,000 through the sale of a (12 month) convertible note at a conversion price of 60% of the average of the lowest three closing prices in the ten days preceding a conversion date. The note bears interest at annual rate of 10%. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On June 29, 2011, the Company entered into a Note and Warrant Purchase Agreement with Inter-Mountain Capital Corp., a Delaware corporation (Inter-Mountain”), whereby the Company issued and sold, and Inter-Mountain purchased: (i) a Secured Convertible Promissory Note of the Company in the principal amount of \$441,833 (the Company Note”) and (ii) a warrant to purchase common stock of the Company.

The principal amount of the Company Note is \$441,833 (the Maturity Amount”) and the Company Note is due 48 months from June 29, 2011. The Company Note bears an interest rate of 6% per annum, compounded daily. The total amount funded (in cash and notes) at closing was \$400,000, representing the Maturity Amount less an original issue discount of \$31,833 and the payment of \$10,000 to Inter-Mountain to cover its fees, with payment consisting of \$400,000 advanced on July 1, 2011. The Company may borrow up to an additional \$2,000,000 under the note, in a series of ten secured convertible notes with interest rates of 5% per annum, compounded daily.

Beginning three months after closing, Inter-Mountain has the right to convert, subject to restrictions described in the Company Note, all or a portion of the outstanding amount of the Company Note that is eligible for conversion into shares of the Company’s common stock. The number of common shares delivered to the Investor upon conversion will be calculated by dividing the amount of the Company Note that is being converted by the market price of the common stock, which is defined as 80% of the lowest trade price during the 30 trading days immediately preceding the date of the conversion.

Inter-Mountain also received a warrant to purchase such number of shares of common stock of the Company equal to \$800,000 divided by 80% of the lowest trade price of the common stock during the 30 trading days immediately preceding the June 29, 2011, at any time within five years after the June 29, 2011. The warrant also contains a net exercise provision.

On August 28, 2011, the Company raised gross proceeds of \$60,000 through the sale of a (18 month) convertible note at a conversion price of 60% of the average of the lowest three closing prices in the ten days preceding a conversion date. The note bears interest at an annual rate of 8%. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On August 31, 2011, the Company raised gross proceeds of \$560,000 through the sale of (18 month) promissory notes bearing interest at an annual rate of 15%. In consideration of the promissory notes, the Company issued 18,666,667 stock purchase warrants equal to the face amount of the notes, with an exercise price of \$0.03 per share. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On October 4, 2011, the Company raised gross proceeds of \$50,000 through the sale of a (3 year) convertible note at a conversion price of 65% of the average of the lowest three closing prices in the ten days preceding a conversion date. The note bears interest at an annual rate of 8%. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On October 5, 2011, the Company raised gross proceeds of \$135,000 through the sale of a (6 month) convertible note at a conversion price of 35% of the average of the lowest three closing prices in the ten days preceding a conversion date. The note bears interest at an annual rate of 8%. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On October 6, 2011, the Company raised gross proceeds of \$47,000 through the sale of a (9 month) convertible note at a conversion price of 45% of the average of the lowest three closing prices in the ten days preceding a conversion date. The note bears interest at an annual rate of 8%. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On October 12, 2011, the Company raised gross proceeds of \$200,000 through the sale of a (3 year) convertible note at a conversion price of 65% of the average of the lowest three closing prices in the ten days preceding a conversion date. The note bears interest at an annual rate of 8%. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On October 28, 2011, the Company raised gross proceeds of \$14,000 through the sale of a (12 month) convertible note at a conversion price equal to 300% of the face value of the note. The notes bear interest at a rate of 10%. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On November 1, 2011, the Company raised gross proceeds of \$382,000 through the sale of (18 month) promissory notes bearing interest at an annual rate of 15%. In consideration of the promissory notes, the Company issued 21,828,571 stock purchase warrants equal to the face amount of the notes, with an exercise price of \$0.0175 per share. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On November 1, 2011, the Company raised gross proceeds of \$223,000 through the sale of (18 month) promissory notes bearing interest at an annual rate of 15%. In consideration of the promissory notes, the Company issued 6,371,429 stock purchase warrants equal to 50% of the face amount of the notes, with an exercise price of \$0.0175 per share. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On November 14, 2011, the Company raised gross proceeds of \$25,000 through the sale of (18 month) promissory notes bearing interest at an annual rate of 15%. In consideration of the promissory notes, the Company issued 714,286 stock purchase warrants equal to 50% of the face amount of the notes, with an exercise price of \$0.0175 per share. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On January 3, 2012, the Company entered into a convertible promissory note of up to \$100,000 with one accredited investor. The above note bears a one-time interest rate of ten percent (10%) and has a maturity date of January 3, 2013. Prepayment under the note is not permitted, unless approved by the investor. Under the terms of the note, the investor is entitled, at its option, to convert all or part of the principal amount and accrued interest into shares of the Company's common stock, par value \$0.001 per share, at a conversion price equal to sixty two percent (62%) of the lowest closing price of the common stock in the seven (7) trading days immediately prior to the conversion, subject to adjustment in certain circumstances.

On January 13, 2012, the Company entered into a convertible promissory note of up to \$400,000 with one accredited investor. The above note bears a one-time interest rate of eight percent (8%) and has a maturity date of January 13, 2013. Prepayment under the note is not permitted, unless approved by the investor. Under the terms of the note, the investor is entitled, at its option, to convert all or part of the principal amount and accrued interest into shares of the Company's common stock, par value \$0.001 per share, at a conversion price equal to thirty five percent (35%) of the average of the three lowest closing prices of the common stock in the ten (10) trading days immediately prior to the conversion, subject to adjustment in certain circumstances.

On January 13, 2012, the Company raised gross proceeds of \$250,000 through the sale of (18 month) promissory notes bearing interest at an annual rate of 15%. In consideration of the promissory notes, the Company issued 16,666,667 stock purchase warrants equal to 100% of the face amount of the notes, with an exercise price of \$0.015 per share. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On February 12, 2012, the Company raised gross proceeds of \$525,000 through the sale of (18 month) promissory notes bearing interest at an annual rate of 15%. In consideration of the promissory notes, the Company issued 35,000,000 stock purchase warrants equal to 100% of the face amount of the notes, with an exercise price of \$0.015 per share. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On February 28, 2012, the Company raised gross proceeds of \$62,500 through the sale of (18 month) promissory notes bearing interest at an annual rate of 15%. In consideration of the promissory notes, the Company issued 4,166,667 stock purchase warrants equal to 100% of the face amount of the notes, with an exercise price of \$0.015 per share. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On March 14, 2012, the Company raised gross proceeds of \$500,000 through the sale of (18 month) promissory notes bearing interest at an annual rate of 15%. In consideration of the promissory notes, the Company issued 41,666,667 stock purchase warrants equal to 100% of the face amount of the notes, with an exercise price of \$0.012 per



share. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On March 21, 2012, the Company raised gross proceeds of \$100,000 through the sale of (18 month) promissory notes bearing interest at an annual rate of 15%. In consideration of the promissory notes, the Company issued 8,333,333 stock purchase warrants equal to 100% of the face amount of the notes, with an exercise price of \$0.012 per share. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On March 23, 2012, the Company raised gross proceeds of \$379,500 through the sale of (18 month) promissory notes bearing interest at an annual rate of 15%. In consideration of the promissory notes, the Company issued 31,625,000 stock purchase warrants equal to 100% of the face amount of the notes, with an exercise price of \$0.012 per share. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On March 27, 2012, the Company raised gross proceeds of \$30,000 through the sale of (18 month) promissory notes bearing interest at an annual rate of 15%. In consideration of the promissory notes, the Company issued 2,500,000 stock purchase warrants equal to 100% of the face amount of the notes, with an exercise price of \$0.012 per share. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On March 28, 2012, the Company raised gross proceeds of \$175,000 through the sale of (18 month) promissory notes bearing interest at an annual rate of 15%. In consideration of the promissory notes, the Company issued 14,583,333 stock purchase warrants equal to 100% of the face amount of the notes, with an exercise price of \$0.012 per share. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On March 29, 2012, the Company raised gross proceeds of \$300,000 through the sale of (18 month) promissory notes bearing interest at an annual rate of 15%. In consideration of the promissory notes, the Company issued 25,000,000 stock purchase warrants equal to 100% of the face amount of the notes, with an exercise price of \$0.012 per share. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On March 30, 2012, the Company raised gross proceeds of \$25,000 through the sale of (18 month) promissory notes bearing interest at an annual rate of 15%. In consideration of the promissory notes, the Company issued 2,083,333 stock purchase warrants equal to 100% of the face amount of the notes, with an exercise price of \$0.012 per share. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On April 16, 2012, the Company raised gross proceeds of \$1,231,000 through the sale of (18 month) promissory notes bearing interest at an annual rate of 15%. In consideration of the promissory notes, the Company issued 100,583,333 stock purchase warrants equal to 100% of the face amount of the notes, with an exercise price of \$0.012 per share. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

#### ***Issuance of Shares to Extend Debt Agreements***

On May 5, 2010, the Company issued a noteholder 15,000 shares of the Company's common stock in consideration for an extension of the noteholder's note. The issuance was recorded as interest at a fair value of \$17,250 (\$1.15/share) based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated

thereunder.

On May 5, 2010, the Company issued a noteholder 15,000 shares of the Company's common stock in consideration for an extension of the noteholder's note. The issuance was recorded as interest at a fair value of \$17,250 (\$1.15/share) based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On September 21, 2010, the Company issued a noteholder 75,000 shares of the Company's common stock in consideration for an extension of the noteholder's note. The issuance was recorded as interest at a fair value of \$45,750 (\$0.61/share) based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On September 21, 2010, the Company issued a noteholder 12,500 shares of the Company's common stock in consideration for an extension of the noteholder's note. The issuance was recorded as interest at a fair value of \$7,625 (\$0.61/share) based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On September 21, 2010, the Company issued a noteholder 12,500 shares of the Company's common stock in consideration for an extension of the noteholder's note. The issuance was recorded as interest at a fair value of \$7,625 (\$0.61/share) based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On June 7, 2011, the Company issued a noteholder 402,667 shares of the Company's common stock in consideration for an extension of the noteholder's note. The issuance was recorded as interest at a fair value of \$14,778 (\$0.037/share) based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

#### ***Issuance of Shares to Settle Notes Payable***

On September 29, 2010, the Company issued 1,824,856 shares of its common stock to a noteholder in settlement of principal debt and accrued interest in the aggregate amount of \$1,003,671. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On September 29, 2010, the Company issued 65,715 shares of its common stock to a noteholder in settlement of principal debt and accrued interest in the aggregate amount of \$36,143. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On September 29, 2010, the Company issued 75,000 shares of its common stock to a noteholder in settlement of principal debt and accrued interest in the aggregate amount of \$41,250. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On September 29, 2010, the Company issued 7,161,548 shares of its common stock to a noteholder in settlement of principal debt and accrued interest in the aggregate amount of \$358,077. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On September 29, 2010, the Company issued 2,200,000 shares of its common stock to a noteholder in settlement of principal debt and accrued interest in the aggregate amount of \$110,000. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

***Issuance of Shares to Settle Contract***

On December 23, 2010, the Company issued 511,509 shares of its common stock in settlement of an outstanding contract with a vendor. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

***Issuance of Warrants to Settle Contract***

On September 15, 2011, Company issued 10,000,000 stock purchase warrants with an exercise price of \$0.008 per share as settlement of an outstanding contract provision with management. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

***Issuance of Shares to Settle Aged Debt***

On December 27, 2010, the Company issued securities exempt from the registration requirements of the Securities Act pursuant to Section 3(a)(10) of the Securities Act, to a third party fund. Pursuant to this transaction, on December 27, 2010, the Company directed its transfer agent to issue and deliver to the third party 8,928,571 shares of the Company's common stock, subject to adjustment, in satisfaction of a debt in the amount of \$400,000.

On January 26, 2011, the Company issued securities exempt from the registration requirements of the Securities Act pursuant to Section 3(a)(10) of the Securities Act, to a third party fund. Pursuant to this transaction, on January 26, 2011, the Company directed its transfer agent to issue and deliver to the third party 3,312,435 shares of the Company's common stock subject to adjustment, in satisfaction of a debt in the amount of \$82,811.

On January 27, 2011, the Company issued securities exempt from the registration requirements of the Securities Act pursuant to Section 3(a)(10) of the Securities Act, to a third party fund. Pursuant to this transaction, on January 27, 2011, the Company directed its transfer agent to issue and deliver to the third party 1,176,471 shares of the Company's common stock subject to adjustment, in satisfaction of a debt in the amount of \$100,000.

On February 1, 2011, the Company issued securities exempt from the registration requirements of the Securities Act pursuant to Section 3(a)(10) of the Securities Act, to a third party fund. Pursuant to this transaction, on February 1, 2011, the Company directed its transfer agent to issue and deliver to the third party 833,333 shares of the Company's common stock subject to adjustment, in satisfaction of a debt in the amount of \$50,000.

On February 3, 2011, the Company issued securities exempt from the registration requirements of the Securities Act pursuant to Section 3(a)(10) of the Securities Act, to a third party fund. Pursuant to this transaction, on February 3, 2011, the Company directed its transfer agent to issue and deliver to the third party 11,500,000 shares of common stock of the Company common stock subject to adjustment, in satisfaction of a debt in the amount of \$444,250.

On February 7, 2011, the Company issued securities exempt from the registration requirements of the Securities Act pursuant to Section 3(a)(10) of the Securities Act, to a third party fund. Pursuant to this transaction, on February 7, 2011, the Company directed its transfer agent to issue and deliver to the third party 1,250,000 shares of the Company's common stock subject to adjustment, in satisfaction of a debt in the amount of \$50,000.

On February 11, 2011, the Company issued securities exempt from the registration requirements of the Securities Act pursuant to Section 3(a)(10) of the Securities Act, to a third party fund. Pursuant to this transaction, on February 11, 2011, the Company directed its transfer agent to issue and deliver to the third party 2,000,000 shares of common stock of the Company common stock subject to adjustment, in satisfaction of a debt in the amount of \$50,000.

On February 18, 2011, the Company issued securities exempt from the registration requirements of the Securities Act pursuant to Section 3(a)(10) of the Securities Act, to a third party fund. Pursuant to this transaction, on February 18, 2011, the Company directed its transfer agent to issue and deliver to the third party 1,667,000 shares of the Company's common stock subject to adjustment, in satisfaction of a debt in the amount of \$50,000.

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On February 28, 2011, the Company issued securities exempt from the registration requirements of the Securities Act pursuant to Section 3(a)(10) of the Securities Act, to a third party fund. Pursuant to this transaction, on February 28, 2011, the Company directed its transfer agent to issue and deliver to the third party 2,187,666 shares of the Company's common stock subject to adjustment, in satisfaction of a debt in the amount of \$65,930.

On March 29, 2011, the Company issued securities exempt from the registration requirements of the Securities Act pursuant to Section 3(a)(10) of the Securities Act, to a third party fund. Pursuant to this transaction, on March 29, 2011, the Company directed its transfer agent to issue and deliver to the third party 1,094,904 shares of the Company's common stock subject to adjustment, in satisfaction of a debt in the amount of \$27,373.

On March 29, 2011, the Company issued securities exempt from the registration requirements of the Securities Act pursuant to Section 3(a)(10) of the Securities Act, to a third party fund. Pursuant to this transaction, on March 29, 2011, the Company directed its transfer agent to issue and deliver to the third party 1,905,096 shares of the Company's common stock subject to adjustment, in satisfaction of a debt in the amount of \$47,627.

On March 29, 2011, the Company issued securities exempt from the registration requirements of the Securities Act pursuant to Section 3(a)(10) of the Securities Act, to a third party fund. Pursuant to this transaction, on March 29, 2011, the Company directed its transfer agent to issue and deliver to the third party 3,000,000 shares of the Company's common stock subject to adjustment, in satisfaction of a debt in the amount of \$75,000.

On April 6, 2011, the Company issued securities exempt from the registration requirements of the Securities Act pursuant to Section 3(a)(10) of the Securities Act, to a third party fund. Pursuant to this transaction, on April 6, 2011, the Company directed its transfer agent to issue and deliver to the third party 2,000,000 shares of the Company's common stock subject to adjustment, in satisfaction of a debt in the amount of \$50,000.

On April 15, 2011, the Company issued securities exempt from the registration requirements of the Securities Act pursuant to Section 3(a)(10) of the Securities Act, to a third party fund. Pursuant to this transaction, on April 15, 2011, the Company directed its transfer agent to issue and deliver to the third party 2,000,000 shares of the Company's common stock subject to adjustment, in satisfaction of a debt in the amount of \$58,644.

On May 12, 2011, the Company issued securities exempt from the registration requirements of the Securities Act pursuant to Section 3(a)(10) of the Securities Act, to a third party fund. Pursuant to this transaction, on May 12, 2011, the Company directed its transfer agent to issue and deliver to the third party 3,023,040 shares of the Company's common stock subject to adjustment, in satisfaction of a debt in the amount of \$75,576.

On May 20, 2011, the Company issued securities exempt from the registration requirements of the Securities Act pursuant to Section 3(a)(10) of the Securities Act, to a third party fund. Pursuant to this transaction, on May 20, 2011, the Company directed its transfer agent to issue and deliver to the third party 3,774,744 shares of the Company's common stock subject to adjustment, in satisfaction of a debt in the amount of \$83,044.

On May 19, 2011, the Company issued securities exempt from the registration requirements of the Securities Act pursuant to Section 3(a)(10) of the Securities Act, to a third party fund. Pursuant to this transaction, on May 19, 2011, the Company directed its transfer agent to issue and deliver to the third party 4,031,853 shares of the Company's common stock subject to adjustment, in satisfaction of a debt in the amount of \$100,796.

On June 2, 2011, the Company issued securities exempt from the registration requirements of the Securities Act pursuant to Section 3(a)(10) of the Securities Act, to a third party fund. Pursuant to this transaction, on June 2, 2011, the Company directed its transfer agent to issue and deliver to the third party 4,932,500 shares of the Company's common stock subject to adjustment, in satisfaction of a debt in the amount of \$98,650.

On June 3, 2011, the Company issued securities exempt from the registration requirements of the Securities Act pursuant to Section 3(a)(10) of the Securities Act, to a third party fund. Pursuant to this transaction, on June 3, 2011, the Company directed its transfer agent to issue and deliver to the third party 2,777,777 shares of the Company's common stock subject to adjustment, in satisfaction of a debt in the amount of \$50,000.



On June 27, 2011, the Company issued securities exempt from the registration requirements of the Securities Act pursuant to Section 3(a)(10) of the Securities Act, to a third party fund. Pursuant to this transaction, on June 27, 2011, the Company directed its transfer agent to issue and deliver to the third party 3,636,363 shares of the Company's common stock subject to adjustment, in satisfaction of a debt in the amount of \$40,000.

On August 4, 2011, the Company issued securities exempt from the registration requirements of the Securities Act pursuant to Section 3(a)(10) of the Securities Act, to a third party fund. Pursuant to this transaction, on August 4, 2011, the Company directed its transfer agent to issue and deliver to the third party 1,794,871 shares of the Company's common stock in satisfaction of a debt in the amount of \$100,000.

***Issuance of Shares as Performance Bonus***

On October 18, 2010, the Company issued an officer and director 5,000,000 shares of the Company's common stock as a performance bonus at a fair value of \$2,650,000 (\$0.53/share), based upon the quoted closing price of the Company's common stock on October 18, 2010. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On October 18, 2010, the Company issued an officer and director 5,000,000 shares of the Company's common stock as a performance bonus at a fair value of \$2,650,000 (\$0.53/share), based upon the quoted closing price of the Company's common stock on October 18, 2010. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On March 27, 2012, the Company issued officers and a director 444,548,916 shares of the Company's common stock as a performance bonus at a fair value of \$4,667,764 (\$0.0105/share), based upon the quoted closing price of the Company's common stock on December 31, 2011. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

***Issuance of Shares to Debt Holders***

On September 21, 2010, the Company issued one investor 33,333 shares of the Company's common stock as further consideration for the investor to enter into a debt agreement with the Company. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On September 21, 2010, the Company issued one investor 16,667 shares of the Company's common stock as further consideration for the investor to enter into a debt agreement with the Company. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On February 15, 2012, the Company issued one investor 20,000,000 shares of the Company's common stock as further consideration related to the prepayment of a debt agreement with the Company. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On March 28, 2012, the Company issued one investor 10,000,000 shares of the Company's common stock as further consideration related to the prepayment of a debt agreement with the Company. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On March 30, 2012, the Company issued one investor 25,000,000 shares of the Company's common stock as further consideration related to the prepayment of a debt agreement with the Company. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

***Issuance of Shares for Services***

On April 1, 2010, the Company issued 150,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$174,000 (\$1.16/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2)

of the Securities Act and Regulation D promulgated thereunder.

On May 5, 2010, the Company issued 170,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$175,100 (\$1.15/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On May 5, 2010, the Company issued 20,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$20,600 (\$1.15/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On May 5, 2010, the Company issued 10,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$10,300 (\$1.15/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On May 5, 2010, the Company issued 70,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$72,100 (\$1.15/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On May 5, 2010, the Company issued 80,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$82,400 (\$1.15/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On May 8, 2010, the Company issued 36,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$37,440 (\$1.15/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On June 28, 2010, the Company issued 300,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$309,000 (\$1.00/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On June 30, 2010, the Company issued 120,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$139,200 (\$1.03/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On June 30, 2010, the Company issued 50,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$52,000 (\$1.03/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On June 30, 2010, the Company issued 89,250 shares of the Company's common stock to a consultant for services rendered at a fair value of \$92,820 (\$1.03/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On June 30, 2010, the Company issued 5,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$5,200 (\$1.03/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

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On June 30, 2010, the Company issued 5,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$5,200 (\$1.03/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On June 30, 2010, the Company issued 250,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$260,000 (\$1.03/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On June 30, 2010, the Company issued 25,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$26,000 (\$1.03/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On June 30, 2010, the Company issued 30,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$31,200 (\$1.03/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On June 23, 2010, the Company issued 75,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$87,038 (\$1.16/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On June 30, 2010, the Company issued 54,750 shares of the Company's common stock to a consultant for services rendered at a fair value of \$56,940 (\$1.03/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On June 30, 2010, the Company issued 30,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$31,200 (\$1.03/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On May 1, 2010, the Company issued 120,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$138,000 (\$1.15/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On June 30, 2010, the Company issued 10,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$10,400 (\$1.03/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On June 30, 2010, the Company issued 10,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$10,400 (\$1.03/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On June 30, 2010, the Company issued 10,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$10,400 (\$1.03/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

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On June 30, 2010, the Company issued 50,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$31,200 (\$1.03/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On June 30, 2010, the Company issued 30,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$31,200 (\$1.03/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On June 30, 2010, the Company issued 30,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$31,200 (\$1.03/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On June 30, 2010, the Company issued 12,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$12,480 (\$1.03/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On June 30, 2010, the Company issued 110,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$114,400 (\$1.03/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On July 1, 2010, the Company issued 250,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$257,500 (\$1.03/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On July 14, 2010, the Company issued 10,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$10,300 (\$1.03/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On July 14, 2010, the Company issued 50,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$51,500 (\$1.03/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On July 14, 2010, the Company issued 25,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$25,750 (\$1.03/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On July 14, 2010, the Company issued 25,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$25,750 (\$1.03/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On July 15, 2010, the Company issued 125,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$128,750 (\$1.03/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.



On July 15, 2010, the Company issued 375,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$386,250 (\$1.03/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On July 22, 2010, the Company issued 25,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$25,000 (\$1.00/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On July 22, 2010, the Company issued 12,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$10,000 (\$0.833/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On July 29, 2010, the Company issued 5,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$3,700 (\$0.740/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On August 10, 2010, the Company issued 115,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$56,350 (\$0.590/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On August 20, 2010, the Company issued 2,500 shares of the Company's common stock to a consultant for services rendered at a fair value of \$1,275 (\$0.510/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On August 20, 2010, the Company issued 100,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$51,000 (\$0.510/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On August 25, 2010, the Company issued 24,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$11,760 (\$0.490/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On August 25, 2010, the Company issued 85,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$41,650 (\$0.490/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On September 29, 2010, the Company issued 50,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$20,900 (\$0.418/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On September 29, 2010, the Company issued 35,715 shares of the Company's common stock to a consultant for services rendered at a fair value of \$12,500 (\$0.350/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

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On October 5, 2010, the Company issued 19,200 shares of the Company's common stock to a consultant for services rendered at a fair value of \$9,408 (\$0.490/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On October 11, 2010, the Company issued 250,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$150,000 (\$0.600/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On October 11, 2010, the Company issued 250,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$150,000 (\$0.600/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On October 14, 2010, the Company issued 19,125 shares of the Company's common stock to a consultant for services rendered at a fair value of \$10,519 (\$0.550/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On October 14, 2010, the Company issued 12,500 shares of the Company's common stock to a consultant for services rendered at a fair value of \$6,875 (\$0.550/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On October 14, 2010, the Company issued 3,375 shares of the Company's common stock to a consultant for services rendered at a fair value of \$1,856 (\$0.550/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On October 22, 2010, the Company issued 285,714 shares of the Company's common stock to a consultant for services rendered at a fair value of \$240,000 (\$0.840/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On October 22, 2010, the Company issued 140,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$117,600 (\$0.840/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On October 26, 2010, the Company issued 50,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$30,000 (\$0.600/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On October 26, 2010, the Company issued 7,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$3,710 (\$0.600/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On October 26, 2010, the Company issued 130,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$117,000 (\$0.600/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

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On October 28, 2010, the Company issued 100,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$177,000 (\$0.77/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On November 2, 2010, the Company issued 35,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$18,200 (\$0.520/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On November 18, 2010, the Company issued 3,500,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$840,000 (\$0.240/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On December 3, 2010, the Company issued 20,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$11,000 (\$0.550/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On December 10, 2010, the Company issued 2,200,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$220,000 (\$0.100/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On December 13, 2010, the Company issued 1,000,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$60,000 (\$0.060/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On December 14, 2010, the Company issued 4,000,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$200,000 (\$0.050/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On December 14, 2010, the Company issued 1,000,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$50,000 (\$0.050/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On November 17, 2010, the Company issued 4,000,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$960,000 (\$0.240/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On December 15, 2010, the Company issued 1,000,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$80,000 (\$0.080/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On December 15, 2010, the Company issued 1,500,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$120,000 (\$0.080/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

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On December 15, 2010, the Company issued 250,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$20,000 (\$0.080/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On December 16, 2010, the Company issued 5,000,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$350,000 (\$0.070/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On December 22, 2010, the Company issued 5,000,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$300,000 (\$0.060/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On January 7, 2011, the Company issued 25,000 shares of the Company's common stock to a consultant for services to be rendered at a fair value of \$1,723 (\$0.069/share), based upon the quoted closing price trading price on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On January 7, 2011, the Company issued 150,000 shares of the Company's common stock to a consultant for services to be rendered at a fair value of \$10,335 (\$0.069/share), based upon the quoted closing price trading price on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On January 7, 2011, the Company issued 25,000 shares of the Company's common stock to a consultant for services to be rendered at a fair value of \$1,723 (\$0.069/share), based upon the quoted closing price trading price on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On February 17, 2011, the Company issued 150,000 shares of the Company's common stock to a consultant for services to be rendered at a fair value of \$9,000 (\$0.060/share), based upon the quoted closing price trading price on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On February 28, 2011, the Company issued 258,621 shares of the Company's common stock to a consultant for services to be rendered at a fair value of \$15,000 (\$0.058/share), based upon contract value. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On March 31, 2011, the Company issued 25,000 shares of the Company's common stock to a consultant for services to be rendered at a fair value of \$1,650 (\$0.066/share), based upon the quoted closing price trading price on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On March 31, 2011, the Company issued 471,698 shares of the Company's common stock to a consultant for services to be rendered at a fair value of \$25,000 (\$0.053/share), based upon the quoted closing price trading price on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On March 31, 2011, the Company issued 227,273 shares of the Company's common stock to a consultant for services to be rendered at a fair value of \$15,000 (\$0.066/share), based upon contract value. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.



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On April 15, 2011, the Company issued 100,000 shares of the Company's common stock to a consultant for services to be rendered at a fair value of \$8,100 (\$0.081/share), based upon the quoted closing price trading price on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On April 30, 2011, the Company issued 319,149 shares of the Company's common stock to a consultant for services to be rendered at a fair value of \$15,000 (\$0.047/share), based upon contract value. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On May 1, 2011, the Company issued 3,723,404 shares of the Company's common stock to a consultant for services to be rendered at a fair value of \$175,000 (\$0.047/share), based upon the quoted closing price trading price on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On May 31, 2011, the Company issued 333,333 shares of the Company's common stock to a consultant for services to be rendered at a fair value of \$15,000 (\$0.045/share), based upon contract value. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On June 30, 2011, the Company issued 500,000 shares of the Company's common stock to a consultant for services to be rendered at a fair value of \$15,000 (\$0.030/share), based upon contract value. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On July 12, 2011, the Company issued 100,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$3,050 (\$0.0305/share), based upon contract value. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On August 22, 2011, the Company issued 375,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$11,250 (\$0.03/share), based upon contract value. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On August 22, 2011 the Company issued 75,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$2,250 (\$0.03/share), based upon contract value. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On August 30, 2011, the Company issued 100,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$2,500 (\$.02/share), based upon contract value. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On August 30, 2011, the Company issued 3,934,426 shares of the Company's common stock to a consultant for services rendered at a fair value of 90,000 (\$0.029share, based upon contract value. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On September 6, 2011, the Company issued 2,586,207 shares of the Company's common stock to a consultant for services rendered at a fair value of \$75,000 (\$0.029/share), based upon contract value. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On September 30, 2011, the Company issued 100,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$8,100 (\$0.081/share), based upon contract value. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

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On December 7, 2011 the Company issued 9,714,285 shares of the Company's common stock in connection with a marketing agreement, shares were rendered at a fair value of \$170,000 (\$0.0175/share), based upon an average quoted closing price of the twenty preceding trading days. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On May 1, 2012, the Company issued 3,773,585 shares of the Company's common stock to a consultant for services rendered at a fair value of \$50,000 (\$0.0132/share), based upon contract value. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On May 9, 2012, the Company issued 4,347,826 shares of the Company's common stock to a consultant for services rendered at a fair value of \$50,000 (\$0.0115/share), based upon contract value. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On June 1, 2012, the Company issued 2,500,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$50,000 (\$0.02/share), based upon contract value. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On July 10, 2012, the Company issued 10,000,000 shares of the Company's common stock to a consultant for services rendered at a fair value of \$120,000 (\$0.012/share), based upon contract value. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

### *Issuances for Prepaid Services*

On February 11, 2011, the Company issued 1,000,000 shares of the Company's common stock to a consultant for services to be rendered at a fair value of \$78,000 (\$0.078/share), based upon the quoted closing price of the Company's common stock on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On March 9, 2011, the Company issued consultants 2,500,000 shares of the Company's common stock for services to be rendered at a fair value of \$150,000 (\$0.066/share) based upon the quoted closing price trading price on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On May 1, 2011, the Company issued 500,000 shares of the Company's common stock to a consultant for services to be rendered at a fair value of \$23,500 (\$0.047/share), based upon the quoted closing price trading price on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On April 1, 2012, the Company issued 2,000,000 shares of the Company's common stock to a consultant for services to be rendered at a fair value of \$50,000 (\$0.025/share), based upon the quoted closing price trading price on the date of issuance. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

### *Issuance of Shares for Cash*

In May 2010, the Company entered into subscription agreements with accredited investors in connection with two private issuances and sales of 1,000,000 shares of the Company's common stock at \$0.50 per share (the 1,000,000 share private placement") and 300,000 shares of the Company's common stock at \$0.35 per share (the 300,000 share private placement"). As of June 30, 2010, the Company sold 90,000 shares under the 1,000,000 share private placement and 227,423 shares under the 300,000 share private placement for aggregate net proceeds of \$117,848. On June 30, 2010, the Company's Board of Directors increased the number of shares under the 300,000 share private

placement to 1,000,000 shares. These shares were sold without registration under the Securities Act or state securities laws, in reliance on the exemptions provided by Section 4(2) of the Act and Regulation D promulgated thereunder.

On May 4, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 25,000 shares of the Company's common stock, for an aggregate purchase price of \$12,500, or \$0.50 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On May 4, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 10,000 shares of the Company's common stock, for an aggregate purchase price of \$5,000, or \$0.50 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On May 4, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 15,000 shares of the Company's common stock, for an aggregate purchase price of \$7,500, or \$0.50 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On May 4, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 100,000 shares of the Company's common stock, for an aggregate purchase price of \$50,000, or \$0.50 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On May 12, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 15,000 shares of the Company's restricted common stock, par value \$0.001 per share, in exchange for an aggregate purchase price of \$7,500, or \$0.50 per share. The shares of common stock issued in connection with the Agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On May 12, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 10,000 shares of the Company's common stock, for an aggregate purchase price of \$55,000, or \$0.50 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On May 12, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 100,000 shares of the Company's common stock, for an aggregate purchase price of \$50,000, or \$0.50 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On May 12, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 100,000 shares of the Company's common stock, for an aggregate purchase price of \$50,000, or \$0.50 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On May 19, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 10,000 shares of the Company's common stock, for an aggregate purchase price of \$5,000, or \$0.50 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On May 19, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 20,000 shares of the Company's common stock, in exchange for an aggregate purchase price of \$10,000, or \$0.50 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On May 19, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 5,000 shares of the Company's common stock, for an aggregate purchase price of \$2,500, or \$0.50 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On May 19, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 5,000 shares of the Company's common stock, for an aggregate purchase price of \$2,500, or \$0.50 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On May 19, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 10,000 shares of the Company's common stock, for an aggregate purchase price of \$5,000, or \$0.50 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On May 19, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 5,000 shares of the Company's common stock, for an aggregate purchase price of \$2,500, or \$0.50 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On May 19, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 10,000 shares of the Company's common stock, for an aggregate purchase price of \$5,000, or \$0.50 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On May 19, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 10,000 shares of the Company's common stock, for an aggregate purchase price of \$5,000, or \$0.50 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On June 17, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 10,000 shares of the Company's common stock, share, for an aggregate purchase price of \$5,000, or \$0.50 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On June 17, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 20,000 shares of the Company's common stock, for an aggregate purchase price of \$10,000, or \$0.50 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.



On June 17, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 20,000 shares of the Company's common stock, for an aggregate purchase price of \$10,000, or \$0.50 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On June 17, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 10,000 shares of the Company's common stock, for an aggregate purchase price of \$5,000, or \$0.50 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On June 17, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 10,000 shares of the Company's common stock, share, for an aggregate purchase price of \$5,000, or \$0.50 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On June 17, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 28,569 shares of the Company's common stock, for an aggregate purchase price of \$9,999, or \$0.35 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On June 23, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 10,000 shares of the Company's common stock, par value \$0.001 per share, in exchange for an aggregate purchase price of \$5,000, or \$0.50 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On June 23, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 10,000 shares of the Company's common stock, par value \$0.001 per share, in exchange for an aggregate purchase price of \$5,000, or \$0.50 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On June 23, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 105,000 shares of the Company's common stock, for an aggregate purchase price of \$30,000, or \$0.286 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On June 23, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 28,569 shares of the Company's common stock, for an aggregate purchase price of \$9,999, or \$0.35 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On July 13, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 15,000 shares of the Company's common stock, for an aggregate purchase price of \$5,250, or \$0.35 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On July 13, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 16,000 shares of the Company's common stock, for an aggregate purchase price of \$5,600, or \$0.35 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On July 13, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 20,000 shares of the Company's common stock, for an aggregate purchase price of \$7,000, or \$0.35 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On July 14, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 14,285 shares of the Company's common stock, for an aggregate purchase price of \$5,000, or \$0.35 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On July 14, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 50,000 shares of the Company's common stock, for an aggregate purchase price of \$13,250, or \$0.265 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On July 16, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 55,000 shares of the Company's common stock, for an aggregate purchase price of \$19,250, or \$0.35 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On July 29, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 40,000 shares of the Company's common stock, for an aggregate purchase price of \$14,000, or \$0.35 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On July 29, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 85,715 shares of the Company's common stock, for an aggregate purchase price of \$30,000, or \$0.35 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On July 29, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 28,572 shares of the Company's common stock, for an aggregate purchase price of \$9,999, or \$0.35 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On August 20, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 2,625 shares of the Company's common stock, for an aggregate purchase price of \$7,500, or \$0.35 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On August 20, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 2,625 shares of the Company's common stock, for an aggregate purchase price of \$7,500, or \$0.35 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On August 20, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 85,715 shares of the Company's common stock, for an aggregate purchase price of \$30,000, or \$0.35 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On August 20, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 200,000 shares of the Company's common stock, for an aggregate purchase price of \$70,000, or \$0.35 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On August 25, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 14,286 shares of the Company's common stock, for an aggregate purchase price of \$5,000, or \$0.35 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On August 25, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 14,286 shares of the Company's common stock, for an aggregate purchase price of \$5,000, or \$0.35 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On August 25, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 45,000 shares of the Company's common stock, for an aggregate purchase price of \$15,750, or \$0.35 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On August 25, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 7,500 shares of the Company's common stock, for an aggregate purchase price of \$2,625, or \$0.35 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On August 25, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 7,500 shares of the Company's common stock, for an aggregate purchase price of \$2,625, or \$0.35 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On September 29, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 142,857 shares of the Company's common stock, for an aggregate purchase price of \$50,000, or \$0.35 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On September 29, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 571,429 shares of the Company's common stock, for an aggregate purchase price of \$200,000, or \$0.35 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On September 29, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 144,125 shares of the Company's common stock, for an aggregate purchase price of \$50,444, or \$0.35 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On September 29, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 30,000 shares of the Company's common stock, for an aggregate purchase price of \$10,500, or \$0.35 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On September 29, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 174,285 shares of the Company's common stock, for an aggregate purchase price of \$61,000, or \$0.35 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On September 29, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 285,714 shares of the Company's common stock, for an aggregate purchase price of \$100,000, or \$0.35 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On October 26, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 15,000 shares of the Company's common stock, for an aggregate purchase price of \$5,250, or \$0.35 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On October 26, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 28,572 shares of the Company's common stock, for an aggregate purchase price of \$10,000, or \$0.35 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On October 26, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 42,858 shares of the Company's common stock, for an aggregate purchase price of \$15,000, or \$0.35 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On October 26, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 100,000 shares of the Company's common stock, for an aggregate purchase price of \$35,000, or \$0.35 per share. The shares of common stock issued in connection with the Agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On October 26, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 71,429 shares of the Company's common stock, for an aggregate purchase price of \$25,000, or \$0.35 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.



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On October 26, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 400,000 shares of the Company's common stock, for an aggregate purchase price of \$140,000, or \$0.35 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On October 26, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 300,000 shares of the Company's common stock, for an aggregate purchase price of \$105,000, or \$0.35 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On November 2, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 14,286 shares of the Company's common stock, for an aggregate purchase price of \$5,000, or \$0.35 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On November 2, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 15,000 shares of the Company's common stock, for an aggregate purchase price of \$5,250, or \$0.35 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On November 2, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 21,500 shares of the Company's common stock, for an aggregate purchase price of \$7,525, or \$0.35 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On November 2, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 15,000 shares of the Company's common stock, for an aggregate purchase price of \$5,250, or \$0.35 per share. The shares of common stock issued in connection with the Agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On November 2, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 50,000 shares of the Company's common stock, for an aggregate purchase price of \$17,500, or \$0.35 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On November 2, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 85,715 shares of the Company's common stock, for an aggregate purchase price of \$29,985, or \$0.35 per share. The shares of common stock issued in connection with the Agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On November 2, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 114,000 shares of the Company's restricted common stock, par value \$0.001 per share, in exchange for an aggregate purchase price of \$39,900, or \$0.35 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On November 2, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 100,000 shares of the Company's common stock, for an aggregate purchase price of \$35,000, or \$0.35 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On December 3, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 20,000 shares of the Company's common stock, for an aggregate purchase price of \$6,990, or \$0.35 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On December 15, 2010, the Company entered into a stock purchase agreement with an investor. Pursuant to the stock purchase agreement, the Company issued 10,000 shares of the Company's common stock, for an aggregate purchase price of \$3,485, or \$0.35 per share. The shares of common stock issued in connection with the stock purchase agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On July 7, 2011, the Company entered into a stock purchase agreement (the Carriage Agreement”) with Carriage Group, LLC (Carriage”). Pursuant to the Carriage Agreement, the Company issued 20,000,000 shares of the Company’s common stock, to Carriage in exchange for an aggregate purchase price of \$500,000.00, or \$0.025 per share. The shares of common stock issued in connection with the Carriage Agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder. On November 29, 2011, the Company repriced the shares purchased on July 7, 2011 at \$0.0125 per share, and the Company issued an additional 20,000,000 shares of its common stock. The shares of common stock issued in connection with the Carriage Agreement were issued pursuant to exemptions from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder.

On November 4, 2011, the Company entered into a Series C Preferred Stock Purchase Agreement, pursuant to which the Company issued to Southridge 190 shares of the Company’s Series C Preferred Stock in exchange for (i) the forgiveness of \$90,000 owed to Southridge for services rendered and (ii) \$100,000 cash. Southridge can elect to convert the Series C Preferred Stock into shares of the Company’s common stock at any time after the issue date. Each share of Series C Preferred Stock is convertible into that number of shares of common stock as determined by dividing the stated value of such share of Series C Preferred Stock by the conversion price. The conversion price shall equal the higher of (i) \$0.01 and (ii) such price that is a 50% discount to the average of the low two closing bid prices for the Company’s common stock for the five trading days immediately prior to such day that Southridge delivers a notice of conversion to the Company, subject to adjustment.

On November 29, 2011, the Company issued 42,000,000 shares of the Company’s common stock for cash proceeds of \$375,000. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On July 16, 2012, the Company issued 100,000,000 shares of the Company’s common stock for cash proceeds of \$1,000,000. The issuance of such securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

**EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

Exhibit No. Description

- 2.1 Share Exchange Agreement, dated February 1, 2010, by and between Tone in Twenty, Inc. and Muscle Pharm LLC (as filed as Exhibit 2.1 to Company's Current Report on Form 8-K on February 2, 2010).
- 3.1 Tone In Twenty Articles of Incorporation, dated August 4, 2006 (as filed as Exhibit 3.1 to Company's Form SB-2 Registration Statement, filed November 2, 2007).
- 3.2 Bylaws of MusclePharm Corporation, dated August 5, 2006 (as filed as Exhibit 3.2 to Company's Form SB-2 Registration Statement, filed November 2, 2007).
- 3.3 Amended Articles of Incorporation, dated February 23, 2007 (as filed as Exhibit 3.3 to Company's Form SB-2 Registration Statement, filed November 2, 2007).
- 3.4 Series A Certificate of Designation (as filed as Exhibit 3.4 to the Company's Current Report on Form 8-K, filed on February 24, 2010).
- 3.5 Amended Articles of Incorporation (as filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q, filed on May 23, 2011).
- 3.6 Series B Certificate of Designation (as filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q, filed on August 16, 2011).
- 3.7 Series C Certificate of Designation (as filed as Exhibit 3.1 to the Company's Current Report on Form 8-K, filed on November 4, 2011)
- 3.8 Amended Articles of Incorporation (as filed as Exhibit 3.1 to the Company's Current Report on Form 8-K, filed on November 23, 2011).
- 4.1 \$900,000 Convertible Promissory Note (as filed as Exhibit 4.1 to the Company's Current Report on Form 8-K, dated July 8, 2011).
- 4.2 \$100,000 Convertible Promissory Note, dated November 18, 2010(as filed as Exhibit 4.2 to the Company's Registration Statement on Form S-1/A, filed on December 29, 2011).
- 4.3 \$256,250 Convertible Promissory Note, dated November 23, 2010 (as filed as Exhibit 4.3 to the Company's Registration Statement on Form S-1/A, filed on December 29, 2011).
- 5.1 Opinion of Lucosky Brookman LLP \*
- 10.1 Joint Development, Manufacturing, Distribution and Marketing Agreement, dated July 26, 2010, by and between MusclePharm Corporation and TapouT, LLC (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K on September 22, 2010).

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10.2 Sponsorship Agreement, dated January 18, 2011, by and between MusclePharm Corporation, and The Cincinnati Reds LLC (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K on January 24, 2011).

10.3 Registration Rights Agreement, dated June 2, 2011, by and between MusclePharm Corporation and MJJ Financial (as filed as Exhibit 10.1 to the Company's Current Report on Form 8-K on July 8, 2011).

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10.4 Amended and Restated Employment Agreement, dated November 14, 2011, by and between MusclePharm Corporation and Brad Pyatt (as filed as Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q, filed on August 16, 2011).

10.5 Amended and Restated Employment Agreement, dated November 14, 2011, by and between MusclePharm Corporation and Cory Gregory (as filed as Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q, filed on August 16, 2011).

10.6 Employment Agreement, dated September 15, 2011, by and between MusclePharm Corporation and John H. Bluhner (as filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q, filed on November 14, 2011).

10.7 Employment Agreement, dated November 14, 2011, by and between MusclePharm Corporation and Jeremy DeLuca (as filed as Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q, filed on November 14, 2011).

10.8 Equity Purchase Agreement, dated November 4, 2011, by and between MusclePharm Corporation and Southridge Partners II, LP (as filed as Exhibit 10.8 to the Company's Registration Statement on Form S-1/A, filed on December 29, 2011).

10.9 Registration Rights Agreement, dated November 4, 2011, by and between MusclePharm Corporation and Southridge Partners II, LP (as filed as Exhibit 10.9 to the Company's Registration Statement on Form S-1/A, filed on December 29, 2011).

10.10 Amendment No. 1 to Stock Purchase Agreement, dated December 8, 2011, by and between MusclePharm Corporation and Carriage Group, LLC (as filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on December 9, 2011).

10.11 Stock Purchase Agreement, dated December 2, 2011, by and between MusclePharm Corporation and TSX Holdings, LLC (as filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on December 8, 2011).

23.1 Consent of Berman & Company, P.A. \*

23.2 Consent of Lucosky Brookman LLP (included in Exhibit 5.1 filed herewith)

\* Filed herewith

## UNDERTAKINGS

(A) The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement to:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act;

Reflect in the prospectus any facts or events which, individually or together, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

(ii) Include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.



(B) The issuer is subject to Rule 430C (ss. 230. 430C of this chapter): Each prospectus filed pursuant to Rule 424(b)(ss. 230. 424(b) of this chapter) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A (ss. 230. 430A of this chapter), shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Denver, State of Colorado, on August 6, 2012.

### MUSCLEPHARM CORPORATION

By: /s/ Brad J. Pyatt

Name: Brad J. Pyatt

Title: Chief Executive Officer

(Principal Executive Officer)

By: /s/ Lewis Gary Davis

Name: Lewis Gary Davis

Title: Chief Financial Officer

(Principal Financial Officer)

(Principal Accounting Officer)

### **PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, AS AMENDED, THIS REGISTRATION STATEMENT HAS BEEN SIGNED BY OR ON BEHALF OF THE FOLLOWING PERSONS IN THE CAPACITIES AND ON THE DATES INDICATED:**

| Signature                                | Title   | Date           |
|--|---|----------------|
| /s/ Brad J. Pyatt<br>Brad J. Pyatt       | Chief Executive Officer, Principal Executive Officer and Co-Chairman                  | August 6, 2012 |
| /s/ Cory Gregory<br>Cory Gregory         | Senior President  | August 6, 2012 |
| /s/ Lewis Gary Davis<br>Lewis Gary Davis | Chief Financial Officer, Principal Financial Officer and Principal Accounting Officer | August 6, 2012 |
| /s/ Jeremy DeLuca<br>Jeremy DeLuca       | President and Chief Marketing Officer   | August 6, 2012 |
| /s/ John H. Bluhner                      | Chief Operating Officer, Co-Chairman  | August 6, 2012 |

John H. Blucher

/s/ David W. Prosser Director  
David W. Prosser

August 6, 2012

/s/ Gordon Burr Director  
Gordon Burr

August 6, 2012

/s/ Mark Groussman Director  
Mark Groussman

August 6, 2012

/s/ Lawrence S. Meer Treasurer  
Lawrence S. Meer

August 6, 2012

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