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

FORM 10-Q

#### ☑ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended: June 30, 2011 OR ☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 For the Transition Period from \_\_\_\_\_\_ to\_\_\_\_\_ Commission File Number: 000-53166 MUSCLEPHARM CORPORATION (Exact name of registrant as specified in its charter) Nevada 77-0664193 (State or other jurisdiction of (I.R.S. Employer incorporation or organization) Identification No.) 4721 Ironton Street, Building A **Denver, CO 90839** (Address of principal executive offices and zip code) (303) 396-6100 (Registrant's telephone number, including area code) Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes ⊠ No □ Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files. Yes  $\square$  No  $\square$ Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or 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 X Non-accelerated filer Smaller reporting company Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes □ No 🗵 As of August 15, 2011, there were 285,814,728 shares outstanding of the registrant's common stock.

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#### PART I – FINANCIAL INFORMATION

#### ITEM 1. FINANCIAL STATEMENTS.

# MUSCLEPHARM CORPORATION AND SUBSIDIARY CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2011 (UNAUDITED)

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#### MusclePharm Corporation and Subsidiary Consolidated Balance Sheets

	June 30, 2011 (unaudited)		December 31, 2010	
<u>Assets</u>				
Current Assets				
Cash	\$	,	\$	43,704
Accounts receivable		2,399,097		426,761
Prepaid stock compensation		382,546		893,240
Other current assets	_	9,211		42,605
Total Current Assets		3,308,665		1,406,310
Property and equipment		514,404		138,551
Prepaid stock compensation		810,399		1,088,131
Other assets	_	239,603		87,989
Total Assets	\$	4,873,071	\$	2,720,981
Liabilities and Stockholders' Deficit				
Enomited and Stockholders Believ				
Current Liabilities:				
Accounts payable and accrued liabilities	\$	2,885,403	\$	3,155,701
Demand loans		278,600		-
Debt		2,008,567		289,488
Derivative liabilities		5,155,773		622,944
Deferred revenue		18,240		75,733
Due to factor	_			71,783
Total Current Liabilities		10,346,583		4,215,649
Long Term Liabilities:				
Debt	_	87,620	_	250,000
Total Liabilities		10,434,203		4,465,649
Stockholders' Deficit				
Series A, Convertible Preferred Stock, \$0.001 par value; 10,000,000 shares authorized, none issued and outstanding	l	-		-
Common Stock, \$0.001 par value; 500,000,000 shares authorized, 252,555,498 and 118,649,439				
issued and outstanding		252,555		118,649
Additional paid-in capital		28,510,297		20,012,122
Accumulated deficit		(34,323,984)		(21,875,438)
Total Stockholders' Deficit		(5,561,132)		(1,744,667)
Total Liabilities and Stockholders' Deficit	\$	4,873,071	\$	2,720,981

See accompanying notes to financial statements

## MusclePharm Corporation and Subsidiary <u>Consolidated Statements of Operations</u> (unaudited)

	Th	ree Months E 2011	nde	ed June 30, 2010	Six	Months Ende	d Ju	2010 2011
Sales	\$	3,802,806	\$	468,109	\$	7,320,580	\$	1,726,697
Cost of sales		2,481,657		361,250		4,805,865		1,192,608
Gross profit		1,321,149		106,859		2,514,715		534,089
General and administrative expenses		3,214,917	_	2,982,236		5,495,708		5,661,122
Loss from operations	_	(1,893,768)		(2,875,377)		(2,980,993)		(5,127,033)
Other expenses								
Interest expense		(2,983,468)		(316,283)		(3,502,390)		(674,343)
Derivative expense		(2,698,490)		-		(4,057,859)		-
Change in fair value of derivative liabilities		766,487		-		634,770		-
Loss on settlement of accounts payable and accounts payable -								
net		(627,384)		_		(2,542,073)		_
Total other expense		(5,542,854)		(316,283)		(9,467,552)		(674,343)
Net loss	\$	(7,436,623)	\$	(3,191,660)	\$	(12,448,545)	\$	(5,801,376)
Net loss per common share - basic and dilutive	\$	(0.04)	\$	(0.11)	\$	(0.07)	\$	(0.21)
Weighted average number of common shares outstanding during the period - basic and dilutive	_	201,864,655		29,247,811	_	174,365,323	_	27,702,640

See accompanying notes to financial statements

### MusclePharm Corporation and Subsidiary <u>Consolidated Statements of Cash Flows</u> (unaudited)

	Six Months Er	2010		
Cash Flows From Operating Activities:	Φ (10 440 545)	ф (5 001 2 <b>7</b> 6)		
Net loss Adjustments to reconcile net loss to net cash	\$ (12,448,545)	\$ (5,801,376)		
used in operating activities:				
Depreciation	31,393	6,455		
Bad debt (recovery)	(5,203)	660		
Stock based compensation	758,826	2,641,067		
Amortization of prepaid stock based compensation	1,039,925			
Amortization of debt discount and debt issue costs	3,034,192	594,351		
Derivative expense	4,057,859	-		
Change in fair value of derivative liabilities	(634,770)	-		
Loss on sale of accounts receivable	-	5,196		
Loss on settlement of accounts payable	2,542,073	-		
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	(1,967,133)	(459,454)		
Prepaid and other	(48,359)	54,411		
Inventory	-	(70,672)		
Deposits	-	(55,055)		
Other current Assets	-	(2,267)		
Accounts payable and accrued liabilities	1,057,640	1,264,000		
Deferred revenue	(57,493)	294,887		
Due to factor	(5,853)			
Net Cash Used In Operating Activities	(2,645,448)	(1,527,797)		
Cash Flows From Investing Activities:				
Purchases of property and equipment	(324,435)	(6,884)		
Net Used In Investing Activities	(324,435)	(6,884)		
Cash Flows From Financing Activities:				
Proceeds from sale of accounts receivable	-	226,847		
Repayment of debt - related party	-	(39,797)		
Proceeds from issuance of debt	3,648,083	1,026,000		
Debt issue costs	(204,093)	(25.100)		
Payment for recapitalziation from merger	-	(25,108) 317.098		
Proceeds from issuance of common stock Bank overdrafts	-	29,641		
Net Cash Provided By Financing Activities	2 442 000			
Tet Cash Hovided by Financing Activities	3,443,990	1,534,681		
Net increase in cash	474,107	-		
Cash at beginning of period	43,704	-		
Cook at and of nation	\$ 517,811	\$ -		
Cash at end of period	\$ 317,011	Φ -		
Supplemental disclosures of cash flow information:				
Cash paid for interest	\$ 2,518,761			
Cash paid for taxes	\$ -	\$ -		
Supplemental disclosure of non-cash investing and financing activities:				
	Φ 251.500	ф		
Stock issued for future services - third parties	\$ 251,500	\$ -		
Debt discount recorded on convertible debt accounted for as a derivative liability	\$ 3,258,108	\$ -		
Stock issued to settle accounts payable and accrued expenses - third parties	\$ 1,393,868	\$ -		
Conversion of notes to common stock	\$ 1,454,635	\$ 167,199		
Reclassification of convertible notes to demand loans	\$ 278,600	\$ -		
Reclassification of derivative liability to additional paid in capital	\$ 1,284,928	\$ -		
Beneficial conversion feature - convertible debt	\$ -	\$ 366,000		
Conversion of preferred stock to common stock	\$ -	\$ 15		
Stock issued to acquire equipment	\$ 82,811	\$ -		

Share cancellation \$ 350 \$

See accompanying notes to financial statements

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

#### **Nature of Operations**

MusclePharm Corporation (the "Company", or "MusclePharm"), 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., a then inactive public shell company, and changed its name to MusclePharm Corporation.

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 Commission (the "SEC") for interim financial information.

The financial information as of December 31, 2010 is derived from the audited financial statements presented in the Company's Annual Report on Form 10-K for the years ended December 31, 2010 and 2009. 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, 2010 and 2009.

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 SEC 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 six months ended June 30, 2011, are not necessarily indicative of results for the full fiscal year.

#### 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 consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes.

Such estimates and assumptions impact, among others, the following: the fair value of share-based payments, fair value of derivative liabilities, estimates of the probability and potential magnitude of contingent liabilities and the valuation allowance for deferred tax assets due to continuing operating losses.

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 consolidated financial statements, which management considered in formulating its estimate could change in the near term due to one or more future confirming events. Accordingly, the actual results could differ significantly from our 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. Also, see Note 3 regarding going concern and liquidity matters.

#### 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. There were no cash equivalents at June 30, 2011 and at December 31, 2010.

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.

#### 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 June 30, 2011 and December 31, 2010:

Accounts receivable	\$ 2,509,996 \$ 542,863
Less: allowance for doubtful accounts	(110,899) (116,102)
Accounts receivable – net	<u>\$ 2,399,097</u> <u>\$ 426,761</u>

At June 30, 2011 and December 31, 2010, the Company had the following concentrations of accounts receivable with customers:

Customer	2011	2010
A	34%	86%
В	17%	9%
C	15%	-%
D	13%	-%

#### **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 an 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.

#### **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 June 30, 2011 and December 31, 2010, using quoted prices in active markets for identical liabilities (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

		J	June 30,		December
			2011		31, 2010
Derivative liabilities	Level 2	\$	5,155,773	\$	622,944

The Company's financial instruments consisted primarily of cash, accounts receivable, prepaid stock compensation, other assets, accounts payable and accrued liabilities, demand loans and short term debt. The carrying amounts of the Company's financial instruments generally approximated their fair values as of June 30, 2011 and December 31, 2010, 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.

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. Sales for the three and six months ended June 30, 2011 and 2010, are as follows:

	Three Mon		Six Month		
	June	e 30,	June	e 30,	
	2011	2010	2011	2010	
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
Sales	\$ 3,838,374	\$ 491,151	\$ 7,509,589	\$ 1,811,606	
Discount	(35,568)	(23,042)	(189,009)	(84,909)	
Sales - Net	\$ 3,802,806	\$ 468,109	\$ 7,320,580	\$ 1,726,697	

The Company has an informal 7-day right of return for products. There were nominal returns for the three and six months ended June 30, 2011 and 2010.

For the six months ended June 30, 2011 and 2010, the Company had the following concentrations of revenues with customers:

Customer	2011	2010
A	40%	31%
В	11%	13%
C	6%	14%
D	0%	28%

#### **Cost of Sales**

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

At June 30, 2011 and 2010, the Company had the following concentrations of purchases from vendors:

Customer	2011	2010		
A	100%	16%		
В	-%	76%		

#### **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.

#### Advertising

The Company expenses advertising costs when incurred.

Advertising for the three and six months ended June 30, 2011 and 2010 are as follows:

Three Months Ended June 30,			Six Months Ended June 30,				
	2011		2010		2011		2010
\$	2,049,275	\$	1,817,540	\$	3,192,633	\$	3,055,512

#### **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.

There were no recorded BCF's during 2011.

#### **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. At June 30, 2011 and December 31, 2010, the Company had derivative liabilities in the amounts of \$5,155,773 and \$622,944, respectively.

#### **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 being 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.

#### **Earnings per Share**

Basic earnings (loss) per share is computed by dividing net income (loss) 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) 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 and six months ended June 30, 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 June 30, 2011 and 2010:

	2011	2010
Stock options (exercise price - \$0.50/share)	2,767,500	-
Warrants (exercise price - \$0.025 - \$1.50/share)	59,843,333	-
Convertible debt	43,933,988	2,202,000
Total common stock equivalents	106,544,821	2,202,000

In the above table, some of the outstanding convertible debt and warrants from 2011 and 2010 contains discount to market 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

Certain items in the 2010 unaudited financial statement presentation have been reclassified to conform to the 2011 presentation. Such reclassifications have no effect on previously reported financial condition, operations or cash flows.

#### **Recent Accounting Pronouncements**

There are no recent accounting pronouncements that are expected to have an effect on the Company's consolidated financial statements.

#### **Note 3 Going Concern and Liquidity**

As reflected in the accompanying unaudited interim consolidated financial statements, the Company had a net loss of \$12,448,545 and net cash used in operations of \$2,645,448 for the six months ended June 30, 2011 and a working capital deficit and stockholders' deficit of \$7,037,918 and \$5,561,132, respectively, at June 30, 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, 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;
- generate new sales from international customers; and
- allocate sufficient resources to continue with advertising and marketing efforts.

The accompanying unaudited interim consolidated 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 June 30, 2011 and December 31, 2010:

			De	cember 31,	<b>Estimated Useful</b>
	Jun	e 30, 2011		2010	Life
Leasehold improvements	\$	142,194	\$	67,760	*
Furniture and fixtures		388,117		55,305	3 years
Displays		32,057		32,057	5 years
Website		11,462		11,462	3 years
		573,830		166,584	
Less: Accumulated depreciation and amortization		(59,426)		(28,033)	)
	\$	514,404	\$	138,551	

<sup>\*</sup> The shorter of 5 years or the life of the lease.

#### **Note 5 Debt**

At June 30, 2011 and December 31, 2010, debt consists of the following:

	June 30, 2011	December 31, 2010
Convertible debt –secured – derivative liabilities	\$ 2,759,995	\$ 380,000
Conventional convertible debt – secured	-	225,000
Less: debt discount	(689,408)	(331,261)
Convertible debt – net	2,070,587	273,739
Secured debt	-	187,500
Unsecured debt	25,600	78,249
Total debt	2,096,187	539,488
Less: current portion	(2,008,567)	(289,488)
Long term debt	\$ 87,620	\$ 250,000

#### (A) Convertible Debt - Secured - Derivative Liabilities

During the six months ended June 30, 2011, the Company issued \$3,735,733 (net proceeds was \$3,443,990) in convertible debt – secured – derivative liabilities. The Company issued these debt instruments with 13 different sets of conversion terms. The Material terms of the Company's convertible debt – secured – derivative liabilities are as follows:

		Fa	ce Amount
			of Debt
Interest Rate	6% - 12%		
Default interest rate	15% - 22%		
Maturity	April 5, 2011 to June 2, 2014		
Conversion terms 1	Average 10 day trade pricing divided by 200% of	\$	
	outstanding principal balance		764,600
Conversion terms 2	Lesser of: Average of the lowest 2 closing prices of the 5	\$	
	days preceding conversion date or \$0.025/share		775,000
Conversion terms 3	60% of the average of the lowest 3 closing prices in the 10	\$	
	days preceding conversion date		170,000
Conversion terms 4	\$0.03	\$	100,000
Conversion terms 5	65% of the average of the lowest 3 closing prices in the 30	\$	303,800
	days preceding conversion	ф	40.000
Conversion terms 6	62% of the lowest closing prices in the 7 days preceding	\$	40,000
Conversion terms 7	conversion date	¢	
Conversion terms /	70% of the average of the lowest 3 closing prices in the 30 days preceding conversion	\$	600,000
Conversion terms 8	50% of the average closing prices in the 10 days preceding	\$	85,000
Conversion terms o	conversion	Ψ	65,000
Conversion terms 9	45% of the lowest 3 closing prices in the 10 days preceding	\$	277,500
Conversion terms	conversion	Ψ	277,800
Conversion terms 10	35% of the lowest 3 closing prices in the 10 days preceding	\$	100,000
	conversion	·	,
Conversion terms 11	Lesser of: 50% of average of the lowest 3 closing prices of	\$	
	the 20 days preceding conversion date or \$0.05/share		33,000
Conversion terms 12	50% of lowest trade price in preceding 20 days	\$	45,000
Conversion terms 13	80% of lowest trade price in preceding 30 days	\$	441,833
		\$	3,735,733
	Less original issue discount	\$	(87,650)
	Less debt issue costs	\$	(204,093)
	Net proceeds	\$	3,585,900
		<u> </u>	, ,

During the six months ended June 30, 2011, the Company converted \$1,077,138 in notes into 49,941,545 shares of the Company's common stock at prices ranging from \$0.016 to \$0.036/per share, based upon the terms of the debt conversion.

During the six months ended June 30, 2011, \$278,600 in convertible debt was reclassified to demand loans due to the maturity of the notes. The notes are unsecured and bear no interest.

The following is a summary of the Company's convertible debt - secured:

Convertible debt – secured – derivative liabilities – December 31, 2010	\$ 380,000
Issuance of convertible debt	3,735,733
Conversions of convertible debt to common stock	(1,077,138)
Conversions of convertible debt to demand loans	(278,600)
Convertible debt - secured – June 30, 2011	\$ 2,759,995

On June 29, 2011, the Company issued a convertible note and warrants. The note has an aggregate amount of \$2,651,000, of which the Company can draw down in a series of tranches. As of June 30, 2011, the Company received \$400,000 net of original discount of \$41,833 under the following terms:

- 6% interest;
- Due 48 months from drawdown date; and
- Unsecured.

The warrants contain the following provisions:

- one warrant to purchase common stock equal to \$800,000 divided by 80% of the lowest trade price of the stock during the 30 days immediately preceding the issue date;
- The number of warrants is variable; and
- The warrants expire 5 years from issuance.

#### (B) Conventional Convertible Debt - Secured

Terms of the Company's conventional convertible debt are as follows:

- Interest rate 8%;
- All notes were due by December 31, 2010, and were converted in 2011;
- Conversion of principal and accrued interest at rates ranging from 150% 300%;
- Secured by all assets of the Company; and
- All conversion rates associated with these instruments were at or above market. There is no BCF.

During the six months ended June 30, 2011, the Company issued 7,226,649 shares of common stock, having a fair value of \$426,970 (\$0.06 - \$0.10/share) to settle convertible notes payable, originating prior to December 31, 2010, having a face value of \$225,000. As a result, the Company recorded a loss on debt conversion of \$137,017.

The following is a summary of the Company's conventional convertible debt - secured:

Conventional convertible debt - secured – December 31, 2010	\$ 225,000
Settlement of debt through issuance of common stock	 (225,000)
Conventional convertible debt - secured – June 30, 2011	\$ _

#### (C) Secured Debt

During the six months ended June 30 2011, \$187,500 was converted into 7,500,000 shares of common stock, having a fair value of \$437,500 (\$0.058/share - \$0.059/share), based upon the quoted closing trading price. The Company recorded a loss on debt settlement of \$250,000.

The following is a summary of the Company's secured debt:

Secured debt – December 31, 2010	\$ 187,500
Settlement of debt through issuance of common stock	 (187,500)
Secured debt – June 30, 2011	\$ <u> </u>

#### (D) Unsecured Debt

During the six months ended June 30, 2011, \$52,649 was converted into 1,337,445 shares of common stock, having a fair value of \$76,647 (\$0.101/share), based upon the quoted closing trading price. The Company recorded a loss on debt settlement of \$24,107.

The following is a summary of the Company's unsecured debt:

Unsecured debt – December 31, 2010	\$ 78,249
Settlement of debt through issuance of common stock	 (52,649)
Unsecured debt – June 30, 2011	\$ 25,600

#### (E) Debt Issue Costs

The following is a summary of the Company's debt issue costs:

Debt issue costs – net – December 31, 2010	\$ 34,404
Issue costs paid during six months ended June 30, 2011	216,367
Amortization of debt issue costs – June 30, 2011	 (134,233)
Debt issue costs – net – June 30, 2011	\$ 116,538

#### (F) Debt Discount

During the six months ended June 30, 2011, the Company issued convertible debt with embedded derivatives and warrants. The Company recorded the derivatives and warrants at fair value and are amortizing the debt discount over the life of the debt. Debt discount is as follows:

Debt discount balance at December 31, 2010	\$ 331,261
Discount recorded for convertible notes issued during six months ended June 30, 2011	3,258,106
Accretion of debt discount to interest expense during the six months ended June 30, 2011	(2,899,959)
Debt discount balance at June 30, 2011	\$ 689,408

#### **Note 6 Derivative Liabilities**

The Company identified conversion features embedded within convertible debt - secured (see Note 5(A)). 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 a result of the application of ASC No. 815, the fair value of the conversion feature is summarized as follows:

Derivative liability balance at December 31, 2010	\$ 622,944
Fair value at the commitment date for convertible notes issued during six months ended June 30, 2011	6,452,527
Reclassification of derivative liability to additional paid in capital	(1,284,928)
Fair value mark to market adjustment	(634,770)
Derivative liability balance at June 30, 2011	\$ 5,155,773

The Company recorded the derivative liability to 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 for \$4,057,859 during the six months ended June 30, 2011.

The fair value at the commitment and remeasurement dates for embedded conversion features and warrants were based upon the following management assumptions:

	<b>Commitment Date</b>	Remeasurement Date
Expected dividends	0%	0%
Expected volatility	180%	180%
Expected term: conversion feature	0.08 - 3  years	0.04 - 2.93 years
Expected term: warrants	2.5 – 5 years	2.5 – 5 years
Risk free interest rate	0.11% - 2.76%	0.11 - 1.16%

#### Note 7 Stockholders' Deficit

#### (A) Common Stock

On April 18, 2011, the Company increased its authorized shares of common stock to 500,000,000.

During the six months ended June 30, 2011, the Company issued the following common stock:

				Lo	oss on	Ra	inge of
Transaction Type	Quantity	V	aluation	Settlement		ment Value per	
Conversion of debt (1)	66,005,639	\$	2,109,677	\$	411,124	\$	0.012-0.066
Settlement of accounts payable and accrued expenses (2)	54,746,257	\$	3,625,771	\$	2,130,949	\$	0.012 - 0.101
Services – rendered (3)	10,466,497	\$	510,681			\$	0.03-1.15
Services – prepaid stock compensation (4)	4,000,000	\$	251,500			\$	0.047 - 0.08
Contract settlement (5)	2,187,666	\$	126,885			\$	0.058
Shares in dispute (6)	3,500,000	\$	350			\$	0.0001
Total	133,906,059	\$	6,624,164	\$	2,542,073	\$	0.012-1.15

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) Conversion of Debt

The Company issued 66,005,639 shares of common stock to settle notes payable having a fair value of \$2,109,677 (\$0.012 - \$0.066/share), based upon the quoted closing trading price. The Company also recorded a loss on settlement of \$411,124.

#### (2) Settlement of Accounts Payable and Accrued Expense and Loss on Settlement

Of the total shares issued to settle accounts payable and accrued expenses, the Company issued 54,746,257 shares of common stock having a fair value of \$3,625,771 (\$0.016 - \$0.10/share), based upon the quoted closing trading price. The Company settled \$1,494,822 in accounts payable and recorded a loss on settlement of \$2,130,949.

#### (3) Stock Issued for Services

During six months ended June 30, 2011, the Company issued 10,466,497 (\$0.030 - \$1.15/share) shares of common stock for services, having a fair value of \$510,681 based upon the quoted closing trading price.

#### (4) Prepaid Stock Compensation

During six months ended June 30, 2011, the Company issued 4,000,000 shares of common stock for future services, having a fair value of \$251,500 (\$0.047 - \$0.08/share), based upon the quoted closing trading price. The agreements terminate during the periods July 2011 - November 2012.

The following represents the allocation of prepaid stock compensation:

	Short-		Long-			
		Term		Term		Total
Prepaid stock compensation December 31, 2010	\$	893,240	\$	1,088,131	\$	1,981,371
Prepaid issuances of stock for services		150,000		101,500		251,500
Reclassification from long-term to short-term		379,232		(379,232)		-
Amortization – 2011		(1,039,926)		<u>-</u>	_	(1,039,926)
Prepaid stock compensation – June 30, 2011	\$	382,546	\$	810,399	\$	1,192,945

#### (5) Contract Settlement

In connection with litigation (See Note 8(A)), the Company issued stock that has been accounted for as a settlement expense and a component of other expense.

(6) The Company cancelled 3,500,000 shares having a par value of \$350 (\$0.0001). The Company is disputing the issuance of these shares due to non-performance by a consultant.

#### (B) 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 2010 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.

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

		Weighted Average Exercise	Weighted Average Remaining	Aggregate Intrinsic	
	Options	Price	<b>Contractual Life</b>	Value	
Balance – December 31, 2010 – outstanding	2,767,500	\$ 0.50		\$	_
Balance – December 31, 2010 – exercisable	2,767,500	\$ 0.50		\$	<u>-</u> _
Granted		\$			
Exercised		\$			
Forfeited		\$			
Balance – June 30, 2011 – outstanding	2,767,500	\$ 0.50	1.25 years	\$	_
Balance - June 30, 2011 – exercisable	2,767,500	\$ 0.50	1.25 years	\$	_
Grant date fair value of options granted – 2011		\$			
Weighted average grant date fair value – 2011		\$			
Outstanding options held by related parties – 2011	2,000,000				
Exercisable options held by related parties – 2011	2,000,000				
Fair value of stock options granted to related parties – 2011	\$ -				

#### (C) Stock Warrants

During the six months ended June 30, 2011, the Company issued 58,893,333 stock warrants attached to certain convertible debt (Note 5A). The Company recorded the fair value of the discount to additional paid in capital. The Company is amortizing the discount over the life of the convertible debt.

In addition, the Company issued 200,000 5 year stock purchase warrants with exercise prices ranging from \$0.08 - \$0.10 per share for services rendered. The Company recorded an expense of \$16,200 as a result of the issuance.

The Company applied fair value accounting for stock warrant issuance. The fair value of each stock warrant granted is estimated on the date of issuance using the Black-Scholes option-pricing model. The Black-Scholes assumptions used at issuance are as follows:

Exercise price	\$0.025 - \$1.50
Expected dividends	0%
Expected volatility	180%
Risk fee interest rate	1.16%
Expected life of warrants	2.5 to 5 years
Expected forfeitures	0%

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

	Warrants	Weigh	nted Average Exercise Price
Outstanding – December 31, 2010	750,000	\$	1.50
Exercisable – December 31, 2010	750,000	\$	1.50
Granted	59,093,333	\$	0.08
Exercised	-	\$	-
Forfeited/Cancelled	-	\$	-
Outstanding – June 30, 2011	59,843,333	\$	0.09
Exercisable – June 30, 2011	59,843,333	\$	0.51

	warrants Ot	itstanding		warrants	EXC	ercisable
		Weighted Average				
Range of		Remaining	Weighted			Weighted
exercise	Number	<b>Contractual Life</b>	Average	Number		Average
price	Outstanding	(in years)	Exercise Price	Exercisable		<b>Exercise Price</b>
\$0.025-\$1.50	59,843,333	2.64 years	\$ 0.09	59,843,333	\$	0.09

At June 30, 2011 and December 31, 2010, the total intrinsic value of warrants outstanding and exercisable was \$0 and \$0, respectively.

#### **Note 8 Commitments and Contingencies**

#### (A) Factoring Agreement

In April 2010, the Company entered into a factoring agreement and sold its accounts receivable. During 2010, the Company entered into legal proceedings with the factor, as a result of the Company's customers not remitting funds directly to the factor.

A settlement, of \$96,783, was reached on November 10, 2010. During 2010, the Company repaid \$25,000, leaving a remaining balance of \$71,783 due to factor. In January 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 \$126,885 (\$0.058/share), based upon the quoted closing trading price. The Company recorded a loss on this debt settlement of \$60,955.

At June 30, 2011, the Company no longer factors its accounts receivable.

#### (B) Litigations, Claims and Assessments

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 from time to time that may harm its business.

The Company is currently aware of the following legal proceeding that they believe will have, individually or in the aggregate, a material adverse affect on its business, financial condition or operating results:

On December 22, 2010, the Company became involved in a business dispute with a manufacturer, seller and distributor of their product line (the "manufacturer") regarding their respective obligations. The parties settled their dispute in private mediation. As a result of the settlement, the Company agreed to pay a maximum of \$425,000. The Company issued 511,509 shares in 2010 of common stock having a fair value of \$100,000. The Company settlement the balance due in 2011, by issuing 4,932,500 shares of common stock, having a fair value of \$187,435(\$0.038/share), based upon the quoted closing settled trading price. The Company recorded a loss on debt settlement of \$88,785.

#### (C) Taxes

As of June 30, 2011, accounts payable and accrued expenses included a balance of approximately \$320,000 pertaining to accrued payroll taxes. The taxes represent employee withholdings that have yet to be remitted to the taxing agencies. The balance consists of the following;

Prior to the Company becoming a publicly traded company in February 2010, the Company existed as an LLC, which had accrued payroll taxes/penalties/interest of approximately \$53,000.

As of the filing of this report, the Company repaid approximately \$170,000. The remaining \$150,000 is expected to be repaid in the third quarter of 2011

Accrued payroll taxes – MusclePharm, Inc.	\$ 222,000
Accrued payroll taxes/penalties/interest –	
MusclePharm, LLC	\$ 53,000
Accrued penalties and interest - MusclePharm, Inc	\$ 45,000
	\$ 320,000
Payment in July 2011	\$ (170,000)
Balance due	\$ 150,000

#### Note 9 Subsequent Event

#### **Conversion of Debt and Demand Loans and Accrued Interest**

During the period July 1, 2011 to August 15, 2011, 10 noteholders converted common stock payable and notes totaling \$471,847 into 29,383,074 shares of the Company's common stock. The amounts previously accounted for as common stock payable reflected the fact that the Company had received conversion notices from its debt holders, but did not have sufficient authorized shares to settle these conversions.

#### **Issuance of Stock for Services**

On July 31, 2011, the Company issued a consultant 375,000 shares, for services rendered, having a fair value of \$15,000 (\$0.04/share), based upon the fair value of services rendered.

#### **Issuance of Stock for Cash**

On July 7, 2011, the Company issued 20,000,000 shares of common stock for \$500,000 (\$0.025/share).

#### **Endorsement Contract**

On July 20, 2011, the Company entered into a two-year endorsement agreement with a celebrity athlete. The athlete will evaluate and promote certain Company products as well as consent to the use his of name, photograph, appearance, likeness, reputation, voice and signature, as is customary in endorsement agreements. In return, the athlete will receive the following compensation:

- Cash compensation: \$200,000 per year;
- \$100,000 in stock based compensation payable over the term of the contract; and
- Additional cash and stock compensation based on the athlete achieving various milestones in profession.

### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

This report and other reports filed by our Company from time to time with the SEC 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. 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"). 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 unaudited 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 manufactures a full line of National Sanitation Foundation International and 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.

#### **Business Strategy**

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 and recognition;

- 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 Six Months Ended June 30, 2011 and 2010 (unaudited):

	Six months ended				
	June 30,		June 30,		
	2011		2010		
Sales	\$ 7,320,580	\$	1,726,697		
Gross profit	\$ 2,514,715	\$	534,089		
General and administrative expenses	\$ (5,495,708)	\$	(5,661,122)		
Loss from operations	\$ (2,980,993)	\$	(5,127,033)		
Other expenses	\$ (9,467,552)	\$	(674,343)		
Net Loss	\$ (12,448,545)	\$	(5,801,376)		
Net loss per common share – basic and diluted	\$ (0.07)	\$	(0.21)		

#### Sales

Sales were \$7,320,580 for the six months ended June 30, 2011, as compared to \$1,726,697 for the comparable six months ended June 30, 2010. The significant 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 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 percentage strengthened from 30% during the six months ended June 30, 2010, to 34% during the six months ended June 30, 2011. The increase in the gross profit percentage is primarily attributable to the Company's ability to negotiate more favorable terms due to the increased volume in product sales.

#### General and Administrative Expenses

General and administrative expenses for the six months ended June 30, 2011, were \$5,495,708, as compared to \$5,661,122 for the comparable six months ended June 30, 2010. The \$165,414 decrease is attributable to a substantial decrease in stock based compensation of \$2,011,364. The major decrease in stock based compensation was offset by an increase in employee compensation. The Company's employee headcount increased from 12 employees during the six months ended June 30, 2010, to 16 employees during the six months ended June 30, 2011. In addition, the Company experienced significant growth, and as a direct result, general overhead has increased.

#### Loss from Operations

Loss from operations for the six months ended June 30, 2011, was \$2,980,993 as compared to \$5,127,033 for the comparable six months ended June 30, 2010. The decrease in operating loss is primarily attributable to the aggressive marketing plan and the Company's ability to gain brand recognition resulting in increased sales during the six months ended June 30, 2011 as compared to the six months ended June 30, 2010.

#### Other expenses

Other expenses for the six months ended June 30, 2011, were \$9,467,552, as compared to \$674,343 for the comparable six months ended June 30, 2010. The increase in other expenses of \$8,793,209 is primarily attributable to the financing transactions the Company entered into during the six months ended June 30, 2011. The Company issued \$3,753,733 in convertible notes during the six months ended June 30, 2011. These notes bore interest at rates ranging from 6% to 12% per annum. Interest expense during the six months ended June 30, 2011, increased \$2,828,047 as compared to the comparable six months ended June 30, 2010. In addition, the convertible notes contained embedded derivatives, due to the Company not being able to determine the number of shares needed to settle the conversion priveledge. As a result, on the commitment date of each financing, the Company recorded an aggregate derivative expenses of \$4,057,859 and on the date of remeasurement, which is June 30, 2011, a change in fair market value of \$634,770. There were no derivative liabilities recorded as of June 30, 2010.

The Company also issued shares of the Company's common stock to satisfy aged accounts payable, accrued expenses and debt. The Company recorded a loss on settlement in the amount of \$2,542,073 as a result of these transactions.

#### Net Loss

Net loss for the six months ended June 30, 2011, was \$12,448,545 or loss per share of \$(0.07), as compared to \$5,801,376 or loss per share of \$(0.21) for the comparable six months ended June 30, 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 June 30, 2011 and 2010 (unaudited):

	Three months ended					
	June 30,		June 30,			
	2011		2010			
Sales	\$ 3,802,806	\$	468,109			
Gross profit	\$ 1,321,149	\$	106,859			
General and administrative expenses	\$ (3,214,917)	\$	(2,982,236)			
Loss from operations	\$ (1,893,768)	\$	(2,875,377)			
Other expenses	\$ (5,542,854)	\$	(316,283)			
Net Loss	\$ (7,436,623)	\$	(3,191,660)			
Net loss per common share – basic and diluted	\$ (0.04)	\$	(0.11)			

#### Sales

Sales were \$3,802,806 for the three months ended June 30, 2011, as compared to \$468,109 for the comparable three months ended June 30, 2010. The significant 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 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 percentage strengthened from 23% during the three months ended June 30, 2010 to 35% during the three months ended June 30, 2011. The increase in the gross profit percentage is primarily attributable to the Company's ability to negotiate more favorable terms due to the increased volume in product sales.

#### General and Administrative Expenses

General and administrative expenses for the three months ended June 30, 2011, were \$3,214,917, as compared to \$2,982,236 for the comparable three months ended June 30, 2010. The \$232,681 increase is attributable to a slight increase in employee compensation. The Company's employee headcount increased from 12 employees during the three months ended June 30, 2010, to 15 employees during the three months ended June 30, 2011. In addition, due to the Company experience in growth in sales, expenses have increased accordingly.

#### Loss from Operations

Loss from operations for the three months ended June 30, 2011, was \$1,893,768 as compared to \$2,875,377 for the comparable three months ended June 30, 2010. The decrease in operating loss is primarily attributable to the aggressive marketing plan and the Company's ability to gain brand recognition resulting in increased sales during the three months ended June 30, 2011 as compared to the three months ended June 30, 2010.

#### Other expenses

Other expenses for the three months ended June 30, 2011, were \$5,542,854, as compared to \$316,283 for the comparable three months ended June 30, 2010. The increase in other expenses of \$5,226,571 is primarily attributable to features associated with the financing transactions the Company entered into during the three months ended June 30, 2011. Interest expense during the three months ended June 30, 2011, increased approximately \$2,667,185 as compared to the comparable three months ended June 30, 2010. In addition, the convertible notes contained embedded derivatives, due to the Company not being able to determine the number of shares needed to settle the conversion priviledge. As a result, on the commitment date of each financing, the Company recorded an aggregate derivative expenses of \$2,698,490 and on the date of remeasurement, which is June 30, 2011, a change in fair market value of \$766,487. There were no derivative liabilities recorded for the three months ended June 30, 2010.

The Company also issued shares of the Company's common stock to satisfy aged accounts payable, accrued expenses and debt. The Company recorded a loss on settlement in the amount of \$627,384 as a result of these transactions.

#### Net Loss

Net loss for the three months ended June 30, 2011, was \$7,436,623 or loss per share of \$(0.03), as compared to \$3,191,660 or loss per share of \$(0.11) for the comparable three months ended June 30, 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.

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

The following table summarizes total current assets, liabilities and working capital at June 30, 2011 compared to December 31, 2010.

	June 30,				
	2011	Ι	December 31,		
	 (unaudited)		2010	Inc	rease/Decrease
Current Assets	\$ 3,308,665	\$	1,406,310	\$	1,902,355
Current Liabilities	\$ 10,346,583	\$	4,215,649	\$	6,130,934
Working Capital (Deficit)	\$ (7,037,918)	\$	(2,809,339)	\$	(4,228,579)

As June 30, 2011, we had a working capital deficit of \$7,037,918, as compared to a working capital deficit of \$2,809,339, at December 31, 2010, a decrease of \$(4,228,579). The decrease is primarily attributable to the Company issuing \$3,735,733 in convertible notes during the six months ended June 30, 2011. The Company continues to devote significant resources to continue aggressively market the product line.

Net cash used for operating activities for the six months ended June 30, 2011 and 2010 was \$(2,645,448) and \$(1,527,797), respectively. The net loss for the six months ended June 30, 2011 and 2010 was \$(12,448,545) and \$(5,801,376), respectively.

Net cash used for investing activities for the six months ended June 30, 2011 and 2010 was \$(324,435) and \$(6,884), respectively. The Company purchased gym and office equipment during the six months ended June 30, 2011.

Net cash obtained through all financing activities for the six months ended June 30, 2011 was \$3,443,990, as compared to \$1,534,681 for the six months ended June 30, 2010.

#### **Going Concern**

As reflected in the accompanying unaudited interim consolidated financial statements, the Company had a net loss of \$12,448,545 and net cash used in operations of \$2,645,448 for the six months ended June 30, 2011, and a working capital deficit and stockholders' deficit of \$7,037,918 and \$5,561,132, respectively, at June 30, 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, 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;
- generate new sales from international customers; and
- 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 execute the business plan.

#### **Off-Balance Sheet Arrangements**

Other than the operating leases, as of June 30, 2011, 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 June 30, 2011 are as follows:

#### PERIODS ENDING DECEMBER 31,

2011	\$ 40,152
2012	87,560
2013	93,448
2014	99,576
2015	 105,704
Total minimum lease payments	\$ 426,439

#### **Critical Accounting Policies**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ materially from those estimates. The Company believes the following accounting policies are critical to the judgments and estimates used in the preparation of its financial statements:

#### 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.

#### **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.

#### **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.

#### **Recent Accounting Pronouncements**

There are no recent accounting pronouncements that are expected to have an effect on the Company's consolidated financial statements.

#### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We do not hold any derivative instruments and do not engage in any hedging activities.

#### ITEM 4. CONTROLS AND PROCEDURES.

#### (a) Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in the reports we file pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act") are recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our Principal Executive Officer ("PEO") and Principal Financial Officer ("PFO"), to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can only provide a reasonable assurance of achieving the desired control objectives, and in reaching a reasonable level of assurance, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Management designed the disclosure controls and procedures to provide reasonable assurance of achieving the desired control objectives.

We carried out an evaluation, under the supervision and with the participation of our management, including our PEO and PFO, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report. Based upon that evaluation, the PEO and PFO concluded that the Company's disclosure controls and procedures were ineffective.

#### (b) Changes in Internal Control over Financial Reporting

There have been no changes in our internal controls over financial reporting (as such term is defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act) during the quarter ended June 30, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

#### PART II - OTHER INFORMATION

## ITEM 1. LEGAL PROCEEDINGS.

Other than as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2010, filed with the SEC on April 1, 2011, we are currently not involved in any litigation that we believe could have a material adverse effect on our financial condition or results of operations. 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.

## ITEM 1A. RISK FACTORS.

We believe there are no changes that constitute material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2010, filed with the SEC on April 1, 2011.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

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 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 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 27, 2011, the Company raised gross proceeds of \$40,000 through the sale of a (6 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 April 27, 2011, the Company raised gross proceeds of \$40,000 through the sale of a (6 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 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 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 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 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 6, 2011, the Company raised gross proceeds of \$125,000 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 5,000,000 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 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 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 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.

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 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 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 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.

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 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 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 trade 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 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 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, 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 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 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.

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 14, 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 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 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 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 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.

## ITEM 3. DEFAULT UPON SENIOR SECURITIES.

There were no defaults upon senior securities during the quarter ended June 30, 2011.

## ITEM 4. (REMOVED AND RESERVED).

#### ITEM 5. OTHER INFORMATION.

On August 15, 2011, the Company amended its certificate of incorporation by filing a certificate of designation with Secretary of State of Nevada that designates a series of convertible preferred stock (the "Series B Convertible Preferred Stock"). The Series B 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.

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.

The description of the Pyatt Employment Agreement does not purport to be complete and is qualified in its entirety by reference to such document, a copy of which is attached hereto as Exhibit 10.1 and incorporated herein by reference.

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.

The description of the Gregory Employment Agreement does not purport to be complete and is qualified in its entirety by reference to such document, a copy of which is attached hereto as Exhibit 10.2 and incorporated herein by reference.

## ITEM 6. EXHIBITS.

Exhibit No.	Description
3.1	Certificate of Designation of Series B Convertible Preferred Stock.
10.1	Employment Agreement, dated August 15, 2011, by and between the Company and Brad Pyatt.
10.2	Employment Agreement, dated August 15, 2011, by and between the Company and Cory Gregory.
31.1	Certification of the Principal Executive Officer of MusclePharm Corporation, pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended.
31.2	Certification of the Principal Accounting Officer of MusclePharm Corporation, pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended.
32.1	Certification of the Principal Executive Officer of MusclePharm Corporation, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Principal Accounting Officer of MusclePharm Corporation, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

## **SIGNATURES**

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

## MUSCLEPHARM CORPORATION

Date: August 16, 2011 By: /s/ Brad J. Pyatt

Name: Brad J. Pyatt

Title: Chief Executive Officer (Principal Executive Officer)

Date: August 16, 2011 By: /s/ Lawrence S. Meer

Name: Lawrence S. Meer Title: Chief Financial Officer (Principal Financial Officer) (Principal Accounting Officer)



ROSS MILLER ROSS MILLER
Secretary of State
204 North Carson Street, Ste 1
Carson City, Nevada 89701-4299
(775) 684 5708
Website: www.nvsos.gov

# Certificate of Designation (PURSUANT TO NRS 78.1955)

Filed in the office of Document Number 20110596742-37 · Za Me Filing Date and Time Ross Miller 08/12/2011 4:15 PM Secretary of State Entity Number State of Nevada E0580752006-0

USE BLACK INK ONLY - DO NOT HIGHLIGHT

ABOVE SPACE IS FOR OFFICE USE ONLY

Certificate of Designation For Nevada Profit Corporations (Pursuant to NRS 78.1955)

1. Name of corporation:	
MusclePharm Corporation	
certificate establishes the following rega	s pursuant to a provision in the articles of incorporation this arding the voting powers, designations, preferences, is of the following class or series of stock.
Authorization of a series of the corporation' designation and number of shares, and fixes restrictions.	's previously authorized preferred stock and hereby states the sthe relative rights, preferences, privileges, powers and
3. Effective date of filing: (optional)	(must not be later than 90 days after the certificate is filed)
/s/ Brad J. Pyatt	
Signature of Officer Filling Fee: \$175.00 IMPORTANT: Failure to include any of the above	information and submit with the proper fees may cause this filing to be rejecte
	Nevada Secretary of State Stock Designation

This form must be accompanied by appropriate fees.

Revised: 7-1-08

## CERTIFICATE OF DESIGNATIONS, PREFERENCES AND RIGHTS OF SERIES B PREFERRED STOCK, \$0.001 PAR VALUE PER SHARE

MusclePharm Corporation, a corporation organized and existing under the laws of the State of Nevada (the "Corporation"), hereby certifies that the following resolution was adopted by the Board of Directors of the Corporation (the "Board") on August 15, 2011 in accordance with the provisions of its Certificate of Incorporation (as amended and restated through the date hereof, the "Certificate of Incorporation") and Bylaws. The authorized series of the Corporation's previously-authorized preferred stock shall have the following preferences, privileges, powers and restrictions thereof, as follows:

RESOLVED, that pursuant to the authority granted to and vested in the Board in accordance with the provisions of the Certificate of Incorporation and by-laws of the Corporation, each as amended or amended and restated through the date hereof, the Board hereby authorizes a series of the Corporation's previously authorized preferred stock (the "Preferred Stock"), and hereby states the designation and number of shares, and fixes the relative rights, preferences, privileges, powers and restrictions thereof as follows:

# I. NAME OF THE CORPORATION

MusclePharm Corporation

## II. DESIGNATION AND AMOUNT; DIVIDENDS

- A. <u>Designation</u>. The designation of said series of preferred stock shall be Series B Preferred Stock, \$0.001 par value per share (the "Series B Preferred Stock").
- B. Number of Shares. The number of shares of Series B Preferred Stock authorized shall be fifty-one (51) shares. Each share of Series B Preferred Stock shall have a stated value equal to \$0.001 (as may be adjusted for any stock dividends, combinations or splits with respect to such shares) (the "Series B Stated Value").
- C. <u>Dividends</u>: Initially, there will be no dividends due or payable on the Series B Preferred Stock. Any future terms with respect to dividends shall be determined by the Board consistent with the Corporation's Certificate of Incorporation. Any and all such future terms concerning dividends shall be reflected in an amendment to this Certificate, which the Board shall promptly file or cause to be filed.

## III. LIQUIDATION AND REDEMPTION RIGHTS.

Upon the occurrence of a Liquidation Event (as defined below), the holders of Series B Preferred Stock are entitled to receive net assets on a pro rata basis. Each holder of Series B Preferred Stock is entitled to receive ratably any dividends declared by the Board, if any, out of funds legally available for the payment of dividends. As used herein, "Liquidation Event" means (i) the liquidation, dissolution or winding-up, whether voluntary or involuntary, of the Corporation,

(ii) the purchase or redemption by the Corporation of shares of any class of stock or the merger or consolidation of the Corporation with or into any other corporation or corporations, unless (a) the holders of the Series B Preferred Stock receive securities of the surviving corporation having substantially similar rights as the Series B Preferred Stock and the stockholders of the Corporation immediately prior to such transaction are holders of at least a majority of the voting securities of the successor corporation immediately thereafter (the "Permitted Merger"), unless the holders of the shares of Series B Preferred Stock elect otherwise or (b) the sale, license or lease of all or substantially all, or any material part of, the Corporation's assets, unless the holders of Series B Preferred Stock elect otherwise.

IV. CONVERSION. No conversion of the Class B Preferred Stock is permitted.

## V. RANK

All shares of the Series B Preferred Stock shall rank (i) senior to the Corporation's Common Stock and any other class or series of capital stock of the Corporation hereafter created, (ii) pari passu with any class or series of capital stock of the Corporation hereafter created and specifically ranking, by its terms, on par with the Series B Preferred Stock and (iii) junior to any class or series of capital stock of the Corporation hereafter created specifically ranking, by its terms, senior to the Series B Preferred Stock, in each case as to distribution of assets upon liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary.

## VI. VOTING RIGHTS

Each one (1) share of the 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. For the avoidance of doubt, if the total issued and outstanding Common Stock eligible to vote at the time of the respective vote is 5,000,000, the voting rights of one share of the Series B Preferred Stock shall be equal to 102,036 (e.g. ((0.019607 x 5,000,000) / 0.49) - (0.019607 x 5,000,000) = 102,036).

With respect to all matters upon which stockholders are entitled to vote or to which stockholders are entitled to give consent, the holders of the outstanding shares of Series B Preferred Stock shall vote together with the holders of Common Stock without regard to class, except as to those matters on which separate class voting is required by applicable law or the Corporation's Certificate of Incorporation or by-laws.

## VII. PROTECTION PROVISIONS

So long as any shares of Series B Preferred Stock are outstanding, the Corporation shall not, without first obtaining the unanimous written consent of the holders of Series B Preferred Stock, alter or change the rights, preferences or privileges of the Series B Preferred so as to affect adversely the holders of Series B Preferred Stock.

## XIII. MISCELLANEOUS

- A. <u>Status of Redeemed Stock.</u> In case any shares of Series B Preferred Stock shall be redeemed or otherwise repurchased or reacquired, the shares so redeemed, repurchased, or reacquired shall resume the status of authorized but unissued shares of preferred stock, and shall no longer be designated as Series B Preferred Stock.
- B. <u>Lost or Stolen Certificates</u>. Upon receipt by the Corporation of (i) evidence of the loss, theft, destruction or mutilation of any Preferred Stock Certificate(s) and (ii) in the case of loss, theft or destruction, indemnity (with a bond or other security) reasonably satisfactory to the Corporation, or in the case of mutilation, the Preferred Stock Certificate(s) (surrendered for cancellation), the Corporation shall execute and deliver new Preferred Stock Certificates.
- C. Waiver. Notwithstanding any provision in this Certificate of Designation to the contrary, any provision contained herein and any right of the holders of Series B Preferred granted hereunder may be waived as to all shares of Series B Preferred Stock (and the holders thereof) upon the unanimous written consent of the holders of the Series B Preferred Stock.
- D. Notices: Any notices required or permitted to be given under the terms hereof shall be sent by certified or registered mail (return receipt requested) or delivered personally, by nationally recognized overnight carrier or by confirmed facsimile transmission, and shall be effective five (5) days after being placed in the mail, if mailed, or upon receipt or refusal of receipt, if delivered personally or by nationally recognized overnight carrier or confirmed facsimile transmission, in each case addressed to a party as set forth below, or such other address and telephone and fax number as may be designated in writing hereafter in the same manner as set forth in this Section.

If to the Corporation:

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MusclePharm Corporation
4721 Ironton Street, Building A
Denver, CO 90839
Attention: Brad J. Pyatt
Telephone: (303) 396-6100

If to the holders of Series B Preferred, to the address listed in the Corporation's books and records.

[signature page follows]

IN WITNESS WHEREOF, the undersigned has signed this certificate as of the 15th day of August, 2011.

# MUSCLEPHARM CORPORATION

By: /s/ Brad J. Pyatt

Name: Brad J. Pyatt

Title: Chief Executive Officer

## EMPLOYMENT AGREEMENT

AGREEMENT made as of August 15, 2011 between MusclePharm Corporation, a Nevada corporation with offices at 4721 Ironton Street, Building A, Denver, CO 90839 (hereinafter called the "Company"), and Brad J. Pyatt, residing at 4721 Ironton Street, Building A, Denver, CO 90839 (hereinafter referred to as the "Executive").

#### WITNESSETH:

WHEREAS, the Company is a healthy life-style company that develops and manufactures a full line of scientifically approved nutritional supplements; and

WHEREAS, the Company's Board of Directors (the "Board" or the "Board of Directors") believes that the Executive possesses the skills and abilities necessary for the Company to meet its current and future objectives; and

WHEREAS, the Executive desires to provide such services to the Company in such capacities, on and subject to the terms and conditions hereof;

NOW, THEREFORE, in consideration of the premises and the mutual promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

## 1. <u>EMPLOYMENT</u>

Subject to all of the terms and conditions hereof, the Company does hereby employ the Executive and the Executive does hereby accept such employment.

## 2. <u>TERM</u>

This Agreement shall be effective retroactively commencing on January 1, 2011 and shall continue until December 31, 2015 (the "Term"), unless sooner terminated as herein provided including termination under any of the subsections described in Section 7.

## 3. COMPENSATION

Base Salary. The Company agrees to pay the Executive during the Term hereof an aggregate salary at the annual rate of: (1) Two Hundred Fifty Thousand Dollars (\$250,000) for the 2011 calendar year; (2) Three Hundred Fifty Thousand Dollars (\$350,000) for the 2012 calendar year; (3) Four Hundred Thousand Dollars (\$400,000) for the 2013 calendar year; (4) Four Hundred Fifty Thousand Dollars (\$450,000) for the 2014 calendar year; and (5) Five Hundred Thousand Dollars (\$500,000) for the 2015 calendar year. The Company shall make all salary payments in equal bi-weekly installments in arrears. Unless otherwise determined by the Board, Executive's Base Salary at the commencement of the second and each subsequent year shall be adjusted to provide for all cost of living increases. All salary, bonus, or other compensation payable to the Executive shall be subject to the customary withholding, FICA, medical and other tax and other employment taxes and deductions as required by federal, state and local law with respect to compensation paid by an employer to an employee.

(b) <u>Preferred Stock.</u> As of the date hereof, the Company hereby grants to the Executive thirty one (31) shares of its Series B Preferred Stock (the "Series B Preferred Stock"). On the third (3rd) anniversary of the date hereof, <u>provided that</u> the Executive remains employed by the Company on such date, the Company shall grant to the Executive ten thousand (10,000) shares of its Series A Preferred Stock (together with the Series B Preferred Stock, the "Stock").

If there is any change in the number or kind of Stock outstanding (i) by reason of a stock dividend, spin-off, recapitalization, stock split, or combination or exchange of shares; (ii) by reason of a merger, reorganization, or consolidation; (iii) by reason of a reclassification or change in par value; or (iv) by reason of any other extraordinary or unusual event affecting the outstanding Stock, or if the value of outstanding Stock is substantially reduced as a result of a spin-off or the Company's payment of an extraordinary dividend or distribution, the number of Stock issued, or to be issued, to the Executive pursuant to this Agreement and/or the kind of Stock issued, or to be issued, to the Executive pursuant to this Agreement shall be appropriately adjusted by the Company to reflect any increase or decrease in the number of, or change in the kind or value of, issued Stock to preclude any dilution to the number or kind of Stock issued, or to be issued, to the Executive hereunder.

(c) <u>Bonus.</u> Bonuses to all of the Company's employees are determined by the Board of Directors at the end of every fiscal year, and will depend upon the progress and profitably of the Company. The Company does not guarantee Executive the payment of any bonuses.

## 4. DUTIES

The Executive is hereby employed as Chief Executive Officer of the Company and shall perform the following services in connection with the general business of the Company:

- (a) <u>Duties as Chief Operating Officer</u>. Except as otherwise determined from time to time by the Board of Directors, Executive shall be involved in all aspects of the day to day business operations of the Company. Executive 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. Executive 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 this Agreement, and shall use his best efforts to advance the best interests of the Company.
- (b) <u>Location</u>. Executive acknowledges that Executive will work primarily in the Company's principal place of business and Executive hereby agrees that he will make himself available to travel to any other location deemed reasonably necessary by the Board of Directors in order to fulfill Executive's duties.
- (b) <u>Compliance</u>. The Executive hereby agrees to observe and comply with such reasonable rules and regulations of the Company as may be duly adopted from time to time by the Board of Directors and otherwise to carry out and perform those orders, directions and policies stated to him from time to time by the Board of Directors, either as specified in the minutes of the proceedings of the Board of Directors of the Company or otherwise in writing that are reasonably necessary and appropriate to carry out his duties hereunder. Such orders, directions and policies shall be legal and shall be consistent with the Executive's position.

## 5. EXTENT OF SERVICES

The Executive agrees to serve the Company faithfully and to the best of his ability and shall devote his full time, attention and energies to the business of the Company during customary business hours. The Executive agrees to carry out his duties in a competent and professional manner and to at all times promote the best interests of the Company.

# 6. <u>BENEFITS AND EXPENSES</u>

During the term of this agreement Executive shall be entitled to, and the Company shall provide, the following benefits in addition to those specified in Section 3:

- (a) <u>Vacation</u>. The Executive shall be entitled to 2 weeks vacation in each twelve (12) month period during the Term. Vacation may be taken at such time(s) as Executive may determine provided that such vacation does not interfere with the Company's business operations. The Executive must use his vacation in any event by May 31 of the year next following the year in which the vacation accrues or such vacation time shall expire. The Executive shall not be entitled to compensation for unused vacation except that, upon termination of his employment, the Company shall pay to the Executive for all of his accrued, unexpired vacation time.
- (b) <u>Expense Reimbursement.</u> The Company shall reimburse the Executive upon submission of vouchers for his out-of-pocket expenses for travel, entertainment, meals and the like reasonably incurred by him pursuant to his employment hereunder in accordance with the general policy of the Company as adopted by its Board of Directors from time to time.
- (c) <u>Health Insurance</u>. The Company shall provide the Executive with health insurance in the coverage consistent with those provided to other key executives of the Company as determined by the Board of Directors from time to time.
- (d) <u>Disability</u>. If the Company maintains disability insurance, then the Company shall provide a disability policy for the Executive comparable to the policies in force for other similar executives in the Company. If the Company does not maintain a disability policy, then the Executive may obtain such a policy in amounts equal to his salary and be reimbursed by the Company for all premium payments thereunder.
- (e) Other Benefits. The Company shall provide to the Executive other benefits as reasonably determined by the Board from time to time.

## 7. TERMINATION; DISABILITY; RESIGNATION; TERMINATION WITHOUT CAUSE

- (a) <u>Termination for Cause</u>. The Company shall have the right to terminate the Executive's employment hereunder:
- (1) For cause upon ten (10) business days' prior written notice to Executive. Upon such termination, Executive shall have no further duties or obligations under this Agreement (except as provided in Section 8) and the obligations of the Company to Executive shall be as set forth below. For purposes of this Agreement, "cause" shall mean:
  - (A) Executive's conviction of a felony under federal or state law;
  - (B) Executive's failure to perform (other than as a result of Executive's being Disabled), in any material respect, any of his duties or obligations under or in accordance with this Agreement and either (i) the Executive fails to cure such failure within ten (10) business days following receipt of notice from the Company, or (ii) if such failure by its nature cannot be cured within such ten business day period, the Executive fails to commence to cure such failure within such ten business day period and proceed to cure such failure within thirty (30) days thereafter.
  - (C) Executive commits any dishonest, malicious or grossly negligent act which is materially detrimental to the business or reputation of the Company, or the Company's business relationships, provided, however, that in such event the Company shall give the Executive written notice specifying in reasonable detail the reason for the termination.

Notwithstanding the foregoing, the Executive may, within ten (10) business days following delivery of the notice of termination referred to in the preceding paragraph, by written notice to the Board of Directors, cause the matter of the termination of his employment by the Company to be discussed at the next regularly scheduled meeting of the Board of Directors or at a special meeting of the Board of Directors requested by a majority of the members of the Board of Directors who are not employees of the Company or any of its subsidiaries. The Executive shall be entitled to be present and to be represented by counsel at such meeting which shall be conducted according to a procedure deemed equitable by a majority of the directors present. If, at such meeting, it shall be determined that the employment of the Executive had been terminated without proper cause, the provisions of this Agreement shall be reinstated with the same force and effect as if the notice of termination had not been given; and the Executive shall be entitled to receive the compensation and other benefits provided herein for the period from the date of the delivery of the notice of termination through the date of such reinstatement.

In the event, the Company terminates the Executive's employment for cause, then the Executive shall be entitled to receive through the end of the Term: (1) his base salary as defined in Section 3(a) hereof; and (2) the benefits provided in Section 6 hereof including all accrued but unpaid vacation.

In the event that Executive's employment is terminated by the Company without cause including but not limited to an involuntary change in position or termination of the Executive as a result of a material breach of this Agreement by the Company, Executive shall receive from the Company, through the end of the Term: (1) his base salary as defined in Section 3(a) hereof; (2) the benefits provided in Section 6 hereof including all accrued but unpaid vacation; and (3) an additional two weeks' pay of the Executive's then current Base Salary.

- (b) <u>Disability</u>. The Company shall have the right to terminate the Executive's employment hereunder:
- (1) By reason of the Executive's becoming Disabled for an aggregate period of ninety (90) days in any consecutive three hundred sixty (360) day period (the "Disability Period").
  - (A) "Disabled" as used in this Agreement means that, by reason of physical or mental incapacity, Executive shall fail or be unable to substantially perform the customary duties of his employment.
  - (B) If the existence of a disability is in dispute, it shall be resolved by two physicians, one appointed by Executive and one appointed by the Board of Directors of the Company. If the two physicians so selected cannot agree as to whether or not Executive is Disabled as defined in subsection (A) above, the two physicians so selected shall designate a third physician and a majority of the three physicians so selected shall determine whether or not Executive is Disabled.
  - (C) In the event Executive is Disabled, during the period of such disability he shall continue to receive his base compensation in the amount set forth in Section 3(a) hereof, which base compensation shall be reduced by the amount of all disability benefits he actually receives under any disability insurance program in place with the Company until the first to occur of (1) the cessation of the Disability or (2) the termination of this Agreement by the Company at any time after the Disability Period. During the period of Disability and prior to termination, the Executive shall continue to receive the benefits provided in Section 6 hereof and shall have the right to exercise options to purchase shares of the Company's common stock in accordance with the 2007 Plan.
  - (D) For the purposes of this Section 7(b), any amounts to be paid to Executive by the Company pursuant to subsection (C) above, shall not be reduced by any disability income insurance proceeds received by him under any disability insurance policies owned or paid for by the Executive.
  - (E) If the Executive is terminated at the end of the Disability Period, then the Executive shall receive through the end of the Term: (1) his base salary as defined in Section 3(a) hereof; (2) the benefits provided in Section 6 hereof including all accrued but unpaid vacation;; and (3) an additional two weeks' pay of the Executive's then current Base Salary.

(d) <u>Death.</u> The Company's employment of the Executive shall terminate upon his death and all payments and benefits shall cease upon such date provided, however, that under this Agreement the estate of such Executive shall be entitled to receive through the date of termination (1) his base salary as defined in Section 3(a) hereof, (2) the benefits provided in Section 6 hereof including all accrued but unpaid vacation;; and (3) an additional two weeks' pay of the Executive's then current Base Salary.

# (e) <u>Termination by the Executive.</u>

The Executive may elect, by written notice to the Company, such notice to be effective immediately upon receipt by the Company, to terminate his employment hereunder if:

- (1) The Company sells all or substantially all of its assets;
- (2) The Company merges or consolidates with another business entity in a transaction immediately following which the holders of all of the outstanding shares of the voting capital stock of the Company own less than a majority of the outstanding shares of the voting capital stock of the resulting entity (whether or not the resulting entity is the Company); provided, however, that the Executive shall not be permitted to terminate his employment under this subsection unless he notifies the Company in writing that he does not approve of the directors selected to serve on the Board after the merger or similar transaction described herein;
- (3) More than fifty (50%) percent of the outstanding shares of the voting capital stock of the Company are acquired by a person or group (as such terms are used in Section 13(d) of the Securities Exchange Act of 1934, as amended), which person or group includes neither the Executive nor the holders of the majority of the outstanding shares of the voting capital stock of the Company on the date hereof; provided, however, that the Executive shall not be permitted to terminate his employment under this subsection unless he notifies the Company in writing that he does not approve of the directors selected to serve on the Board after the merger or similar transaction described herein;
- (4) The Company assigns to the Executive duties that are not commensurate with the position for which he is being hired pursuant hereto;
- (5) The Company defaults in making any of the payments required under this Agreement and said default continues for a thirty (30) day period after the Executive has given the Company written notice of the payment default.

If the Executive elects to terminate his employment hereunder pursuant to this Section 7(e), then (1) the Company shall continue to pay to the Executive his salary as provided in Section 3(a) hereof through the end of the Term; (2) the Company shall continue to provide to the Executive the benefits provided in Section 6 hereof through the end of the Term; and (3) the Company shall provide Executive an additional two weeks' pay of the Executive's then current Base Salary.

- (f) <u>Resignation</u>. If the Executive voluntarily resigns during the term of this Agreement other than pursuant to Section 7(e) hereof, then all payments and benefits shall cease on the effective date of resignation, provided that under this Agreement the Executive shall be entitled to receive through the date of such resignation: (1) his base salary as defined in Section 3(a) hereof, (2) the benefits provided in Section 6 hereof including all accrued but unpaid vacation;; and (3) an additional two weeks' pay of the Executive's then current Base Salary.
- (g) <u>Mitigation</u>. In the event of the termination of this Agreement by the Executive as a result of a material breach by the Company of any of its obligations hereunder, or in the event of the termination of the Executive's employment by the Company in breach of this Agreement, the Executive shall not be required to seek other employment in order to mitigate his damages hereunder.

# 8. CONFIDENTIALITY; RESTRICTIVE COVENANTS; NON COMPETITION

- (a) Non-Disclosure of Information. (1) The Executive recognizes and acknowledges that by virtue of his position as a key executive, he will have access to the lists of the Company's referral sources, suppliers, advertisers and customers, financial records and business procedures, sales force and personnel, programs, software, selling practices, plans, special methods and processes for electronic data processing, special techniques for testing commercial and sales materials and products, custom research services in product development, marketing strategy, product manufacturing techniques and formulas, and other unique business information and records (collectively "Proprietary Information"), as same may exist from time to time, and that they are valuable, special and unique assets of the Company's business. The Executive also may develop on behalf of the Company a personal acquaintance with the present and potential future clients and customers of the Company, and the Executive's acquaintance may constitute the Company's sole contact with such clients and customers.
- (a)(2) The Executive will not during the Term of his employment, and at any time following the end of the Term of or earlier termination of this Agreement regardless of the reason therefor, disclose trade secrets or other confidential information about the Company, including but not limited to Proprietary Information, to any person, firm, corporation, association or other entity for any reason or any purpose whatsoever or utilize such Proprietary Information for his own benefit or the benefit of any third party; provided, however, that nothing contained herein shall prohibit the Executive from using his personal acquaintance with any clients or customers of the Company at any time in a manner that is not inconsistent with their remaining as clients or customers of the Company.
- (a)(3) All equipment, records, files, memoranda, computer print-outs and data, reports, correspondence and the like, relating to the business of the Company which Executive shall use or prepare or come into contact with shall remain the sole property of the Company. The Executive shall immediately turn over to the Company all such material in Executive's possession, custody or control at such time as this Agreement is terminated.

- (a)(4) "Proprietary Information" shall not include information that was a matter of public knowledge on the date of this Agreement or subsequently becomes public knowledge other than as a result of having been revealed, disclosed or disseminated by Executive, directly or indirectly, in violation of this Agreement.
- (b) Enforcement. In view of the foregoing, the Executive acknowledges and agrees that it is reasonable and necessary for the protection of the good will, business, trade secrets, confidential information and Proprietary Information of the Company that he makes the covenants in this Section 8 and that the Company will suffer irreparable injury if the Executive engages in the conduct prohibited by Section 8 (a) of this Agreement. The Executive agrees that upon a breach, threatened breach or violation by him of any of the foregoing provisions of this Section 8, the Company, in addition to all other remedies it may have including an action at law for damages, shall be entitled as a matter of right to injunctive relief, specific performance or any other form of equitable relief in any court of competent jurisdiction without being required to post bond or other security and without having to prove the inadequacy of the available remedies at law, to enjoin and restrain the Executive and each and every other person, partnership, association, corporation or organization acting in concert with the Executive, from the continuance of any action constituting such breach. The Company shall also be entitled to recover from the Executive all of its reasonable costs incurred in the enforcement of this Section 8 including its reasonable legal fees. The Executive acknowledges that the terms of Section 8(a) are reasonable and enforceable and that, should there be a violation or attempted or threatened violation by the Executive of any of the provisions contained in these subsections, the Company shall be entitled to relief by way of injunction, specific performance or other form of equitable relief. In the event that any of the foregoing covenants in Sections 8 (a) shall be deemed by any court of competent jurisdiction, in any proceedings in which the Company shall be a party, to be unenforceable because of its duration, scope, or area, it shall be deemed to be and shall be amended to conform to the scope, period of time and geogr
- (e) <u>Independent Covenants.</u> The Company and the Executive agree that the covenants contained in this Section 8 shall each be construed as a separate agreement independent of any of the other terms and conditions of this Agreement, and the existence of any claim by the Executive against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense by the Executive to the Company's enforcement of any of the covenants of this Section 8.
- (f) Exclusion from Arbitration. The terms and conditions of this Section 8 including the enforcement thereof by the Company are specifically excluded from the arbitration of all other matters under this Agreement as provided in Section 13 hereof.

# 9. <u>DISCLOSURE AND ASSIGNMENT OF RIGHTS.</u>

(a) <u>Disclosure.</u> The Executive agrees that he will promptly assign to the Company or its nominee(s) all right, title and interest of the Executive in and to any and all ideas, inventions, discoveries, secret processes, and methods and improvements, together with any and all patents or other forms of intellectual property protection that may be obtainable in connection therewith or that may be issued thereon, such as trademarks, service marks and copyrights, in the United States and in all foreign countries, which the Executive may invent, develop, or improve or cause to be invented developed or improved, on behalf of the Company while engaged in Company related decisions, during the Term or within six (6) months after the Term or earlier termination of this Agreement, which are or were related to the scope of the Company's business or any work carried on by the Company or to any problems and projects specifically assigned to the Executive. All works and writings which relate to the Company's business are works for hire, and any and all copyrights therefor shall be placed in the name of and inure to the benefit of the Company.

(b) <u>Assignment of Interest.</u> The Executive agrees to disclose immediately to duly authorized representatives of the Company any ideas, inventions, discoveries, processes, methods and improvements covered by the terms of this Section 9 and to execute, at the Company's expense, all documents reasonably required in connection with the Company's application for appropriate protection and registration under the federal and foreign patent, trademark, and copyright law and the assignment thereof to the Company's nominee (s). The Executive hereby appoints the Company's Chairman as true and lawful attorney in fact with full powers of substitution and delegation to execute acknowledge and deliver any such instruments and assignments, which the Executive shall fail or refuse to execute or deliver.

## 10. INDEMNIFICATION.

The Company shall indemnify the Executive to the maximum extent permitted under the Nevada Revised Statutes, or any successor thereto, and shall promptly advance any expenses incurred by the Executive prior to the final disposition of the proceeding to which such indemnity relates upon receipt from the Executive of a written undertaking to repay the amount so advanced if it shall be determined ultimately that the Executive is not entitled to indemnity under the standards set forth in the Nevada Revised Statutes or its successor. The Employer shall use commercially reasonable efforts to obtain and maintain throughout the Term of the employment of the Executive hereunder directors' and officers' liability insurance for the benefit of the Executive. The indemnification obligations of the Company under this Section 10 shall survive the termination of the Term or of this Agreement for any reason whatsoever unless the Agreement is terminated for cause.

## 11. NOTICES.

(a) Any and all notices or other communications given under this Agreement shall be in writing and shall be deemed to have been duly given on (1) the date of delivery, if delivered in person to the addressee, (2) the next business day if sent by overnight courier, or (3) three (3) days after mailing, if mailed within the continental United States, postage prepaid, by certified or registered mail, return receipt requested, to the party entitled to receive same, at his or its address set forth below:

If to the Company:

MusclePharm Corporation 4721 Ironton Street, Building A Denver, CO 90839 Attention: Brad J. Pyatt Telephone: (303) 396-6100

Email: brad.pyatt@musclepharm.com

If to the Executive:

Brad J. Pyatt 4721 Ironton Street, Building A Denver, CO 90839

(b) The parties may designate by notice to each other any new address for the purposes of this Agreement as provided in this Section 11.

## 12. MISCELLANEOUS PROVISIONS

- (a) <u>Applicable Law.</u> This document shall, in all respects, be governed by the laws of the State of Colorado excluding any conflicts of law provisions. The parties acknowledge that substantially all of the negotiations relating to this Agreement were conducted in, and that this Agreement has been executed by both parties in State of Colorado.
- (b) <u>Survival</u>. The parties agree that the covenants contained in Section 3 hereof shall survive any termination of employment by the Executive and any termination of this Agreement. In addition, the parties agree that any compensation or right which shall have accrued to the Executive as of the date of any termination of employment or termination hereof shall survive any such termination and shall be paid when due to the extent accrued on the date of such termination.
- (c) Assignability. All of the terms and provisions contained herein shall inure to the benefit of and shall be binding upon the parties and their respective heirs, personal representatives, successors and assigns. The obligations of the Executive may not be delegated, except as set forth herein, however, and the Executive may not, without the Company's written consent thereto, assign, transfer, convey, pledge, encumber, hypothecate or otherwise dispose of this Agreement or any interest therein. Any such attempted delegation or disposition shall be null and void and without effect. The Company and the Executive agree that this Agreement and all of the Company's rights and obligations hereunder may be assigned or transferred by the Company to and may be assumed by and become binding upon and may inure to the benefit of any affiliate of or successor to the Company. The term "successor" shall mean, with respect to the Company or any of its subsidiaries, and any other corporation or other business entity which, by merger, consolidation, purchase of the assets, or otherwise, acquires all or a material part of the assets of the Company. Any assignment by the Company of its rights and obligations hereunder to any affiliate of or successor shall not be considered a termination of employment for purposes of this Agreement.

(d)	Modifications or Amendments.	No amendment,	change or modification	of this	document shall	be valid	unless	in
writing and signed by each	of the parties herein.							

- (e) <u>Waiver</u>. No reliance upon or waiver of one or more provisions of this Agreement shall constitute a waiver of any other provisions hereof.
- (f) <u>Severability</u>. If any provision of this Agreement as applied to either party or to any circumstances shall be adjudged by a court of competent jurisdiction to be void or unenforceable, the same shall in no way affect any other provision of this Agreement or the validity or enforceability of this Agreement. If any court construes any of the provisions to be unreasonable because of the duration of such provision or the geographic or other scope thereof, such court may reduce the duration or restrict the geographic or other scope of such provision and enforce such provision as so reduced or restricted.
- (g) <u>Separate Counterparts</u>. This document may be executed in one or more separate counterparts, each of which, when so executed, shall be deemed to be an original. Such counterparts shall, together, constitute and shall be one and the same instrument.
- (h) <u>Headings</u>. The captions appearing at the commencement of the sections hereof are descriptive only and are for convenience of reference. Should there be any conflict between any such caption and the section at the head of which it appears the substantive provisions of such section and not such caption shall control and govern in the construction of this document.
- (i) <u>Specific Performance</u>. It is agreed that the rights granted to the parties hereunder are of a special and unique kind and character and that, if there is a breach by either party of any material provision of this document, the other party would not have any adequate remedy at law. It is expressly agreed, therefore, that the rights of the parties may be enforced by an action for specific performance and other equitable relief.
- (j) <u>Further Assurances</u>. Each of the parties shall execute and deliver any and all additional papers, documents and other assurances, and shall do any and all acts and things reasonably necessary in connection with the performance of their obligations hereunder and to carry out their intentions as set forth herein.
- (k) <u>Entire Agreement</u>. This Agreement constitutes the entire understanding and agreement of the parties with respect to the subject matter of this Agreement, and any and all prior agreements, understandings or representations are hereby terminated and canceled in their entirety.

	(1)	<u>Neutral</u>	Construction.	Neither	party	may	rely	on a	ny drafts	s of	this	Agreem	ent in	any	interpr	etation	of the
Agreement.	Each party to	this Agr	eement has rev	viewed this	Agree	ement	and 1	has pa	articipate	d in i	its dr	afting and	l, acco	ording	gly, neit	her par	ty shall
attempt to in	voke the norm	al rule of	construction t	o the effec	t that a	mbigu	iities a	are to	be resolv	ved a	gains	t the draf	ting p	arty i	n any ir	nterpreta	ation of
this Agreem	ent.																

(m) <u>Attorneys' Fees</u>. In the event that either party hereto commences litigation against the other to enforce such party's rights hereunder, the prevailing party shall be entitled to recover all costs, expenses and fees, including reasonable attorneys' fees (including inhouse counsel), paralegals' fees, and legal assistants' fees through all appeals.

## 13. <u>SUBMISSION TO ARBITRATION</u>.

Except as hereinafter expressly provided, every difference or dispute, of whatever nature, between the Company and the Executive involving (1) any breach of this Agreement or (2) any other difference or dispute arising out of, related to, under or having any connection with this Agreement, shall be settled and finally determined by arbitration in Denver, Colorado in accordance with the then current commercial arbitration rules of the American Arbitration Association, and judgment upon any award rendered may be entered in any court having jurisdiction, including but not limited to the courts of the State of Colorado, and the determination of such arbitration proceeding shall be binding and conclusive upon the parties. Any claim by the Company against the Executive arising out of, under, or related to, Section 8 of this Agreement, whether for equitable relief or monetary damages or any combination, is specifically excluded from arbitration under this Section 13.

[ signature page follows ]

IN WITNESS WHEREOF, the parties hereto have executed this Employment Agreement on the date first above written.

# MUSCLEPHARM CORPORATION

By: /s/ Brad J. Pyatt

Name: Brad J. Pyatt

Title: Chief Executive Officer

EXECUTIVE

/s/ Brad J. Pyatt

Brad J. Pyatt

## EMPLOYMENT AGREEMENT

AGREEMENT made as of August 15, 2011 between MusclePharm Corporation, a Nevada corporation with offices at 4721 Ironton Street, Building A, Denver, CO 90839 (hereinafter called the "Company"), and Cory Gregory (hereinafter referred to as the "Executive").

## WITNESSETH:

WHEREAS, the Company is a healthy life-style company that develops and manufactures a full line of scientifically approved nutritional supplements; and

WHEREAS, the Company's Board of Directors (the "Board" or the "Board of Directors") believes that the Executive possesses the skills and abilities necessary for the Company to meet its current and future objectives; and

WHEREAS, the Executive desires to provide such services to the Company in such capacities, on and subject to the terms and conditions hereof;

NOW, THEREFORE, in consideration of the premises and the mutual promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

## 1. <u>EMPLOYMENT</u>

Subject to all of the terms and conditions hereof, the Company does hereby employ the Executive and the Executive does hereby accept such employment.

## 2. TERM

This Agreement shall be effective retroactively commencing on January 1, 2011 and shall continue until December 31, 2015 (the "Term"), unless sooner terminated as herein provided including termination under any of the subsections described in Section 7.

## 3. <u>COMPENSATION</u>

(a) <u>Base Salary</u>. The Company agrees to pay the Executive during the Term hereof an aggregate salary at the annual rate of: (1) One Hundred Fifty Thousand Dollars (\$150,000) for the 2011 calendar year; (2) Two Hundred Thousand Dollars (\$200,000) for the 2012 calendar year; (3) Two Hundred Fifty Thousand Dollars (\$250,000) for the 2013 calendar year; (4) Three Hundred Thousand Dollars (\$300,000) for the 2014 calendar year; and (5) Three Hundred Fifty Thousand Dollars (\$350,000) for the 2015 calendar year. The Company shall make all salary payments in equal bi-weekly installments in arrears. Unless otherwise determined by the Board, Executive's Base Salary at the commencement of the second and each subsequent year shall be adjusted to provide for all cost of living increases. All salary, bonus, or other compensation payable to the Executive shall be subject to the customary withholding, FICA, medical and other tax and other employment taxes and deductions as required by federal, state and local law with respect to compensation paid by an employer to an employee.

(b) <u>Preferred Stock.</u> As of the date hereof, the Company hereby grants to the Executive twenty (20) shares of its Series B Preferred Stock (the "Series B Preferred Stock"). On the third (3rd) anniversary of the date hereof, <u>provided</u> that the Executive remains employed by the Company on such date, the Company shall grant to the Executive ten thousand (10,000) shares of its Series A Preferred Stock (together with the Series B Preferred Stock, the "Stock").

If there is any change in the number or kind of Stock outstanding (i) by reason of a stock dividend, spin-off, recapitalization, stock split, or combination or exchange of shares; (ii) by reason of a merger, reorganization, or consolidation; (iii) by reason of a reclassification or change in par value; or (iv) by reason of any other extraordinary or unusual event affecting the outstanding Stock, or if the value of outstanding Stock is substantially reduced as a result of a spin-off or the Company's payment of an extraordinary dividend or distribution, the number of Stock issued, or to be issued, to the Executive pursuant to this Agreement and/or the kind of Stock issued, or to be issued, to the Executive pursuant to this Agreement shall be appropriately adjusted by the Company to reflect any increase or decrease in the number of, or change in the kind or value of, issued Stock to preclude any dilution to the number or kind of Stock issued, or to be issued, to the Executive hereunder.

(c) <u>Bonus.</u> Bonuses to all of the Company's employees are determined by the Board of Directors at the end of every fiscal year, and will depend upon the progress and profitably of the Company. The Company does not guarantee Executive the payment of any bonuses.

## 4. DUTIES

The Executive is hereby employed as Senior President of the Company and shall perform the following services in connection with the general business of the Company:

- (a) <u>Duties as Senior President.</u> . Executive 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 this Agreement and as directed by the Board of Directors, and shall use his best efforts to advance the best interests of the Company..
- (b) <u>Location</u>. Executive acknowledges that Executive will work primarily in the Company's principal place of business and Executive hereby agrees that he will make himself available to travel to any other location deemed reasonably necessary by the Board of Directors in order to fulfill Executive's duties.
- (b) <u>Compliance</u>. The Executive hereby agrees to observe and comply with such reasonable rules and regulations of the Company as may be duly adopted from time to time by the Board of Directors and otherwise to carry out and perform those orders, directions and policies stated to him from time to time by the Board of Directors, either as specified in the minutes of the proceedings of the Board of Directors of the Company or otherwise in writing that are reasonably necessary and appropriate to carry out his duties hereunder. Such orders, directions and policies shall be legal and shall be consistent with the Executive's position.

## 5. EXTENT OF SERVICES

The Executive agrees to serve the Company faithfully and to the best of his ability and shall devote his full time, attention and energies to the business of the Company during customary business hours. The Executive agrees to carry out his duties in a competent and professional manner and to at all times promote the best interests of the Company.

# 6. <u>BENEFITS AND EXPE</u>NSES

During the term of this agreement Executive shall be entitled to, and the Company shall provide, the following benefits in addition to those specified in Section 3:

- (a) <u>Vacation</u>. The Executive shall be entitled to 2 weeks vacation in each twelve (12) month period during the Term. Vacation may be taken at such time(s) as Executive may determine provided that such vacation does not interfere with the Company's business operations. The Executive must use his vacation in any event by May 31 of the year next following the year in which the vacation accrues or such vacation time shall expire. The Executive shall not be entitled to compensation for unused vacation except that, upon termination of his employment, the Company shall pay to the Executive for all of his accrued, unexpired vacation time.
- (b) <u>Expense Reimbursement.</u> The Company shall reimburse the Executive upon submission of vouchers for his out-of-pocket expenses for travel, entertainment, meals and the like reasonably incurred by him pursuant to his employment hereunder in accordance with the general policy of the Company as adopted by its Board of Directors from time to time.
- (c) <u>Health Insurance</u>. The Company shall provide the Executive with health insurance in the coverage consistent with those provided to other key executives of the Company as determined by the Board of Directors from time to time.
- (d) <u>Disability</u>. If the Company maintains disability insurance, then the Company shall provide a disability policy for the Executive comparable to the policies in force for other similar executives in the Company. If the Company does not maintain a disability policy, then the Executive may obtain such a policy in amounts equal to his salary and be reimbursed by the Company for all premium payments thereunder.
- (e) Other Benefits. The Company shall provide to the Executive other benefits as reasonably determined by the Board from time to time.
- 7. TERMINATION; DISABILITY; RESIGNATION; TERMINATION WITHOUT CAUSE
- (a) <u>Termination for Cause</u>. The Company shall have the right to terminate the Executive's employment hereunder:

- (1) For cause upon ten (10) business days' prior written notice to Executive. Upon such termination, Executive shall have no further duties or obligations under this Agreement (except as provided in Section 8) and the obligations of the Company to Executive shall be as set forth below. For purposes of this Agreement, "cause" shall mean:
  - (A) Executive's conviction of a felony under federal or state law;
  - (B) Executive's failure to perform (other than as a result of Executive's being Disabled), in any material respect, any of his duties or obligations under or in accordance with this Agreement and either (i) the Executive fails to cure such failure within ten (10) business days following receipt of notice from the Company, or (ii) if such failure by its nature cannot be cured within such ten business day period, the Executive fails to commence to cure such failure within such ten business day period and proceed to cure such failure within thirty (30) days thereafter.
  - (C) Executive commits any dishonest, malicious or grossly negligent act which is materially detrimental to the business or reputation of the Company, or the Company's business relationships, provided, however, that in such event the Company shall give the Executive written notice specifying in reasonable detail the reason for the termination.

Notwithstanding the foregoing, the Executive may, within ten (10) business days following delivery of the notice of termination referred to in the preceding paragraph, by written notice to the Board of Directors, cause the matter of the termination of his employment by the Company to be discussed at the next regularly scheduled meeting of the Board of Directors or at a special meeting of the Board of Directors requested by a majority of the members of the Board of Directors who are not employees of the Company or any of its subsidiaries. The Executive shall be entitled to be present and to be represented by counsel at such meeting which shall be conducted according to a procedure deemed equitable by a majority of the directors present. If, at such meeting, it shall be determined that the employment of the Executive had been terminated without proper cause, the provisions of this Agreement shall be reinstated with the same force and effect as if the notice of termination had not been given; and the Executive shall be entitled to receive the compensation and other benefits provided herein for the period from the date of the delivery of the notice of termination through the date of such reinstatement.

In the event, the Company terminates the Executive's employment for cause, then the Executive shall be entitled to receive through the end of the Term: (1) his base salary as defined in Section 3(a) hereof; and (2) the benefits provided in Section 6 hereof including all accrued but unpaid vacation.

In the event that Executive's employment is terminated by the Company without cause including but not limited to an involuntary change in position or termination of the Executive as a result of a material breach of this Agreement by the Company, Executive shall receive from the Company, through the end of the Term: (1) his base salary as defined in Section 3(a) hereof; (2) the benefits provided in Section 6 hereof including all accrued but unpaid vacation; and (3) an additional two weeks' pay of the Executive's then current Base Salary.

- (b) <u>Disability</u>. The Company shall have the right to terminate the Executive's employment hereunder:
- (1) By reason of the Executive's becoming Disabled for an aggregate period of ninety (90) days in any consecutive three hundred sixty (360) day period (the "Disability Period").
  - (A) "Disabled" as used in this Agreement means that, by reason of physical or mental incapacity, Executive shall fail or be unable to substantially perform the customary duties of his employment.
  - (B) If the existence of a disability is in dispute, it shall be resolved by two physicians, one appointed by Executive and one appointed by the Board of Directors of the Company. If the two physicians so selected cannot agree as to whether or not Executive is Disabled as defined in subsection (A) above, the two physicians so selected shall designate a third physician and a majority of the three physicians so selected shall determine whether or not Executive is Disabled.
  - (C) In the event Executive is Disabled, during the period of such disability he shall continue to receive his base compensation in the amount set forth in Section 3(a) hereof, which base compensation shall be reduced by the amount of all disability benefits he actually receives under any disability insurance program in place with the Company until the first to occur of (1) the cessation of the Disability or (2) the termination of this Agreement by the Company at any time after the Disability Period. During the period of Disability and prior to termination, the Executive shall continue to receive the benefits provided in Section 6 hereof and shall have the right to exercise options to purchase shares of the Company's common stock in accordance with the 2007 Plan.
  - (D) For the purposes of this Section 7(b), any amounts to be paid to Executive by the Company pursuant to subsection (C) above, shall not be reduced by any disability income insurance proceeds received by him under any disability insurance policies owned or paid for by the Executive.
  - (E) If the Executive is terminated at the end of the Disability Period, then the Executive shall receive through the end of the Term: (1) his base salary as defined in Section 3(a) hereof; (2) the benefits provided in Section 6 hereof including all accrued but unpaid vacation;; and (3) an additional two weeks' pay of the Executive's then current Base Salary.
- (d) <u>Death.</u> The Company's employment of the Executive shall terminate upon his death and all payments and benefits shall cease upon such date provided, however, that under this Agreement the estate of such Executive shall be entitled to receive through the date of termination (1) his base salary as defined in Section 3(a) hereof, (2) the benefits provided in Section 6 hereof including all accrued but unpaid vacation;; and (3) an additional two weeks' pay of the Executive's then current Base Salary.

## (e) Termination by the Executive.

The Executive may elect, by written notice to the Company, such notice to be effective immediately upon receipt by the Company, to terminate his employment hereunder if:

- (1) The Company sells all or substantially all of its assets;
- (2) The Company merges or consolidates with another business entity in a transaction immediately following which the holders of all of the outstanding shares of the voting capital stock of the Company own less than a majority of the outstanding shares of the voting capital stock of the resulting entity (whether or not the resulting entity is the Company); provided, however, that the Executive shall not be permitted to terminate his employment under this subsection unless he notifies the Company in writing that he does not approve of the directors selected to serve on the Board after the merger or similar transaction described herein;
- (3) More than fifty (50%) percent of the outstanding shares of the voting capital stock of the Company are acquired by a person or group (as such terms are used in Section 13(d) of the Securities Exchange Act of 1934, as amended), which person or group includes neither the Executive nor the holders of the majority of the outstanding shares of the voting capital stock of the Company on the date hereof; provided, however, that the Executive shall not be permitted to terminate his employment under this subsection unless he notifies the Company in writing that he does not approve of the directors selected to serve on the Board after the merger or similar transaction described herein;
- (4) The Company assigns to the Executive duties that are not commensurate with the position for which he is being hired pursuant hereto;
- (5) The Company defaults in making any of the payments required under this Agreement and said default continues for a thirty (30) day period after the Executive has given the Company written notice of the payment default.

If the Executive elects to terminate his employment hereunder pursuant to this Section 7(e), then (1) the Company shall continue to pay to the Executive his salary as provided in Section 3(a) hereof through the end of the Term; (2) the Company shall continue to provide to the Executive the benefits provided in Section 6 hereof through the end of the Term; and (3) the Company shall provide Executive an additional two weeks' pay of the Executive's then current Base Salary.

(f) <u>Resignation</u>. If the Executive voluntarily resigns during the term of this Agreement other than pursuant to Section 7(e) hereof, then all payments and benefits shall cease on the effective date of resignation, provided that under this Agreement the Executive shall be entitled to receive through the date of such resignation: (1) his base salary as defined in Section 3(a) hereof, (2) the benefits provided in Section 6 hereof including all accrued but unpaid vacation;; and (3) an additional two weeks' pay of the Executive's then current Base Salary.

(g) <u>Mitigation</u>. In the event of the termination of this Agreement by the Executive as a result of a material breach by the Company of any of its obligations hereunder, or in the event of the termination of the Executive's employment by the Company in breach of this Agreement, the Executive shall not be required to seek other employment in order to mitigate his damages hereunder.

## 8. CONFIDENTIALITY: RESTRICTIVE COVENANTS; NON COMPETITION

- (a) Non-Disclosure of Information. (1) The Executive recognizes and acknowledges that by virtue of his position as a key executive, he will have access to the lists of the Company's referral sources, suppliers, advertisers and customers, financial records and business procedures, sales force and personnel, programs, software, selling practices, plans, special methods and processes for electronic data processing, special techniques for testing commercial and sales materials and products, custom research services in product development, marketing strategy, product manufacturing techniques and formulas, and other unique business information and records (collectively "Proprietary Information"), as same may exist from time to time, and that they are valuable, special and unique assets of the Company's business. The Executive also may develop on behalf of the Company a personal acquaintance with the present and potential future clients and customers of the Company, and the Executive's acquaintance may constitute the Company's sole contact with such clients and customers.
- (a)(2) The Executive will not during the Term of his employment, and at any time following the end of the Term of or earlier termination of this Agreement regardless of the reason therefor, disclose trade secrets or other confidential information about the Company, including but not limited to Proprietary Information, to any person, firm, corporation, association or other entity for any reason or any purpose whatsoever or utilize such Proprietary Information for his own benefit or the benefit of any third party; provided, however, that nothing contained herein shall prohibit the Executive from using his personal acquaintance with any clients or customers of the Company at any time in a manner that is not inconsistent with their remaining as clients or customers of the Company.
- (a)(3) All equipment, records, files, memoranda, computer print-outs and data, reports, correspondence and the like, relating to the business of the Company which Executive shall use or prepare or come into contact with shall remain the sole property of the Company. The Executive shall immediately turn over to the Company all such material in Executive's possession, custody or control at such time as this Agreement is terminated.
- (a)(4) "Proprietary Information" shall not include information that was a matter of public knowledge on the date of this Agreement or subsequently becomes public knowledge other than as a result of having been revealed, disclosed or disseminated by Executive, directly or indirectly, in violation of this Agreement.

- (b) Enforcement. In view of the foregoing, the Executive acknowledges and agrees that it is reasonable and necessary for the protection of the good will, business, trade secrets, confidential information and Proprietary Information of the Company that he makes the covenants in this Section 8 and that the Company will suffer irreparable injury if the Executive engages in the conduct prohibited by Section 8 (a) of this Agreement. The Executive agrees that upon a breach, threatened breach or violation by him of any of the foregoing provisions of this Section 8, the Company, in addition to all other remedies it may have including an action at law for damages, shall be entitled as a matter of right to injunctive relief, specific performance or any other form of equitable relief in any court of competent jurisdiction without being required to post bond or other security and without having to prove the inadequacy of the available remedies at law, to enjoin and restrain the Executive and each and every other person, partnership, association, corporation or organization acting in concert with the Executive, from the continuance of any action constituting such breach. The Company shall also be entitled to recover from the Executive all of its reasonable costs incurred in the enforcement of this Section 8 including its reasonable legal fees. The Executive acknowledges that the terms of Section 8(a) are reasonable and enforceable and that, should there be a violation or attempted or threatened violation by the Executive of any of the provisions contained in these subsections, the Company shall be entitled to relief by way of injunction, specific performance or other form of equitable relief. In the event that any of the foregoing covenants in Sections 8 (a) shall be deemed by any court of competent jurisdiction, in any proceedings in which the Company shall be a party, to be unenforceable because of its duration, scope, or area, it shall be deemed to be and shall be amended to conform to the scope, period of time and geogr
- (e) <u>Independent Covenants.</u> The Company and the Executive agree that the covenants contained in this Section 8 shall each be construed as a separate agreement independent of any of the other terms and conditions of this Agreement, and the existence of any claim by the Executive against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense by the Executive to the Company's enforcement of any of the covenants of this Section 8.
- (f) <u>Exclusion from Arbitration.</u> The terms and conditions of this Section 8 including the enforcement thereof by the Company are specifically excluded from the arbitration of all other matters under this Agreement as provided in Section 13 hereof.

## 9. DISCLOSURE AND ASSIGNMENT OF RIGHTS.

(a) <u>Disclosure.</u> The Executive agrees that he will promptly assign to the Company or its nominee(s) all right, title and interest of the Executive in and to any and all ideas, inventions, discoveries, secret processes, and methods and improvements, together with any and all patents or other forms of intellectual property protection that may be obtainable in connection therewith or that may be issued thereon, such as trademarks, service marks and copyrights, in the United States and in all foreign countries, which the Executive may invent, develop, or improve or cause to be invented developed or improved, on behalf of the Company while engaged in Company related decisions, during the Term or within six (6) months after the Term or earlier termination of this Agreement, which are or were related to the scope of the Company's business or any work carried on by the Company or to any problems and projects specifically assigned to the Executive. All works and writings which relate to the Company's business are works for hire, and any and all copyrights therefor shall be placed in the name of and inure to the benefit of the Company.

(b) <u>Assignment of Interest.</u> The Executive agrees to disclose immediately to duly authorized representatives of the Company any ideas, inventions, discoveries, processes, methods and improvements covered by the terms of this Section 9 and to execute, at the Company's expense, all documents reasonably required in connection with the Company's application for appropriate protection and registration under the federal and foreign patent, trademark, and copyright law and the assignment thereof to the Company's nominee (s). The Executive hereby appoints the Company's Chairman as true and lawful attorney in fact with full powers of substitution and delegation to execute acknowledge and deliver any such instruments and assignments, which the Executive shall fail or refuse to execute or deliver.

## 10. INDEMNIFICATION.

The Company shall indemnify the Executive to the maximum extent permitted under the Nevada Revised Statutes, or any successor thereto, and shall promptly advance any expenses incurred by the Executive prior to the final disposition of the proceeding to which such indemnity relates upon receipt from the Executive of a written undertaking to repay the amount so advanced if it shall be determined ultimately that the Executive is not entitled to indemnity under the standards set forth in the Nevada Revised Statutes or its successor. The Employer shall use commercially reasonable efforts to obtain and maintain throughout the Term of the employment of the Executive hereunder directors' and officers' liability insurance for the benefit of the Executive. The indemnification obligations of the Company under this Section 10 shall survive the termination of the Term or of this Agreement for any reason whatsoever unless the Agreement is terminated for cause.

## 11. NOTICES.

(a) Any and all notices or other communications given under this Agreement shall be in writing and shall be deemed to have been duly given on (1) the date of delivery, if delivered in person to the addressee, (2) the next business day if sent by overnight courier, or (3) three (3) days after mailing, if mailed within the continental United States, postage prepaid, by certified or registered mail, return receipt requested, to the party entitled to receive same, at his or its address set forth below:

If to the Company:

MusclePharm Corporation 4721 Ironton Street, Building A Denver, CO 90839 Attention: Brad J. Pyatt

Attention: Brad J. Pyatt Telephone: (303) 396-6100

Email: brad.pyatt@musclepharm.com

If to the Executive:

Cory Gregory 4721 Ironton Street, Building A Denver, CO 90839

(b) The parties may designate by notice to each other any new address for the purposes of this Agreement as provided in this Section 11.

#### 12. MISCELLANEOUS PROVISIONS

- (a) <u>Applicable Law</u>. This document shall, in all respects, be governed by the laws of the State of Colorado excluding any conflicts of law provisions. The parties acknowledge that substantially all of the negotiations relating to this Agreement were conducted in, and that this Agreement has been executed by both parties in State of Colorado.
- (b) <u>Survival</u>. The parties agree that the covenants contained in Section 3 hereof shall survive any termination of employment by the Executive and any termination of this Agreement. In addition, the parties agree that any compensation or right which shall have accrued to the Executive as of the date of any termination of employment or termination hereof shall survive any such termination and shall be paid when due to the extent accrued on the date of such termination.
- (c) Assignability. All of the terms and provisions contained herein shall inure to the benefit of and shall be binding upon the parties and their respective heirs, personal representatives, successors and assigns. The obligations of the Executive may not be delegated, except as set forth herein, however, and the Executive may not, without the Company's written consent thereto, assign, transfer, convey, pledge, encumber, hypothecate or otherwise dispose of this Agreement or any interest therein. Any such attempted delegation or disposition shall be null and void and without effect. The Company and the Executive agree that this Agreement and all of the Company's rights and obligations hereunder may be assigned or transferred by the Company to and may be assumed by and become binding upon and may inure to the benefit of any affiliate of or successor to the Company. The term "successor" shall mean, with respect to the Company or any of its subsidiaries, and any other corporation or other business entity which, by merger, consolidation, purchase of the assets, or otherwise, acquires all or a material part of the assets of the Company. Any assignment by the Company of its rights and obligations hereunder to any affiliate of or successor shall not be considered a termination of employment for purposes of this Agreement.

(d)	Modifications or Amendments.	No amendment,	change or modification	of this	document shall	be valid	unless	in
writing and signed by each	of the parties herein.							

- (e) <u>Waiver</u>. No reliance upon or waiver of one or more provisions of this Agreement shall constitute a waiver of any other provisions hereof.
- (f) <u>Severability</u>. If any provision of this Agreement as applied to either party or to any circumstances shall be adjudged by a court of competent jurisdiction to be void or unenforceable, the same shall in no way affect any other provision of this Agreement or the validity or enforceability of this Agreement. If any court construes any of the provisions to be unreasonable because of the duration of such provision or the geographic or other scope thereof, such court may reduce the duration or restrict the geographic or other scope of such provision and enforce such provision as so reduced or restricted.
- (g) <u>Separate Counterparts</u>. This document may be executed in one or more separate counterparts, each of which, when so executed, shall be deemed to be an original. Such counterparts shall, together, constitute and shall be one and the same instrument.
- (h) <u>Headings</u>. The captions appearing at the commencement of the sections hereof are descriptive only and are for convenience of reference. Should there be any conflict between any such caption and the section at the head of which it appears the substantive provisions of such section and not such caption shall control and govern in the construction of this document.
- (i) <u>Specific Performance</u>. It is agreed that the rights granted to the parties hereunder are of a special and unique kind and character and that, if there is a breach by either party of any material provision of this document, the other party would not have any adequate remedy at law. It is expressly agreed, therefore, that the rights of the parties may be enforced by an action for specific performance and other equitable relief.
- (j) <u>Further Assurances</u>. Each of the parties shall execute and deliver any and all additional papers, documents and other assurances, and shall do any and all acts and things reasonably necessary in connection with the performance of their obligations hereunder and to carry out their intentions as set forth herein.
- (k) <u>Entire Agreement</u>. This Agreement constitutes the entire understanding and agreement of the parties with respect to the subject matter of this Agreement, and any and all prior agreements, understandings or representations are hereby terminated and canceled in their entirety.
- (I) <u>Neutral Construction</u>. Neither party may rely on any drafts of this Agreement in any interpretation of the Agreement. Each party to this Agreement has reviewed this Agreement and has participated in its drafting and, accordingly, neither party shall attempt to invoke the normal rule of construction to the effect that ambiguities are to be resolved against the drafting party in any interpretation of this Agreement.

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(m) <u>Attorneys' Fees</u>. In the event that either party hereto commences litigation against the other to enforce such party's rights hereunder, the prevailing party shall be entitled to recover all costs, expenses and fees, including reasonable attorneys' fees (including inhouse counsel), paralegals' fees, and legal assistants' fees through all appeals.

### 13. <u>SUBMISSION TO ARBITRATION</u>.

Except as hereinafter expressly provided, every difference or dispute, of whatever nature, between the Company and the Executive involving (1) any breach of this Agreement or (2) any other difference or dispute arising out of, related to, under or having any connection with this Agreement, shall be settled and finally determined by arbitration in Denver, Colorado in accordance with the then current commercial arbitration rules of the American Arbitration Association, and judgment upon any award rendered may be entered in any court having jurisdiction, including but not limited to the courts of the State of Colorado, and the determination of such arbitration proceeding shall be binding and conclusive upon the parties. Any claim by the Company against the Executive arising out of, under, or related to, Section 8 of this Agreement, whether for equitable relief or monetary damages or any combination, is specifically excluded from arbitration under this Section 13.

[ signature page follows ]

IN WITNESS WHEREOF, the parties hereto have executed this Employment Agreement on the date first above written.

### MUSCLEPHARM CORPORATION

By: /s/ Brad J. Pyatt

Name: Brad J. Pyatt

Title: Chief Executive Officer

EXECUTIVE

/s/ Cory Gregory

Cory Gregory

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

#### I, Brad J. Pyatt, certify that:

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

Date: August 16, 2011 By: /s/ Brad J. Pyatt

Brad J. Pyatt Principal Executive Officer MusclePharm Corporation

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

#### I, Lawrence S. Meer, certify that:

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

Date: August 16, 2011 By: /s/Lawrence S. Meer

Lawrence S. Meer Principal Financial Officer MusclePharm Corporation

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

In connection with this Quarterly Report of MusclePharm Corporation (the "Company"), on Form 10-Q for the quarter ended June 30, 2011, as filed with the U.S. Securities and Exchange Commission on the date hereof, I, Brad J. Pyatt, Principal Executive Officer of the Company, certify to the best of my knowledge, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) Such Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in such Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 16, 2011 By: /s/ Brad J. Pyatt

Brad J, Pyatt Principal Executive Officer MusclePharm Corporation

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

In connection with this Quarterly Report of MusclePharm Corporation (the "Company"), on Form 10-Q for the quarter ended June 30, 2011, as filed with the U.S. Securities and Exchange Commission on the date hereof, I, Lawrence S. Meer, Principal Financial Officer of the Company, certify to the best of my knowledge, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) Such Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in such Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 16, 2011 By: /s/ Lawrence S. Meer

Lawrence S. Meer Principal Accounting Officer MusclePharm Corporation