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

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Fiscal Year ended December 31, 2013

Commission File Number – 000-53166

MusclePharm Corporation

(Exact name of registrant as specified in its charter)

Nevada	**77-0664193**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
4721 Ironton Street, Building A Denver, Colorado	**80239**
(Address of principal executive offices)	**(Zip code)**

(303) 396-6100
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(g) of the Act:

Title of each class
Common Stock, Par Value $0.001 Per Share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☐ Yes ☒ No
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☒ No
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated file, an accelerated file, a non-accelerated filer, or a smaller reporting company. (Check one):

Large accelerated filer	☐	Accelerated filer	☐
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
Aggregate market value of the voting common stock held by non-affiliates of the registrant at June 30, 2013: $54,522,921
Number of shares of the registrant's common stock outstanding at March 28, 2014: 10,349,912

DOCUMENTS INCORPORATED BY REFERENCE:

None.

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Forward-Looking Statements

Certain statements contained in this report on Form 10-K are not statements of historical fact and constitute forward-looking statements within the meaning of the various provisions of the Securities Act of 1933, as amended, (the "Securities Act") and the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including, without limitation, the statements specifically identified as forward-looking statements within this report. Many of these statements contain risk factors as well. In addition, certain statements in our future filings with the SEC, in press releases, and in oral and written statements made by or with our approval which are not statements of historical fact constitute forward-looking statements within the meaning of the Securities Act and the Exchange Act. Examples of forward-looking statements, include, but are not limited to: (i) projections of capital expenditures, revenues, income or loss, earnings or loss per share, capital structure, and other financial items, (ii) statements of our plans and objectives of our management or Board of Directors including those relating to planned development of future products, (iii) statements of future economic performance and (iv) statements of assumptions underlying such statements. Words such as "believes," "anticipates," "expects," "intends," "targeted," "may," "will" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. Important factors that could cause actual results to differ materially from the forward looking statements. include, but are not limited to:

- Significant competition in our industry;
- Unfavorable publicity or consumer perception of our products;
- Increases in the cost of borrowings and limitations on availability of additional debt or equity capital;
- Incurrence of material product liability and product recall costs;
- Loss or retirement of directors or key members of management;
- Costs of compliance and our failure to comply with new and existing governmental regulations including, but not limited to, tax regulations;
- Costs of litigation and the failure to successfully defend lawsuits and other claims against us;
- Economic, political and other risks associated with our international operations;
- Failure to keep pace with the demands of our customers for new products and services;
- Disruptions in our manufacturing system or losses of manufacturing certifications;
- Disruptions in our distribution network;
- Lack of long-term experience with human consumption of ingredients in some of our products;
- Failure to adequately protect or enforce our intellectual property rights against competitors;
- Changes in raw material costs and pricing of our products;
- Failure to successfully execute our growth strategy, including any delays in our planned future growth;
- Damage or interruption to our information systems;
- Impact of current economic conditions on our business;
- Natural disasters, unusually adverse weather conditions, pandemic outbreaks, boycotts and geo-political events; and
- Failure to maintain effective internal controls.

Consequently, forward-looking statements should be regarded solely as our current plans, estimates and beliefs. You should not place undue reliance on forward-looking statements. We cannot guarantee future results, events, levels of activity, performance or achievements. We do not undertake and specifically decline any obligation to update, republish or revise forward-looking statements to reflect future events or circumstances or to reflect the occurrences of unanticipated events.

PART I

Item 1. Business

General

MusclePharm Corporation is a scientifically driven, performance lifestyle company that develops, manufactures, markets and distributes branded nutritional supplements. We offer a complete range of powders, capsules, tablets and gels. Our portfolio of recognized brands, including MusclePharm® Hybrid and Core Series, Arnold Schwarzenegger Series™, and FitMiss® are marketed and sold in more than 110 countries and available in over 35,000 retail outlets globally. These clinically proven, scientific nutritional supplements are developed through a six-stage research process that utilizes the expertise of leading nutritional scientists, doctors and universities.

Our principal executive offices are located at 4721 Ironton Street, Building A, Denver, Colorado 80239 and our telephone number is (303) 396-6100. We were incorporated in the State of Nevada in 2006. As used in this annual report on Form 10-K, the terms the "Company", "we", "our", "MusclePharm", or "MP" refer to MusclePharm Corporation and its predecessors, subsidiaries and affiliates, unless the context indicates otherwise. Our Internet address is *www.musclepharm.com*. On our MusclePharm corporate web site, located at *www.musclepharmcorp.com*, we post the following filings as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission: our annual report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as amended. All such filings on our MusclePharm corporate web site are available free of charge. Also available on the MusclePharm Corporate web site are the charters of the committees of our board of directors, as well as our corporate governance guidelines and code of ethics; copies of any of these documents will be provided in print to any shareholder who submits a request in writing to MusclePharm Investor Relations, 4721 Ironton Street, Building A, Denver, CO, 80239.

Recent Developments

Common Stock Repurchase Plan

In December 2013 the Company repurchased 120,000 shares of its common stock for an aggregate purchase price of approximately $934,000 as part of a stock repurchase plan approved by the Company's Board of Directors on December 10, 2013 allowing for the repurchase of up to $5,000,000 worth of shares of outstanding common stock over the course of twelve months, which will be held in our treasury.

Internal Controls

With our rapid rate of growth, we also recognize the need to improve internal financial controls. An internal auditor was recently hired and now reports directly to the Board of Directors and the Audit Committee Chair. All areas of internal controls, from the sales cycle to cash management, have been reviewed internally and we believe we are in the process of being strengthened. In March 2014, we also formed a disclosure committee comprised of certain officers and directors appointed by the Chief Executive Officer for the purpose of assuring the Company's disclosures are accurate, complete, and made on a timely basis.

Investments

On August 26, 2013, the Company entered into a Securities Purchase Agreement with BioZone Pharmaceuticals, Inc. ("BioZone") pursuant to which the Company bought (i) $2,000,000 of a 10% secured convertible promissory note due one year from the date of issuance and (ii) a warrant to purchase 10,000,000 shares of the BioZone's common stock, at an exercise price of $0.40 per share, for $2,000,000. On October 24, 2013, the Company converted principal in the amount of $1,000,000 into 5,000,000 shares of Biozone's common stock and was repaid the remaining principal of $1,000,000 and accrued interest of $32,877 to satisfy the remaining debt. On November 25, 2013, the Company entered into a Stock Purchase Agreement with certain accredited investors (the "Purchasers") pursuant to which the Company sold warrants to purchase 10,000,000 shares of BioZone common stock to the Purchasers for an aggregate purchase price of $1,250,000. In November, the Company sold an aggregate of 5,000,000 shares of common stock in Biozone for gross proceeds $1,500,000.

On November 7, 2013, the Company purchased, from Fuse Science, Inc. (OTCBB:DROP) ("Fuse"): (i) a 10% senior secured convertible promissory note in the principal amount of $200,000 to mature 60 days after issuance, and (ii) warrants to purchase 6,666,000 shares of Fuse common stock at an exercise price of $0.06 per share. On December 11, 2013, the Company purchased (i) an additional 10% senior secured convertible promissory note in the principal amount of $75,000 to mature to mature 60 days after issuance, and (ii) warrants to purchase 2,499,750 shares of Fuse common stock at an exercise price of $.06 per share.

Series B Preferred

On September 18, 2013, the holders of the Company's Series B Preferred Stock (i) voluntarily waived all of their rights as holders of the Series B Preferred Stock (including, without limitation, voting control of the Company), and (ii) agreed to cancel all of their shares of the Company's Series B Preferred Stock.

Biozone Purchase

On January 2, 2014, we and our newly formed Nevada subsidiary, BioZone Laboratories Inc. ("Biozone Labs") consummated the acquisition of substantially all of the assets of BioZone Pharmaceuticals, Inc. ("BioZone") and its subsidiaries, BioZone Laboratories, Inc., and Bakers Cummins Corporation (collectively, the "Seller"). At closing, Biozone Labs acquired substantially all of the operating assets of the Seller, including all assets associated with QuSomes, HyperSorb and EquaSomes drug delivery technologies and the name "Biozone", "Biozone Laboratories" and similar names and domain names (and excluding certain assets including cash on hand). The closing was subject to certain conditions precedent including delivery of a fairness opinion to us by our financial advisor, which we obtained prior to closing.

The purchase price of this acquisition was 1.2 million shares of our common stock, par value $0.001 per share, of which 600,000 shares were placed into escrow for a period of 9 months to cover indemnification obligations and which shares are also subject to repurchase from the escrow for $10.00 per share in cash during the 9 month escrow period. The remaining 600,000 non-escrowed shares were issued to Biozone upon closing and are subject to a lockup agreement which permit private sales (subject to the lockup and certain leak out provisions).

Products

We employ a master brand strategy driven by science, customer experience, and innovation. We market our branded products in multiple performance and active-lifestyle channels that reach athletes of all demographics. Our goal is to serve the needs of all types of athletes, while fueling the engine of sport for all ages and genders. MusclePharm's product lines are designed primarily for specific athletic use and athletes' needs. A large percentage of our products are for active lifestyle purposes as well. We place considerable emphasis on high-quality ingredients, innovation, and science. Our portfolio of brands target every type of fitness enthusiast, from football, combat sports, weight training, bodybuilding, runners, basketball and soccer, to cross fit, golf, tennis, volleyball, outdoor activities, and athletic and recreational enthusiasts.

MusclePharm Hybrid and Core Series – Scientifically-advanced, performance-driven supplements that cover all bases for athletes and their workout needs. This line of innovative, University-tested products help fuel athletes safely by increasing strength, endurance, hydration, recovery, and overall athletic performance. MP Hybrid Series products like Assault, Amino1 and Combat Protein Powder contain ingredients that deliver clinically-proven performance. MP Core products, such as BCAA 3:1:2, CLA Core and Fish Oil, balance the essentials to meet the day-in and day-out demands of athletes.

Arnold Schwarzenegger Series – Physique supplements tailored for the fitness and bodybuilding enthusiasts. They are comprised of physique-enhancing ingredients like protein gainers, muscle builders, multivitamins, and nitric oxide boosters. Arnold Schwarzenegger worked side-by-side with MusclePharm's scientific team to create a line of high-quality nutritional supplements that not only carry his iconic name, but represent his lifelong commitment to fitness and bodybuilding as well.

FitMiss® – Designed and formulated specifically for the active woman's lifestyle utilizing clinically proven ingredients that covers the range of busy women's needs including weight loss, multi-vitamins, protein shakes, detox, skin care, and pre-workout energy mixes.

MusclePharm Apparel - As of March 28, 2014, this portion of our business has been licensed to Worldwide Apparel, LLC as part of a license agreement. Our goal with this agreement is to partner with a specialist in the apparel industry allowing us to focus on our core business of nutritional supplements.

Our wholly owned subsidiary, Biozone Labs, as a result of the recently completed acquisition of substantially all of the assets of Biozone and its subsidiaries, develops, manufactures, and distributes over-the-counter drugs and preparations, cosmetics, and nutritional supplements.

Our wholly owned subsidiary, Canada MusclePharm Enterprises Corp. ("MusclePharm Canada"), markets and distributes MusclePharm products to Canadian markets.

Sales and Marketing

The Company believes providing superior customer experience with knowledgeable salespersons and digital media tools that can convey the value of the Company's products greatly enhances its ability to attract and retain customers. We strive to innovate as we continue to enhance our ability to serve the athlete, inspire the consumer, educate the customer and expand the market place.

Our sales force consists of dedicated sales professionals who are assigned to major accounts, classes of trade and/or geographic territories. These sales professionals work directly with retailers and distributors to increase their knowledge of our products, consumers, and specific nutritional supplement benefits. They also solicit orders for our products, design customized programs, maximize our distribution, optimize our shelf presence, develop effective merchandising, and create promotions that drive consumer traffic. In addition, we compliment our direct sales team with strategic brokers to represent our products in certain accounts and classes of trade.

MusclePharm is an aggressive growth company with a portfolio of brands that we believe fuels growth across all categories and geographies. We ended 2013 with $110.9 million in net sales, up 65%, with a 2-year 150% compound annual growth rate ("CAGR"). Today we compete in the global $20 billion sports nutrition market experiencing a 10% CAGR.

The MusclePharm brands are marketed across all major retail distribution channels including, on-line, specialty and Food, Drug, Mass (FDM), which includes club stores.

Specialty Market: This is comprised of brick-and-mortar sales and e-commerce. We use distributors, as well as selling direct to larger customers. We will continue to grow this portion of our business by offering continued line extensions, as well as leveraging our retailers to grow new customer acquisitions within their channels.

International: We intend to focus on growing our international presence by continuing to offer new products, as well as improving the supply cycles and opening new distribution centers in select regions of the world to improve both tariff fees, as well as shipping time.

FDM (Food, Drug, Mass): This is a new sales channel that we intend to also grow by expanding the distribution platform for our current line of brands and products. In 2013, this sales channel represented approximately 7% of our business and in 2014 we anticipate FDM will represent 15% of our business.

Below is a table of net sales by our major distribution channel:

	Years Ended December 31,	
Distribution Channel	**2013**	**2012**
Specialty	$ 68,605,407	$ 46,881,155
International	34,112,847	20,174,060
FDM	8,159,337	-
Total	$ 110,877,591	$ 67,055,215

We market our products using a mix of trade and consumer promotions; strategic partnerships, athlete endorsements, television, digital and social media, print media, product sampling, promotional events, and consumer education efforts. Our advertising and marketing expenditures, excluding promotional incentives reflected as reductions in net sales or increases in cost of goods sold, were $15.5 million and $8.4 million, respectively, for fiscal 2013 and 2012.

We believe along with our innovative products, providing superior brand customer experience drives our success. With that aim, we believe that we have built one of the industry's strongest social media communities that, all brands combined, boasts over 1.8 million followers and continues to grow. Through our social media and websites we provide educational programs, daily workouts, and training advice that create high-level brand interaction with our customers and key influencers that educate customers about the benefits of our innovative and beneficial nutritional supplement products. Our web sites, including musclepharm.com, Arnold.com, fitmiss.com, and mpssi.com also provide additional educational information to consumers, customers and healthcare professionals.

Sponsorships and endorsements with athletes, celebrities and sporting organizations are key components of our marketing strategy. We believe that brand influencer partners such as Ultimate Fighting Championship (UFC)—which reaches more than 820 million households globally—along with Arnold Schwarzenegger, football star Colin Kaepernick and USA Wrestling help boost brand credibility by exposing our brand to millions of potential customers.

Product Research, Development, and Quality Control

Science, product research and innovation is a continued emphasis for our scientifically advanced nutritional supplements that help service the athlete's needs and strive to produce products that help athletes at every level achieve their performance and athletic goals. We believe our research and development efforts are key factors in past and future brand success. Customers' belief in the science behind our products is critical. Continued innovation in both delivery techniques and ingredients, new product line extensions for existing products, as well a new product offerings are important to the nutritional supplement industry in order to create new market opportunities, meet consumer demand and strengthen consumer relationships. We maintain an extensive research library and consult with a variety of key opinion leaders and experts to identify new research and development projects offering health and wellness benefits. To support our research and development efforts, we maintain a staff of scientific and technical personnel, invest in formulation, processing and packaging development, perform product quality and stability studies, invest in product efficacy and safety studies, and conduct consumer market research to sample consumer opinions on product concepts, product design, packaging, advertising and marketing campaigns. For research and development initiatives, we conduct research and development in our own state-of-the-art facility and with third parties.

Our quality control team follows detailed and comprehensive supplier selection and certification processes, validation of raw material verification processes, analytical testing and process audits, and other quality control procedures. The quality management systems also include a professionally equipped and staffed laboratory enabling finished goods testing for compliance to our specifications. Our products are also subject to extensive shelf life stability testing. We also use outside laboratories to routinely evaluate our internal testing processes and to supplement our internal testing procedures and capabilities.

MP's comprehensive lines of clinically-proven supplements are developed through a six-stage research process that utilizes the expertise of leading nutritional scientists, doctors and universities and ensures that every necessary step is done properly and at a high level to ensure quality and safety for our customers.

Stage 1: The Athletes Vision

We believe that the motivating force driving the MusclePharm business is our executive management team and their passion and commitment for sport. Our company is not only comprised of talented business people, but many individuals who are athletes and avid health and fitness enthusiasts that live the same active lifestyle just like our target customers. As athletes, scientists and workout enthusiasts, we envision new products by considering how they need to work and how they affect athletes' bodies and wellbeing. We at MusclePharm strive to utilize the drive, knowledge, and focus that marked our experiences in the sports world, and channel our experiences into building a business that benefits everyone who shares our passion for sport and belief for a healthy and active lifestyle.

Stage 2: Formulation Process

In addition to MusclePharm's own staff of doctors and scientists who specialize in biomechanics, chemistry, exercise physiology, and related fields, we also utilize research committees and advisory boards comprised of doctors, athletes, sports nutritionists, coaches and other experts. These advisory teams consult with us and review concepts for product improvement as well as compliance with international safety regulations that create MusclePharm's proprietary combinations and ingredient ratios which form the backbone of our award-winning supplements.

Stage 3: MP Sports Science Institute

MusclePharm is committed to science and sport being equal in our product development. We believe real-world applications are essential. The MP Sports Science Institute in Denver is a state-of-the-art, 30,000 square-foot training and performance facility—the only professional facility in the world to use the Omega Wave, DEXA and Keiser performance equipment to gather cutting-edge feedback about our formulations. In addition, in our clinic we can perform bone scans, blood work, ultrasound to determine body composition, and muscle and fat evaluations. We offer a range of kidney, liver, and cortisol tests. In addition, we can measure choice reaction time, and so much more. Everything we learn helps our team improve our products and allow MusclePharm to continue to be an innovator in the industry. As our doctors and researchers formulate, they perfect the products by turning to our network of professional athletes, coaches and trainers for feedback through product sampling. MusclePharm scientists study how the products effect athletes in the following ways: during high-intensity interval training, aerobic and anaerobic power, repeated sprint ability, training volume, strength levels, body composition, and cognitive function. Active athlete testing allows us to fine tune dosages, ensure proper ingredient combinations, and implement consumer safety measures.

Stage 4: University Research Programs

MP has a multi-year partnerships with multiple universities including the University of North Carolina, University of Auburn and the University of Tampa. These world-renowned research universities test our products for safety, efficacy, performance and validation, giving breath to an unprecedented level of teamwork. MP also collaborates with the (ISSN) International Society of Sports Nutrition to establish educational grants, which will further test MusclePharm products using multiple avenues of research, both university and private, to focus on their safety, efficacy, and performance benefits.

Stage 5: Quality Assurance

Attention to quality assurance, personal health and safety are integral to making our products what we believe to be one-of-a-kind and far superior to the competition. We "qualify" ingredients, suppliers and facilities by performing site assessments and conducting on-going performance and process reviews. Dedicated quality teams regularly audit and assess manufacturing facilities against Good Manufacturing Practices to ensure our compliance with all MusclePharm, regulatory and certification standards and requirements. To ensure overall consistency, our Quality Assurance team adheres to strict written procedures. From the raw ingredient stage to finished product, we monitor and perform quality control checks. Before distributing our products, all MusclePharm products are placed under quarantine to test for environmental contaminants, and ultimately verify that the finished product meets label claims. Once a product has successfully passed Quality Assurance testing and conforms to specifications for identity, purity, strength and composition, we then test it via a third-party analytics firm for added label claim verification. Multi-level practices are part of our product development process to ensure athletes and our consumers receive the most scientifically-innovative and safe supplements on the market. Post-distribution, we have standard operating procedures in place for investigating and documenting any adverse events or product quality complaint since customer safety is our number one priority.

Stage 6: Banned Substance Certifications

We are a sport-driven company, dedicated to providing athletes around the world with not only what we believe to be the most innovative nutritional products, but also the safest ones for sport. MusclePharm is committed to the process of having all of our products certified to be banned-substance-free before they are available to our athletes and consumers. We stand behind our quality by taking the extra step of engaging one of the world's most capable, industry-leading and independent labs, HFL® Sports Science. They validate our quality processes and conduct banned-substance testing on every branded MusclePharm product. As a quality assurance testing group, they state that nutritional supplements and/or ingredients registered in their Informed Choice program have been tested for banned substances by their world class sports anti-doping lab. HFL Sport Science works with more than 100 sports authorities globally, and is the testing agency for the World Anti-Doping Agency (WADA) Prohibited List along with testing lists from organizations like the National Football League, National Collegiate Athlete Association and Major League Baseball. HFL testing methods are accredited, meeting the ISO 17025 standard of supplements and ingredients testing.

Manufacturing

Currently, all of our products are produced through third party manufacturers. The majority of our products are manufactured in powder and capsule manufacturing facilities located in Tennessee, New York, Texas and California. We have our main distribution center in Tennessee, and we are in the process of establishing a second distribution center in California. All of our manufacturing and distribution facilities are designed and operated to meet the current Good Manufacturing Practices (“GMPs”) as promulgated by the US FDA in 21 CFR.

We participate in banned substance testing for all of our products and batches with Informed Choice. We also complete third party analytical testing on all products.

Our manufacturing process generally consists of the following operations: (i) qualifying ingredients for products, (ii) testing of all raw ingredients, (iii) measuring ingredients for inclusion in such products, (iv) granulating, blending and grinding ingredients into a mixture with a homogeneous consistency, (v) encapsulating or filling the blended mixture into the appropriate dosage form using either automatic or semiautomatic equipment, and (vi) testing finished products prior to distribution.

We maintain and operate a system that is integrated with distribution, warehousing and quality control, which provides real-time lot and quality tracking of raw materials, work in progress and finished goods. We also have a strategic working relationship with multiple contract manufacturers along with integrating our own manufacturing facility that was recently acquired in California.

We employ a purchasing staff that works with marketing, product development and quality control personnel to develop our products. We seek to mitigate out of stocks through our relationships with our principal suppliers, including dual sourcing of all products.

Our Growth Strategy

Our primary growth strategy is to:

- Drive innovation, serve the needs of all athletes and fuel the engine of sport through new products and brand extension;
- Increase our product distribution and sales through increased market penetrations both domestically and internationally;
- Increase our margins by focusing on streamlining our operations and seeking operating efficiencies in all areas of our operations;
- Continue to conduct additional testing of the safety and efficacy of our products and formulate new products; and
- Increase awareness of our products by increasing our marketing and branding opportunities through endorsements, sponsorships and brand extensions.

Industry Overview

According to the "Nutrition Business Journal," the market for Sports Nutrition & Weight Loss Market in the United States was estimated to be approximately $31 billion in 2013 (the most recent year for which data is available). The market is comprised of Nutrition Bars at 12%, Sports & Energy Drinks at 56%, Sports Nutrition Supplements at 15%, Weight-Loss Meal Replacements at 11% and Weight-Loss Pill-Form Supplements at 6%. We believe that the market has reached its present size due to a number of factors, including:

- Increased interest in health and wellness as consumers increasingly embrace healthy lifestyles and more proactively manage their individual health needs;
- Increased awareness of the health benefits of dietary supplements, especially as reports and medical research indicating a correlation between consumption of specific nutrients and better health continue to heighten public knowledge of the benefits of dietary supplements for health;
- A growing population of older Americans, who are more likely to consume dietary supplements and nutritional products, with an increasing interest in more proactively managing one's own health needs;
- Successful new product introductions in part due to new scientific findings; and
- A trend towards preventative measures and healthy living due, in part, to rising health care costs, dissatisfaction with existing health care systems, and greater acceptance of alternative/preventative care.

In recent years, nutritional supplement companies, analysts, publications and other industry sources have referenced a consistent growth rate of between 6% and 10% annually, particularly in terms of sales dollar growth, in the nutritional supplement industry. The industry is expected to continue to grow at a 6% to 9% growth rate over the projected growth period 2014-2017.

Although specific data from the fragmented international markets is not readily available, we believe similar demographics, events and other trends affect the nutritional supplement market internationally.

Our Competitors

The nutritional supplements market is very competitive and the range of products is diverse. Competitors use price, efficacy claims, customer service, name recognition, trade relationships and new product innovation to create share of market.

Our range of competitors includes numerous nutritional supplement companies that are highly fragmented in terms of geographic market coverage, distribution channels and product categories. In addition, large pharmaceutical companies and packaged food and beverage companies compete with us in the nutritional supplement market. Many of these companies have greater financial and distribution resources available to them than we do, and many of these companies can compete through vertical integration. Private label entities have gained a foothold in many nutrition categories and are direct competitors of ours as well and a few of these are private label entities have become market leaders.

In this industry, most of the companies are privately held. With respect to retailer sales, we cannot fully gauge their sizes and our relative ranking. The world of nutritional supplements is constantly changing and we believe that retailers look to partner with suppliers who demonstrate financial stability, brand awareness, market intelligence, customer service and science. With this in mind, we believe we are competitive in all of these areas.

Government Regulation

The formulation, manufacturing, packaging, labeling, advertising, distribution and sale of each of our major product groups are subject to regulation by one or more governmental agencies. The most active of these is the Food and Drug Administration ("FDA"), which regulates our products under the Federal Food, Drug and Cosmetic Act ("FDCA") and regulations promulgated thereunder. The FDCA defines the terms "food" and "dietary supplement" and sets forth various conditions that, unless complied with, may constitute adulteration or misbranding of such products. The FDCA has been adjusted several times with respect to dietary supplements, most recently by the Nutrition Labeling and Education Act of 1990 (the "NLEA") and the Dietary Supplement Health and Education Act of 1994.

FDA regulations relating specifically to foods and dietary supplements for human use are set forth in Title 21 of the Code of Federal Regulations. These regulations include basic labeling requirements for both foods and dietary supplements. Additionally, FDA regulations require us to meet relevant good manufacturing practice regulations for the preparation, packaging and storage of our food and dietary supplements.

Our business practices and products are also regulated by the Federal Trade Commission ("FTC"), the Consumer Product Safety Commission, the United States Department of Agriculture ("USDA") and the Environmental Protection Agency. Our activities, including our direct selling distribution activities, are also regulated by various agencies of the states, localities and foreign countries in which our products are sold.

In foreign markets, prior to commencing operations and prior to making or permitting sales of our products in the market, we may be required to obtain an approval, license or certification from the country's ministry of health or comparable agency. Prior to entering a new market in which a formal approval, license or certificate is required, we work extensively with local authorities in order to obtain the requisite approvals. We must also comply with product labeling and packaging regulations that vary from country to country. Our failure to comply with these regulations can result in a product being removed from sale in a particular market, either temporarily or permanently.

Intellectual Property

We regard our trademarks and other proprietary rights as valuable assets and believe that protecting our key trademarks is crucial to the successful implementation of our business strategy of building strong brand name recognition. Since we regard our intellectual property as crucial elements of our business with significant value in the marketing of our products, our policy is to pursue registrations for all of the trademarks and patents associated with our products.

We own, or have filed for, 115 patents and trademarks registered with the United States Patent and Trademark Office for our MusclePharm brands and certain of our products and slogans. Included in this total is 16 patents and trademarks that we recently acquired from Biozone and its subsidiaries and 26 patents that we recently acquired from Vyteris Bankruptcy Estate pursuant to a bankruptcy transaction.

We also have filed for protection of various marks throughout the world and are committed to a significant long-term strategy to build and protect the MusclePharm brand globally. The "MusclePharm" mark is pending registration in 14 countries. The mark has been granted final trademark registration in six countries, and we believe the remaining registrations will be granted within the next several months.

Seasonality

Our business does not typically experience seasonal variations due to our global sales and distribution model.

Employees

We believe that our success will depend significantly on our ability to identify, attract, and retain capable employees. As of December 31, 2013, we had 95 total employees of which 93 were full time. Our employees are not represented by any collective bargaining unit, and we believe our relations with our employees are good. We have recently completed staffing for the in-house medical and physiology center on-site in our training facilities.

Insurance

We maintain commercial liability, including product liability coverage, and property insurance. We also carry property coverage on our office facilities to cover our legal liability, tenant's improvements, business property, and inventory.

Item 1A. Risk Factors

Set forth below are risks with respect to our Company. Readers should review these risks, together with the other information contained in this report. The risks and uncertainties we have described in this report are not the only ones we face. There may be additional risks and uncertainties that are not presently known to us, or that we presently deem immaterial, that may become material and also adversely affect our business. If any of the following risks develop into actual events, our business, financial conditions or results of operations could be material and adversely affected. See "Forward-Looking Statements" at the beginning of this report for additional risks.

Risks Related to Our Business and Industry

Our business and operations are experiencing rapid growth. If we fail to effectively manage our growth, our business and operating results could be harmed.

We have experienced and expect to continue to experience rapid growth in our business both domestically and abroad, which has placed, and will continue to place, significant demands on our management, and our operational and financial infrastructure. To effectively manage this growth, we expect that we will need to continue to improve significantly our operational, financial and management controls and our reporting systems and procedures. To accomplish these objectives we may need to hire additional employees, make certain enhancements to our system, make significant capital expenditures and utilize management resources. Failure to implement these proposed growth objectives could have a material adverse effect on our business and operating results.

Our failure to respond appropriately to competitive challenges, changing consumer preferences and demand for new products could significantly harm our customer relationships and product sales.

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

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

- Deliver quality products in a timely manner in sufficient volumes;
- Accurately anticipate customer needs and forecast accurately to our manufacturers in an expanding business;
- Differentiate our product offerings from those of our competitors;
- Competitively price our products; and
- Develop new products.

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

If we fail to comply with the rules under the Sarbanes-Oxley Act of 2002 related to disclosure controls and procedures, or, if we discover material weaknesses and other deficiencies in our internal control and accounting procedures, our stock price could decline significantly and raising capital could be more difficult.

If we fail to comply with the rules under the Sarbanes-Oxley Act of 2002 related to disclosure controls and procedures, or, if we discover material weaknesses and other deficiencies in our internal control and accounting procedures, our business could be adversely impacted. Continued effective internal controls are necessary for us to produce reliable financial reports and are important to helping prevent financial fraud. If we cannot provide reliable financial reports or prevent fraud, our business and operating results could be harmed and investors could lose confidence in our reported financial information.

Our industry is highly competitive, and our failure to compete effectively could adversely affect our market share, financial condition and future growth.

The nutritional supplement industry is highly competitive with respect to:

- Price;
- Shelf space and store placement;
- Brand and product recognition;
- New product introductions; and
- Raw materials.

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

We rely on a limited number of customers for a substantial portion of our sales, and the loss of or material reduction in purchase volume by any of these customers would adversely affect our sales and operating results.

For the year ended December 31, 2013, two of our customers accounted for approximately 38% of our sales. Our largest customer for the year ended December 31, 2013, accounted for 27% of our sales. For the year ended December 31, 2012, two customers accounted for approximately 45% of our sales and our largest customer represented 33% of our sales. The loss of any of our major customers, a significant reduction in purchases by any major customer, or, any serious financial difficulty of a major customer, could have a material adverse effect on our sales and results of operations. See Note 2 in our Notes to Consolidated Financial Statements for further discussion on major customers.

Adverse publicity or consumer perception of our products and any similar products distributed by others could harm our reputation and adversely affect our sales and revenues.

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

We rely on highly skilled personnel and, if we are unable to retain or motivate key personnel, hire qualified personnel, we may not be able to grow effectively.

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

If we are unable to retain key personnel, our ability to manage our business effectively and continue our growth could be negatively impacted.

Key management employees are primarily responsible for our day-to-day operations, and we believe our success depends in large part on our ability to retain them and to continue to attract additional qualified individuals to our management team and operating staff. Currently, we have executed employment agreements with our key management employees that extend through December 31, 2016. The loss or limitation of the services of any of our key management employees or the inability to attract additional qualified personnel could have a material adverse effect on our business and results of operations.

Our operating results may fluctuate, which makes our results difficult to predict and could cause our results to fall short of expectations.

Our operating results may fluctuate as a result of a number of factors, many of which may be outside of our control. As a result, comparing our operating results on a period-to-period basis may not be meaningful, and you should not rely on our past results as an indication of our future performance. Our quarterly, year-to-date, and annual expenses as a percentage of our revenues may differ significantly from our historical or projected rates. Our operating results in future quarters may fall below expectations. Each of the following factors may affect our operating results:

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

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

Our share price has been and may continue to be volatile.

The market price of our common shares is subject to significant fluctuations in response to variations in our quarterly operating results. Factors other than our financial results that may affect our share price include, but are not limited to, market expectations of our performance, market perception or our industry, the activities of our managers, customers, and investors, and the level of perceived growth in the industry in which we participate, general trends in the markets for our products, general economic, business and political conditions in the countries and regions in which we conduct our business, changes in government regulation affecting our business, many of which are not within our control.

Changes in the economies of the markets in which we do business may affect consumer demand for our products.

Consumer spending habits, including spending for our products, are affected by, among other things, prevailing economic conditions, levels of employment, fuel prices, salaries and wages, the availability of consumer credit, consumer confidence and consumer perception of economic conditions. Economic slowdowns in the markets in which we do business and an uncertain economic outlook may adversely affect consumer spending habits and customer traffic, which may result in lower net sales of our products in future periods. A prolonged global or regional economic downturn could have a material negative impact on our financial position, results of operation or cash flows.

We may be exposed to material product liability claims, which could increase our costs and adversely affect our reputation and business.

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

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

Taxation and transfer pricing affect our operations.

As a U.S. company doing business in international markets, we are subject to foreign tax and intercompany pricing laws, including those relating to the flow of funds between our parent Company and our subsidiaries. These pricing laws are designed to ensure that appropriate levels of income and expense are reported by our U.S. and foreign entities, and that they are taxed appropriately. If regulators challenge our corporate structures, transfer pricing methodologies or intercompany transfers, our operations may be harmed, and our effective tax rate may increase. We are eligible to receive foreign tax credits in the United States for certain foreign taxes actually paid abroad. In the event any audits or assessments are concluded adversely to us, we may not be able to offset the consolidated effect of foreign income tax assessments through the use of U.S. foreign tax credits. Because the laws and regulations governing U.S. foreign tax credits are complex and subject to periodic legislative amendment, we cannot be sure that we would in fact be able to take advantage of any foreign tax credits in the future. The various customs, exchange control and transfer pricing laws are continually changing, and are subject to the interpretation of governmental agencies.

Despite our efforts to be aware of and to comply with such laws and changes to the interpretations thereof, there is a risk that we may not continue to operate in compliance with such laws. We may need to adjust our operating procedures in response to these interpretational changes, and such changes could have a material negative impact on our financial position, results of operation or cash flows.

Our insurance coverage or third party indemnification rights may not be sufficient to cover our legal claims or other losses that we may incur in the future.

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

As a manufacturer and distributor of products that are ingested, we face an inherent risk of exposure to product liability claims in the event that, among other things, the use of our products results in alleged injury to consumers due to tampering by unauthorized third parties or product contamination and/or other causes. We have historically had no product claims or reports from individuals who have asserted that they have suffered adverse consequences as a result of using our products.

Our intellectual property rights are valuable, and any inability to protect them could reduce the value of our products and brand.

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

We may be subject to intellectual property rights claims, which are costly to defend, could require us to pay damages and could limit our ability to sell some of our products.

Our industry is characterized by vigorous pursuit and protection of intellectual property rights, which has resulted in protracted and expensive litigation for several companies. Third parties may assert claims of misappropriation of trade secrets or infringement of intellectual property rights against us or against our end customers or partners for which we may be liable.

As our business expands, the number of products and competitors in our markets increases and product overlaps occur, infringement claims may increase in number and significance. Intellectual property lawsuits are subject to inherent uncertainties due to the complexity of the technical issues involved, and we cannot be certain that we would be successful in defending ourselves against intellectual property claims. Further, many potential litigants have the capability to dedicate substantially greater resources than we can to enforce their intellectual property rights and to defend claims that may be brought against them. Furthermore, a successful claimant could secure a judgment that requires us to pay substantial damages or prevents us from distributing products or performing certain services.

An increase in product returns could negatively impact our operating results and profitability.

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

We outsource manufacturing and anticipate continued reliance on third-party manufacturers for the development and commercialization of many of our products.

We do not currently operate manufacturing facilities for production of our products. We rely on third-party manufacturers to produce bulk products required to meet our sales needs. We plan to continue to rely upon contract manufacturers to manufacture commercial quantities of most of our products. With the recent acquisition of Biozone Laboratories, Inc. as more fully described in Note 17(A) we will be able to begin manufacturing some of our own products beginning in 2014.

We have multiple contract manufacturers. A contract manufacturers' failure to achieve and maintain high manufacturing standards and processes could harm our business. In the event of a natural disaster or business failure the replacement in a timely manner and the production of our products could be interrupted, resulting in delays, additional costs and reduced revenues.

A shortage in the supply of key raw materials could increase our costs or adversely affect our sales and revenues.

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

Because we are subject to numerous laws and regulations, and we may become involved in litigation from time to time, we could incur substantial judgments, fines, legal fees and other costs.

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

We are subject to the U.S. Foreign Corrupt Practices Act (the "FCPA"), which generally prohibits U.S. companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or retaining business, and the anti-bribery laws of other jurisdictions. The Company monitors FCPA compliance by its employees and representatives. Nevertheless, a finding of FCPA noncompliance could subject the Company to, among other things, penalties and legal expenses, as well as reputational harm, which could have a material adverse effect on its business, financial condition and results of operations.

System failures could harm our business.

Like many companies, our business is highly dependent upon our information technology infrastructure (websites and ERP applications) to manage effectively and efficiently our operations, including order entry, customer billing, accurately tracking purchases and managing accounting, finance and inventory. The occurrences of natural disasters, security breaches or other unanticipated problems could result in interruptions in our day-to-day business that could adversely affect our business.

We are under an investigation with the U.S. Securities and Exchange Commission.

In July 2013 the Company received a formal order of investigation of the Company from the Denver Regional Office of the Securities and Exchange Commission. As a result of that formal order, the Company is conducting a review of its internal controls, disclosures of related party transactions, settlements of claims including share issuance, executive compensation, and disclosure of perquisites for the periods of 2010 and 2011. There can be no assurance that these are the only subject matters of concern, what the nature or amounts in question will be, or that these are the only periods under review.

We may, in the future, issue additional shares of common stock and/or preferred stock, which would reduce investors' percent of ownership and may dilute our share value.

Our articles of incorporation, as amended, authorize the issuance of 100,000,000 shares of common stock and 10,000,000 shares of preferred stock, of which (i) 5,000,000 shares have been designated as Series A Convertible Preferred Stock, (ii) 51 shares have been designated as Series B Preferred Stock, (iii) 500 shares have been designated as Series C Convertible Preferred Stock and (iv) 1,600,000 shares have been designated as Series D Convertible Preferred Stock. In September 2013, all outstanding shares of Series B Preferred Stock were returned to the Company and retired. These shares were added back to the general preferred stock pool and are not available for reissuance as Series B Preferred Stock without new designation. Each share of our Series A Preferred Stock is convertible into 200 shares of our common stock although no shares of this series are outstanding. The articles of incorporation authorize our Board of Directors to prescribe the series and the voting powers, designations, preferences, limitations, restrictions and relative rights of any undesignated shares of our preferred stock. The future issuance of common stock and preferred stock may result in substantial dilution in the percentage of our common stock held by our then existing stockholders. We may value any common stock or preferred stock issued in the future on an arbitrary basis. The issuance of common stock for future services or acquisitions or other corporate actions may have the effect of diluting the value of the shares held by our investors, and might have an adverse effect on any trading market for our common stock.

We may issue additional shares of preferred stock in the future that may adversely impact your rights as holders of our common stock.

Our articles of incorporation, as amended, authorizes us to issue shares of preferred stock in various series. Each share of our Series D Convertible Preferred Stock is convertible into two shares of our common stock. On April 2, 2014, 131,500 shares of our Series D Convertible Preferred Stock held by Dr. Philip Frost shall convert into 263,000 shares of the Company's common stock. In addition, our Board of Directors has the authority to fix and determine the relative rights and preferences of our authorized but undesignated preferred stock, as well as the authority to issue shares of such preferred stock, without further stockholder approval. As a result, our Board of Directors could authorize the issuance of a series of preferred stock that would grant to holders preferred rights to our assets upon liquidation, the right to receive dividends before dividends are declared to holders of our common stock, and the right to the redemption of such preferred stock, together with a premium, prior to the redemption of the common stock. To the extent that we do issue such additional shares of preferred stock, your rights as holders of common stock could be impaired thereby, including, without limitation, dilution of your ownership interests in us. In addition, shares of preferred stock could be issued with terms calculated to delay or prevent a change in control or make removal of management more difficult, which may not be in your interest as a holder of common stock.

Our common stock is quoted on the OTCBB which may have an unfavorable impact on our stock price and liquidity.

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

Nevada corporation laws limit the personal liability of corporate directors and officers and require indemnification under certain circumstances.

Section 78.138(7) of the Nevada Revised Statutes provides that, subject to certain very limited statutory exceptions or unless the articles of incorporation provide for greater individual liability, a director or officer of a Nevada corporation is not individually liable to the corporation or its stockholders for any damages as a result of any act or failure to act in his or her capacity as a director or officer, unless it is proven that the act or failure to act constituted a breach of his or her fiduciary duties as a director or officer and such breach involved intentional misconduct, fraud or a knowing violation of law. We have not included in our articles of incorporation any provision intended to provide for greater liability as contemplated by this statutory provision.

In addition, Section 78.7502(3) of the Nevada Revised Statutes provides that to the extent a director or officer of a Nevada corporation has been successful on the merits or otherwise in the defense of certain actions, suits or proceedings (which may include certain stockholder derivative actions), the corporation shall indemnify such director or officer against expenses (including attorneys' fees) actually and reasonably incurred by such director or officer in connection therewith.

Item 1B. Unresolved Staff Comments

We received a letter dated September 16, 2013 from the SEC (the "SEC") Division of Corporation Finance with comments related to a Registration Statement on Form S-1 that was filed by the Company with the SEC on August 21, 2013. As of the date of this report no response has been provided to the SEC with regard to these comments because an amendment to such S-1 has not yet been filed. However, we believe that we have addressed all of the comments included in the SEC's September 16, 2013 letter herein.

In July 2013 the Company received a formal order of investigation of the Company from the Denver Regional Office of the Securities and Exchange Commission. As a result of that formal order, the Company is conducting a review of its internal controls, disclosures of related party transactions, settlements of claims including share issuance, executive compensation, and disclosure of perquisites for the periods of 2010 and 2011. There can be no assurance that these are the only subject matters of concern, what the nature or amounts in question will be, or that these are the only periods under review. As we announced in the Company's press release dated November 15, 2013, which was disclosed in our Current Report on Form 8-K filed with the SEC on the same date, our internal review has concluded that no restatement of prior periods' financial statements is required.

Item 2. Properties

Location	Function	Approximate Square Feet	Expiration Date of Lease	Monthly Rent
Denver, CO	Company Headquarters, MP Sports Science Center	30,302	December 31, 2015	$ 12,600
Hamilton, Ontario, CA	MP Canada subsidiary including warehouse, distribution, and sales	10,000	March 31, 2014	$ 6,300
Miami, FL	Sales, product development, and strategy	1,437	October 14, 2016	$ 3,800
Franklin, TN	Warehouse and distribution	152,562	August 31, 2015	$ 25,000
Boise, ID	Finance	4,776	October 31, 2014	$ 4,400
Boise, ID	Sales	9,600	December 31, 2014	$ 3,400
Columbus, OH	Social media and customer service center	8,500	September 15, 2014	$ 1,500

Item 3. Legal Proceedings

From time to time, we have become involved in various legal proceedings that arise in the ordinary course of business or otherwise. Legal proceedings are subject to inherent uncertainties as to timing, outcomes, costs, expenses and time expenditures by our management and others on our behalf. Although there can be no assurance, based on information currently available, we believe that the outcome of legal proceedings that are pending or threatened against us will not have a material effect on our financial condition. However, the outcome of any of these matters is neither probable nor reasonably estimable.

The legal proceedings information set forth under “Commitments, Contingencies and Other Matters” in Note 13(C) to the accompanying consolidated financial statements included in this Annual Report on Form 10-K is incorporated herein by reference.

Item 4. Mine Safety Disclosures

None.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The following table shows the reported high and low bid quotations per share for our common stock based on information provided by the OTCBB. Our common stock is quoted on the OTCBB under the symbol "MSLP.OB". These prices reflect the 850 for 1 reverse stock split of our common stock that we effected on November 26, 2012.

	High	Low
2013		
Fourth Quarter	$ 10.50	$ 7.30
Third Quarter	$ 13.10	$ 9.60
Second Quarter	$ 12.47	$ 8.06
First Quarter	$ 11.50	$ 3.90
2012		
Fourth Quarter	$ 6.21	$ 3.40
Third Quarter	$ 17.43	$ 5.02
Second Quarter	$ 31.88	$ 10.20
First Quarter	$ 31.03	$ 5.10

Quotations on the OTCBB reflect bid and ask quotations, may reflect inter-dealer prices, without retail markup, markdown or commission, and may not represent actual transactions.

The Company's transfer agent is Corporate Stock Transfer, Inc. Their business address is 3200 Cherry Creek Drive South, Suite 430, Denver, Colorado 80209.

As of March 28, 2014, there were approximately 318 holders of record of our common stock. This figure does not take into account those stockholders whose certificates are held in street name by brokers and other nominees. We estimate that such holders number approximately 6,319.

At March 28, 2014 the Company's issued and diluted shares were as follows:

Shares issued and outstanding at December 31, 2013	9,089,490
Director share issuance and executive share vesting	60,422
Shares issued for Biozone acquisition	1,200,000
Shares issued and outstanding at March 28, 2014	10,349,912
Series D Preferred Stock not yet converted	263,000*
Unvested Stock Awards	1,373,431
Stock Options	472
Outstanding Warrants	89
Fully Diluted as of March 28, 2014	11,986,904

* On April 2, 2014, 131,500 shares of our Series D Convertible Preferred Stock held by Dr. Philip Frost shall become convertible into 263,000 shares of the Company's common stock.

Unregistered Sale of Securities

Common Stock Issuances

Between April and December 2013, the Company issued 76,950 shares of common stock pursuant to the conversion of 192,375 shares of Series D preferred stock.

Between April and December 2013, the Company issued 471,139 shares of common stock pursuant to consulting and other service agreements valued at approximately $4,268,577.

In August and September 2013 the Company issued an aggregate 38,630 shares of common stock pursuant to settlement agreements valued at $410,865.

In September and December 2013 the Company issued an aggregate 272,875 shares of common stock pursuant to the vesting of stock awards valued at $2,938,635.

In January 2014, the Company issued an aggregate 44,138 shares of common stock pursuant to the vesting of stock awards valued at $158,667.

Dividend Policy

We have never declared dividends on our common stock, and currently do not plan to declare dividends on shares of our common stock in the foreseeable future. We expect to retain our future earnings, if any, for use in the operation and expansion of our business. Subject to the foregoing, the payment of cash dividends in the future, if any, will be at the discretion of our Board of Directors and will depend upon such factors as earnings levels, capital requirements, our overall financial condition and any other factors deemed relevant by our Board of Directors.

Item 6. Selected Financial Data.

Not required for smaller reporting companies.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read together with our consolidated financial statements and the related notes thereto reflected in the index to the consolidated financial statements in this report. This discussion contains forward-looking statements reflecting our current expectations that involve risks and uncertainties. See "Forward-Looking Statements" for a discussion of the uncertainties, risks and assumptions associated with these statements. Actual results and the timing of events could differ materially from those discussed in our forward-looking statements as a result of many factors, including those set forth under "Risk Factors" and elsewhere in this report. All 2012 share amounts and per share amounts in "Management's Discussion and Analysis of Financial Condition and Results of Operations" reflect the 1-for-850 reverse stock split of our common stock that we effected on November 26, 2012.

Plan of Operation

We are a scientifically driven, performance lifestyle Company that develops, manufactures, markets and distributes branded nutritional supplements. We offer a complete range of powders, capsules, tablets and gels. Our portfolio of recognized brands, including MusclePharm® Hybrid and Core Series, Arnold Schwarzenegger Series™, and FitMiss® are marketed and sold in more than 110 countries and available in over 35,000 retail outlets globally. These clinically proven, scientific nutritional supplements are developed through a six-stage research process that utilizes the expertise of leading nutritional scientists, doctors and universities. We believe we are an innovator in the sports nutrition industry.
Our primary growth strategy is to:

- Drive innovation, serve the needs of all athletes and fuel the engine of sport through new products and brand extension;
- Increase our product distribution and sales through increased market penetrations both domestically and internationally;
- Increase our margins by focusing on streamlining our operations and seeking operating efficiencies in all areas of our operations;
- Continue to conduct additional testing of the safety and efficacy of our products and formulate new products; and
- Increase awareness of our products by increasing our marketing and branding opportunities through endorsements, sponsorships and brand extensions.

Our core marketing strategy is to brand MusclePharm as the "must have" fitness brand for workout enthusiasts and elite athletes. We seek to be known as The Athletes Company®, run by athletes who create their products for other athletes both professional and otherwise. We believe that our marketing mix of endorsers, sponsorships and providing sample products for our retail resellers to use is an optimal strategy to increase sales.

Results of Operations

Year ended December 31, 2013 compared to the year ended December 31, 2012.

	Year Ended December 31,	
	2013	**2012**
Sales – net	$ 110,877,591	$ 67,055,215
Cost of sales	77,685,396	52,726,934
Gross profit	33,192,195	14,328,281
Operating expenses	47,488,657	23,064,092
Loss from operations	(14,296,462)	(8,735,811)
Other expense	(3,305,996)	(10,216,984)
Net loss before tax	(17,602,458)	(18,952,795)
Income tax provision	(115,483)	-
Net loss after tax	(17,717,941)	(18,952,795)
Net loss per share – basic and diluted	$ (2.46)	$ (13.00)
Weighted average number of common shares outstanding during the period – basic and diluted	7,193,784	1,458,757

Revenue

Our net revenues increased 65% to approximately $110.9 million for the year ended December 31, 2013, compared to approximately $67.1 million for the year ended December 31, 2012. Sales during the year ended December 31, 2013 increased due to executing our growth strategy that includes driving innovation, serving the needs of all athletes, fueling the engine of sport through new products, brand extensions, and increasing our product distribution and sales through increased market penetrations both domestically and internationally.

A key area of growth in 2013 was increased sales in international markets. International sales are included in the results of operations and increased approximately $13.9 million or 69% to $34.1 million for the year ended December 31, 2013, compared to $20.2 million for the year ended December 31, 2012.

Discounts and Sales Allowances

Sales discounts and allowances are a significant part of our marketing plan to our customers as they help to drive increased sales and brand awareness with end users through promotions that we support through our distributors and re-sellers. Discounts and sales allowances decreased to $17.4 million or 13.6% of gross sales from $10.7 million, or 13.8% of gross sales in 2012. The decrease in discounts and allowances as a percent of gross sales is a result of continued efforts to place controls around discounting and greater efforts to define customer terms and allowances.

Gross Profit

Gross profit for the year ended December 31, 2013 was approximately $33.2 million or 30% of revenue, compared to approximately $14.3 million or 21% of revenue for the year ended December 31, 2012. The increase was due to improved supply chain optimization, operational infrastructure improvements, enterprise resource planning (ERP) and reporting systems integration and key management hires.

Operating Expenses

Operating expenses for the year ended December 31, 2013 were $47.5 million, compared to $23.1 million for the year ended December 31, 2012. These expenses included necessary infrastructure improvements, new growth platforms and initiatives, company re-capitalization and staffing increases to establish a scalable organization.

Salaries and benefits were $11.8 million, or 11% of revenue for 2013 compared to $4.6 million, or 7% of revenue in 2012. The increase was due to warehouse implementation and adding additional resources to our finance and sales organizations. Salaries and benefit expenses include $2,988,793 related to amortization of expense for restricted stock awards granted to employees and executives.

Professional fees were $11.8 million in 2013 compared to $5.1 million in 2012. Expenses in 2013 included the one time settlement of legacy consulting agreements and legal fees that were incurred as part of the recapitalization of the company.

Advertising and promotion expenses were $15.5 million in 2013, or 14% of revenue, compared to $8.4 million, or 13% of revenue, in 2012. Advertising and promotion expenses in 2013 included expenses related to the strategic partnership that we entered into with Arnold Schwarzenegger as more fully described in Note 16 in the Notes to Consolidated Financial Statements.

The following table provides an overview of expense categories and percentage of net revenue:

	2013	*% of Net Revenue*	2012	*% of Net Revenue*
Advertising and promotion	$ 15,534,646	*14.0%*	$ 8,430,401	*12.6%*
Salaries and benefits	11,830,967	*10.7%*	4,596,530	*6.9%*
Professional fees	11,830,910	*10.7%*	5,124,641	*7.6%*
General and administrative	7,173,526	*6.4%*	4,634,370	*6.9%*
Research and development	1,118,608	*1.0%*	278,150	*0.4%*
Total Operating Expenses	$ 47,488,657	*42.8%*	$ 23,064,092	*34.4%*

Operating Loss

Operating loss for the year ended December 31, 2013 was approximately $14.3 million, compared to approximately $8.7 million for the year ended December 31, 2012.

Other Expense

Other expenses for the year ended December 31, 2013 were approximately $3.3 million, compared to approximately $10.2 million for the year ended December 31, 2012, a decrease of 68%. The components of our other expense are as follows:

	Year Ended December 31,	
	2013	**2012**
Derivative expense	$ (96,913)	$ (4,409,214)
Change in fair value of derivative liabilities	(4,853,964)	5,899,968
Gain/(loss) on settlement of accounts payable and debt	573,906	(4,447,732)
Interest expense	(783,316)	(7,335,070)
Foreign currency transaction (loss)/gain	(31,243)	15,030
Licensing income	10,000	10,000
Interest income	1,442,179	-
Gain on marketable securities	500,000	-
Unrealized loss on derivative instrument	(55,326)	
Other (expense) income	(11,319)	50,034
	$ (3,305,996)	$ (10,216,984)

Interest expense for the year ended December 31, 2013 was approximately $0.8 million, as compared to approximately $7.3 million for the year ended December 31, 2012. The decrease in interest expense primarily relates to the elimination of convertible debt in 2013, which resulted in significant interest expense in 2012 related to the amortization of debt discounts.

Income Taxes

In 2013, the Company incurred income tax expense of $0.1 million compared to none in 2012. The tax expense is primarily related to foreign tax owed on net income from our Canadian subsidiary as well as a small amount for minimum state income tax in certain states where we have nexus. At December 31, 2013, the Company had a net operating loss carry-forward of approximately $36.2 million available to offset future taxable income. Utilization of future net operating losses may be limited due to potential ownership changes under Section 382 of the Internal Revenue Code of 1986, as amended.

Net Loss

Net loss for the year ended December 31, 2013 was approximately $17.7 million, or $(2.46) per share, compared to the net loss of approximately $19 million or $(13.00) per share, for the year ended December 31, 2012. Inflation did not have a material impact on our operations for the years ended December 31, 2013 and 2012.

Summary of Quarterly Operations – Unaudited

The following table presents the Company's unaudited summary of quarterly operations during 2013 and 2012 for each of the three month periods ended March 31, June 30, September 30, and December 31, 2013 and 2012.

	For the Quarter Ended			
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013
Net sales	$ 22,561,167	$ 25,480,059	$ 25,343,968	$ 37,492,397
Cost of goods sold	14,396,406	17,566,718	17,937,768	27,784,504
Gross profit	8,164,761	7,913,341	7,406,200	9,707,893
Total Operating Expenses	8,886,241	10,654,272	12,278,980	15,669,164
Loss from operations	(721,480)	(2,740,931)	(4,872,780)	(5,961,271)
Other income and expense	(6,640,501)	319,123	926,944	2,088,438
Net income (loss) before taxes	(7,361,981)	(2,421,808)	(3,945,836)	(3,872,833)
Income tax provision	-	-	-	115,483
Net income (loss)	$ (7,361,981)	$ (2,421,808)	$ (3,945,836)	$ (3,988,316)
Basic and diluted net income (loss) per common share	$ (1.78)	$ (0.34)	$ (0.47)	$ (0.45)

	For the Quarter Ended			
	March 31, 2012	June 30, 2012	September 30, 2012	December 31, 2012
Net sales	$ 16,560,680	$ 15,429,340	$ 18,573,726	$ 16,491,469
Cost of goods sold	12,895,162	12,942,605	14,507,761	12,381,406
Gross profit	3,665,518	2,486,735	4,065,965	4,110,063
Total Operating Expenses	4,392,811	4,151,076	7,876,778	6,643,427
Loss from operations	(727,293)	(1,664,341)	(3,810,813)	(2,533,364)
Other income and expense	(15,308,000)	7,846,245	(2,263,224)	(492,005)
Net income (loss) before taxes	(16,035,293)	6,181,904	(6,074,037)	(3,025,369)
Income tax provision	-	-	-	-
Net income (loss)	$ (16,035,293)	$ 6,181,904	$ (6,074,037)	$ (3,025,369)
Basic and diluted net income (loss) per common share	$ (11.23)	$ 3.78	$ (3.21)	$ (1.12)

Basic and diluted income (loss) per share is computed independently for each of the quarter presented. Therefore, the sum of the quarterly net loss per share may not equal the total computed for the year.

Liquidity and Capital Resources

The following table summarizes total current assets, current liabilities and working capital at December 31, 2013, compared to a working capital deficit at December 31, 2012:

	December 31, 2013	**December 31, 2012**	**Increase/(Decrease)**
Current Assets	$ 44,526,480	$ 4,949,881	$ 39,576,599
Current Liabilities	(32,368,521)	(16,520,456)	(15,848,065)
Working Capital (Deficit)	$ 12,157,959	$ (11,570,575)	$ 23,728,534

Other than revenue from product sales, our primary source of operating cash has been from the sale of equity, the issuance of convertible secured promissory notes and other short-term debt as discussed below. On February 4, 2013, the Company issued an S-1 registration for a Series D preferred share issuance. Each share of Series D preferred stock was convertible into to two shares of voting common stock. At the date of this report, all but 131,500 of our Series D shares had been converted to common shares. The remaining 131,500 shares have been requested to be converted by the remaining shareholder into 263,000 common shares subject to a 61 day waiting period for conversion. Through this S-1 registration the Company raised gross proceeds of $12.0 million. Additionally, the Company issued four private placements of common stock during 2013, as more fully described in the Financing section below.

The Company's management believes that with increased sales expansion and the opening of the Franklin, Tennessee distribution center, there will be opportunities to increase sales; however, the Company may need to continue to raise capital in order execute the business plan, which includes buying more inventory and broadening the sales platform. There can be no assurance that such capital will be available on acceptable terms or at all.

Included in our working capital as of December 31, 2013 and December 31, 2012 are restricted cash balances of $2,500,014 and $9,148, respectively. The restricted cash balance as of December 31, 2013 is cash collateral for a line of credit that we secured through US Bank in December 2013 as more fully discussed in Note 8(A) in our Notes to Consolidated Financial Statements below. The restricted cash balance of $9,148 as of December 31, 2012 was for cash deposits as required by our mezzanine debt agreements, which required 10% of the gross receipts of loan proceeds to be restricted and used for payment of interest and principle. This mezzanine debt was fully paid off and retired in early 2013.

Our principal use of cash is to purchase inventory, pay for operating expenses, acquire capital assets, and repurchase Company stock. At December 31, 2013, we had cash of $5,411,515 and working capital of approximately $12.2 million, compared to cash of $0 and a working capital deficit of approximately $11.6 million at December 31, 2012. The increase in working capital of approximately $23.7 million was primarily due to an increase in cash and restricted cash of $7.9 million, a net increase in accounts receivable of $10.4 million, an increase in inventory of $15.5 million, an increase in prepaid assets of approximately $4.9 million, a decrease in debt of approximately $1.9 million, and an increase in other current assets of approximately $1.1 million offset by an increase in accounts payable and accrued liabilities of approximately $16.7 million, an increase in derivative liabilities of approximately $1.1 million and various other net decreases of $0.2 million.

Our net consolidated cash inflows (outflows) are as follows:

	Years Ended December 31,	
	2013	2012
Operating Activities	$ (9,972,580)	$ 10,051
Investing Activities	(3,523,233)	(974,475)
Financing Activities	18,913,453	312,577

Cash used in operating activities was approximately $10.0 million for the year ended December 31, 2013, as compared to cash provided by operating activities of approximately $0.0 million for the year ended December 31, 2012. The increase in cash used in operating activities of approximately $10.0 million was primarily due to a decrease in net loss of approximately $1.2 million, an increase in payables and customer deposits of approximately $12.6 million, a net increase in depreciation, amortization, and accretion of approximately $5.7 million, an increase in change in fair value of derivative assets and liabilities of approximately $10.8 million offset by an increase in accounts receivable of approximately $9.9 million, an increases in prepaid expenses and inventory, and other liabilities of approximately $22.0 million, a decrease in derivative expense of approximately $4.3 million, a decrease in losses related to debt retirement and contract settlements of approximately $2.0 million, and $2.1 million in various other gains and losses.

Cash used in investing activities increased to $3.5 million from $1.0 million for the year ended December 31, 2013 and 2012, respectively, due primarily to an increase in sales of marketable securities and note repayments received of approximately $3.8 million and an increase in our restricted cash balance of $2.5 million offset by increases in purchases of marketable securities and notes of approximately $2.3 million, gain on the sale of marketable securities of $0.5 million and increased net purchases of property and equipment of $1.0 million. Future investments in property and equipment, as well as further development of our Internet presence will largely depend on available capital resources.

Cash flows provided by financing activities were approximately $18.9 million for the year ended December 31, 2013, compared to cash flows provided by financing activities of approximately $0.3 million for the year ended December 31, 2012. The approximately $18.6 million increase was due primarily to increases in net equity offerings of approximately $20.2 million, a decrease in debt repayment of approximately $1.4 million, and a decrease in deferred equity costs $0.7 million offset by a decrease in net proceeds from debt issuances of approximately $3.1 million and repurchase of common stock of $0.6 million.

	Year Ended December 31,	
	2013	2012
Cash Flows From Financing Activities:		
Proceeds from issuance of debt	$ -	$ 5,823,950
Proceeds from line of credit	2,500,000	-
Repayment of debt	(4,405,061)	(5,847,575)
Debt issuance costs	(7,500)	(234,450)
Repurchase of common stock	(1,037,320)	(460,978)
Proceeds from issuance of preferred stock	12,000,000	-
Preferred stock issuance costs	(695,999)	-
Proceeds from issuance of common stock and warrants – net of issuance costs	10,559,333	1,660,760
Deferred equity costs	-	(698,500)
Cash overdraft	-	69,370
Net Cash Provided By Financing Activities	$ 18,913,453	$ 312,577

Financing

The Company's primary source of operating cash for the year ended December 31, 2013 was from the sale of equity and debt.

In the fourth quarter of 2012, the Company filed a Form S-1 registration statement whereby the Company offered preferred stock for $8.00 per share that was convertible into two shares of common stock, subject to adjustment. This registration was not fully completed until February 4, 2013; whereby, the Company issued 1.5 million shares of Series D Convertible Preferred Stock in exchange for gross proceeds of $12.0 million. The Company's net proceeds from the offering were approximately $10.6 million after placement agent discounts and other offering expenses of $1.4 million.

On March 26, 2013, the Company entered into subscription agreements with non-affiliated accredited investors for the issuance of 703,236 shares of common stock pursuant to exemptions from registration under federal and state securities laws. The shares of common stock were sold for $8.50 per share. The gross proceeds to the Company of $6.0 million were reduced by commissions and issuance costs of $0.2 million.

On May 3, 2013, the Company entered into subscription agreements with a non-affiliated accredited investor for the issuance of 100,000 shares of common stock pursuant to exemptions from registration under federal and state securities laws. The shares of common stock were sold for $8.50 per share for gross proceeds to the Company of $0.9 million.

On June 3, 2013, the Company entered into subscription agreements with a non-affiliated accredited investor for the issuance of 150,000 shares of common stock pursuant to exemptions from registration under federal and state securities laws. The shares of common stock were sold for $10.50 per share. The gross proceeds to the Company of $1.5 million were reduced by commissions and issuance costs of $0.1 million.

On August 9, 2013, the Company entered into subscription agreements with several non-affiliated accredited investors and one affiliated accredited investor for the issuance of 238,096 shares of common stock pursuant to exemptions from registration under federal and state securities laws. The shares of common stock were sold for $10.50 per share for gross proceeds to the Company of $2.5 million.

Off-Balance Sheet Arrangements

Other than the operating leases detailed below, as of December 31, 2013, the Company did not have any off-balance sheet arrangements.

The Company is obligated under various operating lease for the rental of office and warehouse space. Future minimum rental commitments with a remaining term in excess of one year as of December 31, 2013 are summarized as follows:

Years Ending December 31,	
2014	$ 623,114
2015	439,033
2016	121,322
2017	19,965
Total minimum lease payments	$ 1,203,434

Critical Accounting Policies and Estimates

Our consolidated financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles and form the basis for the following discussion and analysis on critical accounting policies and estimates. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On a regular basis, we evaluate our estimates and assumptions. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates and those differences could have a material effect on our financial position and results of operations. Management has discussed the development, selection and disclosure of these estimates with the Board of Directors and Audit Committee.

A summary of our significant accounting policies is provided in Note 2 of the Notes to Consolidated Financial Statements in Item 8 of this report. We believe the critical accounting policies and estimates described below reflect our more significant estimates and assumptions used in the preparation of our consolidated financial statements. The impact and any associated risks on our business that are related to these policies are also discussed throughout this "Management's Discussion and Analysis of Financial Condition and Results of Operations" where such policies affect reported and expected financial results.

Principles of Consolidation

The consolidated financial statements include the accounts of MusclePharm Corporation and its wholly-owned subsidiary MusclePharm Canada Enterprises Corp ("MusclePharm Canada"). MusclePharm Canada began operations in April 2012. All intercompany accounts and transactions between MusclePharm Corporation and MusclePharm Canada have been eliminated upon consolidation.

Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

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

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable represents trade obligations from customers that are subject to normal trade collection terms. Prior to July 1, 2013 the accounts receivable were sent directly to the Company's third party manufacturer and netted with any outstanding liabilities to the manufacturer. Subsequent to July 1, 2013 the Company took over the receipt and processing of accounts receivable. 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. There is also a review of customer discounts at the period end and an accrual made for discounts earned but not yet utilized by period end.

Management performs ongoing evaluations of the Company's customers' financial condition and generally does not require collateral. Some international customers are required to pay for their orders in advance of shipment. Management reviews accounts receivable quarterly and reduces the carrying amount by a valuation allowance that reflects management's best estimate of amounts that may not be collectible. Allowances, if any, for uncollectible accounts receivable are determined based upon information available and historical experience. Bad debt expense recognized as a result of our valuation allowance is classified under General and administrative expense in the Consolidated Statement of Operations.

Receivables are determined to be past due based on the payment terms of the original invoices. The Company's finance department contacts customers with past due balances to request payment.

Inventory

Inventory is valued at the lower of cost or market value. Product-related inventory is maintained using the First-In First-Out method. To estimate any necessary obsolescence or lower-of-cost-or-market adjustments, various assumptions are made in regard to excess or slow-moving inventories, non-conforming inventories, expiration dates, current and future product demand, production planning and market conditions.

Prepaid Sponsorship and Endorsement Fees

Prepaid sponsorship and endorsement fees represent fees paid in connection with Company sponsorships of certain events and trade shows as well as prepaid athlete endorsement fees, which are expensed over the period the fees are earned. A significant amount of the Company's promotional expenses results from payments under endorsement and sponsorship contracts. Accounting treatment for endorsement and sponsorship payments is based upon specific contract provisions. Generally, endorsement payments are expensed straight-line over the term of the contract after giving recognition to periodic performance compliance provisions of the contract. Prepayments made under the contracts are included in either current or long-term prepaid expenses depending on the period for which the prepayment applies.

Prepaid Stock Compensation

Prepaid stock compensation represents amounts paid with stock for future contractual benefits to be received. The Company amortizes these contractual benefits over the life of the contracts using the straight-line method.

Fair Value of Financial Instruments

The Company measures assets and liabilities at fair value based on an expected exit price 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 determination of where assets and liabilities fall within this hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The following are the major categories of assets and liabilities measured at fair value on a recurring basis as of December 31, 2013 and 2012, using quoted prices in active markets for identical liabilities (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

	As of December 31,	
	2013	**2012**
Assets		
Debt securities – FUSE convertible notes (Level 2)	$ 259,715	$ -
Derivative instruments – FUSE warrants (Level 2)	119,248	-
	378,963	-
Liabilities		
Derivative liabilities – Series D Warrants (Level 2)	$ 1,147,330	$ -

The Company's remaining financial instruments consisted primarily of accounts receivable, accounts payable and accrued liabilities, and debt. The Company's debt approximates fair value based upon current borrowing rates available to the Company for debt with similar maturities. The carrying amounts of the Company's financial instruments generally approximated their fair values as of December 31, 2013 and 2012, respectively, due to the short-term nature of these instruments.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consists of the Company's trade payables as well as amounts estimated by management for future liability payments that relate to the current accounting period. Management reviews these estimates periodically to determine their reasonableness and fair presentation.

Derivative Instruments

Fair value accounting requires bifurcation of embedded derivative instruments such as conversion features in equity instruments and warrants granted, and measurement of their fair value. In determining the appropriate fair value, the Company uses Black-Scholes or lattice option-valuation models. In assessing the convertible equity instruments, management determines if the convertible equity instrument is conventional convertible equity and further if the beneficial conversion feature requires separate measurement.

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

Share-Based Payments

Generally, all forms of share-based payments, including stock option grants, warrants and 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.

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. For all of our Canadian sales, which represent 3% of total sales, recognition occurs upon shipment.

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

The Company records sales allowances and discounts as a direct reduction of sales. The Company grants volume incentive rebates to certain customers based on contractually agreed upon percentages once certain thresholds have been met. These volume incentive rebates are recorded as a direct reduction to sales.

The Company has an informal 7-day right of return for products. There were nominal returns under the Company's informal right of return policy for the years ended December 31, 2013 and 2012.

Discounts and Sales Allowances

We offer various discounts and sales allowances for volume rebate programs, product promotions, early payment remittances, and other discounts and allowances. We accrue for sales discounts and allowances over the period they are earned. Because of the inherent uncertainty surrounding volume rebate programs and product promotions that are based on sales thresholds, actual results could generate liabilities greater or less than the recorded amounts. Discounts and sales allowances decreased to $17.4 million or 13.6% of gross sales from $10.7 million, or 13.8% of gross sales in 2012.

Advertising

Advertising and promotion expenses include digital and print advertising, trade show events, athletic endorsements and sponsorships, and promotional giveaways. Advertising expenses are recognized in the month that the advertising appears while costs associated with trade show events are expensed when the event occurs. For major trade shows, the expenses are recognized over the period in which we recognize revenue associated with sales generated at the trade show. Costs related to promotional giveaways are expensed when the product is either given out at a promotional event or shipped to the customer.

A significant amount of the Company's promotional expenses results from payments under endorsement and sponsorship contracts. Accounting treatment for endorsement and sponsorship payments is based upon specific contract provisions. Generally, endorsement payments are expensed on a straight-line basis over the term of the contract after giving recognition to periodic performance compliance provisions of the contract. Prepayments made under the contracts are included in either current or long-term prepaid expenses depending on the period for which the prepayment applies.

Some of the contracts provide for contingent payments to endorsers or athletes based upon specific achievement in their sports (e.g. winning a championship). The Company records expense for these payments when the endorser achieves the specific achievement.

Income Taxes

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

The Company records interest and penalties related to unrecognized tax benefits in income tax expense. There were no interest or penalties related to unrecognized tax benefits for the years ended December 31, 2013 and 2012. The Company did incur interest and penalties related to payroll taxes of $28,830 and $4,391, respectively, for the years ended December 31, 2013 and 2012.

Foreign Currency

MusclePharm began operations in Canada in April 2012. The Canadian Dollar was determined to be the functional currency as the majority of the transactions related to the day to day operations of the business are exchanged in Canadian Dollars. At the end of the period, the financial results of the Canadian operation are translated into the U.S. Dollar, which is the reporting currency, and added to the U.S. operations for consolidated company financial results. The revenue and expense items are translated using the average rate for the period and the assets and liabilities at the end of period rate. Transactions that have completed the accounting cycle and resulted in a gain or loss related to translation are recorded in realized gain or loss due to foreign currency translation under other income and expense on the income statement. Transactions that have not completed their accounting cycle but appear to have gain or loss due to the translation process are recorded as unrealized gain or loss due to translation and held in the equity section on the balance sheet until such date the accounting cycle of the transaction is complete and the actual realized gain or loss is recognized.

Recent Accounting Pronouncements

In January 2013, the FASB issued ASU 2013-01, which clarifies the scope of the offsetting disclosure requirements in ASU 2011-11. Under ASU 2013-01, the disclosure requirements would apply to derivative instruments accounted for in accordance with ASC 815, including bifurcated embedded derivatives, repurchase agreements and reverse purchase agreements, and securities borrowing and securities lending arrangements that are either offset on the balance sheet or subject to an enforceable master netting arrangement or similar agreement. ASU 2013-01 is effective for fiscal years beginning on or after January 1, 2013 and interim periods within those years. This pronouncement has been implemented in the Company's financial statements for the year ended December 31, 2013 without impact.

In March 2013, the FASB issued ASU 2013-05, which indicates that the entire amount of a cumulative translation adjustment (CTA) related to an entity's investment in a foreign entity should be released when one of the following occur:

- Sale of a subsidiary or group of net assets within a foreign entity and the sale represents the substantially complete liquidation of the investment in the foreign entity.
- Loss of a controlling financial interest in an investment in a foreign entity
- Step acquisition for a foreign entity

The ASU does not change the requirement to release a pro rata portion of the CTA of the foreign entity into earnings for a partial sale of an equity method investment in a foreign entity. ASU 2013-5 is effective for fiscal years (and interim periods within those fiscal years) beginning on or after December 15, 2013. This pronouncement has been implemented in the Company's financial statements for the year ended December 31, 2013 without impact.

In February 2013, the FASB issued ASU 2013-02, which requires entities to disclose the following additional information about items reclassified out of accumulated other comprehensive income (AOCI):

- Balance by component (ie. unrealized gains or losses on available-for-sale securities or foreign currency items), with separate presentation of (1) reclassification adjustments and (2) current period OCI. Both before-tax and net-of-tax presentation of the information are acceptable as long as an entity presents the income tax benefit or expense attributed to each component of OCI and reclassification adjustments in either the financial statements or the notes to the financial statements.
- Significant items reclassified out of AOCI by component either on the face of the income statement or as a separate footnote to the financial statements.

ASU 2013-02 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2012. The pronouncement has been implemented in the Company's financial statements for the year ended December 31, 2013 without impact.

Item 8. Consolidated Financial Statements and Supplementary Data

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
MusclePharm Corporation
Denver, Colorado

We have audited the accompanying consolidated balance sheets of MusclePharm Corporation and subsidiary (the "Company") as of December 31, 2013 and 2012, and the related consolidated statements of operations and comprehensive loss, stockholders' equity (deficit), and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

/s/ EKS&H LLLP

March 31, 2014
Denver, Colorado

MusclePharm Corporation and Subsidiary
Consolidated Balance Sheets

	December 31,	
	2013	**2012**
Assets		
Current Assets:		
Cash	$ 5,411,515	$ -
Cash – restricted	2,500,014	9,148
Debt securities	259,715	-
Accounts receivable – net	13,741,180	3,302,344
Derivative instrument	119,248	-
Inventory	15,772,368	257,975
Prepaid giveaways	1,177,539	358,800
Prepaid stock compensation	3,023,717	44,748
Prepaid sponsorship fees	1,145,161	6,249
Deferred equity costs	-	698,500
Other	1,376,023	272,117
Total current assets	44,526,480	4,949,881
Property and equipment – net	2,613,584	1,356,364
Debt issue costs – net	-	335,433
Prepaid stock compensation	4,718,238	-
Other assets	299,394	125,049
Total assets	**$ 52,157,696**	**$ 6,766,727**
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 28,393,037	$ 11,721,205
Customer deposits	265,652	336,211
Debt – net	62,502	4,463,040
Line of credit	2,500,000	-
Derivative liabilities	1,147,330	-
Total Current Liabilities	32,368,521	16,520,456
Long Term Liabilities:		
Debt – net	-	4,523
Other	54,639	-
Total Liabilities	$ 32,423,160	$ 16,524,979
Commitments and contingencies		
Stockholders' Equity:		
Preferred stock, $0.001 par value, Series A Convertible Preferred Stock, 5,000,000 shares authorized, none issued and outstanding	-	-
Preferred stock, $0.001 par value, Series B Preferred Stock, none and 51 shares authorized, none and 51 issued, and none and 51 outstanding	-	-
Preferred stock, $0.001 par value, Series C Convertible Preferred Stock, 500 shares authorized, 190 and none issued and outstanding	-	-
Series D, Convertible Preferred Stock, $0.001 par value; 1,600,000 shares authorized, 1,500,000 and none issued and 131,500 and none outstanding	132	-
Common Stock, $0.001 par value; 100,000,000 shares authorized, 9,259,411 and 2,778,404 issued and 9,089,490 and 2,747,308 outstanding	9,260	2,778
Treasury Stock, at cost; 169,921 and 31,096	(1,498,298)	(460,978)
Additional paid-in capital	103,064,901	54,817,341
Accumulated deficit	(81,827,417)	(64,109,476)
Accumulated other comprehensive loss	(14,042)	(7,917)
Total Stockholders' Equity	19,734,536	(9,758,252)
Total Liabilities and Stockholders' Equity	**$ 52,157,696**	**$ 6,766,727**

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

MusclePharm Corporation and Subsidiary

Consolidated Statements of Operations and Comprehensive Loss

	Years Ended December 31,	
	2013	**2012**
Sales - net	$ 110,877,591	$ 67,055,215
Cost of sales	77,685,396	52,726,934
Gross profit	33,192,195	14,328,281
Advertising and promotion	15,534,646	8,430,401
Salaries and benefits	11,830,967	4,596,530
Professional fees	11,830,910	5,124,641
General and administrative	7,173,526	4,634,370
Research and development	1,118,608	278,150
General and administrative expenses	47,488,657	23,064,092
Loss from operations	(14,296,462)	(8,735,811)
Other expense		
Derivative expense	(96,913)	(4,409,214)
Change in fair value of derivative liabilities	(4,853,964)	5,899,968
Gain (loss) on settlement of accounts payable, debt and conversion of Series C preferred stock (2012 only)	573,906	(4,447,732)
Interest expense	(783,316)	(7,335,070)
Foreign currency transaction (loss) gain	(31,243)	15,030
Licensing income	10,000	10,000
Interest income	1,442,179	-
Gain on sale of marketable securities	500,000	-
Unrealized loss on derivative instrument	(55,326)	-
Other (expense) income	(11,319)	50,034
Total other expense	(3,305,996)	(10,216,984)
Net loss before taxes	(17,602,458)	(18,952,795)
Income tax provision	(115,483)	-
Net loss after taxes	$ (17,717,941)	$ (18,952,795)
Other comprehensive income		
Net change in Foreign currency translation	(6,125)	(7,917)
Total other comprehensive loss	(6,125)	(7,917)
Total comprehensive loss	$ (17,724,066)	$ (18,960,712)
Net loss per share available to common stockholders – basic and diluted	$ (2.46)	$ (13.00)
Weighted average number of common shares outstanding during the period – basic and diluted	7,193,784	1,458,757

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

MusclePharm Corporation and Subsidiary
Consolidated Statement of Stockholders' Equity
Years ended December 31, 2013 and 2012

	Series B Preferred Stock		Series C Convertible Preferred Stock		Series D Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Accumulated Translation	Total Stockholders' Deficit/Equity
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount					
Balance - December 31, 2011	51	-	190	-	-	-	712,860	713	32,184,756	-	(45,156,681)	-	(12,971,212)
Issuance of common and preferred stock:													
Conversion of preferred shares	-	-	(190)	-	-	-	22,353	22	614,962	-	-	-	614,984
Conversion of secured/unsecured debt	-	-	-	-	-	-	290,961	290	1,420,132	-	-	-	1,420,422
Cash	-	-	-	-	-	-	199,422	199	1,660,561	-	-	-	1,660,760
Interest	-	-	-	-	-	-	58,945	58	334,040	-	-	-	334,098
Services - third parties	-	-	-	-	-	-	113,740	113	1,107,605	-	-	-	1,107,718
Executive/board compensation	-	-	-	-	-	-	431,034	431	4,686,083	-	-	-	4,686,514
Warrant conversions/settlements	-	-	-	-	-	-	853,082	853	7,294,914	-	-	-	7,295,767
Forbearance of agreement terms	-	-	-	-	-	-	95,528	95	1,239,939	-	-	-	1,240,034
Treasury shares purchased	-	-	-	-	-	-	(31,096)	-	-	(460,978)	-	-	(460,978)
Additional shares from roundup of split shares	-	-	-	-	-	-	479	4	(4)	-	-	-	-
Accrued stock compensation expenses for shares not yet issued	-	-	-	-	-	-	-	-	149,966	-	-	-	149,966
Reclassification of derivative liability to additional paid in capital	-	-	-	-	-	-	-	-	4,124,387	-	-	-	4,124,387
Translation gain/loss	-	-	-	-	-	-	-	-	-	-		(7,917)	(7,917)
Net loss	-	-	-	-	-	-	-	-	-	-	(18,952,795)	-	(18,952,795)
Balance - December 31, 2012	51	$ -	-	$ -	-		2,747,308	$ 2,778	$ 54,817,341	$ (460,978)	$ (64,109,476)	$ (7,917)	$ (9,758,252)
Issuance of common and preferred stock:													
Issuance of preferred shares	-	-	-	-	1,500,000	1,500	-	-	11,998,500	-	-	-	12,000,000
Reclassification of derivative liability to APIC for conversion of Series D preferred shares	-	-	-	-	(1,368,500)	(1,368)	2,737,000	2,737	11,822,464	-	-	-	11,823,833
Reclassification of derivative liability to APIC for contract settlement	-	-	-	-	-	-	13,630	14	155,159	-	-	-	155,173
Issuance of common stock and warrants	-	-	-	-	-	-	1,191,332	1,192	10,558,141	-	-	-	10,559,333
Contract settlement	-	-	-	-	-	-	25,000	25	255,668	-	-	-	255,693
Services - third parties	-	-	-	-	-	-	2,178,881	2,179	19,800,430	-	-	-	19,802,609
Executive/board compensation	-	-	-	-	-	-	284,164	284	2,641,720	-	-	-	2,642,004
Retirement of Series B Preferred Stock	(51)	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares purchased	-	-	-	-	-	-	(138,825)	-	-	(1,037,320)	-	-	(1,037,320)
Employee stock awards	-	-	-	-	-	-	51,000	51	561,459	-	-	-	561,510
Reduction of paid in capital attributable to value of conversion options on Series D offering	-	-	-	-	-	-	-	-	(8,175,459)	-	-	-	(8,175,459)
Reduction in paid in capital for stock issuance costs	-	-	-	-	-	-	-	-	(1,394,692)	-	-	-	(1,394,692)
Accrued stock compensation expenses for shares not yet issued	-	-	-	-	-	-	-	-	24,170	-	-	-	24,170
Translation gain/loss	-	-	-	-	-	-	-	-	-	-	-	(6,125)	(6,125)
Net loss	-	-	-	-	-	-	-	-	-	-	(17,717,941)	-	(17,717,941)
Balance - December 31, 2013	-	$ -	-	$ -	131,500	$ 132	9,089,490	$ 9,260	$ 103,064,901	$ (1,498,298)	$ (81,827,417)	$ (14,042)	$ 19,734,536

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

MusclePharm Corporation and Subsidiary
Consolidated Statements of Cash Flows

	Years Ended December 31,	
	2013	**2012**
Cash Flows From Operating Activities:		
Net loss	$ (17,717,941)	$ (18,952,795)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	708,978	475,320
Bad debt	241,823	9,490
Amortization of prepaid stock compensation and athlete endorsement stock payments	6,561,515	715,661
Amortization of prepaid sponsorship fees	4,010,573	-
Amortization of debt discount	-	6,122,006
Amortization of debt issue costs	335,433	394,964
Amortization of deferred compensation	3,075,272	149,966
Amortization of convertible note conversion option	1,910	-
Accretion of note discount	(1,409,491)	-
Gain on settlement of accounts payable	(573,906)	-
Additional consideration given for early debt retirement	-	779,500
Loss on disposal of property and equipment	11,320	-
Loss on conversion of debt	-	351,021
Loss on conversion of preferred shares	-	614,984
Loss on conversion of warrants	-	315,364
Loss on repayment of debt	-	1,196,321
Derivative expense	96,913	4,409,214
Executive compensation	-	231,833
Change in fair value of derivative liabilities	4,853,964	(5,899,968)
Unrealized loss on derivative assets	55,326	-
Realized gain on derivative assets	(1,708)	-
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(10,680,659)	(742,742)
Prepaid and other	(6,306,236)	(16,098)
Inventory and prepaid giveaways	(16,333,132)	(616,775)
Increase (decrease) in:		
Accounts payable and accrued liabilities	23,113,386	10,144,621
Customer deposits	(70,559)	328,164
Other liabilities	54,639	-
Net Cash Used In Operating Activities	(9,972,580)	10,051
Cash Flows From Investing Activities:		
Purchase of marketable securities	(2,275,000)	-
Sale of marketable securities and derivative assets	2,750,000	-
Change in restricted cash balance	(2,490,866)	(9,148)
Repayments of note	1,000,000	-
Purchase of property and equipment	(1,911,061)	(924,162)
Gain on sale of marketable securities	(500,000)	-
Disposals of property and equipment	17,694	-
Purchase of other assets	(114,000)	(41,165)
Net Cash Used In Investing Activities	(3,523,233)	(974,475)
Cash Flows From Financing Activities:		
Proceeds from issuance of debt	-	5,823,950
Proceeds from line of credit	2,500,000	-
Debt issuance costs	(7,500)	(234,450)
Repayment of debt	(4,405,061)	(5,847,575)
Repurchase of common stock (treasury stock)	(1,037,320)	(460,978)
Proceeds from issuance of preferred stock	12,000,000	-
Preferred stock issuance costs	(695,999)	-
Proceeds from issuance of common stock and warrants – net of issuance costs	10,559,333	1,660,760
Deferred equity costs	-	(698,500)
Cash overdraft	-	69,370
Net Cash Provided by Financing Activities	$ 18,913,453	$ 312,577
Effects of foreign currency translation:		

Foreign currency translation loss	(6,125)	(7,917)
Net increase (decrease) in cash	5,411,515	(659,764)
Cash at beginning of year	-	659,764
Cash at end of year	$ 5,411,515	$ -
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 411,416	$ 501,165
Cash paid for taxes	$ 87,420	$ -
Supplemental disclosure of non-cash investing and financing activities:		
Stock issued for future services - third parties	$ 14,514,415	$ 1,107,719
Warrants issued in conjunction with debt issue costs	$ -	$ 427,759
Derivative liability on Series D offering	$ 8,175,459	$ -
Debt discount recorded on convertible and unsecured debt accounted for as a derivative liability	$ -	$ 3,554,672
Stock issued to settle accounts payable, accrued liabilities, and contracts	$ 5,543,887	$ 1,780,575
Conversion of convertible debt and accrued interest for common stock	$ -	$ 1,069,402
Stock issued for interest	$ -	$ 334,099
Conversion of marketable securities	$ 1,000,000	$ -
Stock issued to settle accrued executive compensation	$ -	$ 4,667,764
Stock issued for board member compensation	$ 152,412	$ 18,750
Reclassification of derivative liability to additional paid in capital and warrant settlements	$ 11,979,006	$ 9,784,748
Capital leases	$ 84,151	$ -

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

Note 1: Nature of Operations and Basis of Presentation

Nature of Operations

MusclePharm Corporation is a scientifically driven, performance lifestyle Company that develops, manufactures, markets and distributes branded nutritional supplements. We were incorporated in Nevada in 2006. As used in this report, the terms the "Company", "we", "our", "MusclePharm", or "MP" refer to MusclePharm Corporation and its predecessors, subsidiaries and affiliates, unless the context indicates otherwise. Our principal executive offices are located in Denver, Colorado.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and the rules and regulations of the United States Securities and Exchange Act of 1934.

Note 2: Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of MusclePharm Corporation and its wholly-owned subsidiary MusclePharm Canada Enterprises Corp ("MusclePharm Canada"). MusclePharm Canada began operations in April 2012. All intercompany accounts and transactions between MusclePharm Corporation and MusclePharm Canada have been eliminated upon consolidation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

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

Risks and Uncertainties

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

Management's Plans with Respect to Liquidity and Capital Resources

The Company's management believes that with increased sales expansion and the opening of the Franklin, Tennessee distribution center, there will be opportunities to increase sales; however, the Company may need to continue to raise capital in order execute the business plan, which includes buying more inventory and broadening the sales platform. There can be no assurance that such capital will be available.

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with an original maturity of three months or less and money market accounts to be cash equivalents. At December 31, 2013 and 2012, the Company had no cash equivalents.

The Company minimizes its credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. At December 31, 2013, we had two bank accounts that exceeded the federally insured limit. At December 31, 2012, there were no balances that exceeded the federally insured limit.

Restricted Cash

The Company segregates cash that is restricted in its use based on contractual provisions from unrestricted cash and cash equivalent balances. See Note 8(A) for further discussion on our December 31, 2013 restricted cash balance.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable represents trade obligations from customers that are subject to normal trade collection terms. Prior to July 1, the accounts receivable were sent directly to the Company's third party manufacturer and netted with any outstanding liabilities to the manufacturer. Subsequent to July 1, the Company took over the receipt and processing of accounts receivable. 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. There is also a review of customer discounts at the period end and an accrual made for discounts earned but not yet utilized by period end.

Management performs ongoing evaluations of the Company's customers' financial condition and generally does not require collateral. Some international customers are required to pay for their orders in advance of shipment. Management reviews accounts receivable quarterly and reduces the carrying amount by a valuation allowance that reflects management's best estimate of amounts that may not be collectible. Allowances, if any, for uncollectible accounts receivable are determined based upon information available and historical experience. Bad debt expense recognized as a result of our valuation allowance is classified under General and administrative expense in the Consolidated Statement of Operations.

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. The Company's finance department contacts customers with past due balances to request payment.

Accounts receivable consisted of the following at December 31, 2013 and 2012:

	As of December 31,	
	2013	2012
Accounts receivable	$ 14,830,487	$ 4,416,193
Less: allowance for discounts	(1,060,000)	(1,088,720)
Less: allowance for doubtful accounts	(29,307)	(25,129)
Accounts receivable – net	$ 13,741,180	$ 3,302,344

At December 31, 2013 and 2012, the Company had the following concentrations of accounts receivable with customers:

Customer	2013	2012
A	24%	0%
B	16%	6%
Bodybuilding.com	14%	20%
D	5%	24%

Inventory

Inventory is valued at the lower of cost or market value. Product-related inventory is maintained using the First-In First-Out method. To estimate any necessary obsolescence or lower-of-cost-or-market adjustments, various assumptions are made in regard to excess or slow-moving inventories, non-conforming inventories, expiration dates, current and future product demand, production planning and market conditions.

Prepaid Giveaways

Prepaid giveaways represent non-inventory sample items which are given away to aid in promotion of the brand.

Prepaid Sponsorship and Endorsement Fees

Prepaid sponsorship and endorsement fees represent fees paid in connection with Company sponsorships of certain events and trade shows as well as prepaid athlete endorsement fees, which are expensed over the period the fees are earned. A significant amount of the Company's promotional expenses results from payments under endorsement and sponsorship contracts. Accounting treatment for endorsement and sponsorship payments is based upon specific contract provisions. Generally, endorsement payments are expensed straight-line over the term of the contract after giving recognition to periodic performance compliance provisions of the contract. Prepayments made under the contracts are included in either current or long-term prepaid expenses depending on the period for which the prepayment applies.

Prepaid Stock Compensation

Prepaid stock compensation represents amounts paid with stock for future contractual benefits to be received. The Company amortizes these contractual benefits over the life of the contracts using the straight-line method.

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 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.

Deferred Equity Costs

Costs associated with equity offerings are initially classified as deferred equity costs until moneys are received from the sale of equity shares. Upon receipt of funds, the Company nets any deferred equity costs against the gross proceeds recorded as equity.

Other Current Assets

Other current assets are primarily made up of several items of prepaid expenses including legal retainers, print advertising, insurance, and service contracts requiring up-front payments.

Website Development Costs

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

Long-Lived Assets

We review our long-lived assets, such as property, plant and equipment and intangible assets for impairment when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. We use an estimate of future undiscounted net cash flows of the related assets or groups of assets over their remaining lives in measuring whether the assets are recoverable. An impairment loss is calculated by determining the difference between the carrying values and the fair values of these assets. We did not consider any of our long-lived assets to be impaired during the years ended December 31, 2013 or 2012.

Fair Value of Financial Instruments

The Company measures assets and liabilities at fair value based on an expected exit price 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 determination of where assets and liabilities fall within this hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The following are the major categories of assets and liabilities measured at fair value on a recurring basis as of December 31, 2013 and 2012, using quoted prices in active markets for identical liabilities (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

	As of December 31,	
	2013	2012
Assets		
Debt securities – FUSE convertible notes (Level 2)	$ 259,715	$ -
Derivative instruments – FUSE warrants (Level 2)	119,248	-
	378,963	-
Liabilities		
Derivative liabilities - Series D shares (Level 2)	$ 1,147,330	$ -

The Company's remaining financial instruments consisted primarily of accounts receivable, accounts payable and accrued liabilities, and debt. The Company's debt approximates fair value based upon current borrowing rates available to the Company for debt with similar maturities. The carrying amounts of the Company's financial instruments generally approximated their fair values as of December 31, 2013 and 2012, respectively, due to the short-term nature of these instruments.

Debt Securities

The Company classifies its investment securities as either held-to-maturity, available-for-sale or trading. The Company's debt securities are classified as trading securities and are carried at fair value with changes recognized through net income. See Note 5 for further discussion of the Company's debt securities.

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consists of the Company's trade payables as well as amounts estimated by management for future liability payments that relate to the current accounting period. Management reviews these estimates periodically to determine their reasonableness and fair presentation.

Beneficial Conversion Feature

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

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

Debt

The Company defines short term debt as any debt payment due less than one year from the date of the financial statements. Long term debt is defined as any debt payment due more than one year from the date of the financial statements. Refer to Note 8 for further disclosure of debt liabilities.

Derivatives

Fair value accounting requires bifurcation of embedded derivative instruments such as conversion features in equity instruments and warrants granted, and measurement of their fair value. In determining the appropriate fair value, the Company uses Black-Scholes or lattice option-valuation models. In assessing the convertible equity instruments, management determines if the convertible equity instrument is conventional convertible equity and further if the beneficial conversion feature requires separate measurement.

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

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 debt, 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 and 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.

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. For all of our Canadian sales, which represent 3% of total sales, recognition occurs upon shipment.

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

The Company records sales allowances and discounts as a direct reduction of sales. The Company grants volume incentive rebates to certain customers based on contractually agreed upon percentages once certain thresholds have been met. These volume incentive rebates are recorded as a direct reduction to sales.

Sales for the years ended December 31, 2013 and 2012 are as follows:

	Years Ended December 31,	
	2013	**2012**
Gross Sales	$128,319,128	$ 77,768,138
Discounts	(17,441,537)	(10,712,923)
Sales – Net	$110,877,591	$ 67,055,215

The Company has an informal 7-day right of return for products. There were nominal returns under the Company's informal right of return policy for the years ended December 31, 2013 and 2012.

Significant Customers

For the years ended December 31, 2013 and 2012, the Company had the following concentrations of revenues with customers:

	Years Ended December 31,	
Customer	**2013**	**2012**
Bodybuilding.com	27%	33%
B	11%	8%
C	7%	12%

A loss of any one of these customers could have a material adverse impact on the Company.

Discounts and Sales Allowances

We offer various discounts and sales allowances for volume rebate programs, product promotions, early payment remittances, and other discounts and allowances. We accrue for sales discounts and allowances over the period they are earned. Because of the inherent uncertainty surrounding volume rebate programs and product promotions that are based on sales thresholds, actual results could generate liabilities greater or less than the recorded amounts. Sales discounts and allowances for the year ended December 31, 2013, and 2012 were $17.4 million and $10.7 million, respectively.

Cost of Sales

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

Significant Vendors

The Company uses four non-affiliated principal manufacturers for the components of our products. We have an agreement in place with our primary manufacturer, which is in place to support our growth and ensure consistency in production and quality. During 2013, our primary manufacturer accounted for approximately 67% of our product purchases and the next largest manufacturer accounted for 32% of product purchases. In 2012, our primary manufacturer accounted for 100% of our product purchases.

Shipping and Handling

Prior to March 1, 2013, MusclePharm used a manufacturer from Tennessee to ship directly to our customers. After that date, MusclePharm took control of the shipping and began shipping products from a 152,000 square foot distribution center in Franklin, Tennessee.

Prior to July 1, 2013, our products were transported from our manufacturer to the MusclePharm distribution center, but title did not pass from the manufacturer until loaded on the truck for shipment to the customer. As a result, MusclePharm did not take title to our products.

On July 1, 2013, the Company terminated a distribution agreement dated November 17, 2010 with one of our key product manufacturers in which the manufacturer received and fulfilled customer sales orders for a majority of our products. In connection with the termination of the agreement, the Company took control of customer order fulfillment through our Franklin, Tennessee warehouse. The facility is operated with the Company's equipment and employees, and all inventory is owned by the Company. Shipments to customers from our distribution center are recorded as a component of cost of sales.

The Company also uses a manufacturer in New York to manufacture one of the Company's products. These orders are typically large and heavy and are drop shipped directly to our customers at the time of order. Costs associated with these shipments are recorded in cost of sales.

For Canadian sales, the product is shipped from our Canadian warehouse to our customers. Costs associated with the shipments are recorded in cost of sales.

Advertising

Advertising and promotion expenses include digital and print advertising, trade show events, athletic endorsements and sponsorships, and promotional giveaways. Advertising expenses are recognized in the month that the advertising appears while costs associated with trade show events are expensed when the event occurs. For major trade shows, the expenses are recognized over the period in which we recognize revenue associated with sales generated at the trade show. Costs related to promotional giveaways are expensed when the product is either given out at a promotional event or shipped to the customer.

A significant amount of the Company's promotional expenses results from payments under endorsement and sponsorship contracts. Accounting treatment for endorsement and sponsorship payments is based upon specific contract provisions. Generally, endorsement payments are expensed straight-line over the term of the contract after giving recognition to periodic performance compliance provisions of the contract. Prepayments made under the contracts are included in either current or long-term prepaid expenses depending on the period for which the prepayment applies.

Some of the contracts provide for contingent payments to endorsers or athletes based upon specific achievement in their sports (e.g. winning a championship). The Company records expense for these payments when the endorser achieves the specific achievement.

Advertising expense for the years ended December 31, 2013 and 2012, are as follows:

	Year Ended December 31,	
	2013	2012
Advertising	$ 15,534,646	$ 8,430,401

Income Taxes

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

The Company records interest and penalties related to unrecognized tax benefits in income tax expense. There were no interest or penalties related to unrecognized tax benefits for the years ended December 31, 2013 and 2012. The Company did incur interest and penalties related to payroll taxes of $28,830 and $4,391, respectively for the years ended December 31, 2013 and 2012.

Earnings (Loss) Per Share

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

Since the Company reflected a net loss for the years ended December 31, 2013 and 2012, respectively, the effect of considering any common stock equivalents, if exercisable, would have been anti-dilutive. A separate computation of diluted loss per share is not presented.

Net loss per share in for the years ended December 3, 2013 and 2012 was $(2.46) and $(13.00), respectively.

The Company has the following common stock equivalents as of December 31, 2013 and 2012, respectively:

	As of December 31,	
	2013	2012
Stock options (exercise price – $425/share)	472	1,847
Warrants (exercise price – $12.75 - $1,275/share)	263,089	89
Total common stock equivalents	263,561	1,936

In the above table, some of the outstanding instruments from 2013 and 2012 contain ratchet provisions that would cause variability in the exercise price at the balance sheet date. As a result, common stock equivalents could change.

Foreign Currency

MusclePharm began operations in Canada in April 2012. The Canadian Dollar was determined to be the functional currency as the majority of the transactions related to the day to day operations of the business are exchanged in Canadian Dollars. At the end of the period, the financial results of the Canadian operation are translated into the U.S. Dollar, which is the reporting currency, and added to the U.S. operations for consolidated company financial results. The revenue and expense items are translated using the average rate for the period and the assets and liabilities at the end of period rate. Transactions that have completed the accounting cycle and resulted in a gain or loss related to translation are recorded in realized gain or loss due to foreign currency translation under other income and expense on the income statement. Transactions that have not completed their accounting cycle but appear to have gain or loss due to the translation process are recorded as unrealized gain or loss due to translation and held in the equity section on the balance sheet until such date the accounting cycle of the transaction is complete and the actual realized gain or loss is recognized.

Reclassification

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

Recent Accounting Pronouncements

In January 2013, the FASB issued ASU 2013-01, which clarifies the scope of the offsetting disclosure requirements in ASU 2011-11. Under ASU 2013-01, the disclosure requirements would apply to derivative instruments accounted for in accordance with ASC 815, including bifurcated embedded derivatives, repurchase agreements and reverse purchase agreements, and securities borrowing and securities lending arrangements that are either offset on the balance sheet or subject to an enforceable master netting arrangement or similar agreement. ASU 2013-01 is effective for fiscal years beginning on or after January 1, 2013 and interim periods within those years. This pronouncement has been implemented in the Company's financial statements for the year ended December 31, 2013 without impact.

In March 2013, the FASB issued ASU 2013-05, which indicates that the entire amount of a cumulative translation adjustment (CTA) related to an entity's investment in a foreign entity should be released when one of the following occur:

- Sale of a subsidiary or group of net assets within a foreign entity and the sale represents the substantially complete liquidation of the investment in the foreign entity.
- Loss of a controlling financial interest in an investment in a foreign entity
- Step acquisition for a foreign entity

The ASU does not change the requirement to release a pro rata portion of the CTA of the foreign entity into earnings for a partial sale of an equity method investment in a foreign entity. ASU 2013-5 is effective for fiscal years (and interim periods within those fiscal years) beginning on or after December 15, 2013. This pronouncement has been implemented in the Company's financial statements for the year ended December 31, 2013 without impact.

In February 2013, the FASB issued ASU 2013-02, which requires entities to disclose the following additional information about items reclassified out of accumulated other comprehensive income (AOCI):

- Balance by component (ie. Unrealized gains or losses on available-for-sale securities or foreign currency items, with separate presentation of (1) reclassification adjustments and (2) current period OCI. Both before-tax and net-of-tax presentation of the information are acceptable as long as an entity presents the income tax benefit or expense attributed to each component of OCI and reclassification adjustments in either the financial statements or the notes to the financial statements.
- Significant items reclassified out of AOCI by component either on the face of the income statement or as a separate footnote to the financial statements.

ASU 2013-02 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2012. The pronouncement has been implemented in the Company's financial statements for the year ended December 31, 2013 without impact.

Note 3: Property and Equipment

Property and equipment consisted of the following at December 31, 2013 and 2012:

	2013	2012	Estimated Useful Life
Furniture, fixtures and equipment	$ 1,849,462	$ 1,323,998	From 36 to 60 months
Leasehold improvements	619,159	563,204	From 20 to 66 months
Vehicles	442,300	100,584	5 years
Displays	33,683	32,057	5 years
Website	11,462	11,462	3 years
Construction in Process	1,018,509	-	
Total	3,974,575	2,031,305	
Less: Accumulated depreciation and amortization	(1,360,991)	(674,941)	
	$ 2,613,584	$ 1,356,364	

We recorded depreciation expense of $708,978 and $475,320 for the years ended December 31, 2013 and 2012, respectively.

Note 4: Inventory

On July 1, 2013, the Company terminated a Distribution Agreement dated November 17, 2010 with one of our key product manufacturers in which the manufacturer received and fulfilled customer sales orders for a majority of our products as more fully discussed in the "Shipping and Handling" section of Note 2 above. In connection with the termination of the agreement, the Company purchased an aggregate $4,664,421 of product inventory, and took over control of customer order fulfillment through our Franklin, Tennessee warehouse.

Inventory consisted of the following at December 31, 2013 and 2012:

	December 31, 2013	December 31, 2012
Product Inventory	15,772,368	257,975

The Company reserves for obsolete and slow moving inventory based on the age of the product as determined by the expiration date. Products within one year of their expiration dates are considered for reserve purposes. Historically, we have had minimal returns, and any damaged packaging is sent back to the manufacturer for replacement. The Company recorded a reserve for obsolete and slow moving inventory of $229,148 as of December 31, 2013.

Note 5: Debt Securities

Biozone Convertible Note

On August 26, 2013, the Company purchased, for an aggregate $2,000,000, a secured convertible promissory note from Biozone Pharmaceuticals, Inc. ("Biozone") (OTC:BZNE) that matures one year from the date of issuance, and certain derivative instruments (Note 6), the value of which was recorded as a discount to the note to be accreted over the note's term. In addition, a change of control put option was identified but is not recorded as a derivative because the value was determined to be deminimus. The promissory note bears interest at a rate of 10% per annum, is convertible at any time prior to the maturity date into 10,000,000 shares of Biozone common stock at the conversion rate of $0.20 per share, and contains certain put and call features. The Company's ability to convert into Biozone Common Stock is restricted by a beneficial ownership limitation of 4.99% of the number of the common stock outstanding after giving effect to the issuance of common stock issuable upon conversion. This conversion limit can be changed by the Company upon at least 60 days' notice.

The Company classified this note as a Level 2 available-for-sale security and engaged an independent third party firm to value the note and its embedded conversion features each reporting period. Changes in the reported value of the note were included as a component of other comprehensive income until the note was settled. The note had a fair value on the purchase date of $1,955,462, and was purchased at a $44,538 premium. The premium was netted against a discount of $1,248,292 attributable to the derivative instrument to be accreted as interest income over the stated maturity of the note.

On October 24, 2013, the Company converted principal in the amount of $1,000,000 into 5,000,000 shares of Biozone's common stock and was repaid the remaining principal of $1,000,000 and accrued interest of $32,877 to satisfy the remaining debt. All remaining amounts related to the note discount have been recognized in interest income and the changes in fair value have been recorded in net income. All amounts carried in other comprehensive income related to this note have been reclassified to net income upon its retirement. The Company recognized a total loss on this debt security upon conversion of $13,900.

Fuse Convertible Note

On November 7, 2013, the Company purchased, for an aggregate $200,000, a senior secured convertible promissory note from Fuse Science Inc. ("Fuse") (OTC:DROP) that matures 90 days from the date of issuance, and certain derivative instruments (Note 6), the value of which was recorded as a discount to the note to be accreted over the note's term. The promissory note bears interest at a rate of 10% per annum and is convertible at any time prior to the maturity date into 3,076,923 shares of Fuse common stock at the conversion rate of $0.065 per share. The Company's ability to convert into Fuse common stock is restricted by a beneficial ownership limitation of 9.99% of the number of the common stock outstanding after giving effect to the issuance of common stock issuable upon conversion.

The Company has classified this note as a Level 2 trading security and has used a Black Scholes valuation model to determine the value of the conversion option and detachable derivative instrument. Changes in the reported value of the note will be included as a component of net income. Values of $1,910 and $142,707 attributable to the conversion option and derivative instruments, respectively, have been recorded as a discount to be accreted as interest income over the stated maturity of the note. As of December 31, 2013, the portion of the discount not yet accreted was $9,974.

On December 11, 2013, the Company amended the Fuse note and funded an additional $75,000 under the original terms of the note. A value of $31,867 attributable to the purchased derivative instruments has been recorded as a discount to be accreted as interest income over the stated maturity of the note. As of December 31, 2013, the portion of the discount not yet accreted was $5,311.

The following table summarizes the Company's marketable securities activity for the year ended December 31, 2013:

	Biozone Note	Fuse Note	Total
FV of debt security on purchase date	$ 1,955,462	$ 275,000	$ 2,230,462
Premium on purchase date	44,538	-	44,538
Discount for value of derivative instrument and conversion option	(1,248,292)	(176,484)	(1,424,776)
Accretion of net discount	1,248,292	161,199	1,409,491
Conversion of principal	(1,000,000)	-	(1,000,000)
Repayments received	(1,000,000)	-	(1,000,000)
Balance – December 31, 2013	$ -	$ 259,715	$ 259,715

See Note 17(B) for subsequent event related to the Fuse Note.

Note 6: Derivative Instruments

Biozone Warrants

In conjunction with the purchase of the Biozone convertible promissory note discussed in Note 5, the Company received a callable warrant to purchase up to 10,000,000 shares of Biozone at an exercise price of $0.40 per share with an expiration date of 10 years from the date of issuance. The initial value of the warrant was $1,248,292 and was recorded as a discount against the note. The Company's ability to exercise the warrant is limited by a beneficial ownership limitation of 4.99% of the number of the common shares outstanding in Biozone after giving effect to the exercise of the warrant.

The Company classified the warrant as a Level 2 fair value measurement, and engaged an independent third party firm to value the warrant using a binomial lattice pricing model where the option value is calculated using a backward induction process. This model considers price volatility, time, and dilutive effect of exercising. The pricing model assumes a volatility of 70% at the dates of purchase and period end.

On November 25, 2013, the Company entered into a sale agreement with several accredited investors to sell the Biozone warrants for an aggregate purchase price of $1,250,000.

Fuse Warrants

In conjunction with the purchase of the Fuse convertible promissory note as amended and discussed in Note 5, the Company received callable warrants to purchase up to 9,165,750 shares of Fuse at an exercise price of $0.065 per share with expiration dates of 5 years from the date of issuance. The initial value of the warrants was $174,574 and was recorded as a discount against the note.

The Company has classified the warrant as a Level 2 fair value measurement, and used a Black Scholes model to value the warrant. This model considers price volatility, time and risk.

The following table summarizes the Company's derivative asset activity for the year ended December 31, 2013:

Balance – December 31, 2012	$ -
Fair value of warrants on purchase date	1,422,866
Sales	(1,250,000)
Realized gain (loss)	1,708
Unrealized gain (loss)	(55,326)
Balance – December 31, 2013	$ 119,248

Note 7: Marketable Securities

The following table summarizes the Company's marketable security activity for the year ended December 31, 2013:

Balance – December 31, 2012	$ -
Debt Conversions	1,000,000
Sales	(1,500,000)
Realized gain (loss)	500,000
Unrealized gain (loss)	-
Balance – December 31, 2013	$ -

Marketable securities represent the 5,000,000 shares of Biozone common stock that was received upon conversion of the debt security as discussed in Note 5 above. The 5,000,000 shares of Biozone common stock was sold for total proceeds of $1,500,000 and a realized gain of $500,000.

Note 8: Debt

At December 31, 2013 and 2012, debt consists of the following:

	2013	2012
Revolving line of credit	$ 2,500,000	$ -
Auto loan - secured	2,902	15,380
Unsecured debt	59,600	4,452,183
Total debt	2,562,502	4,467,563
Less: current portion	(2,562,502)	(4,463,040)
Long term debt	$ -	$ 4,523

Debt in default of $59,600 and $64,600 at December 31, 2013 and 2012, respectively, is included as a component of short-term debt. Debt in default is related to certain convertible notes issues in 2012 and prior where the notes were never converted to common stock or principle repaid. The Company is in the process of contacting the note holders and negotiating settlement of the notes.

Convertible Debt – Secured – Derivative Liabilities

During the year December 31, 2013, the Company issued no convertible debt. During the year ended December 31, 2012 the Company issued convertible debt totaling $519,950. The convertible debt includes the following terms:

		Year Ended December 31, 2012 Amount of Principal Raised
Interest Rate		8% - 10%
Default interest rate		0% - 20%
Maturity		January 3, 2012 to October 11, 2014
Conversion terms 1	62% of lowest trade price for the last 7 trading days	100,000
Conversion terms 2	65% of the lowest trade price in the 30 trading days previous to the conversion	19,950
Conversion terms 3	35% multiplied by the average of the lowest three (3) trading prices (as defined below) for the common stock during the ten (10) trading day period ending on the latest complete trading day prior to the conversion date.	400,000
		$ 519,950

The debt holders are entitled, at their option, to convert all or part of the principal and accrued interest into shares of the Company's common stock at the conversion prices and terms discussed above. The Company classifies embedded conversion features in these notes as a derivative liability due to management's assessment that the Company may not have sufficient authorized number of shares of common stock required to net-share settle or due to the existence of a ratchet due to an anti-dilution provision. See Note 9 regarding accounting for derivative liabilities.

During the year ended December 31, 2012, the Company converted debt and accrued interest, totaling $1,420,422 into 290,961 shares of common stock. The resulting loss on conversion of $351,021 is included in the $4,447,732 loss on settlement of accounts payable and debt as shown in the Consolidated Statement of Operations.

During the year ended December 31, 2012, $14,000 of convertible notes matured without conversion. These notes became demand loans and were reclassified as unsecured debt. Derivative liabilities associated with these notes were eliminated given the expiration of the embedded conversion option.

(A) Revolving Line of Credit

On December 24, 2013, the Company entered into a revolving line of credit with U.S. Bank, N.A. in the amount of $2,500,000. The line of credit matures on September 15, 2014 and accrues interest at prime plus 2%, which is payable monthly. The interest rate at December 31, 2013 was 5.25%. The note is secured by a $2,500,000 savings account held at U.S. Bank, N.A. and is shown as restricted cash.

(B) Unsecured Debt

Unsecured debt consisted of the following activity and terms:

	Principal	Interest Rate	Maturity
Balance – December 31, 2011	2,380,315		
Borrowings during the year ended December 31, 2012	5,304,000	15% - 110 %	January 13, 2012 – October 1, 2013
Conversion of debt into 44,208 shares of common stock with a valuation of $469,683 ($8.08 - $13.60/share)	(150,000)		
Repayments	(3,318,374)		
Convertible debt added upon expiration of option	14,000		
Balance adjustments	117		
Interest and accrued interest (Included in total repayment)	31,896		
Loss on repayment (Included in total repayment)	190,229		
Balance – December 31, 2012	4,452,183		
Repayments	(4,392,583)		
Balance – December 31, 2013	$ 59,600		

(C) Vehicle Loan

Vehicle loan account consisted of the following activity and terms:

	Principal	Interest Rate	Maturity
Balance - December 31, 2011	$ 26,236	6.99%	28 payments of $1,008
Repayments	(10,856)		
Balance – December 31, 2012	15,380	6.99%	16 payments of $1,008
Repayments	(12,478)		
Balance – December 31, 2013	$ 2,902		4 payments of $1,008

(D) Debt Issue Costs

During the years ended December 31, 2013 and 2012, the Company paid debt issue costs totaling $7,500 and $662,209, respectively.

For the year ended December 31, 2012, the Company issued 22,633 warrants as cost associated with a debt raise. The initial derivative liability value of $427,759 was recorded as debt issue costs and derivative liability.

The following is a summary of the Company's debt issue costs for the years ended December 31, 2013 and 2012:

	2013	2012
Debt issuance costs	$ 335,433	$ 851,923
US Bank Line of Credit	7,500	-
Accumulated amortization of debt issuance costs	(335,433)	(516,490)
Debt issuance costs – net	$ 7,500	$ 335,433

During the years ended December 31, 2013 and 2012, the Company amortized $335,433 and $394,964, respectively in debt issuance costs. The US Bank Line of Credit debt issuance costs of $7,500 will be amortized to interest expense over the term of the credit line, and is included in Other current assets in our Consolidated Balance Sheets.

(E) Debt Discount

During the year ended December 31, 2013, the Company had no debt discounts. During the year ended December 31, 2012, the Company recorded debt discounts totaling $3,554,673, respectively.

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

The Company amortized $6,122,006 to interest expense in the year ended December 31, 2012 as follows:

Debt discount – December 31, 2011	2,567,333
Additional debt discount – year ended December 31, 2012	3,554,673
Amortization of debt discount – year ended December 31, 2012	(6,122,006)
Debt discount – December 31, 2012	$ -

Note 9: Derivative Liabilities

The Company identified conversion features embedded within convertible debt, warrants and Series D Preferred Stock issued during the years ended December 31, 2013 and 2012 (see Notes 5, 6 and 8). The Company has determined that the features associated with the embedded conversion option should be accounted for at fair value as a derivative liability as the Company could not determine if a sufficient number of shares would be available to settle all transactions.

The fair value of the conversion feature is summarized as follows:

Derivative liability - December 31, 2011	7,061,238
Fair value at the commitment date for debt instruments	1,096,808
Fair value at the commitment date for warrants issued	7,526,671
Fair value mark to market adjustment for debt instruments	(1,579,663)
Fair value mark to market adjustment for warrants	(4,345,916)
Fair value mark to market adjustment for Series C Preferred Stock issued	(59)
Reclassification to additional paid-in capital for financial instruments conversions and maturities	(4,124,387)
Warrant settlements	(5,634,692)
Derivative liability - December 31, 2012	-
Fair value at the commitment date for equity instruments	8,175,459
Fair value at the commitment date for warrants issued	96,913
Fair value mark to market adjustment for equity instruments	4,795,512
Fair value mark to market adjustment for warrants	58,452
Conversion instruments exercised or settled	(11,979,006)
Derivative liability – December 31, 2013	$ 1,147,330

The Company recorded the debt discount to the extent of the gross proceeds raised, and expensed immediately the remaining value of the derivative as it exceeded the gross proceeds of the note. The Company recorded a derivative expense of $96,913 and $4,409,214 for the years ended December 31, 2013 and 2012, respectively.

The fair value at the commitment and re-measurement dates for the Company's derivative liabilities were based upon the following management assumptions as of December 31, 2013:

	Commitment Date	Re-measurement Date
Expected dividends	0%	0%
Expected volatility	120%	47%
Expected term:	1 year	1 year
Risk free interest rate	0.14%	0.13%

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

	Commitment Date	Re-measurement Date
Expected dividends	0%	N/A
Expected volatility	228% -251%	N/A
Expected term:	6 months – 4 years	N/A
Risk free interest rate	0.09% - 0.72%	N/A

Note 10: Restricted Stock Units

In November 2012, the Company granted 129,413 restricted stock units through restricted stock unit agreements to certain executives. Each restricted stock unit represents a contingent right to receive one share of the Company's common stock upon vesting. The value of this award at the grant date was $449,900 and will be amortized over the vesting periods such that each tranche of restricted stock units will be fully amortized at the date of vesting. The restricted stock units vest in one tranche of 43,137 on January 1, 2013 and two tranches of 43,138 shares on January 1, 2014 and December 1, 2014. As of December 31, 2013, 43,137 restricted stock units have vested and the unamortized portion of this award is $149,967.

In June 2013, the Company approved a restricted stock award to certain key employees, officers and directors for 1,550,000 cumulative shares. The awarded shares were issued upon the award's approval with ownership rights to be conveyed upon vesting. The value of this award at the grant date was $17,065,500. Of these shares, the Company estimates that 1,500,200 shares will fully vest for a total value of $16,517,202. This amount will be amortized over the vesting periods such that each tranche's estimated shares of restricted stock will be fully amortized at the dates of vesting. The Company will periodically review this estimate for reasonableness and make adjustments as appropriate. The award vests in two tranches with 17% vesting December 31, 2013 and the remaining 83% vesting December 31, 2015 with the exception of certain executives under employment agreements that terminate prior to December 31, 2015. These awards will be amortized over the remaining term of their employment agreements. As of December 31, 2013, 263,500 shares have vested and the unamortized portion of this award is $13,616,067.

In December 2013, the Company granted the independent members of the Board of Directors a restricted stock grant of 19,364 shares as part of the annual director's compensation plan. The awarded shares were issued upon the award's approval with ownership rights to be conveyed upon vesting. The value of this award at the grant date was $152,000, and will be amortized over the vesting periods. The restricted stock award will vest in three equal tranches on July 1, 2014, July 1, 2015, and July 1, 2016. As of December 2013, no shares have vested and the unamortized portion of the awards was $126,660.

Total compensation expense for these awards recognized during the year ended December 31, 2013 was $3,075,272 and is included in operating expenses.

Note 11: Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due. Deferred taxes relate to differences between the basis of assets and liabilities for financial and income tax reporting which will be either taxable or deductible when the assets or liabilities are recovered or settled.

At December 31, 2013, the Company has a net operating loss carry-forward of approximately $36,194,000 available to offset future taxable income. The Company has estimated state loss carry-forwards of approximately $8,011,000. Utilization of future net operating losses may be limited due to potential ownership changes under Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"). These net operating loss carry-forwards have expiration dates starting in 2030 through 2033.

Income taxes have not been provided on undistributed earnings of certain foreign subsidiaries in an aggregate amount of $523,000 as of December 31, 2013 as the Company considers such earnings to be permanently reinvested outside the United States. The additional U.S. income tax that would arise on repatriation of the remaining undistributed earnings could be offset, in part, by foreign tax credits on such repatriation. However, it is impractical to estimate the amount of net income and withholding tax that might be payable.

The valuation allowance at December 31, 2013 was approximately $12,721,000. The net change in valuation allowance during the year ended December 31, 2013 was a decrease of approximately $937,000. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based on consideration of these items, management has determined that enough uncertainty exists relative to the realization of the deferred income tax asset balances to warrant the application of a full valuation allowance as of December 31, 2013.

The effects of temporary differences that gave rise to significant portions of deferred tax assets at December 31, 2013 and 2012, are approximately as follows:

	December 31, 2013	December 31, 2012
Net operating loss carry forward	$ 12,682,000	$ 8,871,000
Amortization of debt discount and debt issue costs	-	3,732,000
Uniform capitalization	164,000	-
Stock options and warrants	(625,000)	971,000
Depreciation	161,000	74,000
Bad debt	115,000	9,000
Inventory reserve	85,000	-
Accrued liabilities	81,000	-
General business credits	39,000	-
Other	19,000	-
Valuation allowance	(12,721,000)	(13,657,000)
Net deferred tax asset	$ -	$ -

The Company incurred income tax expense of $115,483, and none, respectively for the years ended December 31, 2013 and 2012. Of the total tax provision, $105,483 is attributed to taxes for foreign operations.

The income tax provision includes the following:

	December 31, 2013
Current income tax expense:	
Federal	$ -
State	10,000
Foreign	105,483
	115,483
Deferred income tax provision (benefit):	
Federal	(199,971)
State	1,136,549
Change in valuation allowance	(936,578)
	-
Provision for (Benefit from) income taxes, net	$ 115,483

The income tax provision differs from those computed using the statutory federal tax rate of 34% due to the following:

	December 31, 2013	December 31, 2012
Federal tax benefit at statutory rate	$ (5,984,836)	$ (6,492,978)
State tax benefit – net of federal tax effect	756,722	(418,869)
Foreign income taxes at other than 34%	(29,854)	-
Derivative expense	32,950	1,499,133
Change in fair value of derivative liability	1,650,348	(2,005,989)
Loss on settlement of accounts payable	-	1,495,124
Non-deductible stock compensation	1,363,267	791,109
Other non-deductible expenses	10,428	45,105
Tax deficiency on stock based compensation	679,295	-
Amortization of debt discount	176,308	-
Excess compensation – IRC 162(m)	251,550	
Deferred tax adjustment – prior year adjustments	2,145,883	-
Change in valuation allowance	(936,578)	5,087,365
Income tax expense	$ 115,483	$ -

As a result of the assessment of FASB ASC 740-10), the Company has no unrecognized tax benefits. By statute, tax years ended in 2010-2012 are open to examination by the major taxing jurisdictions to which the Company is subject.

During the year ended December 31, 2013, net income before income taxes for our Canadian subsidiary was approximately $398,000 and net loss before income taxes for U.S. operations was approximately $18,000,000.

Note 12: Stockholders' Equity

The Company has four separate series of authorized preferred stock:

On November 26, 2012, the Company (i) effected a 1-for-850 reverse stock split of our common stock, including a proportionate reduction in the number of authorized shares of our common stock from 2.36 billion shares to 2.8 million shares of common stock, and (ii) amended our articles of incorporation to increase the number of authorized shares of common stock (post reverse stock split) from 2,941,177 to 100 million effective November 27, 2012. All share and per share amounts in this document for 2012 have been changed to give effect to the reverse stock split.

(A) Series A Convertible Preferred Stock

The shares of Series A have the following provisions:

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

(B) Series B Preferred Stock (Related Parties)

In August 2011, the Company issued an aggregate of 51 shares of Series B Preferred Stock to two of its officers. The Company accounted for the share issuance at par value as there was no future economic value that could be associated with the issuance. In September 2013, the outstanding 51 shares of Series B Preferred Stock were returned to the Company and retired. Pursuant to the certificate of designation, these shares were added back to general preferred stock pool upon their surrender and are not available for reissuance as Series B Preferred Stock without a new designation.

The shares of Series B had the following provisions:

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

(C) Series C Convertible Preferred Stock

In October 2011, the Company issued 190 shares of Series C Convertible Preferred Stock had a fair value of $190,000. Of the total shares issued, 100 shares were issued for $100,000 ($1,000 /share). The remaining 90 shares were issued for services rendered having a fair value of $90,000 ($1,000 /share), based upon the stated value per share. In March 2012, all 190 shares were converted into 22,353 common shares at a conversion price of $0.0085 per share and a loss of $614,984.

The shares of Series C have the following provisions:

- Stated Value - $1,000 per share;

- Non-voting;
- Liquidation rights entitle an amount equal to the stated value, plus any accrued and unpaid dividends;
- A s long as any Series C, convertible preferred stock is outstanding, the Company is prohibited from executing various corporate actions without the majority consent of the holders of Series C Convertible Preferred Stock authorization; and
- Convertible at the higher of (a) $8.50 or (b) such price that is a 50% discount to market using the average of the low 2 closing bid prices, 5 days preceding conversion.

Due to the existence of an option to convert at a variable amount, the Company treated this series of preferred stock as a derivative liability due to the potential for settlement in a variable quantity of shares. Additionally, the Company computed the fair value of the derivative liability at the commitment date and remeasurement date, which was $293 and $175, respectively, using the Black-Scholes valuation model. This transaction is analogous to a dividend with a direct charge to retained earnings.

(D) Series D Convertible Preferred Stock

In January 2013, the Board of Directors authorized 1,600,000 shares of Series D convertible preferred stock. Between January 16, 2013 and February 4, 2013, the Company entered into separate subscription agreements with certain investors in connection with the offering, pursuant to which the Company sold an aggregate of 1,500,000 shares of Preferred Stock for aggregate gross proceeds of approximately $12 million. Pursuant to the Certificate of Designation of the Series D Convertible Preferred Stock filed with the Nevada Secretary of State on January 11, 2013 (the "Certificate of Designation"), each share of Preferred Stock is convertible into two shares of common stock, subject to adjustment as set forth in the Certificate of Designation. During 2013, 1,368,500 shares of Series D convertible preferred stock were converted on a one for two basis into 2,737,000 shares of common stock.

The shares of Series D have the following provisions:

- Voting rights based on number of common shares of conversion option;
- Initially no rights to dividends;
- Liquidation rights entitle the receipt of net assets on a pro-rata basis; and
- Convertible into 2 shares of common stock, subject to adjustment.

(E) Common Stock

During the year ended December 31, 2013, the Company issued the following common stock:

Transaction Type	Quantity (#)	Valuation ($)	Range of Value per Share ($)
Conversion of series D preferred stock to common stock	2,737,000	11,823,833	2.80 – 7.54
Cash and warrants	1,191,332	10,559,332	8.26 – 10.50
Executive/board of director compensation	284,164	2,642,004	3.48 – 11.01
Employee stock compensation	51,000	561,510	11.01
Stock issued for services and to settle liabilities	2,217,511	20,213,475	4.02 – 12.99
Total	6,481,007	45,800,154	2.80 – 12.99

During the year ended December 31, 2012, the Company issued the following common stock:

Transaction Type	Quantity	Valuation ($)	Loss on Settlement ($)	Range of Value per Share ($)
Conversion of convertible debt	246,753	950,739	61,124	2.98 - 8.08
Conversion of unsecured/secured debt	44,208	469,683	289,897	8.08 - 13.60
Forbearance of agreement terms	95,528	1,240,032	-	7.14 - 27.54
Cash and warrants	199,422	1,660,760	-	7.59 - 8.50
Executive compensation [(1)]	431,034	4,686,514	-	8.93 - 17.71
Stock issued for future services	113,740	1,107,719	-	4.75 - 21.25
Conversion of series C preferred stock to common stock	22,353	614,984	614,984	27.51
Warrant conversions/settlements	853,082	7,295,768	1,505,906	5.44 - 15.73
Stock issued in lieu of interest	58,945	334,099	-	5.50 – 10.62
Additional shares due to roundup provision of certificates upon reverse split	561	-	-	-
Total	2,065,626	18,360,298	2,471,911	0.00 – 27.54

(1) Represents common stock issued for prior year 2011 accrued compensation of $4,667,764 settled in 2012 and directors awards.

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

(F) 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, directors, consultants, advisors and service providers of the Company or its subsidiaries. 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 Code. 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 is 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 of Directors 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 5,883, subject to adjustment in the event of certain recapitalizations, reorganizations and similar transactions.

On April 2, 2010, the Company issued 3,260 stock options, having a fair value of $630,990, which was expensed immediately since all stock options vested immediately. These stock options expire on April 2, 2015.

The Company applied fair value accounting for all share based payments awards. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model.

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

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Balance – December 31, 2011	1,906	$ 425.00	3.25 years	
Granted	-	-		
Exercised	-	-		
Forfeited/Cancelled	(59)	$ 425.00		
Balance – December 31, 2012	1,847	$ 425.00	2.25 years	-
Granted	-			
Exercised	-			
Forfeited/Cancelled	(1,375)	$ 425.00		
Balance – December 31, 2013 – outstanding	472	$ 425.00	1.25 years	-
Balance – December 31, 2013 – exercisable	472	$ 425.00	1.25 years	-
Outstanding options held by related parties – 2013	-			
Exercisable options held by related parties – 2013	-			
Outstanding options held by related parties – 2012	1,177			
Exercisable options held by related parties – 2012	1,177			

(G) Stock Warrants

All warrants issued during years ended December 31, 2013 and 2012 were accounted for as derivative liabilities. See Note 9.

During the year ended December 31, 2013, the Company entered into convertible equity agreements. As part of these agreements, the Company issued warrants to convert 1,500,000 shares of Series D preferred stock into 3,000,000 shares of common stock. Additionally, the Company issued warrants to purchase 40,000 shares of common stock in conjunction with a consulting agreement.

During the year ended December 31, 2012, the Company entered into convertible note and unsecured note agreements. As part of these agreements, the Company issued warrants to purchase 500,721 shares of common stock. Each warrant vests six months after issuance and expire July 13, 2014 – October 16, 2014, with exercise prices ranging from $10.20 - $12.75. All warrants contain anti-dilution rights, and are treated as derivative liabilities. All warrants issued during the year ended December 31, 2012, were converted in 2012.

A summary of warrant activity for the Company for the years ended December 31, 2013 and 2013 is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance at December 31, 2011	333,340	20.33
Granted	500,721	10.20
Exercised	(37,648)	7.57
Converted	(796,324)	10.20
Balance at December 31, 2012	89	1,275.00
Granted	3,040,000	4.09
Exercised/settled	(2,777,000)	4.09
Balance at December 31, 2013	263,089	4.43

Warrants Outstanding				Warrants Exercisable		
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price	Intrinsic Value
$ 4 - 1,275	263,089	1.00	$ 4.43	263,089	$ 4.43	$ 1,015,533

(H) Treasury Stock

During the year ended December 31, 2013, the Company repurchased 138,825 shares of its common stock for the total sum of $1,193,783 or an average of $8.60 per share. Of this amount, $1,037,320 or $7.47 per share was considered repurchase of securities and $156,463 was recorded as a loss on settlement and is included in Gain on settlement of accounts payable in the Consolidated Statement of Operations. Included in the repurchase of securities was 120,000 shares, or $934,000, of common stock repurchased by the Company as part of a stock repurchase plan described more fully in Note 12(J). During the year ended December 31, 2012, the Company repurchased 31,096 shares of its common stock for the total sum of $460,978 or an average of $14.82 per share.

The Company records the value of its common stock held in treasury at cost. The Company has not cancelled these shares, and they remain available for re-issuance.

(I) Consulting Agreement

On July 12, 2012, the Company entered into consulting agreements with two outside consulting firms to provide services related to the capital restructuring of the Company. These agreements were subsequently amended in March of 2013 and again in April of the same year. During 2013, the Company recognized expenses related to the GRQ and Melechdavid agreements of $7,015,077 which are classified under Professional fees in the Consolidated Statement of Operations. The Company's obligations under the GRQ and Melechdavid agreements were completely satisfied as of July 12, 2013 and the agreements have not been renewed or extended.

(J) Stock Repurchase Plan

On December 10, 2013, the Board of Directors approved a one year, $5 million stock repurchase plan allowing for the repurchase of up to $5,000,000 of MusclePharm common stock over a one year period. During December 2013, the Company repurchased 120,000 shares of MusclePharm common stock with an aggregate price of approximately $934,000. These shares are accounted for using the cost method and are included as a component of Treasury Stock in our Consolidated Balance Sheets.

Note 13: Commitments, Contingencies and Other Matters

(A) Operating Lease

The Company accounts for leases as operating or capital based on the criteria set forth in ASC 840-10-25-1. The Company has various non-cancelable operating leases with terms expiring through 2017.

Future minimum annual lease payments for the above leases are approximately as follows:

Years Ended December 31,	
2014	$ 623,114
2015	439,033
2016	121,322
2017	19,965
Total minimum lease payments	$ 1,203,434

Rent expense for the years ended December 31, 2013 and 2012, was $607,774 and $337,584, respectively.

(B) Capital Leases

The Company accounts for leases as operating or capital based on the criteria set forth in ASC 840-10-25-1. As of December 31, 2013, the Company had $84,151 in leased assets classified as Furniture, Fixtures, and Equipment under Property and equipment in the Consolidated Balance Sheets. The accumulated depreciation on leased assets as of December 31, 2013 was $1,750. Short term capital lease liabilities are included as a component of current liabilities, and the long-term portion is included as a component of long term liabilities in our Consolidated Balance Sheets.

In August 2013, the Company entered into a lease agreement for the lease of certain equipment to be used by the Company. The agreement stipulates 36 monthly payments of $410.24 and provides for an automatic transfer of ownership at lease end. The interest rate implicit in this lease is 9.5%.

In November 2013, the Company entered into a lease agreement for the lease of certain equipment to be used by the Company. The agreement stipulates 36 monthly payments of $414.64 and provides for an automatic transfer of ownership at lease end. The interest rate implicit in this lease is 5.25%.

In December 2013, the Company entered into four lease agreements for the lease of certain equipment to be used by the Company. The agreements stipulate 36 monthly payments of $490.53 and provide for an automatic transfer of ownership at lease end. The interest rate implicit in these leases is 5.25%.

As of December 31, 2013 and December 31, 2012, the Company had an outstanding balance on capital leases of $81,292, and $0, respectively. Future minimum lease payments are as follows:

Years Ending December 31,	
2014	$ 33,480
2015	33,480
2016	28,631
Total minimum lease payments	95,591
Less amounts representing interest	(14,299)
Present value of minimum lease payments	$ 81,292

(C) Legal Matters

From time to time, the Company is or may become involved in various legal proceedings that arise in the ordinary course of business or otherwise. Legal proceedings are subject to inherent uncertainties as to timing, outcomes, costs, expenses and time expenditures by the Company's management and others on behalf of the Company. Although there can be no assurance, based on information currently available the Company's management believes that the outcome of legal proceedings that are pending or threatened against the Company will not have a material effect on the Company's financial condition. However, the outcome of any of these matters is neither probable nor reasonably estimable.

As of December 31, 2013, the Company was not a party to any material litigation. During 2013, we settled several immaterial lawsuits including the following case:

- ***William Bossung and Bishop Equity Partners LLC v. MusclePharm Corporation***, Clark County, Nevada District Court. Date instituted: December 8, 2011. Plaintiff alleges that additional monetary payments are due under a settlement for outstanding warrants. The Company reached a settlement with William Bossung and Bishop Equity Partners LLC effective September 30, 2013 for shares of fully vested restricted shares of MusclePharm Common Stock. The settlement is included in General and administrative expense in the Consolidated Statement of Operations.

(D) Product Liability

As a manufacturer of nutritional supplements and other consumer products that are ingested by consumers, the Company may be subject to various product liability claims. Although we have not had any material claims to date, it is possible that current and future product liability claims could have a material adverse effect on our business or financial condition, results of operations or cash flows. The Company currently maintains product liability insurance with a deductible/retention of $10,000 per claim with an aggregate cap on retained loss of $5,000,000. At December 31, 2013, the Company had not recorded any accruals for product liabilities.

(E) Sponsorship and Endorsement Contract Liabilities

The Company has various non-cancelable endorsement and sponsorship agreements with terms expiring through 2017. The total value of outstanding payments as of December 31, 2013 was $16,286,916. The total outstanding payments are as follows:

Outstanding Payments	2014	2015	2016	2017	Total
Endorsement	$ 2,031,250	$ 2,385,833	$ 833,333	$ -	$ 5,250,416
Sponsorship	4,745,000	4,832,500	1,125,000	100,000	10,802,500
Service	174,000	60,000	-	-	234,000
Total	$ 6,950,250	$ 7,278,333	$ 1,958,333	$ 100,000	$ 16,286,916

See Note 16 of Notes to Consolidated Financial Statements for more detail regarding endorsement contracts.

(F) SEC Investigation

In July 2013 the Company received a formal order of investigation of the Company from the Denver Regional Office of the Securities and Exchange Commission. As a result of that formal order, the Company is conducting a review of its internal controls, disclosures of related party transactions, settlements of claims including share issuance, executive compensation, and disclosure of perquisites for the periods of 2010 and 2011. There can be no assurance that these are the only subject matters of concern, what the nature or amounts in question will be, or that these are the only periods under review.

Note 14: Related Party Transactions

Ryan DeLuca, the Chief Executive Officer of one of our major customers, Bodybuilding.com, is the brother of Jeremy DeLuca, MusclePharm's President of Sales and Marketing. We did maintain a business relationship with Bobybuilding.com prior to hiring Mr. DeLuca. We do not offer preferential pricing of our products to Bodybuilding.com based on these relationships. Sales of products to Bodybuilding.com were $33,977,368 and $25,060,518 for the years ended December 31, 2013 and 2012, respectively. Bodybuilding.com owed the Company approximately $2 million and $827,000 in trade receivables as of December 31, 2013 and 2012, respectively.

We lease our office and warehouse facility in Hamilton, Ontario, Canada from 2017275 Ontario Inc., which is a company owned by Renzo Passaretti, VP and General Manager of MusclePharm Canada Enterprises Inc., our wholly owned Canadian subsidiary. In 2013 and 2012, we paid rent of $75,035 and $59,303, respectively. The lease expires March 31, 2014.

As discussed in Notes 5 and 6, on August 26, 2013, we entered into a Securities Purchase Agreement with BioZone Pharmaceuticals, Inc. ("Biozone") pursuant to which we bought (i) $2,000,000 of a 10% secured convertible promissory notes and (ii) a warrant to purchase 10,000,000 shares of the Seller's common stock, at an exercise price of $0.40 per share, for an aggregate purchase price of $2,000,000. Dr. Philip Frost, a significant investor in the Company and a member of its scientific advisory board, is the Chairman and CEO of OPKO Health, Inc. ("OPKO"), and is the trustee of Frost Gamma Investments Trust ("Frost Gamma"). Each of Dr. Frost, OPKO, and Frost Gamma were significant shareholders in Biozone.

On October 16, 2013, the Company entered into an Office Lease Agreement with Frost Real Estate Holdings, LLC, a Florida limited liability company owned by Dr. Phillip Frost. Pursuant to the Lease, the Company rents 1,437 square feet of office space for an initial term of three years, with an option to renew the lease for an additional three year term. Total lease commitments under the initial term of the lease are $142,923. As of December 31, 2013, we owed Frost Real Estate Holding, LLC, $13,289 under the terms of the lease.

Subsequent to year end, the Company purchased split dollar life insurance policies on certain key executives. These policies provide a split of 50% of the death benefit proceeds to the Company and 50% to the officer's designated beneficiaries.

On February 15, 2012, Mr. Drew Ciccarelli filed a Schedule 13G with the Securities and Exchange Commission which indicated Mr. Ciccarelli owned approximately 9.94% of the Company's common stock at that time. Prior to such date, the Company entered into a Sportswear License Agreement with MusclePharm Sportswear LLC, of which Mr. Ciccarelli was the principle owner, pursuant to which the Company received $250,000 in fees. In November 2013, that agreement was terminated.

Subsequent to February 15, 2012, the Company entered in a Mutual Rescission and Release Agreement with Mr. Ciccarelli pursuant to which certain purchases of the Company's common stock previously made by Mr. Ciccarelli were rescinded. Also subsequent to February 15, 2012, the Company entered into a Warrant Conversion Agreement with Mr. Ciccarelli pursuant to which certain outstanding warrants to purchase shares of the Company's common stock then owned by Mr. Ciccarelli were converted into shares of the Company's common stock.

Note 15: Defined Contribution Plan

The Company has a 401(k) defined contribution plan, in which all eligible employees may participate. The 401(k) plan is a contributory plan. Matching contributions are based upon the amount of the employees' contributions. Beginning January 1, 2012, the Company may make an additional discretionary 401(k) plan matching contribution to eligible employees. During years ended December 31, 2013 and 2012, the Company's matching contributions were $61,063 and $42,800, respectively.

Note 16: Endorsement Agreement

On July 26, 2013, the Company entered into an Endorsement Licensing and Co-Branding Agreement by and among, the Company, Arnold Schwarzenegger, Marine MP, LLC, and Fitness Publications, Inc. Under the terms of the Agreement, Mr. Arnold Schwarzenegger will co-develop a special Arnold Schwarzenegger product line and will be co-marketed under Mr. Schwarzenegger's name and likeness.

In connection with this agreement, the Company also issued Marine MP, LLC fully vested restricted shares of common stock. As of December 31, 2013, the amount of unamortized stock compensation expense related to this agreement was $7,300,800. The current and non-current portions of this unamortized stock compensation are included as a component of Prepaid Stock Compensation in the Consolidated Balance Sheet.

Note 17: Subsequent Events

(A) Biozone

On January 2, 2014, the Company closed the transactions contemplated in the Asset Purchase Agreement (the "APA") dated November 12, 2013 with BioZone Pharmaceuticals, Inc. ("BioZone") and its subsidiaries, BioZone Laboratories, Inc., and Bakers Cummins Corporation (collectively, the "Seller"). At closing, the Company acquired substantially all of the operating assets of BioZone, including all assets associated with QuSomes, HyperSorb and EquaSomes drug delivery technologies and the name "Biozone", "Biozone Laboratories" and similar names and domain names (and excluding certain assets including cash on hand). The closing was subject to certain conditions precedent including delivery of a fairness opinion to the Company by its financial advisor, which MSLP has obtained.

The base purchase price under the APA was 1.2 million shares of the Company's common stock, par value $0.001 per share, of which 600,000 shares were placed into escrow for a period of 9 months to cover indemnification obligations and which shares are also subject to repurchase from the escrow for $10.00 per share in cash during the 9 month escrow period. The remaining 600,000 non-escrowed shares were issued to Biozone upon closing and are subject to a lockup agreement which permit private sales (subject to the lockup and certain leak out provisions).

(B) Fuse Note Extension of Maturity Date

On January 3, 2014, the Company extended the maturity of its convertible note, as more fully described in Notes 5 and 6, with Fuse Sciences. The convertible note has a face amount of $275,000 and a maturity date of January 3, 2019.

(C) Director Stock Issuance

On March 17, 2014, the Company granted the independent members of the Board of Directors a restricted stock grant of 48,856 shares as part of the annual director's compensation plan. The awarded shares were issued upon the award's approval with ownership rights to be conveyed upon vesting. The value of this award at the grant date was $320,007, and will be amortized over the vesting periods. The restricted stock award will vest in three equal tranches on March 17, 2014, March 17, 2015, and March 17, 2016.

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

None.

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, we conducted an evaluation, under the supervision and with the participation of our chief executive officer and our principal financial officer of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act). Based upon this evaluation, our chief executive officer and our principal financial officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. There was no change in our internal controls or in other factors that could affect these controls during our last fiscal year that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

(b) Management's Report on Internal Control over Financial Reporting

The management of MusclePharm Corporation and its subsidiary is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements of external purposes in accordance with generally accepted accounting principles. Because of the inherent limitations of internal control over financial reporting, misstatements may not be prevented or detected on a timely basis. Also, projections of any evaluation of effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2013 using criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, our management determined that our internal control over financial reporting was effective as of December 31, 2013.

(c) 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 year ended December 31, 2013, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

However, on March 21, 2014, the Board of Directors approved the creation of a Financial Disclosure Committee, to be comprised of certain officers and directors of the Company, for the purpose of assisting the Chief Executive Officer and Chief Financial Officer in fulfilling their responsibility for oversight of the accuracy and timeliness of the disclosures made by the Company

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Directors and Executive Officers of the Registrant

The following table sets forth certain information as of March 31, 2014, regarding our directors and named executive officers:

Name	Age	Position
Bradley J. Pyatt	33	Chairman of the Board, Chief Executive Officer and President
L. Gary Davis	60	Chief Financial Officer & Treasurer
Richard F. Estalella	52	Chief Operating Officer, Director
Sydney R. Rollock	50	Chief Marketing & Sales Officer
Cory J. Gregory	35	Executive Vice President
Michael J. Doron	52	Director
James J. Greenwell	54	Director
Donald W. Prosser	64	Director
Daniel J. McClory	54	Director

Bradley J. Pyatt is our Chairman of the Board, Chief Executive Officer and Director and founded the company in April 2008. His background includes seven years of experience as a professional athlete, and more than five years of experience in the sports nutrition arena. Mr. Pyatt played in National Football League for the Indianapolis Colts during the 2003, 2004, and 2005 NFL seasons as well for the Miami Dolphins during the 2006 NFL season. Mr. Pyatt played in the Arena Football League for the Colorado Crush during the 2007 and 2008 AFL seasons. Mr. Pyatt attended the University of Kentucky from 1999 to 2002, where he studied kinesiology exercise science, as well the University of Northern Colorado, from 2002 to 2003.

L. Gary Davis has served as our Chief Financial Officer since July 2012. From January 2010 prior to joining us, Mr. Davis worked as a certified public accountant for various clients, specializing in mergers and acquisitions, and has extensive experience in finance with publicly traded companies. From November 2004 to January 2010, Mr. Davis served as Executive Vice President and Chief Financial Officer of Bodybuilding.com, a sports, fitness and nutritional supplement on-line retail store. He previously was Vice President and Chief Financial Officer of U.S. Ecology Corporation, and was previously a director of finance of Fortune 500 Company, Morrison-Knudsen and Vice-President of Finance within Micron Technology. Mr. Davis has a Bachelor's Degree in Accounting from Boise State University with continuing studies in Finance from Rochester Institute of Technology. He is a licensed certified public accountant in multiple states.

Richard F. Estalella has served as our Chief Operating Officer since April 2013, and as a member of the Board of Directors since August 2013. Prior to joining MusclePharm, Mr. Estalella served as Senior Vice President of Operations at Arbonne International, LLC since 2005. Mr. Estalella was instrumental in Arbonne's expansion operations and distribution upgrades and was responsible for all warehouse and distribution facilities, facilities maintenance departments and Customer Service. Previously, between 1998 and 2005, he owned a consulting business specializing in retail, operations, warehousing and distribution. Prior to that, Mr. Estalella served as Senior Vice President of Warehouse Operations for Office Depot between 1987 and 1998 and established many of its retail markets, along with its nationwide distribution center network which helped grow it into a $9 billion company.

Sydney R. Rollock has served as our Chief Marketing & Sales Officer since October 2013. Prior to joining MusclePharm, Mr. Rollock served as President of XXIC Growth Ventures LLC, a company he founded to partner with investors to identify and evaluate Non-Core Consumer Fortune 500 brand businesses in the Over the Counter ("OTC") Health & Wellness sector to bring buyers and sellers together to form a stand-alone consumer OTC company. Prior to that, Mr. Rollock served as Chief Marketing and Business Development Officer for Brightside Academy in Pittsburgh, Pennsylvania as well as Vice President and General Manager of Health & Wellness OTC Business Unit for GlaxoSmithKline. Mr. Rollock has expertise in general management, global marketing, and corporate strategy as well as wide-ranging experience in leadership roles for Fortune 500 companies including GlaxoSmithKline, Coca-Cola, Campbell's, and General Mills.

Cory J. Gregory has served as an executive officer of Muscle Pharm, LLC, since its inception in 2008 and our Senior Vice President (formerly Senior President) since May 2010. Prior to joining us, Mr. Gregory served as President, managing member, and owner of T3 Personal Training LLC, or T3, from April 2009 until November 2011. T3 was a personal training service that managed and oversaw over 40 clients using seven trainers over a ten-year period. During the same period, Mr. Gregory served as President of the Ohio Natural Bodybuilding Federation, a federation founded by Mr. Gregory in 2004 which hosted 14 bodybuilding competitions over a six-year period. He consulted for Agile Enterprises, a nutritional supplement company from January 2006 through January 2008. In 2004, Mr. Gregory purchased the Old School Gym, located in Pataskala, Ohio, which he continues to own at present day.

Michael J. Doron has served as a director since November 5, 2012. He has been the Managing Director of DDR & Associates, LLC since January 2009, and Evolution Capital Partners, LLC since October 2009. From January 2007 to December 2008, he served as Chief Operating Officer and director of Toyshare, Inc. From February 2006 to January 2007, Mr. Doron served as Chief Operating Officer and Chief Financial Officer of Frontgate Sundance Alliance. From September 2005 to January 2007, he served as Vice President – Private Banking of the Bank of the West. Mr. Doron earned a BA from the University of Maryland and a Master's of Science from American University.

James J. Greenwell has served as a director since October 15, 2012. Since March 20, 2013 he has been Vice-President of Voice Technology for Intelligrated. (Intelligrated is one of the top material handling automation companies in the U.S.) Intelligrated acquired Datria Systems in March 2013. Since 2000, he has been the Chief Executive Officer of Datria Systems Inc., a speech recognition application software company. He has also served as the Datria Systems' Chairman since 2002. In prior employment, he served as a technology executive in a number of private and public companies .He has served on the Board of the Cherry Creek School Foundation since September 2010. He was a founding member of Friends of Denver Fire and served on its Board from 2007 through 2010. Mr. Greenwell served on the Board of the Denver Chapter of the American Heart Association from 2002 through 2008 and was Chairman of the Board in 2007. He also served on the Board of Trustees of the Bonfils Blood Center Foundation from 1999 through 2003. Mr. Greenwell earned a BS from the College of Business at Michigan State University and an MBA degree from Saint Mary's College.

Donald W. Prosser has served as a director on our Board of Directors since July 2012 and has been the principal executive officer and principal financial officer of Arête Industries, Inc. since January 2011 and a director of Arête since September, 2003. Arête is a voluntary filer with the SEC under the Securities Exchange Act of 1934. Mr. Prosser owns a certified public accounting firm, Donald W. Prosser, P.C., specializing in tax services and accounting and has represented a number of private and public companies serving in the capacity of accountant, member of boards of directors, and as chief financial officer. From 1997 to 1999, Mr. Prosser served as Chief Financial Officer and Director for Chartwell International, Inc., a public company publishing high school athletic information and providing athletic recruiting services. From 1999 to 2000, he served as Chief Financial Officer and Director for Anything Internet, Inc. and from 2000 to 2001, served as Chief Financial Officer and Director for its successor, Inform Worldwide Holdings, Inc., a publicly traded company. From November 2002 through June 2008, Mr. Prosser served as CFO of VCG Holding Corp., a public company. From July 2008 through August 2009 Mr. Prosser was Chief Financial Officer of Iptimize, Inc., a provider of broadband and data services that filed a petition under federal bankruptcy laws in October 2009. He also has served on the Board of Directors of Veracity Management Global, Inc., a publicly traded company, since January, 2008. Mr. Prosser has been a certified public accountant since 1975. Mr. Prosser attended the University of Colorado from 1970 to 1971 and Western State College of Colorado from 1972 to 1975, where he earned a Bachelor's Degree in Accounting and History (1973) and a Master's Degree in Accounting – Income Taxation (1975).

Daniel J. McClory was appointed as an independent director of the Company's Board of Directors in August 2013. Mr. McClory has been a member of Hunter Wise Financial Group, LLC since 2003, currently serving as its Managing Director. During his time at Hunter Wise Financial Group, LLC, Mr. McClory has completed public offerings, financings and M&A deals for clients listed on the London Stock Exchange, NASDAQ, NYSE Amex, the Toronto Stock Exchange, and the Over-the-Counter Markets. He has opened Hunter Wise Financial Group, LLC offices in London and Beijing in support of the firm's investment banking clients in both locations. Mr. McClory earned his BS in English and an MA in Language and International Trade from Eastern Michigan University.

Family Relationships

There are no family relationships between any of our directors and our executive officers.

Involvement in Certain Legal Proceedings

Except as outlined below, to our knowledge, during the past ten (10) years, none of our directors, executive officers, promoters, control persons, or nominees has been:

- the subject of any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- convicted in a criminal proceeding or is subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
- subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; or
- found by a court of competent jurisdiction (in a civil action), the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law

Since March 20, 2013 he has been Vice-President of Voice Technology for Intelligrated. (Intelligrated is one of the top material handling automation companies in the U.S.) Intelligrated acquired Datria Systems in March 2013. Mr. Greenwell has

Mr. Pyatt filed for protection under Chapter 7 of the federal bankruptcy laws in 2008. He received a discharge relating to the matter in 2008.

Advisory Board

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

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

Dr. Eric Serrano **– Chief Formulator Medical Advisor.** Dr. Serrano has been practicing medicine in the State of Ohio for over 22 years and is considered one of the leading sports nutrition doctors in the country. His clients include a wide array of athletes from the NFL, NHL, and MLB, in addition to many elite amateur athletes. Dr. Serrano was a professor of family practice medicine at Ohio State University, where he was awarded Professor of The Year and Preceptor of The Year. Dr. Serrano currently lectures across the country to universities, medical groups and health and fitness conferences on the topics of sports nutrition, performance enhancement, and injury prevention. He has formulated numerous nutritional supplements for some of the leading nutritional companies on the market and also been a contributing writer for some of the leading U.S. health and fitness magazines, including *Muscle & Fitness*. Dr. Serrano has been involved in the formulations for each of our products. Dr. Serrano received his B.A. from Kansas State University in Biology, his M.A. from Kansas State University in Exercise Physiology, and his M.D. from the University of Kansas Medical School.

Dr. Roscoe M. Moore, Jr. **– Chief Scientific Director.** A Former U.S. Assistant Surgeon General, Dr. Moore served with the United States Department of Health and Human Services (HHS) and was, for the last 12 years of his career there, the principal person responsible for global development support within the Office of the Secretary, HHS, with primary emphasis on Continental Africa and other less developed countries of the world. He was the principal liaison person between the HHS and Ministries of Health in Africa with regard to the development of infrastructure and technical support for the delivery of preventive and curative health needs for the continent. Dr. Moore received his undergraduate and Doctor of Veterinary Medicine degrees from Tuskegee Institute; his Master of Public Health degree in Epidemiology from the University of Michigan; and his Doctor of Philosophy degree in Epidemiology from the Johns Hopkins University. He was awarded the Doctor of Science degree (Honoris Causa) in recognition of his distinguished public health career by Tuskegee University. Dr. Moore was a career officer within the Commissioned Corps of the United States Public Health Service (USPHS) entering with the U.S. National Institutes of Health and rising to the rank of Assistant United States Surgeon General (Rear Admiral, USPHS) within the Immediate Office of the Secretary, HHS. He was selected as Chief Veterinary Medical Officer, USPHS, by Surgeon General C. Everett Koop.

Dr. Phillip Frost **– Member of MusclePharm Scientific Advisory Board.** Dr. Frost has served as the CEO and Chairman of OPKO Health, Inc. since March 27, 2007. Dr. Frost was named the Chairman of the Board of Teva Pharmaceutical Industries, Limited, or Teva, (NYSE:TEVA) in March 2010 and had previously been Vice Chairman since January 2006 when Teva acquired IVAX Corporation, or IVAX. Dr. Frost had served as Chairman of the Board of Directors and Chief Executive Officer of IVAX Corporation since 1987. He was Chairman of the Department of Dermatology at Mt. Sinai Medical Center of Greater Miami, Miami Beach, Florida from 1972 to 1986. Dr. Frost was Chairman of the Board of Directors of Key Pharmaceuticals, Inc. from 1972 until the acquisition of Key Pharmaceuticals by Schering Plough Corporation in 1986. Dr. Frost was named Chairman of the Board of Ladenburg Thalmann Financial Services Inc. (NYSE Amex:LTS), an investment banking, asset management, and securities brokerage firm providing services through its principal operating subsidiary, Ladenburg Thalmann & Co. Inc., in July 2006 and has been a director of Ladenburg Thalmann from 2001 until 2002 and again since 2004. Dr. Frost also serves as Chairman of the board of directors of PROLOR Biotech, Inc. (NYSE Amex: PBTH), a development stage biopharmaceutical company. He serves as a member of the Board of Trustees of the University of Miami and as a Trustee of each of the Scripps Research Institute, the Miami Jewish Home for the Aged, and the Mount Sinai Medical Center. Dr. Frost is also a director of Castle Brands (NYSE Amex:ROX), a developer and marketer of premium brand spirits. Dr. Frost previously served as a director for Continucare Corporation, Northrop Grumman Corp., Ideation Acquisition Corp., Protalix Bio Therapeutics, Inc., and SafeStitch Medical Inc., and as Governor and Co-Vice-Chairman of the American Stock Exchange (now NYSE Amex).

Dr. Frost has successfully founded several pharmaceutical companies and overseen the development and commercialization of a multitude of pharmaceutical products. This combined with his experience as a physician and chairman and/or chief executive officer of large pharmaceutical companies has given him insight into virtually every facet of the pharmaceutical business and drug development and commercialization process. He is a demonstrated leader with keen business understanding and is uniquely positioned to help guide our Company through its transition from a development stage company into a successful, multinational biopharmaceutical and diagnostics company.

Dr. Stephen Liu, MD, was born in 1960 in Taiwan and currently resides in Beverly Hills, CA. He received his MD from the Keck School of Medicine at USC and his BA from UCLA. Post-graduate training includes a USC orthopedic surgery residency, a Hughston Sports Medicine Fellowship, and training with the Anderson School of Management Physician Executive Program. Dr. Liu's work experience includes jobs with the UCLA School of Medicine as well as their athletics program where he was Team Physician, partnership with Pac Rim Capital Group, and Board of Directorships with Cardo Medical and AM International Bank. Currently he is a Senior Advisor to OPKO Health and is a Frost Group investor. He has co-authored seven books on Sports Medicine, written 45 peer-reviewed articles and given over 100 lectures in 25 different countries. In addition, he has held guest professorships at organizations in 16 countries and served in leadership roles with the Chinese-American Bankers Association, World Affairs Council and Center Theater Group. Awards and honors include the 1997 Cabaud Award for basic sport science research, fellowships with the American Academy Ortho Sports Medicine Society and the Asia Shoulder Society, and the Verdugo Hills Hospital Foundation Humanitarian Award.

Michael Kim, D.O. **– Executive Director of Medicine, Research and Education.** Dr. Kim has been our Executive Director of Medicine, Research and Education since August 2011. He oversees our research. He analyzes formulations, research protocols and strength and performance protocols. He also advises our athlete endorsers regarding nutrient, diet and supplementation. He received a B.A. in Economics from University of California – Davis, and a Doctor of Osteopathy degree from Touro University.

Corporate Governance

Director Independence

Each director and named executive officer is obligated to disclose, on an annual basis, any transactions with our Company and any of its subsidiaries in which a director or executive officer, or any member of his or her immediate family, have a direct or indirect material interest. Following completion of these disclosures, our Board of Directors make a determination as to the independence of each director using the current standards for "independence" that satisfy both the criteria for the NASDAQ Stock Market and the NYSE MKT.

As of November 12, 2013, our Board of Directors affirmatively determined that Messrs. Doron, Greenwell, McClory and Prosser are "independent" as that term is defined in the NASDAQ listing standards.

Committees and Meetings of the Board

During 2013, our Board of Directors held fourteen meetings. Each director attended at least 75% of the meetings (held during the period that such director served) of the Board and the committees on which such director served in 2013.

In addition, the Board acts from time to time by unanimous written consent in lieu of holding a meeting. During 2013, the Board effected several actions by unanimous written consent.

The following table sets forth the three standing committees of our board and the members of each committee and the number of meetings held by our board and the committees during 2013:

Director	Board	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee
Bradley J. Pyatt	Chair			
Michael J. Doron	X	X	X	Chair
James J. Greenwell	X	X	Chair	X
Donald W. Prosser	X	Chair	X	X
Daniel J. McClory	X	X	X	X
Meetings in 2013:	14	8	4	4

To assist it in carrying out its duties, the board has delegated certain authority to an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee as the functions of each are described below.

Audit Committee

Messrs. Doron, Greenwell, McClory and Prosser serve on our Audit Committee. Our Audit Committee's main function is to oversee our accounting and financial reporting processes, internal systems of control, independent auditor relationships and the audits of our financial statements. The Audit Committee's responsibilities include:

- selecting, hiring, and compensating our independent auditors;
- evaluating the qualifications, independence and performance of our independent auditors;
- overseeing and monitoring the integrity of our financial statements and our compliance with legal and regulatory requirements as they relate to financial statements or accounting matters;
- approving the audit and non-audit services to be performed by our independent auditor;
- reviewing with the independent auditor the design, implementation, adequacy and effectiveness of our internal controls and our critical accounting policies; and
- preparing the report that the SEC requires in our annual proxy statement.

The board of directors has adopted an Audit Committee Charter. The Audit Committee members meet NASDAQ's financial literacy requirements, and the board has further determined that Mr. Prosser (i) is an "audit committee financial expert" as such term is defined in Item 407(d) of Regulation S-K promulgated by the SEC and (ii) also meets NASDAQ's financial sophistication requirements.

Compensation Committee

Messrs. Doron, Greenwell, McClory and Prosser serve on the Compensation Committee. Our Compensation Committee's main functions are assisting our board of directors in discharging its responsibilities relating to the compensation of outside directors, the Chief Executive Officer and other executive officers, as well as administering any stock incentive plans we may adopt. The Compensation Committee's responsibilities include the following:

- reviewing and recommending to our board of directors the compensation of our Chief Executive Officer and other executive officers, and the outside directors;
- conducting a performance review of our Chief Executive Officer;
- reviewing our compensation policies; and
- if required, preparing the report of the Compensation Committee for inclusion in our annual proxy statement.

The board of directors has adopted a Compensation Committee Charter.

The Compensation Committee's policy is to offer our executive officers competitive compensation packages that will permit us to attract and retain highly qualified individuals and to motivate and reward these individuals in an appropriate fashion aligned with the long-term interests of our Company and our stockholders.

Compensation Committee Risk Assessment. We have assessed our compensation programs and concluded that our compensation practices do not create risks that are reasonably likely to have a material adverse effect on us.

Nominating and Corporate Governance Committee

Messrs. Doron, Greenwell, McClory and Prosser serve on our Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee's responsibilities include:

- identify qualified individuals to serve as members of the Company's board of directors;
- review the qualifications and performance of incumbent directors;
- review and consider candidates who may be suggested by any director or executive officer or by any stockholder of the Company;
- review considerations relating to board composition, including size of the board, term and age limits, and the criteria for membership on the board;
- review periodically the management succession plan of;
- review and recommend corporate governance policies; and
- monitor, oversee and review compliance with the Company's code of ethics.

The board of directors has adopted a Nominating and Corporate Governance Committee Charter.

Financial Disclosure Committee

On March 21, 2014, the Board of Directors approved the creation of a Financial Disclosure Committee, to be comprised of certain officers and directors of the Company, for the purpose of assisting the Chief Executive Officer and Chief Financial Officer in fulfilling their responsibility for oversight of the accuracy and timeliness of the disclosures made by the Company.

Corporate Governance Materials

The full text of the charters of our Audit, Nominating and Corporate Governance, and Compensation Committees and our Business Conduct and Code of Ethics can be found at www.musclepharm.com. Copies of these documents also may be obtained from our Corporate Secretary.

Board of Directors Diversity

The board does not have a formal diversity policy. The board considers candidates that will make the board as a whole reflective of a range of talents, skills, diversity and expertise.

Code of Ethics

We adopted a Code of Ethics on July 24, 2012 that applies to all directors, officers and employees. Our Code of Ethics is available on our website at http://www.musclepharm.com. Our Code of Ethics provides general statements of our expectations regarding ethical standards that we expect our directors, officers and employees to adhere to while acting on our behalf. Among other things, the Code of Ethics provides that:

- We will comply with all laws, rules and regulations;
- Our directors, officers, and employees are to avoid conflicts of interest and are prohibited from competing with the Company or personally exploiting our corporate opportunities;
- Our directors, officers, and employees are to protect our assets and maintain our confidentiality;
- We are committed to promoting values of integrity and fair dealing; and
- We are committed to accurately maintaining our accounting records under generally accepted accounting principles and timely filing our periodic reports and tax returns.

Our Code of Ethics also contains procedures for employees to report, anonymously or otherwise, violations of the Code of Ethics.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act, requires the Company's directors and named executive officers, and persons who beneficially own more than ten percent of our common stock, to file initial reports of ownership and reports of changes in ownership of our common stock and our other equity securities with the SEC. As a practical matter, the Company assists its directors and officers by monitoring transactions and completing and filing Section 16 reports on their behalf. Based solely on a review of the copies of such forms in our possession and on written representations from reporting persons, we believe that during 2013 all of our named executive officers and directors filed the required reports on a timely basis under Section 16(a) of the Exchange Act, except for (i) the Amendment No. 1 to Schedule 13D filed with the SEC on October 21, 2013 for Brad Pyatt, and (ii) the Amendment No. 1 to Schedule 13D filed with the SEC on October 21, 2013 for Cory Gregory.

Item 11. Executive Compensation

Summary Compensation Table for 2013

The following summary compensation tables sets forth all compensation awarded to, earned by, or paid to each person serving as a named executive officer of the Company during the year ended December 31, 2013.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards [1] ($)	Option Awards [1] ($)	All Other Compensation ($)**	Total ($)
Bradley J. Pyatt	2013	250,000	260,000	3,853,500 [4]	-	44,356[6]	4,407,856
Chief Executive Officer and President	2012	322,022	160,000		-	59,951 [7]	541,973
	2011	250,000	140,099[2]	1,555,921[2] [3]	-	47,713[8]	1,993,733
L. Gary Davis	2013	175,000	235,000	2,202,000[4]	-	9,310 [9]	2,621,310
Chief Financial Officer	2012	65,000	75,000	204,500[5]	-	-	344,500
Richard F. Estalella[24]	2013	163,000	250,000	1,101,000[4]		31,388[10]	1,545,388
Chief Operating Officer				-	-	-	
Sydney R. Rollock[25]	2013	41,667	35,160	-	-	11,107[11]	87,934
Chief Marketing and Sales Officer					-		
Cory J. Gregory	2013	150,000	160,000	1,651,500 [4]	-	13,765 [12]	1,975,265
Executive Vice President of Brand	2012	201,796	130,000	-	-	22,901 [13]	354,697
Awareness and Social Media	2011	150,000	140,099[2]	1,555,921[2] [3]	-	19,966 [14]	1,865,986
Jeremy R. DeLuca	2013	225,000	225,000	2,477,250 [4]	-	20,092 [15]	2,947,342
Executive Vice President and Chief	2012	187,500	130,000	-	-	34,899 [16]	352,399
Marketing Officer (former)[26]	2011	65,833	140,099[2]	1,555,921[2] [3]	-	5,717 [17]	1,767,570
John H. Bluher	2013	366,379[27]	158,750	1,651,500 [4]	-	3,961 [18]	2,180,590
Executive Vice President (former)[27]	2012	182,292	130,000	245,400[5]	-	8,311[19]	566,003
	2011	36,458	50,000	-	-	485 [20]	86,943
Larry S. Meer[28]	2012	120,000	31,797	-	-	4,366[21]	156,163
Chief Financial Officer and Treasurer	2011	74,400		-	-	3,000[22]	77,400
Leonard Armenta[29]	2011	86,400	-	-	-	1,217[23]	87,617
Chief Operating Officer							

** The Company's executive compensation table and, specifically, perquisites as disclosed in the "Other Compensation" column of the executive compensation table is currently under review with the SEC as part of the SEC Investigation as discussed in Note 13(F) of the Notes to Consolidated Financial Statements. The audit committee has conducted a detailed and thorough analysis of the perquisites for the periods of 2010, 2011, 2012 and 2013 as part of the preparation of these tables and the SEC Investigation.

(1) Amounts reflect the aggregate grant date fair value of stock awards computed in accordance with FASB ASC Topic 718. The grant date fair value of each stock award is measured based on the closing price of our common stock on the date of grant. A portion of such stock is subject to forfeiture.

(2) Reflects the amount returned to the Company in July 2012 as a result of restated revenues for the years ended December 31, 2011 and 2010. Mr. Pyatt, Mr. Gregory, and Mr. DeLuca each received cash bonuses and stock compensation in 2011 based on the attainment of certain revenue thresholds, and the restatement resulted in the reduction of 2011 net revenue by approximately $3,626,000. As a result of the restatement each executive voluntarily returned (i) $30,311 each of their cash bonus and (ii) their stock grant was reduced by 31,008 shares (equal to a value as of the grant date of $276,746).

(3) Mr. Pyatt, Mr. Gregory, and Mr. DeLuca each received a stock award of $1,555,921, equal to 148,182,972 of shares as of 12/31/11. After giving effect to the 850 for 1 reverse stock split in November 2012, the grant was equivalent to 174,333 shares of common stock at a price per share of $8.92, which was the closing price of our common stock on December 31, 2011, the effective date of the grant. After the return of the 31,008 shares described in note 2 above, each of Mr. Pyatt, Mr. Gregory, and Mr. Deluca received 143,325 shares.

(4) Reflects the full grant date fair value of restricted stock unit award granted in 2013 calculated in accordance with FASB ASC topic 718 based on the closing price of the common stock of $11.01 on the date of the grant.

(5) Reflects the full grant date fair value of restricted stock unit award granted in 2012 calculated in accordance with FASB ASC Topic 718 based on the closing price of the common stock of $3.48 (after adjustment for the reverse split of 1-for-850) on the date of grant.

(6) Amount reflects 401k matching contributions of $14,566 and club membership of $8,119. The remaining balance consists of miscellaneous executive perquisites including cell phone charges, auto allowance, apparel, travel and promotional expenses.

(7) Amount reflects 401k matching contributions of $10,667 and club memberships of $12,987. The remaining balance consists of miscellaneous executive perquisites including auto allowance, apparel, travel and other promotional expenses.

(8) Amount reflects automobile allowances of $16,761 and club memberships of $3,519. The remaining balance includes miscellaneous executive perquisites including medical expenses, apparel, travel and other promotional expenses.

(9) Amount reflects 401k matching contributions of $2,250 and other allowances for apparel, automobile, phone and travel expenses.

(10) Amount reflects relocation expenses of $25,600 and the remaining balance includes allowances for apparel, auto, phone and travel expenses.

(11) Amount reflects relocation expenses of $8,940 and the remaining balance includes allowances for apparel, auto and phone expenses.

(12) Amount reflects auto expenses and auto allowance of $6,715, apparel and product allowance of $5,000, and other minor miscellaneous expenses.

(13) Amount reflects auto expenses of $4,982 and 401k matching contributions of $1,333. The remaining balance consists of miscellaneous executive perquisites including allowances for apparel, travel, furniture, equipment and other promotional expenses.

(14) Amount reflects $11,890 for medical expense reimbursements. The remaining balance consists of miscellaneous executive perquisites allowances for automobile, equipment, phone and other promotional expenses.

(15) Amount reflects $7,361 in club memberships and $5,079 in 401k matching contributions. The remaining balance consists of miscellaneous executive perquisites including allowances for apparel, automobile travel and promotional expenses.

(16) Amount reflects $6,141 in club memberships and 401k matching contributions of $5,750. The remaining balance consists of miscellaneous executive perquisites including allowances for automobile, entertainment, phone, travel and other promotional expenses.

(17) Amount reflects miscellaneous executive perquisites including travel and other promotional expenses.

(18) Amount reflects $2,500 in 401k matching contributions and other miscellaneous executive perquisites for phone, travel and other promotional expenses.

(19) Amount reflects $6,683 in 401k matching contributions and other miscellaneous executive perquisites for phone, travel and other promotional expenses.

(20) Amount reflects miscellaneous executive perquisites including travel and other promotional expenses.

(21) Amount reflects $2,700 in 401k matching contributions and other miscellaneous executive perquisites for automobile, travel and other promotional expenses.

(22) Amount reflects miscellaneous executive perquisites for apparel, phone and other promotional expenses.

(23) Amount reflects miscellaneous executive perquisites.

(24) Mr. Estalella was initially appointed to his position as the Company's Chief Operating Officer on April 29, 2013.

(25) Mr. Rollock was initially appointed to his position as the Company's Chief Marketing and Sales Officer on October 16, 2013.

(26) Effective 8/6/2013 Mr. DeLuca was no longer a named executive officer of the Company and his title was changed from Executive Vice President and Chief Marketing Officer to President of Sales and Marketing. Mr. DeLuca reports to Sydney Rollock, Chief Marketing Officer and Sales Officer. Amounts in the above table represent full year amount for salary, bonus, and stock awards. The amounts in Other Compensation in 2013 were prorated for the period of time that he was a named executive officer.

(27) Effective October 15, 2013, Mr. Bluher resigned his position with the Company, but continued to serve on the Company's Board of Directors through December 31, 2013. The amounts in the above table represent full year amounts paid to him including any severance compensation.

(28) Effective July 3, 2012, Mr. Meer resigned his position as Chief Financial Officer with the Company.

(29) Effective September 16, 2011, Mr. Armenta resigned his position with the Company.

Outstanding Equity Awards at Year End

The following table provides information concerning the holdings of restricted stock unit awards by our named executive officers as of December 31, 2013. This table includes unexercised (both vested and unvested) stock option awards and unvested restricted stock unit awards with vesting conditions that were not satisfied as of December 31, 2013. Each equity grant is shown separately for each named executive officer. The vesting schedule for each outstanding equity award is shown in the footnotes following this table.

Outstanding Equity Awards at Year End

		Option Awards				Stock Awards	
Name	Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock that Have Not Vested [1] (#)	Market Value of Shares or Units of Stock that Have Not Vested [2] ($)
Bradley J. Pyatt	7/1/2013	-	-	-	-	290,500	2,408,245
L. Gary Davis	11/16/2012	-	-	-	-	39,216	325,101
	7/1/2013					166,000	1,376,140
Richard F. Estalella	7/1/2013	-	-	-	-	83,000	688,070
Sydney R. Rollock	-	-	-	-	-	-	-
Cory J. Gregory	7/1/2013	-	-	-	-	124,500	1,032,105
Jeremy R. DeLuca	7/1/2013	-	-	-	-	186,750	1,548,158
John H. Bluher	11/16/2012	-	-	-	-	47,059	390,119
	7/1/2013	-	-	-	-	124,500	1,032,105

(1) The table below shows the vesting dates for the respective unvested restricted stock units listed in the above Outstanding Equity Awards at Year-End for 2013 Table:

Vesting Date	Pyatt	Davis	Estalella	Gregory	Deluca	Bluher
01/01/2014	-	19,608	-	-	-	23,530
12/01/2014	-	19,608	-	-	-	23,529
12/31/2014	-	166,000	-	124,500	-	124,500
12/31/2015	290,500	-	83,000	-	186,750	-

(2) Market value of the restricted stock units represents the product of the closing price of our common stock as of December 31, 2013 (the last trading day of the year), which was $8.29, and the number of shares underlying each such award.

Employment Arrangements

The following table reflects the current executive team and their employment agreement termination dates as amended on December 31, 2013 and approved by the Board of Directors. Jeremy DeLuca was removed as a named officer for Section 16 purposes effective August 6, 2013 and John Bluher resigned effective December 31, 2013, and as such, are not included in the table below.

Name	Position	Term
Bradley J. Pyatt	Chief Executive Officer and President	December 31, 2016
L. Gary Davis	Chief Financial Officer and Treasurer	December 31, 2016
Richard F. Estalella	Chief Operating Officer	December 31, 2016
Sydney R. Rollock	Chief Marketing and Sales Officer	December 31, 2016
Cory J. Gregory	Executive Vice President	December 31, 2016

The employment agreements were executed and approved by the Compensation Committee and the Board of Directors. During 2013, the Compensation Committee engaged an independent third party to determine a competitive wage and bonus structure and the table below reflects the executive base salaries for 2014 based on the recommendations of the third party and approved by the Compensation Committee.

Name	Annual Base Salary
Bradley J. Pyatt	$ 325,000
L. Gary Davis	$ 250,000
Richard F. Estalella	$ 275,000
Sydney R. Rollock	$ 225,000
Cory J. Gregory	$ 200,000

If the employment of an officer is terminated due to the officer's death or inability to perform, the employment agreements provide for payment to the officer of any unpaid portion of the Officer's base salary and benefits accrued through the date of death or inability to perform and, at the discretion of the Compensation Committee, a bonus. The officer or his representatives will also be entitled to receive a reimbursement of up to 12 months of Consolidated Omnibus Reconciliation Act, or COBRA, premiums, if the officer or his representatives timely elect and remain eligible for COBRA. If the officer's employment is terminated due to inability to perform, the officer will also be entitled to (i) a lump sum payment equal to the greater of (A) the target bonus payable to the Officer for the year in which the date of termination occurs or if no target bonus has been set, the officer's most recent annual bonus, and (B) a bonus for such year as may be determined by the Compensation Committee in its sole discretion; and (ii) a severance payment (payable over six months) equal to six months of the officer's base salary in effect as of the date of termination.

If the officer's employment is terminated for "cause" or if an Officer terminates his employment without "good reason" (as such terms are defined in the employment agreement), the officer will not be entitled to a severance payment or any other termination benefits. However, the Company will pay the officer any unpaid portion of the officer's base salary and benefits accrued through the date of such termination.

Upon a termination of an officer's employment (except for Mr. Pyatt) by the Company without cause and without a change in control or by the officer for good reason without a change in control, the employment agreements provide that such officer will be entitled to (i) any unpaid portion of the officer's base salary and benefits accrued through the date of termination; (ii) an amount payable over three months and equal to the lesser of (A) nine months of the officer's base salary in effect as of the date of termination, or (B) the officer's base salary remaining under the term of his employment agreement; (iii) a lump sum payment equal to 25% of the officer's target bonus (or if no target bonus has been set, the Officer's most recent annual bonus) if the termination is between January 1 and June 30 or 50% of the Officer's target bonus (or if no target bonus has been set, the Officer's most recent annual bonus) if the termination is between July 1 and December 31; (iv) acceleration of the officer's outstanding equity awards, unless otherwise provided in the equity award agreement for a particular equity award; and (v) the officer will also be entitled to receive a reimbursement of up to 12 months of COBRA premiums, if the officer timely elects and remains eligible for COBRA.

Upon a termination of Mr. Pyatt's employment by the Company without cause and without a change in control or by Mr. Pyatt for good reason without a change in control, Mr. Pyatt's employment agreement provides that he will be entitled to (i) any unpaid portion of his base salary and benefits accrued through the date of termination; (ii) an amount payable over three months and equal to two times his base salary on the date of termination; (iii) a lump sum payment equal to the greater of (A) two times his target bonus for the for the year in which the date of termination occurs or if no target bonus has been set, then two times Mr. Pyatt's most recent annual bonus, and (B) a bonus for such year as may be determined by the Compensation Committee in its sole discretion; (iv) acceleration of his outstanding equity awards, unless otherwise provided in the equity award agreement for a particular equity award; and (v) he will also be entitled to receive a reimbursement of up to 12 months of COBRA premiums, if he timely elects and remains eligible for COBRA.

Upon a termination of an officer's employment (except for Mr. Pyatt) by the Company without cause and with a change in control or by the officer for good reason after a change in control, the employment agreement provides that such officer will be entitled to (i) any unpaid portion of the officer's base salary and benefits accrued through the date of termination; (ii) a severance payment (payable over 12 months) equal to 12 months of the officer's base salary in effect as of the date of termination; (iii) a lump sum payment equal to the greater of (A) 100% of the officer's target bonus in the year of termination or if no target bonus has been set, then 100% of the officer's most recent annual bonus, and (B) a bonus for such year as may be determined by the Committee in its sole discretion; (iv) a severance payment of $500,000 (payable within 30 days of the date of termination); (v) acceleration of the officer's outstanding equity awards; and (vi) the officer will also be entitled to receive a reimbursement of up to 12 months of COBRA premiums, if the officer timely elects and remains eligible for COBRA.

Upon a termination of Mr. Pyatt's employment by the Company without cause and with a change in control or by Mr. Pyatt for good reason after a change in control, Mr. Pyatt's employment agreement provides that he will be entitled to (i) any unpaid portion of his base salary and benefits accrued through the date of termination; (ii) a severance payment (payable over 12 months) equal to three times his base salary in effect as of the date of termination; (iii) a severance payment of $2 million (payable within 30 days of the date of termination); (v) acceleration of Mr. Pyatt's outstanding equity awards; and (vi) he will also be entitled to receive a reimbursement of up to 12 months of COBRA premiums, if he timely elects and remains eligible for COBRA.

The employment agreements also contain customary confidentiality, non-competition and non-solicitation provisions. Under the non-compete provisions, during the term of his employment agreement and for a period of six months after termination of employment, the officer is prohibited from, directly or indirectly, engaging in or becoming interested financially in, as a principal, employee, partner, contractor, shareholder, agent, manager, owner, advisor, lender, guarantor, officer or director, any business that is engaged in the nutritional supplement industry and/or related products, subject to certain exceptions for passive investments.

Additionally, the non-solicitation provisions of the employment agreements prohibit the officer from soliciting for employment any employee of the Company or any person who was an employee of the Company in the 90-day period before such solicitation. This prohibition applies during the officer's employment with the Company and for 12 months following the termination of the officer's employment.

Change in Control Payments

Our employment agreements with our executive officers provide for certain provisions for payments to the executive upon termination as a result of a change in control. Under the employment agreements upon termination as a result of a change in control, executives will receive the following:

- Severance package equal to one year of the executive's base salary immediately prior to the change in control payable in 12 equal monthly installments pursuant to the Company's normal payroll procedures. For Mr. Pyatt, the severance package will be equal to three years of the executive's base salary.
- A lump sum payment of an amount equal to the greater of (1) one hundred percent of the Executive's target bonus for the year in which the date of the termination occurs, or (2) a bonus for such year as may be determined by the Compensation Committee. Mr. Pyatt's agreement does not provide for a lump sum bonus payment.
- A one-time cash payment of $500,000 to be paid within 30 days of the date of termination. Mr. Pyatt's agreement provides for a one-time cash payment of $2,000,000.
- Reimbursement of COBRA premiums on a monthly basis for up to 12 months after the date of termination.
- All stock awards will become fully and immediately vested and any restrictions on restricted stock held by the Executive will be removed subject to trading black-out periods for the next financial quarter following the date of termination.

Director Compensation

Director Compensation for 2013

In 2013 the Compensation Committee engaged an independent third party to study and evaluate a cash and stock compensation plan for MusclePharm's independent board of directors. The following table sets forth the aggregate compensation paid to our independent, non-employee directors during 2013.

Name	Fees Earned or Paid In Cash ($)	Stock Awards[(1)(2)(3)(4)] ($)	Total ($)
Michael J. Doron	156,000	365,262	521,262
James J. Greenwell	157,500	365,262	522,762
Donald W. Prosser	196,500	365,262	561,762
Daniel F. McClory	71,383	32,000	103,383

(1) Reflects the full grant date fair value of restricted stock awards granted in 2013 calculated in accordance with FASB ASC Topic 718 based on the closing price of the common stock of $6.00 on February 14, 2013, the date of grant.

(2) Reflects the full grant date fair value of restricted stock awards granted for 2013 calculated in accordance with FASB ASC Topic 718 based on the stock price of $4.00 as stipulated in the grant agreement.

(3) Reflects the full grant date fair value of restricted stock awards granted for 2013 calculated in accordance with FASB ASC Topic 718 based on the closing price of the common stock of $7.85 on December 10, 2013.

(4) Reflects the full grant date fair value of restricted stock awards granted for 2013 calculated in accordance with FASB ASC Topic 718 based on the closing price of the common stock of $11.01 on July 1, 2013.

The actual amounts paid to directors in 2013 differ from the program amounts in the table below due to special project bonuses and other cash payments and stock grants that were paid to the directors under the old compensation plan prior to the adoption of the plan described below.

2013 Non-Employee Director Compensation Program

In August 2013, our board of directors adopted a non-employee director compensation program based on recommendations by the Compensation Committee's independent third party director's pay study that was completed in 2013. Directors who are employees of the Company receive no additional compensation for their services as directors. Non-employee directors are compensated for their service on our board of directors as described below. The following table describes the components of compensation for non-employee directors in effect beginning July 2013:

Compensation Element	2013 Compensation Program ($)
Annual Cash Retainer	35,000
Annual Equity Retainer Award	80,000
Audit Committee Chair Fee	15,000
Compensation Committee Chair Fee	10,000
Nominating and Corporate Governance Chair Fee	7,000
Audit Committee Member Fee	10,000
Compensation Committee Member	5,000
Nominating and Corporate Governance Member Fee	5,000

Annual Cash Retainer and Committee Fees. Beginning in July 2013, each non-employee director who continues to serve as a director will receive an annual cash retainer fee of $35,000 per year, pro rata for service less than one year. Non-employee directors will also receive $15,000 or $10,000 for serving as chair or member, respectively, of the audit committee, $10,000 or $5,000 for serving as chair or member, respectively, of the Compensation Committee, and $7,000 or $5,000 for serving as chair or member, respectively, of the nominating and governance committee.

Annual Equity Retainer Award. Beginning in July 2013, each non-employee director will receive $80,000 of the annual board retainer fee in the form of restricted common stock with the number of shares of restricted common stock determined by dividing that dollar amount by the closing price of our common stock on the date of grant. These shares of restricted common stock will vest in three equal annual installments. The restricted common stock awards are to be issued near the start of each calendar year without forfeiture.

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

The following table sets forth information known to MusclePharm with respect to the beneficial ownership of our common stock, $0.001 par value per share, as of March 28, 2014, unless otherwise noted, by:

- each stockholder known to MusclePharm to own beneficially more than 5% of MusclePharm's common stock;
- each of MusclePharm's directors;
- each of MusclePharm's named executive officers; and
- all of MusclePharm's current directors and named executive officers as a group.

We have determined beneficial ownership in accordance with the rules of the SEC. Except as indicated by the footnotes below, we believe, based on the information furnished to us, that the persons and entities named in the table below have sole voting and investment power with respect to all shares of common stock that they beneficially own, subject to applicable community property laws.

	Shares Beneficially Owned	
	Common Stock [1]	
Name of Beneficial Owner	Shares	% [2]
Named Executive Officers:		
Brad J. Pyatt	254,222	2.46%
L. Gary Davis	76,462	*
Richard Estalella	27,000	*
Sydney Rollock	14,485	*
Cory J. Gregory	181,273	1.75%
Non-Employee Directors:		
Michael J. Doron	18,183	*
James J. Greenwell	26,183	*
Donald W. Prosser	14,112	*
Daniel J. McClory	5,071	*
Officers and Directors as a Group (nine persons):	616,991	5.96%

* Represents less than one percent.

(1) This column lists beneficial ownership of voting securities as calculated under SEC rules. Otherwise, except to the extent noted below, each director, named executive officer or entity has sole voting and investment power over the shares reported. The shares are not subject to any pledge. Standard brokerage accounts may include nonnegotiable provisions regarding set-offs or similar rights.

(2) Percent of total voting power represents voting power with respect to 10,349,912 shares of common stock outstanding as of March 28, 2014. This percentage does not include issued, non-vested shares.

Beneficial Owners of More than Five Percent

The following table shows the number of shares of our common stock, as of March 28, 2014, held by persons known to us to beneficially own more than five percent of our outstanding common stock.

	Shares Beneficially Owned	
	Common Stock [1]	
Name of Beneficial Owner	Shares	% [2]
Cocrystal Pharma, Inc. (f/k/a Biozone Pharmaceuticals Inc.) [3]	1,200,000	11.59%
Wynnefield Capital [4]	1,000,000	9.66%
Marine MP [5]	780,000	7.54%

(1) This column lists beneficial ownership of voting securities as calculated under SEC rules. Otherwise, except to the extent noted below, each director, named executive officer or entity has sole voting and investment power over the shares reported. The shares are not subject to any pledge. Standard brokerage accounts may include nonnegotiable provisions regarding set-offs or similar rights.

(2) Percent of total voting power represents voting power with respect to 10,349,912 shares of common stock outstanding as of March 28, 2014. This percentage does not include issued, non-vested shares.

(3) Dr. Gary Wilcox, as the Chief Executive Officer of Cocrystal Pharma, Inc. (f/k/a Biozone Pharmaceutical, Inc.) and as such has voting and investment power over the securities owned by the stockholder.

(4) Joshua Landes may be deemed to hold an indirect beneficial interest in these shares, which are directly beneficially owned by Wynnefield Partners Small Cap Value, L.P., Wynnefield Partners Small Cap Value, L.P. I and Wynnefield Small Cap Value Offshore Fund because he is a co-managing member of Wynnefield Capital Management, LLC and a principal executive officer of Wynnefield Capital, Inc. The principal place of business for Wynnefield Capital is 450 Seventh Avenue, Suite 509, New York, New York 10123.

(5) Arnold Schwarzenegger is the sole member of Marine MP, LLC, and as such has voting and investment power over the securities owned by the stockholder.

Equity Compensation Plan Information

The following table provides information as of December 31, 2013, regarding compensation plans (including individual compensation arrangements) under which our equity securities are authorized for issuance. The table includes information regarding the MusclePharm 2010 Stock Incentive Plan.

PLAN CATEGORY	**Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)** [1]	**Weighted average exercise price of outstanding options, warrants and rights (b)**	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column a) (c)** [1]
Equity compensation plans approved by security holders:	472	$ 425.00	2,623
Equity compensation plans not approved by security holders:	-	-	-
Total	472	$ 425.00	2,623

(1) Reflects the 1-for-850 reverse stock split of our common stock that we effected on November 26, 2012.

Item 13. Certain Relationships, Related Transactions and Director Independence

In addition to the named executive officer and director compensation arrangements discussed in "Executive Compensation", below we describe transactions since January 1, 2012, to which we have been a participant, in which the amount involved in the transaction exceeds or will exceed $120,000 and in which any of our directors, executive officers or holders of more than 5% of our capital stock, or any immediate family member of, or person sharing the household with, any of these individuals, had or will have a direct or indirect material interest.

Consulting Agreements

On July 12, 2012, we entered into a consulting agreement with Melechdavid, Inc. ("Melechdavid"), an affiliate of Mark E. Groussman, a former director, prior to Mr. Groussman becoming a director of the Company. The consulting agreement provides that Melechdavid will provide consulting services to us related to strategic acquisitions, capital restructuring and Mr. Groussman will serve as a member of the board of directors. Mr. Groussman was appointed to our board of directors on July 19, 2012, and resigned from our board effective October 18, 2012. The consulting agreement provides that we will issue to Melechdavid shares of common stock in an amount equal to 4.2% of our outstanding common stock on a fully diluted (as-converted) basis. Further, until July 12, 2014, we are required to ensure that Melechdavid shall maintain its 4.2% fully diluted equity position. The term of the consulting agreement was 12 months.

On April 2, 2013, the Company entered into a first amendment to the Original Melechdavid Consulting Agreement with Melechdavid, effective as of March 28, 2013 (the "Melechdavid Amended Agreement"). Pursuant to the Melechdavid Amended Agreement, Melechdavid agreed to cap the shares of the Company's common stock, $0.001 par value per share (the "Common Stock") that it is entitled to receive under the Original Melechdavid Consulting Agreement to no more than 570,000 shares of Common Stock of the Company, after giving effect to the 1-for-850 reverse stock split of the Common Stock effected by the Company on November 26, 2012. In connection with the execution and delivery of the Melechdavid Amended Agreement, the Company issued Melechdavid an aggregate of 341,247 shares of Common Stock on March 29, 2013 and 228,753 shares of Common Stock on April 5, 2013 as full satisfaction of the Company's obligations under the Original Melechdavid Consulting Agreement. The Company's obligations under the Melechdavid agreement was completely satisfied as of July 12, 2013 and the agreements have not been renewed or extended.

On July 12, 2012, we entered into a consulting agreement with GRQ Consultants, Inc. ("GRQ"), an affiliate of Barry C. Honig. The consulting agreement provides that GRQ will provide consulting services to us related to banking relationships, strategic acquisitions and capital restructuring. The consulting agreement provides that we will issue to GRQ shares of common stock in an amount equal to 4.2% of our outstanding common stock on a fully diluted (as-converted) basis. Further, until July 12, 2014, we are required to ensure that GRQ shall maintain its 4.2% fully diluted equity position. The term of the consulting agreement was 12 months.

On April 2, 2013, the Company entered into a first amendment to the Original GRQ Consulting Agreement with GRQ, effective as of March 28, 2013 (the "GRQ Amended Agreement"). Pursuant to the GRQ Amended Agreement, GRQ agreed to cap the shares of the Company's Common Stock that it is entitled to receive under the Original GRQ Consulting Agreement to no more than 420,000 shares of Common Stock of the Company, after giving effect to the 1-for-850 reverse stock split of the Common Stock effected by the Company on November 26, 2012. In connection with the execution and delivery of the GRQ Amended Agreement, the Company issued GRQ an aggregate of 305,889 shares of Common Stock on March 29, 2013 and 78,753 shares of Common Stock on April 5, 2013 as full satisfaction of the Company's obligations under the Original GRQ Consulting Agreement. The Company had previously issued GRQ 35,359 shares of Common Stock pursuant to the Original GRQ Consulting Agreement. The Company's obligations under the GRQ agreement was completely satisfied as of July 12, 2013 and the agreements have not been renewed or extended.

Other Agreements

On February 15, 2012, Mr. Drew Ciccarelli filed a Schedule 13G with the Securities and Exchange Commission which indicated Mr. Ciccarelli owned approximately 9.94% of the Company's common stock at that time. Prior to such date, the Company entered into a Sportswear License Agreement with MusclePharm Sportswear LLC ("MPS"), of which Mr. Ciccarelli was the principle owner, pursuant to which the Company received $250,000 in fees. In November 2013, that agreement was terminated.

Subsequent to February 15, 2012, the Company entered in a Mutual Rescission and Release Agreement with Mr. Ciccarelli pursuant to which certain purchases of the Company's common stock previously made by Mr. Ciccarelli were rescinded. Also subsequent to February 15, 2012, the Company entered into a Warrant Conversion Agreement with Mr. Ciccarelli pursuant to which certain outstanding warrants to purchase shares of the Company's common stock then owned by Mr. Ciccarelli were converted into shares of the Company's common stock.

Ryan DeLuca, the Chief Executive Officer of one of our major customers, Bodybuilding.com, is the brother of Jeremy DeLuca, MusclePharm's President of Sales and Marketing. Additionally, Gary Davis, MusclePharm's Chief Financial Officer also indirectly owns 1.75% of Ryan DeLuca's equity interest in Bodybuilding.com. We do not offer preferential pricing of our products to Bodybuilding.com based on these relationships. Sales of products to Bodybuilding.com were $33,977,368 and $25,060,518 for the years ended December 31, 2013 and 2012, respectively. Bodybuilding.com owed the Company approximately $2 million and $827,000 in trade receivables as of December 31, 2013 and 2012, respectively.

We lease our office and warehouse facility in Hamilton, Ontario, Canada from 2017275 Ontario Inc., which is a company owned by Renzo Passaretti, VP and General Manager of MusclePharm Canada Enterprises Inc., our wholly owned Canadian subsidiary. In 2013 and 2012, we paid rent of $75,035 and $59,303, respectively. The lease expires March 31, 2014.

As discussed in Notes 5 and 6 of the Notes to Consolidated Financial Statements herein, on August 26, 2013, we entered into a Securities Purchase Agreement with BioZone Pharmaceuticals, Inc. ("Biozone") pursuant to which we bought (i) $2,000,000 of a 10% secured convertible promissory notes and (ii) a warrant to purchase 10,000,000 shares of the Seller's common stock, at an exercise price of $0.40 per

share, for an aggregate purchase price of $2,000,000. Dr. Philip Frost, a significant investor in the Company and a member of its scientific advisory board, is the Chairman and CEO of OPKO Health, Inc. ("OPKO"), and is the trustee of Frost Gamma Investments Trust ("Frost Gamma"). Each of Dr. Frost, OPKO, and Frost Gamma were significant shareholders in Biozone.

On October 16, 2013, the Company entered into an Office Lease Agreement with Frost Real Estate Holdings, LLC, a Florida limited liability company owned by Dr. Phillip Frost. Pursuant to the Lease, the Company rents 1,437 square feet of office space for an initial term of three years, with an option to renew the lease for an additional three year term. Total lease commitments under the initial term of the lease are $142,923. As of December 31, 2013, we owed Frost Real Estate Holding, LLC, $13,289 under the terms of the lease.

Subsequent to year end, the Company purchased split dollar life insurance policies on certain key executives. These policies provide a split of 50% of the death benefit proceeds to the Company and 50% to the officer's designated beneficiaries.

Indemnification Agreements

We have entered into indemnification agreements with each of our directors and named executive officers. The indemnification agreements and our bylaws will require us to indemnify our directors to the fullest extent permitted by Nevada law.

Review, Approval or Ratification of Transactions with Related Parties

We intend to adopt a written related person transactions policy that our executive officers, directors, nominees for election as a director, beneficial owners of more than 5% of our common stock, and any members of the immediate family of and any entity affiliated with any of the foregoing persons, are not permitted to enter into a material related person transaction with us without the review and approval of our audit committee, or a committee composed solely of independent directors in the event it is inappropriate for our audit committee to review such transaction due to a conflict of interest. We expect the policy to provide that any request for us to enter into a transaction with an executive officer, director, nominee for election as a director, beneficial owner of more than 5% of our common stock or with any of their immediate family members or affiliates, in which the amount involved exceeds $120,000 will be presented to our audit committee for review, consideration and approval. In approving or rejecting any such proposal, we expect that our audit committee will consider the relevant facts and circumstances available and deemed relevant to the audit committee, including, but not limited to, whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances and the extent of the related person's interest in the transaction.

Although we have not had a written policy for the review and approval of transactions with related persons, our board of directors has historically reviewed and approved any transaction where a director or officer had a financial interest, including all of the transactions described above. Prior to approving such a transaction, the material facts as to a director's or officer's relationship or interest as to the agreement or transaction were disclosed to our board of directors. Our board of directors would take this information into account when evaluating the transaction and in determining whether such transaction was fair to us and in the best interest of all of our stockholders.

Item 14. Principal Accountant Fees and Services

The Audit Committee of the board of directors has retained EKS&H LLLP ("EKS&H") as our independent public accounting firm (our independent auditor). EKS&H audited our financial statements for the years ended December 31, 2013 and 2012. The audit reports of EKS&H on our consolidated financial statements as of and for the year ended December 31, 2013 did not contain an adverse opinion or disclaimer of opinion, and was not qualified or modified as to uncertainty, audit scope or accounting principles. In 2012, the Company's audit committee approved a change in auditors from Berman & Company to EKS&H. Berman & Company provided audit services related to the Company's first quarter and second quarter 2012 filings.

Audit Committee Pre-Approval Policies and Procedures

To help assure independence of the independent auditor, the Audit Committee has established a policy whereby all audit, review, attest and non-audit engagements of the principal auditor or other firms must be approved in advance by the Audit Committee; provided, however, that deminimis non-audit services may instead be approved in accordance with applicable SEC rules. This policy is set forth in our Audit Committee Charter. Of the fees shown above in the table, which were paid to our independent auditor, 100% were approved by the Audit Committee.

Fees Paid to Independent Registered Public Accountants

The following is a summary and description of fees for services for the fiscal years ended December 31, 2013 and 2012.

Services	2013	2012
Audit Fees	$ 189,188	$ 189,520(1)
Audit-Related Fees	63,852	182,236(2)
Tax Fees	-	-
All Other Fees	3,400	10,984
Total	$ 256,440	$ 382,740

(1)Includes EKS&H fees of $101,000 and Berman & Company fees of $88,520.
(2)Includes EKS&H fees of $55,309 and Berman & Company fees of $126,927.

Audit Fees. Audit fees relate to professional services rendered in connection with the audit of our annual financial statements and quarterly reviews of financial statements included in our quarterly reports on Form 10-Q.

Audit-Related Fees. This category includes the aggregate fees billed in each of the last two fiscal years for assurance and related services by the independent auditors that are reasonably related to the performance of the audits or reviews of the financial statements and are not reported above under "Audit Fees," and generally consist of fees for accounting consultation on mergers and acquisitions, S-1 review and S-1 audit opinion consents, and compliance fees for regulatory inquiries and subpoenas.

All Other Fees. All other fees relate to professional services for tax related consultations.

PART IV

Item 15. Exhibits, Financial Statement Schedules

Exhibit No.	Description	Incorporated by Reference				Filed Herewith	Furnished Herewith
		Form	SEC File No.	Exhibit	Filing Date		
2.1	Agreement Concerning the Exchange of Securities by and Among Tone in Twenty and Muscle Pharm, LLC and the Security Holders of Muscle Pharm, LLC, dated February 1, 2010.	8-K	000-53166	2.1	February 2, 2010		
3.1	Articles of Incorporation of MusclePharm Corporation (successor to Tone In Twenty).	SB-2	333-147111	3.1	November 2, 2007		
3.2	Bylaws of MusclePharm Corporation (successor to Tone In Twenty). (Amended on March 1, 2010 to change fiscal year end to December 31 – set forth on Form 8-K filed on 03-03-2010.)	SB-2	333-147111	3.2	November 2, 2007		
3.3	Amendment to the Articles of Incorporation.	SB-2	333-147111	3.3	November 2, 2007		
3.4	Amendment to the Articles of Incorporation	8-K	000-53166	3.3	February 24, 2010		
3.5	Certificate of Designation relating to the Series A Convertible Preferred Stock.	8-K	000-53166	3.4	February 24, 2010		
3.6	Amendment to the Articles of Incorporation.	10-Q	000-53166	3.1	May 23, 2011		
3.7	Certificate of Designation of Series B Convertible Preferred Stock.	10-Q	000-53166	3.1	August 16, 2011		
3.8	Certificate of Designation of Series C Convertible Preferred Stock.	8-K	000-53166	3.1	November 4, 2011		
3.9	Amendment to the Articles of Incorporation.	8-K	000-53166	3.1	November 23, 2011		
3.10	Amendment to the Articles of Incorporation.	8-K	000-53166	3.1	January 27, 2012		
3.11	Amendment to the Articles of Incorporation.	8-K	000-53166	3.1	March 30, 2012		
3.12	Certificate of Change.	8-K	000-53166	3.1	November 28, 2012		
3.13	Certificate of Amendment to Articles of Incorporation.	8-K	000-53166	3.2	November 28, 2012		
3.14	Form of Certificate of Designation of Series D Convertible Preferred Stock.	S-1/A	333-184625	3.14	December 31, 2012		
3.15	Certificate of Correction.	S-1/A	333-184625	3.15	December 26, 2012		
4.1	Specimen of certificate for MusclePharm Corporation Series D Convertible Preferred Stock.	8-K	000-53166	4.1	January 28, 2013		
4.2	Specimen of certificate for MusclePharm Corporation Common Stock.	S-1/A	333-184625	4.4	December 28, 2012		
4.3	Form of Promissory Note, dated July 13, 2012, issued by MusclePharm Corporation in favor of TCA Global Credit Master Fund LP.	8-K	000-53166	4.1	July 20, 2012		
4.4	Form of Promissory Note.	8-K	000-53166	4.2	December 10, 2012		
10.1	Purchasing Agreement with General Nutrition Corporation dated December 16, 2009.	8-K	000-53166	10.2	February 24, 2010		

10.2	Order Approving Stipulation for Settlement of Claim, dated December 8, 2010, between MusclePharm Corporation and Socius CG II, Ltd.	8-K	000-53166	10.1	December 9, 2010
10.3	Endorsement Agreement, dated July 20, 2011, between MusclePharm Corporation and Michael Vick, individually.	8-K	000-53166	10.1	July 22, 2011
10.4	Convertible Promissory Note between MusclePharm Corporation and Brad J. Pyatt, dated November 18, 2010.	S-1/A	333-176771	4.2	September 27, 2011
10.5	Convertible Promissory Note between MusclePharm Corporation and Brad J. Pyatt, dated November 23, 2010.	S-1/A	333-176771	4.3	September 27, 2011
10.6	Amended and Restated Employment Agreement, dated November 14, 2011, between MusclePharm Corporation and Brad J. Pyatt.	10-Q	000-53166	10.6	November 14, 2011
10.7	Amended and Restated Employment Agreement, dated November 14, 2011, between MusclePharm Corporation and Cory J. Gregory.	10-Q	000-53166	10.7	November 14, 2011
10.8	Employment Agreement, dated September 15, 2011, by and between MusclePharm Corporation and John H. Bluher.	10-Q	000-53166	10.4	November 14, 2011
10.9	Employment Agreement, dated November 14, 2011, by and between MusclePharm Corporation and Jeremy R. DeLuca.	10-Q	000-53166	10.5	November 14, 2011
10.10	Securities Purchase Agreement, dated July 10, 2012, between MusclePharm Corporation and Subscribers set forth therein.	8-K	000-53166	10.1	July 19, 2012
10.11	Consulting Agreement, dated July 12, 2012, between MusclePharm Corporation and Melechdavid, Inc.	8-K	000-53166	10.2	July 19, 2012
10.12	Consulting Agreement, dated July 12, 2012, between MusclePharm Corporation and GRQ Consultants, Inc.	8-K	000-53166	10.3	July 19, 2012
10.13	Form of Committed Equity Facility Agreement, dated July 13, 2012, between MusclePharm Corporation and TCA Global Credit Master Fund LP.	8-K	000-53166	10.1	July 20, 2012
10.14	Form of Registration Rights Agreement, dated July 13, 2012, between MusclePharm Corporation and TCA Global Credit Master Fund LP.	8-K	000-53166	10.1	July 20, 2012
10.15	Form of Security Agreement, dated July 13, 2012, between MusclePharm Corporation and TCA Global Credit Master Fund LP.	8-K	000-53166	10.1	July 20, 2012
10.16	Form of Indemnification Agreement.	8-K	000-53166	10.1	August 27, 2012
10.17	Amended and Restated Employment Agreement, dated October 18, 2012, between MusclePharm Corporation and Brad J. Pyatt.	8-K	000-53166	10.1	October 23, 2012
10.18	Employment Agreement, dated October 18, 2012, between MusclePharm Corporation and L. Gary Davis.	8-K	000-53166	10.2	October 23, 2012

10.19	Amended and Restated Employment Agreement, dated October 18, 2012, between MusclePharm Corporation and John H. Bluher.	8-K	000-53166	10.3	October 23, 2012
10.20	Amended and Restated Employment Agreement, dated October 18, 2012, between MusclePharm Corporation and Jeremy R. DeLuca.	8-K	000-53166	10.4	October 23, 2012
10.21	Amended and Restated Employment Agreement, dated October 18, 2012, between MusclePharm Corporation and Cory J. Gregory.	8-K	000-53166	10.5	October 23, 2012
10.22	Form of Restricted Stock Unit Award.	8-K	000-53166	10.1	November 21, 2012
10.23	Subscription Agreement dated November 30, 2012 between MusclePharm Corporation and the subscribers listed therein.	8-K	000-53166	10.1	December 10, 2012
10.24	Form of Escrow Agreement.	POS AM	333-184625	10.24	January 8, 2013
10.25	Form of Subscription Agreement.	8-K	000-53166	10.1	January 28, 2013
10.26	Subscription Agreement	8-K	000-53166	10.1	March 27, 2013
10.27	Registration Rights Agreement	8-K	000-53166	10.2	March 27, 2013
10.28	First Amendment to the Melechdavid Consulting Agreement	8-K	000-53166	10.1	April, 5, 2013
10.29	First Amendment to the GRQ Consulting Agreement	8-K	000-53166	10.2	April 5, 2013
10.30	Form of Endorsement Licensing and Co-Branding Agreement (1)	8-K	000-531666	10.1	August 1, 2013
10.31	Asset Purchase Agreement	8-K	000-531666	10.1	November 13, 2013
10.32	Employment Agreement, dated September 30, 2013, between MusclePharm Corporation and Richard Estalella.	8-K	000-531666	10.1	October 3, 2013
10.33	Securities Purchase Agreement	8-K	000-531666	10.1	August 30, 2013
10.34	Form of Note	8-K	000-531666	10.2	August 30, 2013
10.35	Form of Warrant	8-K	000-531666	10.3	August 30, 2013
10.36	Security Agreement Letter	8-K	000-531666	10.4	August 30, 2013

10.37	Vendor Agreement, dated December 3, 2010, between MuslcePharm Corporation and Bodybuilding.com, LLC.					X	
10.38	Endorsement Licensing and Co-Branding Agreement, dated July 26, 2013, by and among MusclePharm Corporation, Marine MP, LLC, and Fitness Publications, Inc. (1)					X	
14.1	Code of Ethics	8-K	000-53166	14	April 23, 2012		
21	Subsidiaries of the Registrant					X	
24.1	Power of Attorney (included on the signature page hereof).					X	
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X	
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X	
32.1	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X	
32.2	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X	
101.INS	INS XBRL Instance Document.						X
101.SCH	SCH XBRL Schema Document.						X
101.CAL	CAL XBRL Calculation Linkbase Document.						X
101.DEF	DEF XBRL Definition Linkbase Document.						X
101.LAB	LAB XBRL Label Linkbase Document.						X
101.PRE	PRE XBRL Presentation Linkbase Document.						X

(1) An application for confidential treatment was submitted to the Securities and Exchange Commission in October 2013 with regards to the Endorsement Licensing and Co-Branding Agreement entered into among the Company, Marine MP, LLC and Fitness Publications, Inc. The attached Form represents such confidential treatment.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MUSCLEPHARM CORPORATION (the "Registrant")

Dated: March 31, 2014

By: /s/ Brad J. Pyatt
Brad J. Pyatt, Chief Executive Officer and President

(Power of Attorney)

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints BRAD J. PYATT, his true and lawful attorney or attorney-in-fact and agent, with full power to act with or without the others with full power of substitution and resubstitution, to execute in his name, place and stead, in any and all capacities, any or all amendments to this annual report on Form 10-K for the year ended December 31, 2013, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent and each of them, full power and authority to do and perform in the name of and on behalf of the undersigned, in any and all capacities, each and every act and thing necessary or desirable to be done in and about the premises, to all intents and purposes and as fully as he might or could do in person, hereby ratifying, approving and confirming all that said attorney-in-fact and agent or their substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Brad J. Pyatt Brad J. Pyatt	Principal Executive Officer and Director	March 31, 2014
/s/ L. Gary Davis L. Gary Davis	Principal Financial Officer and Principal Accounting Officer	March 31, 2014
/s/ Richard F. Estalella Richard F. Estalella	Chief Operating Officer and Director	March 31, 2014
/s/ Michael J. Doron Michael J. Doron	Director	March 31, 2014
/s/ James J. Greenwell James J. Greenwell	Director	March 31, 2014
/s/ Daniel J. McClory James J. Greenwell	Director	March 31, 2014
/s/ Donald W. Prosser Donald W. Prosser	Director	March 31, 2014

EXHIBIT INDEX

Exhibit No.	Description	Incorporated by Reference				Filed Herewith	Furnished Herewith
		Form	SEC File No.	Exhibit	Filing Date		
2.1	Agreement Concerning the Exchange of Securities by and Among Tone in Twenty and Muscle Pharm, LLC and the Security Holders of Muscle Pharm, LLC, dated February 1, 2010.	8-K	000-53166	2.1	February 2, 2010		
3.1	Articles of Incorporation of MusclePharm Corporation (successor to Tone In Twenty).	SB-2	333-147111	3.1	November 2, 2007		
3.2	Bylaws of MusclePharm Corporation (successor to Tone In Twenty). (Amended on March 1, 2010 to change fiscal year end to December 31 – set forth on Form 8-K filed on 03-03-2010.)	SB-2	333-147111	3.2	November 2, 2007		
3.3	Amendment to the Articles of Incorporation.	SB-2	333-147111	3.3	November 2, 2007		
3.4	Amendment to the Articles of Incorporation	8-K	000-53166	3.3	February 24, 2010		
3.5	Certificate of Designation relating to the Series A Convertible Preferred Stock.	8-K	000-53166	3.4	February 24, 2010		
3.6	Amendment to the Articles of Incorporation.	10-Q	000-53166	3.1	May 23, 2011		
3.7	Certificate of Designation of Series B Convertible Preferred Stock.	10-Q	000-53166	3.1	August 16, 2011		
3.8	Certificate of Designation of Series C Convertible Preferred Stock.	8-K	000-53166	3.1	November 4, 2011		
3.9	Amendment to the Articles of Incorporation.	8-K	000-53166	3.1	November 23, 2011		
3.10	Amendment to the Articles of Incorporation.	8-K	000-53166	3.1	January 27, 2012		
3.11	Amendment to the Articles of Incorporation.	8-K	000-53166	3.1	March 30, 2012		
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3.14	Form of Certificate of Designation of Series D Convertible Preferred Stock.	S-1/A	333-184625	3.14	December 31, 2012		
3.15	Certificate of Correction.	S-1/A	333-184625	3.15	December 26, 2012		
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4.1	Specimen of certificate for MusclePharm Corporation Series D Convertible Preferred Stock.	8-K	000-53166	4.1	January 28, 2013		

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10.15	Form of Security Agreement, dated July 13, 2012, between MusclePharm Corporation and TCA Global Credit Master Fund LP.	8-K	000-53166	10.1	July 20, 2012

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10.30	Form of Endorsement Licensing and Co-Branding Agreement (1)	8-K	000-531666	10.1	August 1, 2013	
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10.32	Employment Agreement, dated September 30, 2013, between MusclePharm Corporation and Richard Estalella.	8-K	000-531666	10.1	October 3, 2013	
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10.35	Form of Warrant	8-K	000-531666	10.3	August 30, 2013	
10.36	Security Agreement Letter	8-K	000-531666	10.4	August 30, 2013	
10.37	Vendor Agreement, dated December 3, 2010, between MuslcePharm Corporation					X

	and Bodybuilding.com, LLC.					
10.38	Endorsement Licensing and Co-Branding Agreement, dated July 26, 2013, by and among MusclePharm Corporation, Marine MP, LLC, and Fitness Publications, Inc. (1)					X
14.1	Code of Ethics	8-K	000-53166	14	April 23, 2012	
21	Subsidiaries of the Registrant					X
24.1	Power of Attorney (included on the signature page hereof).					X
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X

31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X	
32.1	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X	
32.2	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X	
101.INS	INS XBRL Instance Document.		X
101.SCH	SCH XBRL Schema Document.		X
101.CAL	CAL XBRL Calculation Linkbase Document.		X
101.DEF	DEF XBRL Definition Linkbase Document.		X
101.LAB	LAB XBRL Label Linkbase Document.		X
101.PRE	PRE XBRL Presentation Linkbase Document.		X

(1) An application for confidential treatment was submitted to the Securities and Exchange Commission in October 2013 with regards to the Endorsement Licensing and Co-Branding Agreement entered into among the Company, Marine MP, LLC and Fitness Publications, Inc. The attached Form represents such confidential treatment.

VENDOR AGREEMENT

This VENDOR AGREEMENT (“Agreement)') is made by and between Bodybuilding.com, LLC, a Delaware Limited Liability, located at 2026 8. Silverstone Way, Meridian, ID 83642 (“Bodybuilding. com”) and MusclePharm Corporation (“Vendor”), a Nevada corporation/limited liability company, effective_____,,,...December 3,_2010.

WHEREAS, Bodybuilding.com is an international and domestic retailer of vitamins, dietary supplements, sports supplements, beverages, foods, gym equipment, and fitness clothing;

WHEREAS, Vendor is a provider of vitamins, dietary supplements, sports supplements, beverages, foods, gym equipment, or fitness clothing (“Product” or “Products” and includes any current or new product submitted to or distributed by Bodybuilding.com);

WHEREAS, Bodybuilding.com and Vendor desire Bodybuilding.com to resell Vendor's Products; and

NOW, THEREFORE, for good and valuable consideration, and in consideration of the mutual covenants and conditions herein set forth and with the intent to be legally bound thereby, Bodybuilding.com and Vendor hereby agree as follows:

I. POLICIES AND PROCEDURES

Vendor agrees to abide by and be bound by Bodybuilding.c-0m's Policies and Procedures, set forth in Bodybuilding.com's Handbook that relate to: (1) new product submissions; (2) product page submission; (3) product ordering; (4) shipping and receiving; (5) product returns; (6) payment; and (7) products testing, which Vendor received in conjunction with this Agreement (“Handbook”). Bodybuilding.com reserves the right to revise its Handbook upon reasonable notice to Vendor.

II. NEW PRODUCT SUBMISSIONS AND PRODUCT PAGE SUBMISSIONS

The Handbook sets forth Bodybuilding.com's Policies and Procedures that relate to new product submissions and product page submissions. Bodybuilding.com uses the product descriptions, advertising, marketing materials, write-ups, high resolution pictures, product videos, banners and any other pertinent information for inclusion on Bodybuilding.com's website (“Marketing Information”) submitted by Vendor. Bodybuilding.com reserves the right to make revisions to Vendor's Marketing Information for compliance with the rules and regulations of Food and Drug Administration (“FDA”) or the Federal Trade Commission (“FTC”). It is Vendor's responsibility to provide adequate proof or competent and reliable evidence verifying that there is adequate support for any express or implied product claims or structure/function claims (“Substantiation") in the Marketing Information, on Product labels, Product packaging, or on Vendor's own website. It is also Vendor's responsibility to promptly submit any updates to the Marketing Information.

m. PRODUCT ORDERING AND SHIPPING

(a) The Handbook sets forth Bodybuilding.com's policies and procedures regarding product ordering and shipping and receiving. Vendor will provide Products to Bodybuilding.com for international and domestic retail.

Bodybuilding.com

Vendor

(b) All shipments will be FOB Bodybuilding.com; the risk of loss shall be on Vendor. Vendor will be responsible for all freight and shipping costs. Deliveries shall be made to the warehouse identified on the Purchase Order ("PO").

(c) Acceptance of the shipment shall be deemed to occur only after Bodybuilding.com has had a reasonable opportunity to inspect, review, and count the shipment. Signature of a Bill of Lading shall not be deemed an acceptance of a shipment. Bodybuilding.com's signature on the Bill of Lading is not in any way an agreement to any quantity, quality, or items of a shipment.

(d) In addition to rights under Article 2 of Idaho's Uniform Commercial Code, Bodybuilding.com or its agent, in its sole discretion may refuse delivery of, or return. any of the following Products pursuant to Section 8 of this Agreement: (1) unordered product; (2) Product that exceeds the amount ordered in the PO; (3) Product received that is damaged or defective, whether latent or obvious;(4**)** Product not packed, shipped, or labeled in compliance with all applicable federal, state, local laws, ordinances, this Agreement, or Bodybuilding.com's Shipping and Receiving Policy;

(5) Product not timely delivered; (6) Product not in conformity with the PO; and {7) Product not in compliance with any samples or labels previously sent to Bodybuilding.com (collectively, "Nonconforming Goods"), Bodybuilding.com, at its option, may return any Nonconforming Goods, at Vendor's expense or require timely replacement, at Vendor's expense and all without prejudice to Bodybuilding.com's other rights or remedies.

IV. RETURNS

(a) Vendor agrees to accept returns for Product for any of the following reasons; **(1)** return by Bodybuilding.com's customers to Bodybuilding.com in accord with its return policy which is currently for any reason within 90 days of sale; (2) Products that fail to promptly sell, to be determined by Bodybuilding.com in its sole discretion at any time; (3) recalled Product; (4) discontinued Product for any reason within Bodybuilding .corn's sole discretion to determine; (5) damaged or defective Product, whether obvious or latent; (6) mislabeled Product; (7) expired or obsolete Product; (8) Product not in accordance with federal, state, local laws, ordinances or this Agreement; *(9)* Product that was shipped, but did not comply with Bodybuilding.com's Shipping and Receiving Policy; (10) bad batches of Product; (11) Product that is in unsalable for any reason and regardless of whether accepted by Bodybuilding.com; or (12) Nonconforming Goods (collectively, "Returned Products").

(b) Bodybuilding.com will apply a credit to Vendor's account following the list of Returned Products. Bodybuilding.com may either: (1) discount the Vendor's next invoice for all Returned Products; or (2) demand a refund of any Returned Products from Vendor, payable Net 30, at Bodybuilding.com's discretion.

V. PAYMENT

(a) Bodybuilding.com agrees to pay the undisputed amount owing less 2% if such amounts are paid within 15 days from receipt of an accurate invoice or acceptance of Product, whichever is later. All amounts owing are due 45 days from receipt of an accurate invoice or acceptance of Product, whichever is later. Bodybuilding.com may, at its option, offset its payment obligations to Vendor against any monies owed and not yet paid by Vendor under this Agreement

Bodybuilding.com

Vendor

(b) Vendor agrees to invoice Bodybuilding.com for the prices set forth in its Vendor Price List, provided to Bodybuilding.com in conjunction with the execution of this Agreement. Vendor agrees to provide Bodybuilding.com at least thirty (30) days prior written notice m order to effectuate a price change on the Vendor Price List.

VI. FDA/FTC COMPLIANCE

(a) Vendor will immediately notify Bodybuilding.com, in writing, if it is contacted by the FDA or FTC or any other federal, state or local governmental entity regarding any issue relating to any Products.

(b) In conjunction with Bodybuilding. com's analysis of Vendor's Product(s) for FDA compliance, Vendor agrees to provide Bodybuilding.com with dosage for ingredients in any Product, upon request by Bodybuilding.com, which will be treated as Confidential Information.

(c) If it comes to attention of Bodybuilding. com or Vendor that a Product is subject to a market withdrawal, corrective action, or recall, Vendor shall be responsible for, initiate, and facilitate the recall, at its own cost and expense and reimburse Bodybuilding. com for any of its cost and expense related to the event and the cost of the Product.

(d) Vendor agrees that Bodybuilding.com may perform periodic on site facility reviews of any facility where the Products and any components thereof are manufactured, packaged, stored, including, without limitation Vendor or any contract manufacturer that Vendor uses for the Products ("Site Review"). A Site Review may occur with little or no notice to Vendor. Site Reviews will occur during normal business hours. Bodybuilding.com reserves the right to audit Vendor's compliance with GMP and other federal> state, local laws and regulations, and Bodybuilding.com's Policies and Procedures.

VII. TERM AND TERMINATION

(a) This Agreement will have an initial term of one (1) year and will automatically renew for successive one (1) year terms thereafter, unless either party notifies the other party in writing thirty
(30) days prior to renewal of its intent not to renew.

(b) Either party may terminate this Agreement at any time on thirty (30) days' written notice.

(c) Either party may terminate this Agreement on two (2) business days' notice if the other party institutes or suffers the institution against it of bankruptcy, reorganization, liquidation, receivership, insolvency or similar proceedings.

Bodybuilding.com

Vendor

(d) Bodybuilding.com may continue to sell Vendor's Products after termination of this Agreement until it sells out of the Products, without prejudice to Bodybuilding.com's other rights and remedies.

VIII. INTELLECTUAL PROPERTY

(a) Vendor grants to Bodybuilding.com the limited, non-exclusive right to use, during the term of this Agreement, the trademarks, trade names, trade dress, copyright, ingredient listing, marketing material, and other intellectual property associated with the Products ("IP") for the purpose of promoting and marketing the Products, including, without limitation in advertisements, on its website, for purposes of SEO, for purposes of SEM, and to effectuate effective keyword searches. Bodybuilding.com may continue to use Vendor's IP after termination of this Agreement until it sells out of the Products, without prejudice to Bodybuilding.com's other rights and remedies.

(b) Bodybuilding.com grants to Vendor the limited. non-exclusive right to use, during the term of this Agreement, the trademarks and trade names of Bodybuilding.com for the sole purpose of identifying Bodybuilding.com as a distributor of the Products.

(c) Except as expressly provided herein, neither party will acquire any rights or interest in the other party's trademarks, trade names, trade dress or other intellectual property, and any goodwill generated therein will inure solely to the benefit of the owner party. Each party reserves the right to approve the substance and form of any and *all* uses of its trademarks, trade names and other intellectual property.

IX. VENDOR REPRESENTATIONS AND WARRANTIES

Vendor agrees and acknowledges that all Products provided to Bodybuilding.com are permitted for sale under applicable federal, state and local laws and compliance guidelines, including, without limitation, any laws or policies administered by the Food and Drug Administration (FDA") or the Federal Trade Commission ("FTC'). Vendor further agrees and acknowledges that Bodybuilding.com intends to sell only products that are manufactured, marketed, labeled, and packaged in accordance with applicable federal, state and local laws and compliance guidelines. Vendor represents and warrants to Bodybuilding.com that: (a) the Products are compliant with and not in violation of any federal, state, and local code. Laws, rules, and regulations, including, without limitation the Food Drug & Cosmetic Act ("FD&C Act"), the Controlled Substance Act, Dietary Supplement Health and Education Act of 1994 ("DSHEA"), and California's Proposition 65; (b) the Products or any ingredient or component thereof have not been marketed as drugs, or as Products that cure diseases, and will not be a "Drug" as defined by U.S.C. §32l(g)(l) *et seq;* (c) the Products, as well as their packages and containers, bear all markings, warnings and label information required under applicable federal, state and local laws and guidelines; (d) any required approvals, notifications, new dietary ingredient applications related to the Products or any components or ingredients contained within the Products have been made to FDA or any other appropriate federal, state or local government agency;

(e) it is making a continuing guaranty and undertaking, within the meaning of section 303(c)(2) of the

(f)

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(g) FD&C Act and 21 C.F.R. § 7.12-7.13, that the Products are not adulterated or misbranded within the meaning of the FD&C Act, and the Products are not such that may not be introduced into interstate commerce under sections 404 or *505* of the FD&C Act; (f) Vendor and its facilities are compliant with good manufacturing practices, codified at 21 CFR parts 110 and 111 *et seq.,* if applicable ("GMP"); (g) the Products have been manufactured. packaged, stored and shipped in accordance with the current GMP; {h) the Products contain the ingredients in the amounts that have been specified on the label; (i) the Products are fit and safe for their intended use; (j) Vendor's Marketing Material is compliant with and not in violation of the Federal Trade Commission Act; (k) it has adequate Substantiation for all claims and statements that are set forth in the Marketing Information and on any labeling. packaging, and advertising of the Product and that its Substantiation is accurate and truthful; (1) the Products and/or Marketing Information do not infringe on any third party's intellectual property, including, without limitation patent, copyright, or trademark rights; (m) that Vendor's insurance does not exclude any ingredient or any compound, related compound, concentrate, constituent, botanical source, starting material, extract, element, derivative, byproduct, metabolite. precursor, or excipient thereof that is contained in any of the Products; (n) Vendor's performance of this Agreement is not in conflict with, and will not cause an event of default under, any agreement or instrument to which Vendor is a party or by which Vendor is bound, including, without limitation, any credit, and supply or licensing agreements; and (o) the individual entering into this Agreement on behalf of Vendor has the authority and full power to do so, and all corporate actions have been taken, and all approvals obtained, that are necessary to make this Agreement binding and enforceable as against Vendor.

X. INDEMNIFICATION

(a) Vendor agrees to indemnify, defend, and hold harmless Bodybuilding. com and its parent, subsidiaries, affiliated companies. and their respective current and former directors, officers, employees, contractors, stockholders, agents and representatives (collectively, the "Indemnified Parties", from and against any and all Claims (defined below) arising out of, resulting from, or relating to (1) the Products;(2) the Marketing Information, Substantiation, statements, instructions for use or warnings on label(s). boxes, inserts or other packages or containers for the Product or Products or directions for use or application provided or approved by the Vendor; (3) any act or omission of Vendor, or the employees, contractors, agents or representatives of Vendor, in the furnishing of Products; (4) any actual or alleged infringement by the Vendor of intellectual property rights that relate to Products; (5) the promotion, sale, purchase, resale or use of the Products or any litigation or regulatory action based thereon; (6) any actual or alleged violation of any federal, state or local statute regulation or ordinance; (7) any allegation that any Product provided by Vendor was defective, misleading, harmful or in violation or contravention of any express or implied warranty of Vendor in any way; (8) any actual or alleged breach by Vendor of this Agreement; (9) any actual or alleged breach by Vendor of any representation or warranty contained in this Agreement; or (10) any enforcement, investigation, charges, or other action against brought by any federal, state, or local governmental authority, including, without limitation the FDA or the FTC that in any way relates to the Products or Marketing Information.

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(b) ”Claim(s)” shall mean any and all foreseeable or unforeseeable and alleged or actual actions (including administrative appellate, arbitration, mediation), causes of action (whether in tort, agreement or strict liability, and whether in law, equity, statutory or otherwise), bodily harm or personal injury (including sickness, Disease, psychological. emotional distress, or death of any person). claims, damages (including consequential, direct, economic exemplary, future, incidental, indirect, noneconomic, past, special and punitive), demands, disbursements, judgments, lawsuits, legal proceedings, liability, litigation, losses (including lost income or profit), property damage (including any harm, impairment, theft. loss or loss of use), sanctions, settlement payments. costs or expenses of any nature whatsoever, whether accrued, absolute, contingent or otherwise, including, without limitation, attorneys' fees and costs (whether or not suit is brought), and expert witness fees.

(c) The Indemnified Parties shall give Vendor prompt written notice of any Claim(s), although failure to do so shall not excuse Vendor's obligations hereunder except to the extent that material prejudice directly results from such a failure. Vendor may assume the defense of such action, subject to written approval of defense counsel by the Indemnified Parties. Vendor may not settle the Claim(s) without the Indemnified Parties' prior written approval. The Indemnified Parties shall provide reasonable assistance to Vendor, at Vendor's expense, in defending the claim and/or may, at its option, participate in the settlement or defense of any such claim with its own counsel and at its own expense.

XI. INSURANCE

(a) Vendor shall secure at its own cost and keep in force during the term of this Agreement the following minimum limits of insurance:

Commercial General Liability General Aggregate Limit	$	5,000,000
Products/Completed Operations	$	5,000,000
Each Occurrence	$	5,000,000
Advertising Injury and Personal Injury Aggregate Limit	$	5,000,000
Umbrella or Excess Liability	$	5,000,000

(b) Bodybuilding.com, its parent company, affiliated companies, their directors officers, agents, and employees shall be covered as additional insureds on each of the policies listed in subsection (a) without limitation and shall name Bodybuilding. com as an additional insured on the Certificates of Insurance. Coverage provided by Vendor to Bodybuilding.com shall be true primary coverage and non-contributory coverage. Any deductibles or other similar obligation under the policies shall be the sole obligation of Vendor. If coverage is “claims made,” the retroactive date must be prior to this Agreement. Other coverage available to Vendor shall be excess of Bodybuilding.com's coverage and shall not be called upon to contribute to the defense or seuJement of claims until Vendor's coverage has been exhausted. Simultaneously with the execution of this document, Vendor shall provide Bodybuilding.com Certificates of Insurance, evidencing the coverage. Vendor will provide Bodybuilding.com a copy of the insurance policies {including any exhibits. addenda, or anything listing ingredient exclusions), binders, and certificates, upon Bodybuilding.com's request. If coverage for Bodybuilding.com is provided by endorsement to the policy, Vendor shall provide copies of the operative endorsement with the Certificates of Insurance. During the term of this Agreement, Vendor shall not make any material change in coverage or cancel the policies. Vendor's insurance may not exclude any ingredient or any compound, related compound, concentrate, constituent, botanical source, starting material, extract, element, derivative, byproduct, metabolite, precursor, or excipient thereof that is contained in any of its Products

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(c) Vendor is required to annually renew coverage and submit updated Certificates of Insurance and if requested, policies, binders, and certificates to Bodybuilding.com.

(d) Bodybuilding.com does not represent that the coverage and limits required hereunder will be adequate to protect Vendor and such coverage and limits will not be deemed to be a limitation on Vendor's liability to Bodybuilding.com. if any, arising under this Agreement

(e) The requirements set forth herein shall remain for a period of five (5) years following expiration or termination of this Agreement

XII. DISCLAIMER OF LIABILITY

EXCEPT WITH RESPECT TO THE INDEMNIFICATION OBLIGATIONS SET FORTH IN SECTION 12 HEREIN, BODYBUILDING.COM SHALL NOT BE LIAB.LE FOR ANY INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES ARISING OUT OF ANY PROVISION OF TIDS AGREEMENT (INCLUDING, WITHOUT LIMITATION, ANY LOST PROFITS), EVEN IF BODYBUILDING. COM HAS BEEN ADVISED BY VENDOR OF THE POSSIBILITY OF SUCH DAMAGES.

XIII. NOTICES

Any notice or other communication given pursuant to this Agreement shall be in writing and shall be deemed duly given (a) when delivered personally to the party for whom intended (b) five (5) days following deposit of the same into the United States mail (certified mail, return receipt requested, or first class postage prepaid}. (c) when sent by facsimile (With confirmation of delivery), (d) by electronic mail so long as receipt by the other party is acknowledged by the other party or by return receipt, or (e) on the designated day of delivery after being timely given to an overnight delivery service {with confirmation of delivery). Notice shall be deemed given when delivered to the respective addresses set out below, or to such other address as a Party shall specify in the manner required by this Section, as follows:

If to Bodybuilding.com:

Bodybuilding.com, LLC
Attn: Erica W. Stump Esq.
2026 S. Silverstone Way
Meridian, ID 83642
(208) 489-6004
Facsimile: (208) 246-6363
Electronic Mail: erica.stump@Bodybuilding. com

If to Vendor: To the Attorney or Legal Contact identified on the Vendor Information Sheet.

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XIV. MISCELLANEOUS

(a) Survival. Sections 6, 9, 10, 11. 12, and 13 shall survive termination or expiration of this Agreement.

{b) Independent Parties. The relationship between Bodybuilding.com and Vendor is that of independent contractors and neither party will be considered, or hold itself out as, an agent, partner, joint venture, or representative of the other for any purpose. Nothing in this Agreement shall be construed to establish a relationship that would allow either party to make representations, warranties or commitments on behalf of the other party.

(c) Confidential Information. Each party agrees not to use any Confidential Information of the other party for its own use or for any purpose other than to carry out its obligations under this Agreement. "Confidential Information" means any information, technical data, personal and customer Information, financial information, business plans, marketing information, employee or consultant information, technology, suppliers, methodology, know. how, or information qualifying under Idaho's Trade Secrets Act, of the disclosing party that is disclosed by the disclosing party to the receiving party or that is otherwise learned by the receiving party in the course of its business dealings with the disclosing party, and that has been identified as being proprietary and/or confidential or that by the nature of the circumstances surrounding the disclosure. Confidential Information does not include information that (1) is or becomes publically available through no fault of the receiving party; (2) can be shown by documentation to have been known by the receiving party prior to its receipt from the disclosing party; (3) is rightfully received from a third party who did not acquire or disclose such information by a wrongful or tortious act; or (4) can be shown by documentation to have been developed by the receiving party without reference to any Confidential Information. If the receiving party becomes legally obligated to disclose Confidential Information to any governmental entity, the receiving party will give the disclosing party prompt written notice sufficient to allow the disclosing party to seek a protective order or other appropriate remedy. The receiving party will disclose only such information as is required by the governmental entity and will use its reasonable best efforts to obtain confidential treatment for any Confidential Information that is so disclosed. All Confidential Information will remain the exclusive property of the disclosing party, and the receiving party will have no rights, by license or otherwise, to use the Confidential Information except as expressly provided herein.

(d) Successors; Assignments. This Agreement will be binding on and inure to the benefit of the parties and their respective successors in interest and assigns. Bodybuilding. com may freely assign this Agreement. Vendor may not assign any of this Agreement, without Bodybuilding.com's prior written consent.

(e) Governing Law; Venue. This Agreement and Handbook and the rights and obligations of the parties will be governed by and construed according to the laws of the state of Idaho, without regard to its choice of law provisions. Any controversy arising under, in connection with or in any way relating to this Agreement and Handbook shall be adjudicated before a state or federal court of competent jurisdiction located in Boise, Ada County, Idaho. By the execution and delivery of this Agreement, each party (i) accepts. generally and unconditionally, the exclusive jurisdiction of such court and any related appellate court, and irrevocably agrees to be bound by any judgment rendered thereby in connection with this Agreement, and (ii) irrevocably waives any objection it may now or hereafter have as to the venue of any such suit, action or proceeding brought in such a court or any argument based *upon forum non conveniens*.

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(f) Severability. The provisions of this Agreement are severable, and in the event that any provision thereof is determined to be invalid or unenforceable, such invalidity or unenforceability will not in any way affect the validity or enforceability of the remaining provisions.

(g) Amendment and Waiver. Except as expressly specified herein, no amendment, waiver or discharge of any provision of this Agreement will be effective unless made in writing, signed by Bodybuilding. com and Vendor.

(h) Entire Agreement. This Agreement and Handbook constitutes the entire agreement between Vendor and Bodybuilding.com with respect to the subject matter thereof and supersedes all prior agreements. This Agreement governs all transactions related to the subject matter of this Agreement and will supersede, reject, and displace any terms and conditions on Vendor's invoices.

(i) Counterparts; PDF; Fax. This Agreement may be executed in counterparts, each of which will be deemed an original, but both of which together will constitute one and the same instrument. In addition to any other lawful means of execution or delivery, this Agreement may be executed by (a) exchanging portab1e document format (PDF) images by email; or (b) facsimile signatures.

By signing below Vendor is affirming that it is providing the Products to Bodybuilding .com and is making a continuing guaranty and undertaking, within the meaning of section 303(c) (2) of the FD&C Act and 21 C.F.R. § 7.12-7.13 that: (1) for a violation of Section 30l (a) of the FD&C Act that the Products are not adulterated or misbranded within the meaning of the FD&C Act; and (2) For a violation of Section 30l (d) of the FD&C Act that the Products are not such articles that may not be introduced into interstate commerce under Sections 404 or 505 of the FD&C Act.

Bodybuilding.com, LLC		Vendor	
Signature		**Signature**	
/s/Erica W. Stump		/s/Brad Pyatt	
Printed Name:	Erica W. Stump	**Printed Name:**	Brad Pyatt
Title:	General Counsel	**Title:**	CEO
Date Signed:	12-9-10	**Date Signed:**	12/6/10
		Signatory Address (must reside in the U.S.):	
		4721 Iranton St	
		Building A	
		Denver, CO 80239	

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ENDORSEMENT LICENSING AND CO-BRANDING AGREEMENT

This **ENDORSEMENT LICENSING AND CO-BRANDING** AGREEMENT is entered into on July 26, 2013 (the Effective Date") by and between Marine MP, LLC ("Lender"), for services of Arnold Schwarzenegger ("Endorser"), and Fitness Publications, Inc. ("Fitness") (collectively, Lender, Endorser, and Fitness are referred to as the "AS Parties") and MusclePharm Corporation with its principal place of business in Denver, Colorado and its subsidiaries, (collectively, "MusclePharm" or the "Company").

RECITALS

WHEREAS, the AS Parties have the rights necessary to license the use of the rights of publicity with respect to name, voice, approved signature, approved photographs, approved images, and approved likenesses of Arnold Schwarzenegger (the "Name and Appearance Rights") and the use of the Name and Appearance Rights as trademarks or service marks (the "Trademarks"); and

WHEREAS, MusclePharm is engaged in the business of developing and marketing nutritional products for athletes and fitness enthusiasts, and

WHEREAS, MusclePharm from time to time uses consumer, celebrity, and expert endorsements or testimonials to promote MusclePharm Products (as defined in Section 2(b) of this Agreement) in marketing and advertising materials, and

WHEREAS, MusclePharm desires to develop, market, promote and sell in conjunction and in cooperation with the Endorser a unique Arnold Schwarzenegger customized product line approved by the Endorser initially comprised of between [*] to [*] ([*] to[*]) products, subject to Section 2(b) below), that will be marketed and advertised under the Endorser's name and likeness, all subject to the Endorser's approval, as described in Section 12, (the "AS Product Line"); and

WHEREAS, MusclePharm desires to engage Endorser, and Endorser desires to accept the engagement, as more fully described in this Agreement, whereby Endorser will lend his name, reputation, and appearance to (i) endorse and promote MusclePharm and its Products and (ii) to develop the AS Product Line and several related promotional giveaway items that will depict the Endorser's name and likeness solely in conjunction with the MusclePharm logo or images of the AS Product Line on the permitted promotional products (the "Promotional Products") set forth on **Exhibit A** attached hereto, as may be amended in writing by the parties hereto from time to time (collectively, the Promotional Products and the AS Product Line are referred to as the "Licensed Products").

NOW, THEREFORE, in consideration of the mutual promises and agreements set forth below, the parties agree as follows:

[*] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portion.

1. ***Term:***

(a) This Agreement shall have an Initial Term of three (3) years. The Term shall commence on July 23, 2013 and shall expire on July 22, 2016, unless otherwise terminated earlier pursuant to Section 9 of this Agreement. The period from July 23, 2013 to July 22, 2014 shall be referred to as the "First Contract Year". The period from July 23, 2014 to July 22, 2015 shall be referred to as the "Second Contract Year". The period from July 23, 2015 to July 22, 2016 shall be referred to as the "Third Contract Year".

(b) In the event that MusclePharm shall achieve Net Sales (as defined below) of $[*] (the "First Renewal Threshold") in the aggregate during the Third Contract Year, then this Agreement shall automatically be renewed for an additional term of three (3) years (the "First Additional Term") on the same terms and conditions for the Initial Term except that: (i) no additional Stock Compensation (as defined below) shall be issued in connection with the renewal Term, (ii) the Cash Compensation for the First Additional Term shall be as set forth in Section 7 and **Exhibit "C" Section (2)** attached hereto, (iii) Endorser shall only be obligated to make [*] ([*]) Appearances in each Contract Year during the First Additional Term pursuant to Section 4(a)(ii) below and (iv) the marketing budget to promote the Licensed Products shall be $[*] during each Contract Year of the First Additional Term (subject to Section 12(b) of this Agreement). If this Agreement is renewed for the First Additional Term, then the First Additional Term shall commence on July 23, 2016, and the Agreement shall expire and terminate automatically without further notice on July 22, 2019.

(c) In the event that MusclePharm shall achieve Net Sales of $[*] (the "Second Renewal Threshold") in the aggregate during the sixth Contract Year, then this Agreement shall automatically be renewed for an additional term of three (3) years (the "Second Additional Term") on the same terms and conditions for the initial Term except that: (i) no additional Stock Compensation (as defined below) shall be issued in connection with the renewal Term, (ii) the Cash Compensation for the renewal Term shall be as set forth in Section 7 and **Exhibit "C" Section (3)** attached hereto, (iii) Endorser shall only be obligated to make [*] ([*]) Appearances in each Contract Year during the Second Additional Term pursuant to Section 4(a)(ii) below and (iv) the marketing budget to promote the Licensed Products shall be $[*] in each Contract Year of the Second Additional Term (subject to Section 12(b) of this Agreement). If this Agreement is renewed for the Second Additional Term, then the Second Additional Term shall commence on July 23, 2019 and the Agreement shall expire and terminate automatically without further notice on July 22, 2022.

2. ***Engagement:***

(a) MusclePharm hereby engages Endorser and Endorser promises and agrees to hold himself available to use, evaluate, advertise and promote certain MusclePharm Products, as may be reasonably requested by MusclePharm in accordance with the terms and conditions set forth herein on a world-wide basis. Endorser also agrees to the use on a world-wide basis (as specified pursuant to Section 6 below and subject to the terms and conditions of this Agreement), during the Term, of his Name and Appearance Rights to advertise and promote the business of MusclePharm, its Products, and the Licensed Products.

[*] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portion.

(b) Products. As used in this Agreement, "Products" shall mean dietary supplements manufactured within the fifty states of the United States of America; provided, however, MusclePharm shall not produce during the Term (and any renewal Term, if any) any diet pills and/or sexual enhancement products; provided, further, that fat burning products, Shred Matrix and Live Shredded products and products that increase testosterone levels currently produced by MusclePharm as of the date hereof shall be part of the definition of Products for the purpose of this Agreement.

(c) New Products. During the Term (including any renewal Term, if any), in the event that MusclePharm shall determine to develop and introduce a new Product into the market, MusclePharm shall provide the AS Parties with a sample of the name, design, marketing plan and an actual sample of such new Product (the "Sample") and the AS Parties shall have a right of first refusal (exercisable by written notice to MusclePharm within 15 days after receipt of the Sample) to include such new Product in the AS Product Line, it being understood that there shall initially be no less than [*] ([*]) at the start of the Term and thereafter no more than [*] ([*]) Products in the AS Product Line without the mutual written agreement of the parties hereto.

(d) Distribution Channels – Licensed Products. Subject to the terms and conditions herein (including the Exhibits), the license to MusclePharm with respect to distribution and promotion of the Licensed Products is on a worldwide basis through the Distribution Channels (as defined below) subject to approval rights set forth in Section 13 herein. For the purposes of this Agreement, "Distribution Channels" means the distribution of the Licensed Products through GNC retail and online chains worldwide during the First Contract Year and, thereafter, through MusclePharm's other worldwide distribution channels, as mutually determined by MusclePharm and the AS Parties.

3. ***Endorsement of Products:***

Endorser agrees that he will use and evaluate the Products and Licensed Products according to the recommended use and dose guidelines. Based on Endorser's knowledge, personal use and experience with the Products and Licensed Products that he shall from time to time during the Term of this Agreement provide his honest evaluation, opinion, and findings about the Products and Licensed Products he is endorsing and promoting. The endorsements must be based on Endorser's knowledge and/or personal use and experience with the Products and Licensed Products at or about the times the endorsements are made. Endorser's statements and endorsements, or paraphrases thereof, may be used by MusclePharm to advertise, promote and publicize its business, Products and Licensed Products as provided herein. Endorser's endorsements of the Products and Licensed Products will be in accordance with the guidelines established by the Federal Trade Commission for endorsements in advertising. If requested by MusclePharm, Endorser shall provide a signed affidavit in form satisfactory to MusclePharm confirming Endorser's compliance with the FTC standards in connection with his endorsements and endorsement activities.

[*] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portion.

4. ***Appearances, Advertising and Promotional Activities:***

(a) Appearances and Video.

(i) In order to ensure the success of the co-branded Licensed Products and maximize Net Sales of such Licensed Products to the mutual benefit of the parties hereto, the Endorser agrees that he shall make [*] ([*]) personal appearances ("Appearances") in the First Contract Year on dates, times and places mutually agreed upon by the parties hereto. Endorser acknowledges that such Appearances in the First Contract Year shall consist of: (i) [*] ([*]) appearance at an industry tradeshow to be mutually agreed by the parties, (ii) [*] ([*]) charity event with [*], (iii) [*] ([*]) appearance at [*], and (iv) [*] ([*]) corporate and public relations event(s) in 2013 to be mutually agreed by the parties.

(ii) The Endorser and MusclePharm may also agree to produce on dates, times and places mutually agreed upon by the parties hereto a GetSwole training video (the "Training Video") during a production session (the "Production Day"). In the event that Endorser shall agree to produce the Training Video (such decision shall be made by the Endorser exercisable in his sole discretion) and Products (other than the Licensed Products) are featured and sold in connection with such Training Video then Endorser shall receive [*] percent ([*]%) of Net Sales (as defined below) from the sale of any Products other than the Licensed Products featured and sold directly in conjunction with the Training Video.

(iii) In order to ensure the success of the co-branded Licensed Products and maximize Net Sales of such Licensed Products to the mutual benefit of the parties hereto, the Endorser agrees that he shall make [*] ([*]) Appearances in each of the Second Contract Year and Third Contract Year (and any subsequent Contract Years if applicable) on dates, times and places mutually agreed upon by the parties hereto. [*]

(iv) Each Appearance may be up to [*] ([*]) hours in length not including travel time to and from the Appearance, as scheduled by MusclePharm, for the purpose or promoting MusclePharm, its Products and the Licensed Products. The Production Day shall be for the purpose of MusclePharm shooting the Training Video. In the event that the Endorser agrees to participate in the Training Video, the Production Day for the Training Video may be up to [*] ([*]) hours in duration.

(v) In the event Endorser agrees to appear in the Training Video on television promoting the Licensed Products during the Term hereof, the Training Video shall be produced by a production company that is a SAG signatory and such production company shall pay on behalf of the Endorser all pension, health & welfare benefit payments. For the purpose of computing such pension, health and welfare benefit contributions and any other payments under any SAG or AFTRA contracts applicable to Endorser's appearance in such Training Video, [*]% of the compensation payable to Endorser under this Agreement shall be allocated as fair and reasonable consideration for Endorser's work and appearance in the Training Video during the Term or thereafter during the Use-Up Period defined below.

(b) Advertisements, Print Media, and Promotional Items. Endorser agrees that during the Term MusclePharm shall have the right to use, worldwide, Endorser's Name and Appearance Rights (as specified in Section 6) to advertise MusclePharm and its Products and Licensed Products in print media, and in all other forms of media (other than telephone marketing or texting campaigns) including, but not limited to, point of sale material, premiums and novelties, direct marketing material, and radio, television, electronic, and computer media (including but not limited to MusclePharm's Internet and social media websites). Print media will also include promotional items on which Endorser's approved picture; approved likeness, or facsimile signature may appear. Endorser will have the right to approve, in writing via his representative's office, all advertising materials which utilize Endorser's Name and Appearance Rights, but Endorser will not unreasonably withhold approval and will promptly respond to all approval requests.

(c) Use of Endorsements. During the Term, MusclePharm also shall have the right to use, worldwide, Endorser's oral or written endorsements of Products and Licensed Products, or paraphrases thereof, to promote MusclePharm, its business, Products, and Licensed Products. Endorser shall have the right to approve such oral or written endorsements and the use thereof, such approval not to be unreasonably withheld or delayed.

(d) Use-Up Period. During the Term, the right to use Endorser's Name and Appearance Rights granted to MusclePharm in this Section shall extend for [*] ([*]) months beyond the expiration of this Agreement (the "Use-up Period"). MusclePharm shall create no new advertising during the Use-up Period using Endorser's Name and Appearance, but shall have the right to use during the Use-up Period Endorser's Name and Appearance in advertisements and promotional materials created before the expiration date of this Agreement.

(e) Promotional Products. During the Term, MusclePharm shall have the right to create and distribute the Promotional Products world-wide. MusclePharm shall be permitted to sell the Promotional Products at its cost to third parties and Endorser shall not be entitled to any additional compensation with respect to the Promotional Products. In the event that MusclePharm shall sell any Promotional Products above its cost then Endorser shall be entitled to receive [*]% of Net Sales from the sale of such Promotional Products.

(f) Online content. During the Term, Endorser will use good faith efforts to provide online content for MusclePharm's websites and social media websites as reasonably requested by MusclePharm. This will be in a form agreed to by the parties (e.g. training video or video interview with a MusclePharm representative). This will be scheduled so as to not interfere with Endorser's movie and other obligations. Endorser will use good faith efforts to promote MusclePharm on his website (e.g. www.schwarzenegger.com)..

(g) GetSwole. Endorser, in conjunction with MusclePharm's management and fitness experts will help in the design of the GetSwole Diet and Weight Training Program.

(h) Autographed Items. Endorser shall also supply MusclePharm with at least [*] ([*]) signed items for each Contract Year, on the Licensed Products or on other items to be mutually agreed upon by the parties hereto, to be used by MusclePharm in connection with the promotion of the Products and/or Licensed Products.

[*] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portion.

(i) Representations and Warranties. Endorser expressly represents and warrants that he is not subject to any restriction or limitation by way of employment or contractual obligation that may impair or limit his performance of the advertising and promotional activities described above, and that Endorser has the express approval of any third party to make the promises and commitments set forth herein, and will advise any future employer of his obligations hereunder.

5. ***Scheduling*:**

(a) The Appearances, the Production Day, the Licensed Product launch and related media campaign, the interview of Endorser by MusclePharm, and all advertising and promotional activities requested by MusclePharm and approved by Endorser shall be scheduled by mutual agreement and subject to Endorser's other business activities and commitments occurring during the Term of this Agreement. Endorser's commitments pursuant to this Agreement shall be scheduled so as not to conflict with Endorser's other commitments. Endorser agrees that he will in good faith make every reasonable effort, given his other commitments, to give priority to the fulfillment of his obligations pursuant to this Agreement. The parties shall confer periodically for the purpose of coordinating and scheduling Endorser's advertising and promotional activities and services.

6. ***Right of Publicity*:**

(a) Name and Appearance Rights. As provided below, during the Term, the AS Parties grant to MusclePharm the right to use the Trademarks as defined in this Agreement and the Name and Appearance Rights, which shall include Endorser's name, approved photograph, approved picture (including, without limitation, any copyrighted pictures and video images of the Endorser owned by the Endorser which Endorser agrees to make available for use hereunder), approved appearance, or approved likeness, including video and other recordings of Endorser's appearance, along with the right to use Endorser's voice, including audio or other recordings of Endorser's voice, Endorser's signature, personal or professional background and experience, reputation, approved quotations and approved endorsements, or approved paraphrases of Endorser's approved quotations and endorsements, including approved touch-ups, approved simulations or approved compositions of any of the above whether generated by computer or by any other means, for the period of time and for the purposes set forth in this Agreement. MusclePharm acknowledges that the use of some works may require that MusclePharm obtain a copyright license from third parties.

(b) Promotional Uses. During the Term of this Agreement, the AS Parties grant to MusclePharm and consent to MusclePharm's commercial use of the Name and Appearance Rights to advertise, promote, endorse and publicize Products, Licensed Products, and MusclePharm's business, worldwide in any media selected by MusclePharm (excluding telephone or texting campaigns), including but not limited to print, radio, television, electronic, wireless or internet, pursuant to the terms and conditions set forth herein. MusclePharm acknowledges that any use on products requires approval and that use of the Name and Appearance Rights on products is limited to the Licensed Products.

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(c) Editorial Uses. Endorser also grants to MusclePharm and consents to MusclePharm's editorial use world-wide of Endorser's Name and Appearance in MusclePharm published materials approved by Endorser. For purposes of this Agreement, MusclePharm's editorial use of Endorser's Name and Appearance shall mean a use that does not directly promote, advertise or endorse MusclePharm's business, its Products or Licensed Products. Nothing in this Section 6(c) shall entitle MusclePharm to reduce Endorser's compensation pursuant to Section 7 and Section 8 of this Agreement (including, without limitation, with respect to any renewal Term, if any).

(d) Discretion to Utilize. Except as otherwise provided in this Agreement, MusclePharm may in its sole discretion exercise some or all of the rights granted by Endorser in this Agreement, but MusclePharm shall have no obligation to exercise or use the rights Endorser has granted. If MusclePharm elects to not exercise or use all the rights granted by Endorser, MusclePharm's election shall not be interpreted or construed as a waiver or release of such rights. MusclePharm shall have the rights to use Endorser's Name and Appearance Rights and the Right to Publicize Endorser's Name and Appearance, as provided in this Agreement, unless Endorser and MusclePharm enter into a separate written agreement in which MusclePharm waives or releases some or all of the rights Endorser has granted in this Agreement.

(e) Representations and Warranties. Endorser expressly represents and warrants that he is not subject to any restriction or limitation by way of employment or contractual obligation that may impair or limit the right of publicity granted herein by Endorser, and that Endorser has the express approval of his employer to make the promises and commitments set forth herein.

6A. ***News Releases and Public Announcements:***

Neither party may, without the other party's prior written consent, make any news release or public announcement of the existence or value of this Agreement or its terms and conditions, or in any other manner advertise or publish its value, or its terms and conditions and neither party shall issue any press release or other public announcement which includes the name of the other party without such party's prior written consent, such consent not to be unreasonably withheld or delayed. The parties hereby agree that within four (4) business days after the execution and delivery of this Agreement and within four (4) business days after the launch of the Licensed Products, the parties hereto shall issue a joint press release in form and substance mutually agreeable to the parties hereto. Notwithstanding the foregoing, a party may make any filing of this Agreement or description of this Agreement in a current report on Form 8-K or similar requisite filing with the Securities and Exchange Commission that it believes in good faith and upon a reasonable basis is required by applicable law or any listing or trading agreement concerning its publicly traded securities.

6B. ***Sample Products for Endorser's Use:***

MusclePharm shall provide a reasonable supply of Products, Licensed Products, and Promotional Products for Endorser's personal use and endorsement as contemplated by this Agreement.

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7. ***Compensation:***

(a) Cash:

(i) During the Term of this Agreement and during any sell-off period, MusclePharm shall pay Lender a royalty (the "Royalty") of [*]% on Net Sales (as defined below) of Licensed Products sold through its wholesale Distribution Channels or retail Distribution Channels, as the case may be and [*]% on Net Sales of the Training Video and any Products sold in connection with any Training Video as contemplated pursuant to the last sentence of Section 4(a)(i) above. For purposes of this Agreement, "Net Sales" shall mean MusclePharm's gross sales (the gross invoice amount billed customers) of the Licensed Products, less discounts and allowances actually shown on the invoice (except cash discounts, transportation costs and commissions not deductible in the calculation of Royalty) and less any bona fide returns (net of all returns actually made or allowed as supported by credit memoranda actually issued to the customers not to exceed 5% in any reporting cycle), the aggregate of which discounts and allowances shall not exceed 5% in any reporting cycle. No other costs incurred in the manufacturing, selling, advertising, and distribution of the Licensed Products shall be deducted nor shall any deduction be allowed for any uncollectible accounts, allowances or bad debt.

(ii) A Royalty obligation shall accrue upon the sale of the Licensed Products regardless of the time of collection by MusclePharm. For purposes of this Agreement, Licensed Products shall be considered "sold" upon the date when such Licensed Products are billed, invoiced, shipped, or paid for, whichever event occurs first.

(iii) If MusclePharm sells any Licensed Products to any party affiliated with MusclePharm, or in any way directly or indirectly related to or under the common control with MusclePharm, at a price less than the regular price charged to other parties, the Royalty payable to Lender shall be computed on the basis of the regular price charged to other parties.

(iv) All payments due hereunder shall be made in United States currency drawn on a United States bank, unless otherwise specified between the parties.

(v) During the Term and during the sell-off period, MusclePharm shall make royalty payments in U.S. dollars for the respective quarters ending on the last day of September, December, March and June (each, a "Royalty Period") within thirty (30) days from the end of each quarterly period. Each such royalty payment shall include an itemized statement showing the nature and source of such royalties, including (i) the number of units of Licensed Products sold (by country and customer); (ii) the total number of units returned for which credit was given and the total dollar amount of such credits, and (iii) the total gross sales and the total royalties due with respect to such gross sales, and each itemized statement shall be certified by a duly authorized officer of MusclePharm. Such statements shall be in the form attached hereto as Exhibit "B" and furnished to Lender whether or not any Licensed Products were sold during the Royalty Period.

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(vi) MusclePharm will send all statements and payments, including all royalties, to the Lender to the address set forth in Section 20 below. MusclePharm will make all payments payable to the Lender.

(vii) Receipt or acceptance by Lender (or its authorized representative) of a royalty statement or receipt or acceptance of any accompanying royalty payment shall not prevent Lender from at any time within three years after the Term of this Agreement questioning the validity or accuracy of such royalty statement or payment.

(viii) MusclePharm's obligations for the payment of a Royalty and the Guaranteed Minimum Royalty (as defined below) shall survive expiration or termination of this Agreement and will continue for so long as MusclePharm continues to manufacture, sell or otherwise market the Licensed Products.

Notwithstanding the foregoing, Lender shall be entitled to receive a guaranteed minimum royalty for each Contract Year including the Additional Term, if any (the "Guaranteed Minimum Royalty"), payable in accordance with **Exhibit "C"** attached hereto.

8. ***Stock:***

(a) Within three (3) days of the execution and delivery of this Agreement and prior to any news release or public disclosure of the existence of this Agreement, its terms and conditions, or the relationship of the parties hereto, whether pursuant to a press release, a current report on Form 8-K or other filing with the Securities and Exchange Commission or otherwise (the "Issuance Date"), MusclePharm shall issue Lender 780,000 shares of MusclePharm's restricted stock (the "Compensation Shares"), for services performed and to be performed pursuant to this Agreement. [*] of the Compensation Shares will be fully vested upon issuance, and for a period of six (6) months following the date hereof, Lender may not sell in excess of [*] percent ([*]%) of the Compensation Shares without the prior consent of MusclePharm; provided, that, the Lender shall be entitled, without the prior consent of MusclePharm, to transfer the Compensation Shares at any time to affiliates and family members so long as such transfers are in compliance with state and federal securities laws and such transferees agree to be bound by foregoing transfer restrictions for the six (6) month period following the date hereof with respect to the Compensation Shares. MusclePharm agrees that (i) with respect to the Compensation Shares, Lender shall be entitled to all rights and benefits under the registration rights agreement, dated as of March 28, 2013 (the "Registration Rights Agreement"), by and among MusclePharm and the investors party thereto as if it were an investor party thereto, mutatis mutandis. MusclePharm shall promptly file (and in no event later than August 14, 2013) a registration statement on Form S-1 pursuant to the Securities Act (as defined below) (the "Registration Statement") with the SEC and will include therein the offering of all of the Compensation Shares and no other securities of the Company. MusclePharm agrees that if the SEC shall issue comments on the Registration Statement, MusclePharm shall in good faith respond to such comments as soon as practicable. MusclePharm will cause the Registration Statement to be declared effective as promptly as practicable.

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(b) MusclePharm and Lender agree that, for purposes of determining the taxable income of Lender and the tax expense, deduction or other corresponding charge of MusclePharm, in each case in connection with the issuance of the Compensation Shares in accordance with this Section 8, the fair market value of the Compensation Shares shall be the amount set forth in any third-party valuation report delivered by Lender to MusclePharm within forty-five (45) days following the Issuance Date. MusclePharm will promptly provide all information reasonably requested by Lender and/or its valuation firm in connection with the preparation and delivery of such report. MusclePharm shall not take any position for tax purposes inconsistent with such fair market value as so determined without the consent of Lender; provided, however, that nothing herein shall preclude MusclePharm from utilizing a different method of calculating the fair market value of the Compensation Shares for financial accounting purposes if MusclePharm's Chief Financial Officer, audit committee and independent auditors shall determine in good faith that such alternative calculation of the fair market value of the Compensation Shares is required under generally accepted accounting principles in the United States.

(c) In connection with the issuance of the Compensation Shares, but without limitation of Section 8(a) or the other terms and conditions in this Agreement, Lender hereby makes the following representations to MusclePharm regarding the Compensation Shares:

(i) Lender understands that, as of the date hereof, none of the Compensation Shares have been registered under the Securities Act of 1933, as amended ("Securities Act"), by reason of a specific exemption from the registration provisions of the Securities Act, the availability of which depends upon, among other things, the bona fide nature of the investment intent and the accuracy of Lender's representations as expressed herein. Lender is acquiring all of the Compensation Shares for its own account, not as a nominee or agent, for investment and not with a view to, or for resale in connection with, any distribution or public offering thereof within the meaning of the Securities Act.

(ii) Lender understands that all of the Compensation Shares will constitute "restricted securities" under the federal securities laws, inasmuch as it is being acquired from MusclePharm or such other company in one or more transactions not involving a public offering and that under such laws the Compensation Shares may not be resold without registration under the Securities Act or an exemption therefrom. The certificates representing the Compensation Shares will be endorsed with a legend to such effect. Lender has been informed and understands that (i) there are substantial restrictions on the transferability of the Compensation Shares, and (ii) no federal or state agency has made any finding or determination as to the fairness for public investment, nor any recommendation nor endorsement, of the Compensation Shares.

(iii) Lender, or Lender's business and financial advisors, have substantial experience in evaluating and investing in private transactions of securities in companies similar to MusclePharm and such other company and Lender acknowledges that it can protect its own interests. Lender, or such advisors, have such knowledge and experience in financial and business matters so that it is capable of evaluating the merits and risks of its acceptance of all of the Compensation Shares of MusclePharm as compensation or otherwise.

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(iv) Lender is an "accredited investor" within the meaning of Rule 501 of Regulation D promulgated under the Securities Act.

(v) Lender understands that all books, records, and documents of MusclePharm relating to it have been and remain available for inspection by him or his business and financial advisors upon reasonable notice. Lender confirms that all documents requested have been made available, and that it or such advisors have been supplied with all of the information concerning MusclePharm that has been requested. Lender confirms that it or such advisors have obtained sufficient information, in its and their judgment to evaluate the merits and risks of receipt of the Compensation Shares as compensation or otherwise. Lender confirms that it has had the opportunity to obtain such independent legal and tax advice and financial planning services as it has deemed appropriate prior to making a decision to enter this Agreement. In making each such decision, Lender has relied exclusively upon its experience and judgment, or that of such advisors, upon such independent investigations as it, or they, deemed appropriate, and upon information provided by MusclePharm in writing or found in the books, records, or documents of MusclePharm.

(vi) Lender is aware that the economic ownership of the Compensation Shares is highly speculative and subject to substantial risks. Lender is capable of bearing the high degree of economic risk and burdens of this venture, including, but not limited to, the possibility of a complete loss, the lack of a sustained and orderly public market, and limited transferability of the Compensation Shares, which may make the liquidation thereof impossible for the indefinite future.

(vii) The offer to issue the Compensation Shares as compensation to Lender was directly communicated to Lender or its business or financial advisors by such a manner that it or such advisors were able to ask questions of and receive answers from MusclePharm or a person acting on its behalf concerning this Agreement. At no time was Lender presented with or solicited by or through any leaflet, public promotional meeting, television advertisement, or any other form of general advertising.

(viii) None of the following information has ever been represented, guaranteed, or warranted to Lender, expressly or by implication by any broker, MusclePharm, or agent or employee of the foregoing, or by any other person:

(1) The approximate or exact length of time that Lender will be required to remain as a holder of any of the Compensation Shares;

(2) The amount of consideration, profit, or loss to be realized, if any, as a result of owning any of the Compensation Shares; or

(3) That the past performance or experience of MusclePharm, its officers, directors, associates, agents, affiliates, or employees or any other person will in any way indicate or predict economic results in connection with the plan of operations of MusclePharm or the return on any of the Compensation Shares.

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(d) MusclePharm represents, warrants and covenants to Lender that:

(i) It has the full right, power and authority to enter into this Agreement and to perform its obligations hereunder; (ii) it has acquired all rights necessary to perform this Agreement and exploit the Licensed Products as contemplated herein; (iii) the Licensed Products, any element thereof, or any advertising, promotional or publicity materials supplied by Licensee or third parties hereunder will not contain any language or material which is obscene, libelous, slanderous or defamatory; and (iv) the use of the Licensed Product and the Lender's Name and Appearance rights as contemplated herein will not violate or infringe the copyright, trademark, or other rights of any third party.

(ii) It has duly executed and delivered this Agreement and, assuming due authorization, execution and delivery by Lender, this Agreement constitutes its legal, valid and binding agreement, enforceable against it in accordance with its terms.

(iii) It is duly organized, validly existing and in good standing under the laws of the State of Nevada. It has all requisite power to own its properties and to carry on the business as it is now being conducted and is intended to be conducted and is duly licensed or qualified to do business in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such license or qualification necessary.

(iv) Neither the execution, delivery nor performance by it of this Agreement does or will (a) violate, conflict with or result in the breach of any provision of its organizational documents, (b) conflict with or violate any law or governmental authorization applicable to it or any of its assets or its business, or (c) conflict with, result in any breach of, constitute a default (or event which with the giving of notice or lapse of time, or both, would become a default) under, require any consent under, or give to others any rights of termination, amendment or acceleration of, or result in the creation of any encumbrance on any of its assets pursuant to, any note, bond, mortgage or indenture, contract, agreement, lease, license, permit or franchise to which it is a party or by which any of its assets is bound or affected.

(v) It has timely filed all reports, schedules, forms, statements and other documents required to be filed by it with the SEC pursuant to the reporting requirements of the Exchange Act (all the foregoing filed prior to the date hereof and all exhibits included or incorporated by reference therein and financial statements and schedules thereto and documents included or incorporated by reference therein being sometimes hereinafter collectively referred to as the "SEC Reports"). As of their respective filing dates, the SEC Reports complied in all material respects with the requirements of the Exchange Act applicable to the SEC Reports (as amended or supplemented), and none of the SEC Reports, at the time they were filed with the SEC, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

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(vi) Set forth on Schedule 8(c) attached hereto is a true, complete, and accurate capitalization table of MusclePharm as of the date hereof on a fully diluted basis, taking into account all equity interests of MusclePharm issued or outstanding, or issuable upon conversion or exchange of any security, and any rights, options, or warrants or other agreements to acquire any such equity interests.

9. ***Termination*:**

(a) This Agreement may be terminated by MusclePharm only:

(i) In the event Endorser is convicted of a felony.

(ii) In the event Endorser is in material breach or default of this Agreement, then MusclePharm may give written notice to Endorser of its intent to terminate this agreement and in such notice shall set forth in reasonable detail the facts, circumstances or events causing the alleged breach or default ("Endorser Events of Default"). The Endorser shall have thirty (30) days' notice in which to cure the Endorser Events of Default to the reasonable and objective satisfaction of Musclepharm. If the Endorser fails, refuses or is unable for any reason to cure the Endorser Events of Default to the reasonable and objective satisfaction of MusclePharm, then MusclePharm may terminate this Agreement by giving a written termination notice which shall be effective on third calendar day after the date of such termination notice.

(iii) This Agreement may also be terminated by MusclePharm, upon fifteen days prior written notice, if death, or physical disability, physical injury, or other incapacity lasting more than eight (8) weeks, causes Endorser to be unable to perform a material amount of the personal or consulting services described in this Agreement.

(b) This Agreement may be terminated by the AS Parties only:

(i) In the event MusclePharm shall default under any indebtedness or financial obligations owed by MusclePharm in an amount in excess of $[*], including, without limitation, any failure to pay principal or interest thereon, and such event of default or condition shall continue after any applicable grace period specified in such agreement or instrument, and the effect of such event or condition results in an actual acceleration of the maturity of such indebtedness or obligations; and/or

(ii) If MusclePharm (A) dissolves, liquidates or otherwise terminates its business or operations; (B) shall generally not pay its debts or obligations as the same become due; (C) commences or becomes the subject of any case or proceeding under the bankruptcy, insolvency or equivalent laws of the United States or any other jurisdiction in the Territory which is not dismissed within 45 days; (D) has appointed for it or for any substantial part of its property a court-appointed receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official which is not dismissed within 45 days; (E) makes an assignment for the benefit of its creditors; or (F) takes corporate action in furtherance of any of the foregoing; and/or

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(iii) If the Company shall have (or with respect to the Company, the Chief Executive Officer or the Chief Financial Officer of the Company shall have) (A) been charged with respect to a felony; (B) been sued by a governmental agency; (C) received a subpoena from a governmental entity relating to an investigation of the Company; or (D) become the subject of an investigation by a governmental agency that, in each case, if adversely determined, could have, as determined by Endorser in good faith (or, solely with respect to clause (D), as reasonably determined by the Endorser), a material adverse effect on the Company's reputation or financial performance; and/or

(iv) If the AS Parties reasonably determine (based either on (A) internal MusclePharm information; (B) reports or other credible information produced by established medical or scientific experts; or (C) multiple adverse events reported to MusclePharm or in the media) that any of MusclePharm's products are harmful to the human body or unsafe.

(v) In the event Musclepharm is in material breach or default of this Agreement, the AS Parties may give written notice to Musclepharm of intent to terminate, and such notice shall set forth in reasonable detail the facts, circumstances or events causing the alleged breach or default ("MusclePharm Events of Default"). Musclepharm shall have thirty (30) days' notice in which to cure the MusclePharm Events of Default to the reasonable and objective satisfaction of the terminating party. If Musclepharm fails, refuses or is unable for any reason to cure the MusclePharm Events of Default to the reasonable and objective satisfaction of the terminating party, then the the AS Parties may terminate this Agreement by giving a written termination notice which shall be effective on third calendar day after the date of the termination notice

(c) Effect of Expiration/Termination: Upon expiration or termination of the Agreement for pursuant to Section 9 herein, Endorser shall have no further obligation to render any services whatsoever. MusclePharm shall have no further right to use the rights granted to MusclePharm hereunder and all such rights (including without limitation the rights to use the Name and Appearance Rights and Trademarks) shall immediately and automatically be revoked and shall terminate and revert to the AS Parties immediately with no "use-up period". Notwithstanding the foregoing, in the event the expiration of this Agreement or termination of this Agreement by Musclepharm pursuant to paragraph 9(a), MusclePharm shall be entitled to sell-off the remaining Licensed Products for six (6) months after such expiration of this Agreement pursuant to paragraph 4(d) herein and shall continue to pay Endorser the Royalty set forth in paragraph 7 herein. MusclePharm shall not be liable to pay any compensation for services performed after the expiration or termination. In the event of a termination by MusclePharm pursuant to paragraph 9(a)(i)-(ii), Musclepharm shall not be required to pay Endorser any further compensation except for Royalties earned up until such termination date, and provided, however, that if Musclepharm terminates this Agreement because of death, disability, physical injury, or other incapacity of Endorser, if Endorser has performed all services required by this Agreement for a particular Contract Year, then MusclePharm shall continue to be obligated to compensate Lender with the full compensation amount of this Agreement for such Contract Year. Notwithstanding anything contained herein, irrespective of the expiratation or termination of this Agreement, the AS Parties shall always be entitled to retain and shall never be obligated to return any monies paid and/or stock issued to Lender and/or Endorser pursuant to this Agreement. All formulas used in the Licensed Products shall remain the property of MusclePharm, but all rights in any packaging, promotional materials, and websites of the Licensed Products (including, without limitation, pictures, the name, logos and trade dress) and all intellectual property of the AS Parties shall revert back or otherwise be vested in the AS Parties; provided, however, that the MusclePharm trade name, any MusclePharm trademarks, and MusclePharm logo used on the Licensed Products shall remain the property of MusclePharm. [*]

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10. ***Expenses:***

In connection with any Appearance or Production Day that Endorser shall be required to specifically travel solely for MusclePharm to make such Appearance or Production Day and shall not already be in such geographic location for another commitment, MusclePharm shall be required to pay the expenses associated with Endorser's travel, lodging, security and other expenses as set forth on **Exhibit "D"** attached hereto.

11. ***Audit Rights*:**

(a) The AS Parties shall have the right, upon at least five (5) days written notice and no more than once each Contract Year of the Term to inspect MusclePharm's books and records and all other documents and material in the possession of or under the control of MusclePharm with respect to the Licensed Products at the place or places where such records are normally retained by MusclePharm. The AS Parties shall have reasonable access thereto for such purposes and shall be permitted to be able to make copies thereof and extracts therefrom.

(b) MusclePharm shall keep complete and accurate books of account for the preceding three years from the date of termination and expiration. In the event that any shortfalls, inconsistencies or mistakes are discovered, they shall immediately be rectified by MusclePharm at its sole cost and expense.

(c) In the event a shortfall in the amount of five percent (5%) or more is discovered, MusclePharm shall reimburse the AS Parties for the cost of the audit including any reasonable attorney's fees incurred in connection therewith.

(d) MusclePharm agrees to preserve and keep accessible and available to the AS Parties all relevant books and records for a period of at least three (3) years following the expiration or termination of the Agreement.

12***. Sales and Marketing Plan And AS Product Line and Trademarks:***

(a) MusclePharm shall utilize its commercially reasonable efforts to advertise and promote the Licensed Products at its own expense and to sell the Licensed Products through the Distribution Channels worldwide as contemplated herein during the Term and to promote both the goodwill of the Endorser and the market reputation of the Licensed Products. MusclePharm will conduct its activities relating to the marketing of the Licensed Products in a professional manner. In that connection:

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(b) Prior to the execution and delivery of this Agreement with respect to the First Contract Year and at least ninety (90) days prior to the beginning of each Contract Year of the Term, MusclePharm will provide the AS Parties with a detailed marketing plan (the "Marketing Plan"). The AS Parties shall be entitled to approve the Marketing Plan, such approval not to be unreasonably withheld or delayed. MusclePharm shall use its commercially reasonable efforts to market and distribute the Licensed Products, and MusclePharm shall allocate between $[*] and $[*] in the First Contract Year and $[*] in each subsequent Contract Year (including any renewal terms if any) toward the marketing of the Licensed Products (the "Marketing Budget"); it being understood that the parties may mutually decide not to deploy the full Marketing Budget in any Contract Year if in the good faith determination by the parties that the deployment of the full Marketing Budget is unnecessary to achieve its projected revenue targets in connection with the sale of the Licensed Products. Notwithstanding the foregoing, MusclePharm shall be entitled to re-allocate marketing dollars in its good faith judgment exercisable in its sole discretion from the media forms set forth in the Marketing Plan to promote the Licensed Products in other media forms.

(c) AS Product Line and Trademarks. The parties hereto agree and understand that the AS Product Line will be marketed and promoted as a distinct product line from MusclePharm's overall product lines. Any trademarks and trade dress used as the brand of the AS Product Line shall be owned by the AS Parties (as among them, to be determined among them) and shall be included within the defined term Trademarks as used in this Agreement. Any trademark used as a brand for an individual product in the AS Product Line, as opposed to a brand for the line of products, whether or not is based upon or derived from the Name and Appearance Rights or is independently developed also shall be owned by the AS Parties (as among them, to be determined among them) and as shall be included within the defined term Trademarks as used in this Agreement. Notwithstanding the foregoing, the MusclePharm trade name, any MusclePharm trademarks, and MusclePharm logo used on the Licensed Products shall remain the property of MusclePharm.

13. ***Quality Control:***

(a) MusclePharm acknowledges and agrees that, in order to maintain the goodwill and integrity of the Endorser, the Name and Appearance Rights, and the Trademarks (the "Endorser IP"), the Licensed Products shall be of a standard and of such style, appearance and quality as to protect and enhance the goodwill associated with the Endorser IP, which standard the AS Parties may from time to time prescribe and which, in any event, shall be of substantially the same or better quality than the samples previously provided by MusclePharm to Endorser. To this end, MusclePharm will use the approval form attached hereto as **Exhibit "E"** to obtain required approvals under this Agreement (including, ingredients contained in the Licensed Products). Prior to any use of any of the Endorser IP, MusclePharm shall submit to the AS Parties for the AS Parties' prior written approval all artwork, photos, images, writings, advertising campaigns, slogans, claims made and other Name and Appearance Rights associated with the Endorser IP, samples of materials and design of the Licensed Products on which the Endorser IP are to appear and of all advertising, press and promotional literature which MusclePharm intends to use in the marketing or merchandising of the Licensed Products using the submission form in **Exhibit "E**" attached hereto. The AS Parties shall respond to any such approval request within ten (10) business days. To the extent that the AS Parties shall fail to respond within such ten (10 day) period, the submissions shall be deemed disapproved. Should MusclePharm desire to submit the same request for approval, the AS Parties shall respond within five (5) days detailing the reason for disapproval. Should the AS Parties fail to respond in this last Five (5) business day period, submission shall be deemed approved. In addition, MusclePharm shall send, at its expense, at a minimum, two (2) representative samples of each Licensed Products, at each of the concept, pre-production and production stages, to the AS Parties at the address set forth in Section 20 below for prior approval. During the Term, MusclePharm will also send two (2) representative samples of the Licensed Products to the AS Parties at the address set forth in Section 20 below upon request so that the AS Parties can determine whether the quality of the Licensed Products bearing the Endorser IP is being maintained.

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(b) MusclePharm shall at all reasonable times during the Term (but no more than once during each Contract Year of the Term), and upon reasonable notice, permit the AS Parties to send their authorized representatives to inspect the facilities of MusclePharm or its agents in order to confirm that the production of the Licensed Products hereunder is in compliance with the quality standards set out herein and, at MusclePharm's expense, randomly test the formulas of the Licensed Products for quality control purposes, although the AS Parties will have no obligation to do so.

(c) The Licensed Products shall be of the highest quality and manufactured, produced, sold, distributed and promoted in strict compliance with all applicable laws and regulations, and be of substantially the same or better quality as the samples previously submitted by MusclePharm. MusclePharm shall be responsible for ensuring that the products are properly designed and manufactured for safe use and shall promptly and fairly address and resolve all consumer complaints and warranty claims. MusclePharm hereby acknowledges that the AS Parties are not competent to determine whether the products are safe for sale and/or distribution to the public at large. Accordingly, the AS Parties' approval rights relate to aspects of quality and not to a determination of the safety of the products and any approvals given by the AS Parties of the products shall in no way detract from the MusclePharm's obligations hereunder.

(d) The License Products will be doctor-formulated and clinically tested at Stanford University or North Carolina University or another university mutually acceptable to the parties hereto to prove the effectiveness of the Licensed Products. All Licensed Products will be tested by Informed Choice or another independent testing laboratory mutually acceptable to the parties hereto to be certified "Banned Substance Free" for athletes.

(e) Manufacturers will comply with the requirements set forth in this Section 13(e):

(i) MusclePharm and the manufacturers will not use child labor (not including child actors or models) in the manufacturing, packaging, marketing, advertising, or distribution of the Licensed Products.

[*] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portion.

(ii) MusclePharm and the manufacturers will only employ persons whose presence is voluntary. MusclePharm and the manufacturers will not use any forced or involuntary labor.

(iii) MusclePharm and the manufacturers will treat each employee with dignity and respect, and will not use corporal punishment, threats of violence, abuse, or other forms of physical, sexual, psychological, or verbal harassment.

(iv) MusclePharm and the manufacturers will not unlawfully discriminate in any hiring or employment practices.

(v) MusclePharm and the manufacturers will, at a minimum, materially comply with all applicable wage and hour laws, rules, regulations, and industry standards. MusclePharm and the manufacturers agree that, where local industry standards are higher than applicable legal requirements, MusclePharm and manufacturer will meet the higher local standards.

(vi) MusclePharm and the manufacturers will materially comply with all applicable workplace laws, rules, regulations, and industry standards, ensuring, at a minimum, reasonable access to potable water and sanitary facilities, fire safety, and adequate lighting and ventilation.

(vii) MusclePharm and the manufacturers will respect the rights of employees to associate, organize, and bargain collectively in a lawful and peaceful manner, without penalty or interference.

(viii) MusclePharm and the manufacturers will materially comply with all applicable environmental laws, rules, regulations, and industry standards.

(ix) If MusclePharm becomes aware that any manufacturer has used or is using Endorser IP for any unauthorized purpose, MusclePharm, will immediately notify the AS Parties and, if so instructed by the AS Parties, will cause such manufacturer to cease such use immediately.

(f) Unless the AS Parties expressly agree in advance and in writing otherwise, all Licensed Products shall be manufactured within the fifty states of the United States of America and in no other locations.

13A. ***Ownership and Registration of Trademarks and Name and Appearance Rights:***

(a) During the Term and after expiration or termination of this Agreement, MusclePharm shall not contest or otherwise challenge or attack the AS Parties' rights in the Trademarks or Name and Appearance Rights or the validity of the license being granted herein.

(b) During the Term and after expiration or termination of this Agreement, MusclePharm shall not use any trademark which so substantially resembles any of the Trademarks or Name and Appearance Rights as to be likely to deceive or cause confusion or mistake or which might amount to passing-off; provided however, nothing herein shall preclude MusclePharm from using any of the intellectual property to be retained by MusclePharm contemplated pursuant to Section 9(f) of this Agreement after the termination of this Agreement.

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(c) MusclePharm recognizes the value of the good will associated with the Trademarks and Name and Appearance Rights and acknowledges that the Trademarks and Name and Appearance Rights, and all rights therein and the good will pertaining thereto, belong exclusively to the AS Parties.

(d) MusclePharm agrees that its use of the Trademarks and Name and Appearance Rights shall inure to the benefit of the AS Parties and that MusclePharm shall not, at any time, acquire any rights in the Trademarks and/or Name and Appearance Rights by virtue of any use it may make of the Trademarks and/or Name and Appearance Rights.

(e) MusclePharm agrees that any copyrights in works created based upon the Trademarks and/or Name and Appearance Rights shall become the rights of the AS Parties (as among them to be determined among them). MusclePharm irrevocably and unconditionally transfers and assigns to the AS Parties in perpetuity and throughout the universe any and all of MusclePharm's right, title, and interest, if any (including, without limitation, the rights generally known as 'moral rights') in and to all works, including any packaging, advertising and promotional materials, and other materials based upon the Trademarks and/or Name and Appearance Rights, all of which shall, upon their creation, become and remain the property of the AS Parties. All such works based upon the Trademarks and/or Name and Appearance Rights shall be prepared by an employee-for-hire of MusclePharm (under MusclePharms's sole supervision, responsibility, and monetary obligation) or as a work-for-hire by a third party who assigns to the AS Parties in writing and in perpetuity throughout the universe all right, title, and interest in the same provided however, nothing herein shall preclude MusclePharm from using any of the intellectual property to be retained by MusclePharm contemplated pursuant to Section 9(f) of this Agreement after the termination of this Agreement.

(f) Injunctive Relief. MusclePharm acknowledges that the unauthorized use of the Name and Appearance Rights and Trademarks will result in immediate and irreparable damages to the AS Parties and that the AS Parties would have no adequate remedy at law for such authorized use. MusclePharm further agrees that in the event of any unauthorized use of the Name and Appearance Rights and/or the Trademarks, the AS Parties, in addition to all other remedies available to them hereunder, shall be entitled to injunctive relief against any such unauthorized use as well as such other relief as any court with jurisdiction may deem just and proper.

(g) Registration. If the AS Parties decide in their sole discretion after consulting with MusclePharm to register the Trademarks and/or Name And Appearance Rights as a trademark for the Licensed Products and/or any Promotional Products or to register the copyrights in any works based upon the Trademarks and/or the Name And Appearance Rights, MusclePharm will cooperate to provide information, samples, and documents as reasonably requested by the AS Parties to enable the AS Parties to comply with the application, registration, license recordal, and other requirements of any applicable jurisdictions. If the AS Parties decide to register Trademarks and/or Name And Appearance Rights as a trademark for the Licensed Products, MusclePharm will reimburse the AS Parties for any reasonable expenses incurred in registering in the United States and Canada and such other countries as the parties shall mutually agree upon.

[*] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portion.

14. ***Independent Contractor*:**

It is expressly agreed that Endorser is acting as an independent contractor in performing his services hereunder. MusclePharm shall carry no worker's compensation insurance or any health, accident or disability insurance to cover Endorser. MusclePharm shall not pay any contributions to Social Security, unemployment insurance, federal or state withholding taxes, nor provide any other contributions or benefits that might be expected in an employer-employee relationship. Endorser shall be solely responsible and liable for reporting and paying all federal and state income or other taxes applicable to the Endorser's compensation under this Agreement and MusclePharm will provide Lender with an IRS Form 1099 at the end of each calendar year in which compensation is paid to Lender. It is further understood and expressly agreed by Endorser that he has no right or authority to incur expenses, obligations or liabilities in the name of or binding on MusclePharm, and he shall not represent to third parties that he has any relationship (e.g., employer-employee or principal-agent) with MusclePharm other than the independent contractor arrangement set forth in this Agreement.

15. ***Indemnification*.**

(a) By the AS Parties. The AS Parties will at all times indemnify and hold MusclePharm and its agents and licensees harmless from and against any and all claims, damages, liabilities, costs and expenses (including reasonable outside attorneys' fees), arising out of any breach by the AS Parties of any warranty or agreement made by the AS Parties hereunder. In no event shall the AS Parties' indemnification obligations to MusclePharm hereunder exceed the after-tax value of the Cash Consideration received by Lender under this Agreement.

(b) By MusclePharm. MusclePharm agrees to protect, indemnify, save, defend, and hold harmless the AS Parties, their related companies, affiliates, and partners, and each of their assigns, agents, representatives, officers, directors, shareholders, and employees from and against any and all expenses, damages, liabilities, claims, suits, actions, judgments, costs and expenses whatsoever (including reasonable attorney's fees; both those incurred in connection with the defense or prosecution of the indemnifiable claim and those incurred in connection with the enforcement of this provision), caused by, arising out of, or in any way connected with (i) any injury, death, or other harm or claim connected with, or claimed defect in, Products or Licensed Products provided, manufactured, produced, marketed, promoted, sold, and/or distributed by MusclePharm (including any party affiliated with MusclePharm); (ii) any material inaccuracy or misrepresentation by MusclePharm in this Agreement; (iii) any advertisement and/or promotion of MusclePharm, its Products, or Licensed Products, including but not limited to any use of the materials produced pursuant to this Agreement, as well as MusclePharm's advertising/promotion campaign described above in this Agreement and/or (iv) any breach of this Agreement and/or in connection with this Agreement. No settlement will be entered into by the AS Parties without MusclePharm's prior written approval.

[*] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portion.

16. ***Exclusivity; Non-Competition:***

(a) During the term of this Agreement, or any extensions of this Agreement, Endorser and the Lender hereby agree and warrant that it will not enter into any other endorsement agreement for the use of Endorser's name, image and/or likeness for advertising, marketing and/or endorsement of any other dietary supplements during the Term of this Agreement. Notwithstanding the foregoing, the following will not be a breach of this Agreement: (i) Endorser's performance of services or appearing in the news or informational portion of any radio, TV or film or entertainment program regardless of products or services therein or sponsorship thereof; (ii) Endorser's participation in movies or TV programs as well as merchandising, commercial tie-ins and/or product placements utilizing Endorser, or (iii) Endorser's performance of services, appearance or use of his name, likeness in connection with charitable events, sports events, organizations, regardless of usage of products or services and/or sponsorship thereof.

(b) Endorser shall not use or provide endorsements or testimonials for products that compete with MusclePharm Products or the Licensed Products. Any failure of Endorser to disclose such conflicting interests, or any breach of this Section, shall be deemed a material breach of the Agreement. Endorser's duty not to compete with the business of MusclePharm shall continue for a period of one year following the expiration or termination of this Agreement. Endorser's non-competition obligation shall not be required in the event of a material breach of this Agreement by MusclePharm.

(c) [*]

17. **[RESERVED.]**

18. ***Assignment:***

The license granted by this Agreement is personal to MusclePharm. Except as set forth below, MusclePharm shall not assign or otherwise transfer, license, sublicense, or delegate any rights or obligations under this Agreement without the express prior written consent of the AS Parties. Neither party shall voluntarily or by operation of law assign or otherwise transfer the rights and/or obligations incurred pursuant to the terms of this Agreement without the prior written consent of the other party. Any attempted assignment or transfer by a party of their rights and/or obligations without such consent shall be void. Nothwithstanding the foregoing, this Agreement may be assigned without the AS Parties' consent by MusclePharm in connection with a change of control transaction; provided that the acquirer of MusclePharm shall have financial resources substantially similar or greater than MusclePharm and shall specifically assume the obligations of MusclePharm under this Agreement in writing prior to the consummation of the change of control transaction. In addition, notwithstanding the foregoing, the Endorser and the Lender shall be entitled to sell, transfer and assign the Cash Compensation and the Compensation Shares (subject to compliance with the restrictions set forth in Section 8(a) above and federal and state securities laws) to third parties; provided, however, that Endorser shall remain solely liable to fulfill all of his obligations under this Agreement.

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19. ***Modification of Agreement*:**

The parties may modify this Agreement hereto only by a written supplemental agreement executed by both parties.

20. ***Notice:***

Any notice required or permitted to be given hereunder shall be sufficient if given in writing, and sent by registered or certified mail, postage prepaid, or by courier such as FedEx, addressed as follows:

If to MusclePharm:

MusclePharm
Attn: Brad Pyatt; CEO
4721 Ironton Street
Denver, CO 80237

With a copy to:

Sichenzia Ross Friedman Ference LLP
61 Broadway, 32nd Floor
New York, NY 10006
Attn: Harvey J. Kesner, Esq.
Edward H. Schauder, Esq

If to the AS Parties:

Arnold Schwarzenegger
[*]
[*]
[*]

Marine MP, LLC
[*]
[*]
[*]

Fitness Publications, Inc.
[*]
[*]
[*]

[*] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portion.

With a copies to:

Main Street Advisors
3110 Main Street, Suite 310
Santa Monica, CA 90405
Attn: Paul Wachter & Alex Cohen

and

Bloom Hergott Diemer Rosenthal LaViolette Feldman
Schenkman & Goodman, LLP
150 South Rodeo Drive, 3rd Floor
Beverly Hills, CA 90212
Attn: Patrick M. Knapp, Esq.

and

Loeb & Loeb LLP
10100 Santa Monica Blvd., Suite 2200
Los Angeles, Ca 90067
Attn: David W. Grace

or to such other address as the parties hereto may specify, in writing, from time to time. Written notice given as provided in this Section shall be deemed received by the other party two business days after the date the mail is stamped registered or certified and deposited in the mail, or deposited with courier.

21. ***Governing Law*:**

This Agreement has been executed and delivered in Los Angeles County in the State of California, and its interpretation, validity and performance shall be construed and enforced in accordance with the laws of the State of California. The exclusive venue for any proceeding to interpret, construe or enforce this Agreement in accordance with Section 22 below shall be Los Angeles County, California.

22. ***Dispute Resolution and Attorneys' Fees:***

(a) Any dispute, claim or controversy arising out of or relating to this Agreement or the breach, termination, enforcement, interpretation or validity thereof, including the determination of the scope or applicability of this agreement to arbitrate, shall be determined by arbitration in Los Angeles County before an arbitrator who is a retired U.S. District Court judge. The arbitration shall be administered by JAMS pursuant to its Comprehensive Arbitration Rules and Procedures. Judgment on the Award may be entered in any court having jurisdiction. The parties adopt and agree to implement the JAMS Optional Arbitration Appeal Procedure (as it exists on the effective date of this Agreement) with respect to any final award in an arbitration arising out of or related to this Agreement. Nothing in this agreement clause shall preclude parties from seeking provisional or injunctive relief remedies in aid of arbitration from a court of appropriate jurisdiction.

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(b) In any arbitration arising out of or related to this Agreement, the arbitrator(s) shall award to the prevailing party, if any, the costs and attorneys' fees reasonably incurred by the prevailing party in connection with the arbitration. If the arbitrator(s) determine a party to be the prevailing party under circumstances where the prevailing party won on some but not all of the claims and counterclaims, the arbitrator(s) may award the prevailing party an appropriate percentage of the costs and attorneys' fees reasonably incurred by the prevailing party in connection with the arbitration.

23. ***Binding Effect:***

This Agreement when signed by the parties shall be binding upon the parties, and their respective heirs, successors or legal representatives.

24. ***Representations, Warranties and Covenants:***

(a) The AS Parties represent and warrant that (i) they hold all such rights, title, and interest in his Name and Appearance Rights as are required to permit them to enter into this Agreement; (ii) they have the full right, power and authority to enter into this Agreement; (iii) they have not authorized any third party to create products similar to the AS Product Line, and (iv) they do not own any equity interest in any companies that produce nutrition and/or supplement products. MusclePharm expressly acknowledges that the AS Parties have not ascertained the worldwide availability of the Name and Appearance Rights and related Trademarks for use as trademarks on the Licensed Products or whether such use would infringe the rights of any other entities. EXCEPT AS SPECIFICALLY SET FORTH HEREIN, THE AS PARTIES EXPRESSLY DISCLAIM ALL REPRESENTATIONS AND WARRANTIES, EXPRESS OR IMPLIED, IN CONNECTION WITH THE TRADEMARKS AND NAME AND APPEARANCE RIGHTS, INCLUDING, BUT NOT LIMITED TO, THE IMPLIED WARRANTIES OF TITLE, NON-INFRINGEMENT OF INTELLECTUAL PROPERTY RIGHTS, MERCHANTABILITY, AND FITNESS FOR A PARTICULAR PURPOSE. THE AS PARTIES SHALL NOT BE LIABLE TO MUSCLEPHARM OR ANY THIRD PARTY FOR ANY DAMAGES ARISING FROM OR RELATING TO MUSCLEPHARM'S USE OF THE TRADEMARKS AND NAME AND APPEARANCE RIGHTS. IN NO EVENT SHALL THE AS PARTIES BE LIABLE FOR SPECIAL, CONSEQUENTIAL, OR PUNITIVE DAMAGES.

(b) MusclePharm represents, warrants and covenants that (i) it has the full right, power and authority to enter into this Agreement; (ii) it has acquired all rights necessary to perform this Agreement and exploit the Licensed Products as contemplated herein; (iii) the Licensed Products, any element thereof, or any advertising, promotional or publicity materials supplied by Licensee or third parties hereunder will not contain any language or material which is obscene, libelous, slanderous or defamatory; (iv) the use of the Licensed Product and the Name and Appearance Rights as contemplated herein will not violate or infringe the copyright, trademark, or other rights of any third party; (v) the Products and Licensed Products will comply in all material respects with all applicable laws and regulations and will be safe for human consumption.

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25. ***Payments*:**

All cash payments shall be made via wire transfer to the Lender to an account provided by Lender or his representative.

26. ***Confidentiality*:**

The parties acknowledge that during the course of this Agreement the parties will provide to each other certain proprietary and confidential information that is held and maintained confidentially by each party. Each party shall be entitled to share such confidential information received by such party only with such party's representatives, legal and accounting advisors who shall agree to be bound by the confidentiality obligations set forth in this Section 26. During the term of this Agreement and for three (3) years thereafter, each party shall hold in strict confidence all such information. This obligation shall not apply to any information which: (a) becomes known to the general public through no fault of either party; (b) is required to be disclosed in the enforcement of rights hereunder, or (c) is required to be disclosed by any state or federal statue, regulation or court order.

27. ***Insurance*:**

MusclePharm shall, throughout the Term of the Agreement and for a period of not less than four years thereafter, obtain and maintain at its own cost and expense from a qualified insurance company licensed to do business in California and New York, a commercial general liability insurance policy including coverage for contractual liability (applying to the terms and conditions of this agreement), product liability, personal injury liability, and advertiser's liability, in a form approved by the AS Parties, in the amount of at least Five Million Dollars (US$5,000,000) per occurrence naming the AS Parties (for the avoidance of doubt, specifically including each of Lender, Endorser, and Fitness) as additional named insureds. Without limiting the generality of the foregoing, such policy shall provide protection against any and all claims, demands, and causes of action arising out of any defects or failure to perform, alleged or otherwise, of the Products and Licensed Products or any material used in connection therewith or any use thereof. The policy shall provide for ten (10) days notice to the AS Parties from the insurer by Registered or Certified Mail, return receipt requested, in the event of any modification, cancellation, or termination thereof. MusclePharm agrees to furnish the AS Parties a certificate of insurance evidencing same within thirty (30) days after execution of this Agreement and, in no event, shall MusclePharm manufacture, distribute, advertise, or sell the Licensed Products prior to receipt by the AS Parties of such evidence of insurance. MusclePharm shall be responsible to provide for any appearances pursuant to this Agreement by Endorser appropriate certificates of insurance with coverage limits of at least Five Million Dollars (US$5,000,000) per occurrence endorsed to name the AS Parties as additional named insureds with respect to claims arising out of appearances by Endorser. MusclePharm shall be responsible to pay the deductible under any such insurance policies with respect to any claims made under such policies.

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28. ***Entire Agreement*:**

This Agreement contains the entire contract of the parties with respect to the subject matter hereof and supersedes all agreements and understandings between the parties concerning the subject matter hereof. The language in all parts of this Agreement shall in every case be construed simply according to its fair meaning.

29. ***Infringement*:**

(a) The AS Parties shall have the exclusive right, but not the obligation, to prosecute, defend, and/or settle at their own cost and expense and in their sole discretion, all actions, proceedings and claims involving an infringement of the Name and Appearance Rights or Trademarks and to take any other action that they deem proper or necessary in their sole discretion for the protection and preservation of such rights. In their sole option, the AS Parties may take any action described above in one or more of their own names and MusclePharm will cooperate fully therewith. MusclePharm shall have the exclusive right, but not the obligation, to prosecute, defend and/or settle at its own cost and expense and in its sole discretion, all actions, proceedings and claims involving an infringement of the MusclePharm trade name, trademarks, and logo even if the matter involves the Licensed Products and to take any other action that its deem proper or necessary in its sole discretion for the protection and preservation of such rights. In its sole option, MusclePharm may take any action described above in its own name and the AS Parties will cooperate fully therewith if the matter involves the Licensed Products. All expenses of any action taken by a party hereto as contemplated above shall be borne by such party, and all relief granted in connection therewith shall be solely for the account of such party. A party hereto will not claim or reserve any rights against the other party as the result of any such action contemplated above.

(b) Each party shall notify the other party promptly of any adverse, pending or threatened action in respect of an infringement of the Name and Appearance Rights or Trademarks or any infringement of the Licensed Products, as the case may be, and of any use by third parties that would or might tend to be adverse to the rights of the parties hereto, as applicable.

* * * THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK. * * *

[*] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portion.

This Agreement when signed and dated by all parties shall be deemed to be made, accepted and delivered in the City and County of Los Angeles, California, regardless of where the Agreement is executed by the parties.

MusclePharm Corporation

By: /s/Brad Pyatt
Name: Brad Pyatt
Title:CEO

Dated: July 26, 2013

Marine MP, LLC

By: /s/ Paul Wachter
Name: Paul Wachter
Title: Manager

Dated: July 26, 2013

By: /s/Arnold Schwarzenegger
Arnold Schwarzenegger

Dated: July 26, 2013

Fitness Publications, Inc.

By: /s/Arnold Schwarzenegger
Name:
Title:

Dated: July 26, 2013

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EXHIBIT A

PROMOTIONAL PRODUCTS

Promotional Products shall include the following products:

- T-Shirts;
- Golf Shirts;
- Hats;
- Visors;
- Wristbands and Headbands; and
- Shakers.

Each and every of the foregoing Promotional Products must be specifically approved in advance and in writing by the AS Parties and shall always prominently include the MusclePharm logo or images of the Licensed Products.

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Exhibit "B"
Royalty Statement

Company Name:**MusclePharm Corporation**

Licensee Address:4721 Ironton Street, Unit A, Denver, Colorado 80239

For Quarter Ending:_____

Customer Name	Item/SKU Number or Description	Invoice Price	No. Units Sold	Sales Invoice	Less Returns	Net Sales	Royalty Percentage	Royalty Amount
Total Royalty Earned This Quarter:						$		
Total Earned Royalty To Date (This Contract Year):						$		
TOTAL						$		
Less Paid and Un-Recouped Minimum Guarantee:						$	([ ])	
Balance Due From the Company and Payable This Quarter:						$		

I hereby certify that the above is accurate and complete.

_____ _____
Signature Date

_____
Title

_____
Printed Name

Submit to:

Name: _____
Email: _____
Tel: _____
Date Received: _____

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Exhibit "C"

Section (1)

Guaranteed Minimum Royalty during the initial Term:

Contract Year	Minimum Royalty	Timing of Payment
One	$[*]	$[*] payment due on the following dates: July 23, 2013; October 1, 2013; February 1, 2014
Two	$[*]	$[*] payment due on the following dates: July 23, 2014; October 1, 2014; February 1, 2015
Three	$[*]	$[*] payment due on the following dates: July 23, 2015; October 1, 2015; February 1, 2016

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Section (2)

Guaranteed Minimum Royalty during the First Additional Term:

In the event that the Renewal Threshold is achieved in the Third Contract Year, during the First Additional Term the Minimum Royalty and Timing of Payment shall be as follows:

Contract Year	Minimum Royalty	Timing of Payment
Four	$[*]	$[*] payment due on the following dates: July 23, 2016; October 1, 2016; February 1, 2017
Five	$[*]	$[*] payment due on the following dates: July 23, 2017; October 1, 2017; February 1, 2018
Six	$[*]	$[*] payment due on the following dates: July 23, 2018; October 1, 2018; February 1, 2019

[*] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portion.

Section (3)

Guaranteed Minimum Royalty during the Second Additional Term:

In the event that the Second Renewal Threshold is achieved in the Sixth Contract Year, during the Second Additional Term the Minimum Royalty and Timing of Payment shall be as follows:

Contract Year	Minimum Royalty	Timing of Payment
Seven	$[*]	$[*] payment due on the following dates: July 23, 2019; October 1, 2019; February 1, 2020
Eight	$[*]	$[*] payment due on the following dates: July 23, 2020; October 1, 2020; February 1, 2021
Nine	$[*]	$[*] payment due on the following dates: July 23, 2021; October 1, 2021; February 1, 2022

[*] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portion.

Exhibit "D"

Endorser Expenses

MusclePharm shall be responsible for the following expenses:

- Exclusive private jet transportation (Netjets, or as otherwise indicated by Endorser) to be arranged through [*] or [*];
- A first class suite at a hotel of Endorser's choice;
- A security detail; and
- A reasonable per diem expense allowance while Endorser is on location.

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Exhibit "E"

Approval Request Response

Tracking Number: _____

CONCEPT: _____ Date: _____

Approved. Supply pre-production sample as soon as available for approval.

Not approved, pending changes indicated. Re-submit concept sample for approval.

Not approved.

PRE-PRODUCTION SAMPLE: _____ Date: _____

Approved. Supply production sample as soon as available for approval.

Not approved, pending changes indicated. Re-submit pre-production sample for approval.

Not approved.

PRODUCTION SAMPLE: _____ Date: _____

Approved. Supply production sample for Arnold Schwarzenegger's records.

Approved with changes for next production run – please re-submit.

Not approved, pending changes indicated. Re-submit production sample for approval.

Not approved. ***Cease all manufacture, sale, display, marketing, and distribution.***

COMMENTS:

_____

_____

Signature: _____

Title: _____

[*] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portion.

Exhibit 21

Subsidiary of the Registrant

Name of Subsidiary	Jurisdiction of Incorporation
Canada MusclePharm Enterprises Corp.	Canada
BioZone Laboratories Inc.	Nevada

Exhibit 31.1

CERTIFICATION

I, Brad J. Pyatt, certify that:

1. I have reviewed this Annual Report on Form 10-K 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. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over 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. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

Date: March 31, 2014

By: */s/ Brad J. Pyatt*
Brad J. Pyatt
Principal Executive Officer

Exhibit 31.2

CERTIFICATION

I, L. Gary Davis, certify that:

1. I have reviewed this Annual Report on Form 10-K 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. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over 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. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

Date: March 31, 2014

By: */s/ L. Gary Davis*
L. Gary Davis
Principal Financial Officer

Exhibit 32.1

Section 1350 CERTIFICATION

In connection with this Annual Report of MusclePharm Corporation (the "Company"), on Form 10-K for the year ended December 31, 2013, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Brad J. Pyatt, Principal Executive Officer of the Company, certify pursuant to 18 U.S.C. Section. 1350, as adopted pursuant to Section. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report, fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 31, 2014

By: */s/ Brad J. Pyatt*
Brad J. Pyatt
Principal Executive Officer

Exhibit 32.2

Section 1350 CERTIFICATION

In connection with this Annual Report of MusclePharm Corporation (the "Company"), on Form 10-K for the year ended December 31, 2013, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, L. Gary Davis Principal Accounting Officer of the Company, certify pursuant to 18 U.S.C. Section. 1350, as adopted pursuant to Section. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report, fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 31, 2014

By: */s/ L. Gary Davis*
L. Gary Davis
Principal Accounting Officer