MusclePharm Corp
Form S-1/A
December 19, 2012

As filed with the Securities and Exchange Commission on December 19, 2012

Registration No. 333-184625

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 1

TO

FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

MusclePharm Corporation

(Exact name of registrant as specified in its charter)

Nevada	2834	77-0664193
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

4721 Ironton Street, Building A

Denver, Colorado 80239

Telephone: (303) 396-6100

(Address, including zip code, and telephone number, including area code, of registrant’s principal executive offices)

Brad J. Pyatt

Co-Chairman, Chief Executive Officer and President

MusclePharm Corporation

5348 Vegas Drive

Las Vegas, Nevada 89108

Telephone: (702) 953-1890

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Reid A. Godbolt, Esq. Jones & Keller, P.C. 1999 Broadway, Suite 3150 Denver, Colorado 80202 Telephone: (303) 573-1600 Facsimile: (303) 573-8133	Yvan-Claude J. Pierre, Esq. Daniel I. Goldberg, Esq. Reed Smith LLP 599 Lexington Avenue New York, New York 10022 Telephone: (212) 549-5400 Facsimile: (212) 521-5450

Approximate date of commencement of proposed sale to the public:

As soon as practicable after this Registration Statement is declared effective.

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

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

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

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

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

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company x

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price (1) $	Amount of Registration Fee (2) $
Series D Convertible Preferred Stock, par value $0.001 per share (3)	$ 10,000,000	$ 1,364
Common Stock, par value $0.001 per share, issuable upon conversion of shares of Series D Convertible Preferred Stock (3) (4)		
Total	$ 10,000,000	$ 1,364

(1) Estimated pursuant to Rule 457(o) under the Securities Act of 1933, as amended (the “Securities Act”), based on the proposed maximum aggregate offering price.

(2) Registration fee previously paid by the registrant in the amount of $2,812.

(3) Pursuant to Rule 416 under the Securities Act, the securities being registered hereunder include such indeterminate number of additional shares of common stock as may be issued after the date hereof as a result of stock splits, stock dividends or similar transactions.

(4) No additional consideration is payable upon conversion of the Series D Convertible Preferred Stock.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to Section 8(a), may determine.

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

PRELIMINARY PROSPECTUS SUBJECT TO COMPLETION DATED DECEMBER 19, 2012

Shares

Series D Convertible Preferred Stock

(**Shares of Common Stock underlying the Series D Convertible Preferred Stock)**

MusclePharm Corporation is offering up to shares of its Series D Convertible Preferred Stock, $0.001 par value per share (the "Series D Preferred Stock") and up to shares of our common stock, $0.001 par value per share, in which the Series D Preferred Stock is convertible, pursuant to this prospectus. The Series D Preferred Stock converts at a rate of two shares of common stock for each share of Series D Preferred Stock, subject to adjustment. Further, the conversion of the Series D Preferred Stock is subject to certain ownership limitations described in this prospectus. Proceeds will be deposited in an escrow account and returned to investors in full, without interest or deduction, unless the subscribed shares of Series D Preferred Stock are sold hereby during the offering period. Investors will have no right to the return of their funds during the term of the escrow.

The Series D Preferred Stock is not listed on an exchange, and we do not intend to list the Series D Preferred Stock on any exchange or market. Our common stock is presently quoted on the OTCBB under the symbol "MSLP.OB". On December 18, 2012, the last reported sale price for our common stock on the OTC QB was $4.50 per share.

We have retained placement agents in this offering, with Aegis Capital Corp acting as representative of the placement agents. We have agreed to pay the placement agents' fees as set forth in the table below. The placement agents are not required to sell any specific number or dollar amount of our Series D Preferred Stock in this offering, but will use their reasonable best efforts to solicit orders to purchase our Series D Preferred Stock offered.

Our business and an investment in our securities involve a high degree of risk. See "Risk Factors" beginning on page 7 of this prospectus for a discussion of information that you should consider before investing in our securities.

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

	Per Share	Maximum Offering Amount
Public offering price of Series D Preferred Stock	$	$
Placement Agents' fees[1]	$	$
Proceeds, before expenses, to us	$	$

(1) Does not include additional compensation payable to the placement agents. See "Plan of Distribution" beginning on page 64 of this prospectus for a description of compensation payable to the placement agents.

We estimate the total expenses of this offering, excluding the placement agents' fees, will be approximately $. Because there is no minimum offering amount required as a condition to closing in this offering, the actual public offering amount, placement agents' fees and net proceeds to us, if any, in this offering are presently not determinable and may be substantially less than the maximum offering amount set forth in this prospectus.

Delivery of the shares of Series D Preferred Stock and the closing are expected to occur on or about , 2012, subject to customary closing conditions, against payment for such shares to be received by us on the same date.

Aegis Capital Corp

The date of this prospectus is , 2012

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You should rely only on the information contained in this prospectus or in any free writing prospectus that we may specifically authorize to be delivered or made available to you. We have not, and the placement agents have not, authorized anyone to provide you with any information other than that contained in this prospectus or in any free writing prospectus we may authorize to be delivered or made available to you. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus may only be used where it is legal to offer and sell our securities. The information in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of our securities. Our business, financial condition, results of operations and prospects may have changed since that date. We are not, and the placement agents are not, making an offer of these securities in any jurisdiction where the offer is not permitted.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus and does not contain all of the information that you should consider in making your investment decision. Before investing in our securities, you should carefully read this entire prospectus, including our financial statements and the related notes and the information set forth under the headings "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in each case included elsewhere in this prospectus.

Unless otherwise stated or the context requires otherwise, references in this prospectus to "MusclePharm", the "Company", "we", "us", or "our" refer to MusclePharm Corporation, and information in this prospectus gives effect to the 1-for-850 reverse stock split of our common stock that we effected on November 26, 2012.

MusclePharm Corporation

Business Overview

We develop, market and sell athlete-focused, high quality nutritional supplements primarily to specialty resellers. Our products have been formulated to enhance active fitness regimens, including muscle building, weight loss and maintaining general fitness. Our nutritional supplements are available for purchase in over 10,500 U.S. retail outlets, including Dick's Sporting Goods, GNC, Vitamin Shoppe and Vitamin World. We also sell our products to over 100 online channels, including bodybuilding.com, amazon.com, gnc.com and vitacost.com. Internationally, our nutritional supplements are sold in over 110 countries, and we expect that international sales will be a significant part of our sales for the foreseeable future.

We started formulating our nutritional supplements in 2008 for consumption by active individuals, high performance athletes and fitness enthusiasts. We launched our sales and marketing programs in late 2008 through our internal sales executives and staff targeting specialty retail distributors.

Our wide-range variety of nutritional supplements, include Assault™, Combat Powder™, MusclePharm Musclegel®, MusclePharm Shred Matrix®, and Re-Con®. These products are comprised of amino acids, herbs, and proteins tested by our scientists for the overall health of athletes. We developed these nutritional supplements to enhance the effects of workouts, repair muscles, and nourish the body for optimal physical fitness.

Our Growth and Core Marketing Strategy

Our primary growth strategy is to:

- 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 "athlete's 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.

Recent Developments

Significant Growth in Product Sales

We have recently experienced significant growth in our product sales. Our net sales for the years ended December 31, 2010 and 2011 were $3.2 million and $17.2 million, respectively. Our net sales for the nine months ended September 30, 2011 and 2012 were $10.9 million and $50.6 million, respectively.

Conversion of Warrants into Common Stock

In late September 2012, we issued 512,675 shares of our common stock to several accredited investors pursuant to conversions of warrants to purchase an aggregate of 723,747 shares of our common stock. As a result of these warrant conversions and other extinguishments of derivative liabilities during the quarter ended September 30, 2012, our stockholders' deficit decreased from $11,013,113 at June 30, 2012 to $7,297,593 at September 30, 2012 and our derivative liabilities decreased from $7,908,960 at June 30, 2012 to $24,889 at September 30, 2012. On December 5, 2012, we converted a warrant exercisable for 4,902 shares of common stock into 3,677 shares of our common stock. Thereafter, our derivative liability was reduced to approximately $300 as of December 5, 2012.

Proportionate Reverse Stock Split and Increase in Number of Authorized Shares of Common Stock

On November 26, 2012, we (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 2.5 billion shares to 2,941,177 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. See "Description of Securities" beginning on page 61 of this prospectus.

Bridge Loan

On December 4, 2012, we entered into a $1.0 million bridge loan to provide us with short-term financing. In connection with the bridge loan, we entered into a subscription agreement with six subscribers pursuant to which we issued an aggregate $1.0 million principal amount of promissory notes and 50,000 shares of common stock to the subscribers. The promissory notes are due January 18, 2013 (45-days after the date of the subscription agreement), do not bear interest, and may be pre-paid in full at any time without penalty to us. If not repaid in full at maturity, following a five-day grace period, the default interest rate would be 12% per annum. The events of default under the promissory notes are defined broadly and include failure to pay principal and breach of covenants in the subscription agreement. Additionally, we granted the subscribers “piggy-back” registration rights for the shares of common stock in certain circumstances. The subscription agreement also contained customary representations and warranties, indemnification provisions, and additional covenants. Pursuant to the terms of the bridge loan, we are required to repay the entire bridge loan upon closing of this offering.

Selected Risks Associated With Our Business

Our business is subject to numerous risks described in the section entitled “Risk Factors” and elsewhere in this prospectus. You should carefully consider these risks before making an investment. Some of these risks include:

- Our independent auditors have expressed substantial doubt about our ability to continue as a going concern, which may hinder our ability to obtain future financing;

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

- 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;

- Our management has determined that our disclosure controls and procedures are ineffective which could result in material misstatements in our financial statements;

- 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;

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

- 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;

- 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 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;

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

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

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

- 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;

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

- 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;

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

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

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

- A member of our management team has been involved in a bankruptcy proceeding and other failed business ventures that may expose us to assertions that we are not able to effectively manage our business, which could have a material adverse effect on our business and your investment in our securities;

- There is no minimum amount of gross proceeds that must be raised in this offering and we may be unable to raise any significant capital from this offering. We could therefore continue to have the extremely limited capital and will continue to have a significant working capital deficit;

- You may experience substantial dilution in the event we issue common stock in the future at a price below $ per share;

- The conversion reset provision relating to our Series D Preferred Stock could result in difficulty for us to obtain future equity financing;

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

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

- Nevada corporations laws limit the personal liability of corporate directors and officers and require indemnification under certain circumstances;

- Because we will have broad discretion and flexibility in how the net proceeds from this offering are used, we may use the net proceeds in ways in which you disagree;

- Future financings through debt securities and preferred stock may restrict our operations;

- Our common stock price may be volatile and could fluctuate widely in price, which could result in substantial losses for investors;

- If our common stock remains subject to the SEC's penny stock rules, broker-dealers may experience difficulty in completing customer transactions and trading activity in our securities may be adversely affected;

- Because certain of our stockholders control a significant number of shares of our common stock, they may have effective control over actions requiring stockholder approval;

- If securities or industry analysts do not publish research or reports about our business, or if they change their recommendations regarding our stock adversely, our stock price and trading volume could decline;

- A sale of a substantial number of shares of our common stock may cause the price of our common stock to decline and may impair our ability to raise capital in the future;

- You will experience immediate and substantial dilution as a result of this offering and may experience additional dilution in the future;

- The reverse stock split may decrease the liquidity of the shares of our common stock;

- Following the reverse stock split, the resulting market price of our common stock may not attract new investors, including institutional investors, and may not satisfy the investing requirements of those investors. Consequently, the trading liquidity of our common stock may not improve; and

- There is no public market for the offered securities other than our common stock.

Corporate Information

We were incorporated in Nevada on August 4, 2006, under the name “Tone in Twenty”. On February 18, 2010, Tone in Twenty acquired all of the issued and outstanding equity and voting interests of Muscle Pharm, LLC, a Colorado limited liability company, in exchange for 30,589 shares of its common stock. As a result of this transaction, Muscle Pharm, LLC became a wholly owned subsidiary of Tone in Twenty, and Tone in Twenty changed its name to “MusclePharm Corporation.” Our principal executive offices are located at 4721 Ironton Street, Building A, Denver, Colorado 80239 and our telephone number is (303) 396-6100. Our website address is http://www.musclepharm.com. The information on, or that can be accessed through, our website is not part of this prospectus.

Summary of the Offering

Series D preferred stock offered by us	shares of Series D Preferred Stock.
Series D preferred stock outstanding after this offering	shares of Series D Preferred Stock.
Conversion	Each holder of the Series D Preferred Stock has the right to convert its Series D Preferred Stock, at the option of the holder, at any time, into shares of our common stock. One share of Series D Preferred Stock shall initially be convertible into two shares of our common stock, which conversion rate may be adjusted based on certain events. See "Description of Series D Preferred Stock" beginning on page 57 of this prospectus.
Limitation on conversion	We will not permit the conversion of shares of Series D Preferred Stock by any holder, if after such conversion such holder would beneficially own more than 4.99% (which may be waived by the holder upon 61 days' advance notice) or 9.99% of our common stock then outstanding. A holder of shares of Series D Preferred Stock may decrease these percentages by written notice to the Company. See "Description of Series D Preferred Stock" beginning on page 57 of this prospectus.
Voting	Series D Preferred Stock will vote together with the common stock on an as converted basis, as limited by the conversion limitations.
Series D preferred stock listing	Our Series D Preferred Stock will have no public market.
Common stock underlying Series D preferred stock	shares of common stock.
Common stock to be outstanding after this offering assuming full conversion of Series D preferred stock	shares of common stock.
Use of proceeds	We intend to use the net proceeds received from this offering to retire a bridge loan of $1.0 million and $3.5 million of debt due on completion of this offering and for working capital and general corporate purposes. See "Use of Proceeds" on page 18 of this prospectus.
Risk factors	See "Risk Factors" beginning on page 7 of this prospectus and the other information included in this prospectus for a discussion of factors you should carefully consider before investing in our securities.
Common stock OTC Bulletin Board trading symbol	MSLP.OB

Unless we indicate otherwise, all information in this prospectus:

- is based on 2,974,135 shares of common stock issued and outstanding as of December 18, 2012;

- excludes __________ shares of our common stock issuable upon exercise of outstanding options at a weighted average exercise price of __________ per share as of December __, 2012;

- excludes 89 shares of our common stock issuable upon exercise of outstanding warrants at a weighted average exercise price of ______ per share as of December __, 2012;

- excludes ______________ shares of common stock issuable upon vesting and settlement of outstanding restricted stock unit awards as of December __, 2012; and

- excludes _____________ shares of common stock issuable upon conversion of outstanding convertible promissory notes with a weighted average conversion price of $_______ per share as of December __, 2012.

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SUMMARY CONSOLIDATED FINANCIAL DATA

The following tables sets forth our (i) summary statement of operations data for the years ended December 31, 2011 and 2010 and the nine months ended September 30, 2012 and 2011 (unaudited) and (ii) summary consolidated balance sheet data as of September 30, 2012 (unaudited), derived from our audited and unaudited consolidated financial statements and related notes included elsewhere in this prospectus. The summary consolidated financial data for the nine months ended September 30, 2012 and 2011 and as of September 30, 2012 are not indicative of results to be expected for the full year. Our financial statements are prepared and presented in accordance with generally accepted accounting principles in the United States. All share amounts and per share amounts reflect the completed 1-for-850 reverse stock split. The results indicated below are not necessarily indicative of our future performance.

You should read this information together with the sections entitled “Capitalization”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes included elsewhere in this prospectus.

	Nine Months Ended September 30,		Year Ended December 31,	
	2012	2011	2011	2010
Statement of Operations:	(unaudited)			
Sales – net	$ 50,563,746	$ 10,875,249	$ 17,212,636	$ 3,202,687
Loss from operations	(6,202,447)	(5,393,337)	(16,220,160)	(18,251,836)
Other income (expense)	35,411	-	(7,060,790)	(1,317,501)
Net income (loss)	(15,927,426)	(12,332,236)	(23,280,950)	(19,569,337)
Series C preferred stock dividend	-	-	(293)	-
Other comprehensive income	7,556	-	-	-
Total comprehensive income (loss)	(15,919,870)	(12,332,236)	(23,280,657)	(19,569,337)
Net income (loss) per share of common stock – basic and diluted	$ (9.62)	$ (46.50)	$ (70.30)	$ (404.31)
Weighted average number of shares of common stock outstanding – basic and diluted	1,656,219	265,189	331,159	48,402

	As of September 30, 2012	
	Actual	**Pro Forma, As Adjusted [(1)]**
Balance Sheet Data:	(unaudited)	(unaudited)
Cash	$ 634,870	
Cash – restricted	74,202	
Total assets	7,809,619	
Working Capital (Deficit)	(9,114,226)	
Long term debt	159,210	
Stockholders’ deficit	$ (7,297,593)	

(1) Pro forma, as adjusted amounts give effect to (i) the issuance of common stock from October 1, 2012 through and immediately prior to the date of this prospectus and (ii) assuming the sale of all shares of Series D Preferred Stock in this offering at the assumed public offering price of $ per share of Series D Preferred Stock, and after deducting placement agents' fees and other estimated offering expenses payable by us.

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RISK FACTORS

Any investment in our securities involves a high degree of risk. Investors should carefully consider the risks described below and all of the information contained in this prospectus before deciding whether to purchase our securities. Our business, financial condition and results of operations could be materially adversely affected by these risks if any of them actually occur. This prospectus also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks we face as described below and elsewhere in this prospectus.

Risks Related to Our Business and Industry

Our independent auditors have expressed substantial doubt about our ability to continue as a going concern, which may hinder our ability to obtain future financing.

As reflected in the accompanying unaudited interim consolidated financial statements, we incurred a net loss of approximately $15.9 million for the nine months ended September 30, 2012, and we had a working capital deficit and stockholders' deficit of approximately $9.1 million and $7.3 million respectively, at September 30, 2012. Also as reflected in the accompanying financial statements we incurred a net loss of approximately $23.3 million and used net cash in operations of approximately $5.8 million for the year ended December 31, 2011, and had a working capital deficit and stockholders' deficit of approximately $13.7 million and $13.0 million respectively, at December 31, 2011. These factors raise substantial doubt about our ability to continue as a going concern.

In their report dated April 13, 2012, except for note 1 as to which the date is June 28, 2012, our independent auditors stated that our financial statements for the period ended December 31, 2011, were prepared assuming that we would continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. These financial statements do not include any adjustments relating to the recovery of the recorded assets or the classification of the liabilities that might be necessary should we be unable to continue as a going concern.

Our ability to continue operations is dependent on management's plans to raise more capital, which include this offering, until such time that funds provided by operations are sufficient to fund working capital requirements.

In addition to the net proceeds from this offering, we could require additional funding to finance the growth of our future operations as well as to achieve our strategic objectives. There can be no assurance that future financing will be available in amounts or terms acceptable to us, if at all.

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

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

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 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.

Our management has determined that our disclosure controls and procedures are ineffective which could result in material misstatements in our financial statements.

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting, as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act. As of December 31, 2011, our management determined that our disclosure controls and procedures were ineffective due to weaknesses in our financial closing process.

We intend to implement remedial measures designed to address the ineffectiveness of our disclosure controls and procedures, such as hiring several individuals with significant account, auditing and financial reporting experience and segregating our internal and external financial reporting among our larger financing and accounting staff, implementing more specific segregation of our accounting software and providing historical information more timely, such as monthly budgeting analysis and cash reporting. We have also adopted and implemented written procedures to document purchase orders, product discounts and product transition flow as well as analysis of our cost of goods sold. If these remedial measures are insufficient to address the ineffectiveness of our disclosure controls and procedures, or if material weaknesses or significant deficiencies in our internal control are discovered or occur in the future and the ineffectiveness of our disclosure controls and procedures continues, we may fail to meet our future reporting obligations on a timely basis, our consolidated financial statements may contain material misstatements, we could be required to restate our prior period financial results, our operating results may be harmed, we may be subject to class action litigation, and if we gain a listing on a stock exchange, our common stock could be delisted from that exchange. Any failure to address the ineffectiveness of our disclosure controls and procedures could also adversely affect the results of the periodic management evaluations regarding the effectiveness of our internal control over financial reporting and our disclosure controls and procedures that are required to be included in our annual report on Form 10-K. Internal control deficiencies and ineffective disclosure controls and procedures could also cause investors to lose confidence in our reported financial information. We can give no assurance that the measures we plan to take in the future will remediate the ineffectiveness of our disclosure controls and procedures or that any material weaknesses or restatements of financial results will not arise in the future due to a failure to implement and maintain adequate internal control over financial reporting or adequate disclosure controls and procedures or circumvention of these controls. In addition, even if we are successful in strengthening our controls and procedures, in the future those controls and procedures may not be adequate to prevent or identify irregularities or errors or to facilitate the fair presentation of our consolidated financial statements.

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 additional 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. Moreover, 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, investors could lose confidence in our reported financial information, and the trading price of our common stock could drop significantly. In addition, we cannot be certain that additional material weaknesses or significant deficiencies in our internal controls will not be discovered in the future.

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 nine months ended September 30, 2012, two of our customers accounted for approximately 49% of our sales. Our largest customer for the nine months ended September 30, 2012, accounted for 39% of our sales. For the year ended December 31, 2011, two customers accounted for approximately 55% of our sales and our largest customer represented 41% of our sales. For the year ended December 31, 2010, three customers accounted for approximately 67% of our sales and the largest customer accounted for 45% of our sales. The loss of any of our major customers, a significant reduction in purchases by any major customer, or, any serious financial difficulty of a major customer, could have a material adverse effect on our sales and results of operations.

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.

Our management employees include Brad J. Pyatt, L. Gary Davis, John H. Bluher, Jeremy R. DeLuca and Cory J. Gregory. These key management employees are primarily responsible for our day-to-day operations, and we believe our success depends in large part on our ability to retain them and to continue to attract additional qualified individuals to our management team. Currently, we have executed employment agreements with our key management employees. 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.

The continuing effects of the most recent global economic crisis may impact our business, operating results, or financial condition.

The global economic crisis that began in 2008 has caused disruptions and extreme volatility in global financial markets and increased rates of default and bankruptcy, and has impacted levels of consumer spending. These macroeconomic developments could negatively affect our business, operating results, and financial condition. For example, if consumer spending decreases, this may result in lower sales.

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.

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

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

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

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

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

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

We do not currently operate manufacturing facilities for production of our products. We lack the resources and the capabilities to manufacture our products on a commercial scale. We do not intend to develop facilities for the manufacture of products in the foreseeable future. We rely on third-party manufacturers to produce bulk products required to meet our sales needs. We plan to continue to rely upon contract manufacturers to manufacture commercial quantities of our products.

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

A member of our management team has been involved in a bankruptcy proceeding and other failed business ventures that may expose us to assertions that we are not able to effectively manage our business, which could have a material adverse effect on our business and your investment in our securities.

Our chief executive officer and co-chairman of our board of directors, Brad J. Pyatt, has been involved in a personal bankruptcy and other failed business ventures. This may expose us to assertions by others that our management team may not know how to effectively run a business. To address this risk, our board of directors has devoted significant time and energy to bolstering our management team with individuals who have public company experience and financial expertise, as well as adding independent board members. Notwithstanding these efforts, if our business partners and investors do not have confidence in our management team, it could have a material adverse effect on our business and your investment in our company.

Other Risks and Risks Relating to this Offering

There is no minimum amount of gross proceeds that must be raised in this offering and we may be unable to raise any significant capital from this offering. We could therefore continue to have the extremely limited capital and will continue to have a significant working capital deficit.

Because we have no minimum amount of proceeds that must be raised in this offering we cannot assure you that a small amount of proceeds which could be raised would be sufficient for us to seek to continue to implement our business plan. The first $1.0 million of net proceeds from this offering will be used to repay a short term bridge loan we obtained on December 4, 2012 and the next $3.5 million of net proceeds are to be used to pay our corporate debt. If we only raise a limited amount of gross proceeds from the offering, our ability to seek to implement our business plan will be greatly constrained, and our financial condition, results of operating and liquidity will likely be significantly affected. In the event that the subscribed shares of Series D Preferred Stock offered hereby are not sold, all proceeds received will be refunded in full to investors without interest or deduction. Therefore, investors subscribing to purchase the shares of Series D Preferred Stock offered hereby may lose the use of their funds for the escrow period.

You may experience substantial dilution in the event we issue common stock in the future at a price below $ per share.

The terms of the Series D Preferred Stock require us to increase the conversion rate in the event we issue common stock below $- per share while any shares of Series D Preferred stock are outstanding, resulting in additional shares of common stock that will be issued upon conversion of shares of Series D Preferred Stock. For example, if we issue shares of common stock for little or no consideration, the certificate of designation for the Series D Preferred Stock provides that such issuance will be deemed to be issued at $0.001 per share of common stock, which would have a substantial impact on the conversion rate of the Series D Preferred Stock, and your ownership percentage of the Company and likely, its value would decrease accordingly.

The conversion reset provision relating to our Series D Preferred Stock could result in difficulty for us to obtain future equity financing.

Because the conversion price reset provisions relating to our Series D Preferred Stock discussed above are so significant and to the potential detriment of common stockholders, it may make it more difficult for us to raise any future equity capital. This potential difficulty should be reviewed in light of our existing levels of little capital and significant working capital deficit.

We may, in the future, issue additional shares of common 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) _________ shares have been designated as Series D Convertible Preferred Stock. 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, authorize us to issue shares of preferred stock in various classes. Currently, we have 51 shares of Series B Preferred Stock issued and outstanding, which has voting control of the Company. 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. Each shares of our Series D Convertible Preferred Stock is convertible into two shares of our 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 corporations 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.

Because we will have broad discretion and flexibility in how the net proceeds from this offering are used, we may use the net proceeds in ways in which you disagree.

We currently intend to use the net proceeds from this offering to repay our bridge loan of $1.0 million and $3.5 million of debt due upon completion of this offering, for working capital and other general corporate purposes. See “Use of Proceeds” on page 17 of this prospectus. Other than the bridge loan and debt payments, we have not allocated specific amounts of the net proceeds from this offering for any of the foregoing purposes. Accordingly, our management will have significant discretion and flexibility in applying these proceeds. You will be relying on the judgment of our management with regard to the use of these net proceeds, and you will not have the opportunity, as part of your investment decision, to assess whether the net proceeds are being used appropriately. It is possible that the net proceeds will be invested in a way that does not yield a favorable, or any, return for us. The failure of our management to use such funds effectively could have a material adverse effect on our business, financial condition, operating results and cash flow.

Future financings through debt securities and preferred stock may restrict our operations.

If additional funds are raised through a credit facility or the issuance of debt securities or preferred stock, lenders under the credit facility or holders of these debt securities or preferred stock would likely have rights that are senior to the rights of holders of our common stock, and any credit facility or additional securities could contain covenants that would restrict our operations.

Our common stock price may be volatile and could fluctuate widely in price, which could result in substantial losses for investors.

The market price of our common stock has historically been and is likely to be highly volatile and could fluctuate widely in price in response to various factors, many of which are beyond our control, including:

· new products and services by us or our competitors;

· additions or departures of key personnel;

· intellectual property disputes;

- sales of our common stock;
- our ability to integrate operations, technology, products and services;
- our ability to execute our business plan;
- operating results below expectations;
- loss of any strategic relationship;
- industry developments;
- economic and other external factors; and
- period-to-period fluctuations in our financial results.

If our common stock remains subject to the SEC's penny stock rules, broker-dealers may experience difficulty in completing customer transactions and trading activity in our securities may be adversely affected.

Unless our securities are listed on a national securities exchange, or we have net tangible assets of $5.0 million or more and our common stock has a market price per share of $5.00 or more, transactions in our common stock will be subject to the SEC's "penny stock" rules. If our common stock remains subject to the "penny stock" rules promulgated under the Exchange Act, broker-dealers may find it difficult to effectuate customer transactions and trading activity in our securities may be adversely affected.

Under these rules, broker-dealers who recommend such securities to persons other than institutional accredited investors must:

- make a special written suitability determination for the purchaser;
- receive the purchaser's written agreement to the transaction prior to sale;
- provide the purchaser with risk disclosure documents which identify certain risks associated with investing in "penny stocks" and which describe the market for these "penny stocks" as well as a purchaser's legal remedies; and

- obtain a signed and dated acknowledgment from the purchaser demonstrating that the purchaser has actually received the required risk disclosure document before a transaction in a "penny stock" can be completed.

As a result, if our common stock becomes or remains subject to the penny stock rules, the market price of our securities may be depressed, and you may find it more difficult to sell shares of our common stock after conversion of shares of Series D Preferred Stock.

Because certain of our stockholders control a significant number of shares of our common stock, they may have effective control over actions requiring stockholder approval.

As of December 18, 2012, our directors, executive officers and principal stockholders, and their respective affiliates, beneficially own approximately 17.8% of our outstanding shares of common stock. Also, two of our executive officers own 51 shares of our Series B Preferred Stock, which has voting control of the Company. As a result, these stockholders, acting together, would have the ability to control the outcome of matters submitted to our stockholders for approval, including the election of directors and any merger, consolidation or sale of all or substantially all of our assets. In addition, these stockholders, acting together, would have the ability to control the management and affairs of our company. Accordingly, this concentration of ownership might harm the market price of our common stock by:

· delaying, deferring or preventing a change in corporate control;

· impeding a merger, consolidation, takeover or other business combination involving us; or

· discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of us.

We have not paid dividends on our common stock in the past and do not expect to pay dividends on our common stock for the foreseeable future. Any return on investment may be limited to the value of our common stock.

No cash dividends have been paid on our common stock. We expect that any income received from operations will be devoted to our future operations and growth. We do not expect to pay cash dividends on our common stock in the near future. Payment of dividends would depend upon our profitability at the time, cash available for those dividends, and other factors as our board of directors may consider relevant. If we do not pay dividends, our common stock may be less valuable because a return on an investor’s investment will only occur if our stock price appreciates. Investors in our common stock should not rely on an investment in our company if they require dividend income.

If securities or industry analysts do not publish research or reports about our business, or if they change their recommendations regarding our stock adversely, our stock price and trading volume could decline.

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts publish about us or our business. We do not currently have and may never obtain research coverage by industry or financial analysts. If no or few analysts commence coverage of us, the trading price of our stock would likely decrease. Even if we do obtain analyst coverage, if one or more of the analysts who cover us downgrade our stock, our stock price would likely decline. If one or more of these analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

A sale of a substantial number of shares of our common stock may cause the price of our common stock to decline and may impair our ability to raise capital in the future.

Our common stock is traded on the OTCBB and, despite certain increases of trading volume from time to time, there have been periods when it could be considered “thinly-traded”, meaning that the number of persons interested in purchasing our common stock at or near bid prices at any given time may be relatively small or non-existent. Finance transactions resulting in a large amount of newly issued shares that become readily tradable, or other events that cause current stockholders to sell shares, could place downward pressure on the trading price of our stock. In addition, the lack of a robust resale market may require a stockholder who desires to sell a large number of shares of common stock to sell the shares in increments over time to mitigate any adverse impact of the sales on the market price of our stock.

If our stockholders sell, or the market perceives that our stockholders intend to sell for various reasons, including the ending of restrictions on resale of substantial amounts of our common stock in the public market, including shares issued upon the exercise of outstanding options, the market price of our common stock could fall. Sales of a substantial number of shares of our common stock may make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem reasonable or appropriate. We may become involved in securities class action litigation that could divert management’s attention and harm our business.

You will experience immediate and substantial dilution as a result of this offering and may experience additional dilution in the future.

You will incur immediate and substantial dilution as a result of this offering. After giving effect to the conversion of up to shares of common stock underlying Series D Preferred stock offered in this offering at an assumed public offering price of $____ per share of common stock, and after deducting the placement agents' fees and estimated offering expenses payable by us, investors in this offering can expect an immediate dilution of $____ per share. In addition, in the past, we issued options and warrants to acquire shares of common stock. To the extent these options are ultimately exercised, you will sustain future dilution. We may also acquire or license other technologies or finance strategic alliances by issuing equity, which may result in additional dilution to our stockholders.

The reverse stock split may decrease the liquidity of the shares of our common stock.

The liquidity of the shares of our common stock may be affected adversely by the recently effected 1-for-850 reverse stock split given the reduced number of shares outstanding following the reverse stock split, especially if the market price of our common stock does not increase as a result of the reverse stock split. In addition, the reverse stock split may increase the number of stockholders who own odd lots (less than 100 shares) of our common stock, creating the potential for such stockholders to experience an increase in the cost of selling their shares and greater difficulty effecting such sales.

Following the reverse stock split, the resulting market price of our common stock may not attract new investors, including institutional investors, and may not satisfy the investing requirements of those investors. Consequently, the trading liquidity of our common stock may not improve.

Although we believe that a higher market price of our common stock may help generate greater or broader investor interest, there can be no assurance that the recently effected 1-for-850 reverse stock split will result in a share price that will attract new investors, including institutional investors. In addition, there can be no assurance that the market price of our common stock will satisfy the investing requirements of those investors. As a result, the trading liquidity of our common stock may not necessarily improve.

There is no public market for the offered securities other than our common stock.

Our common stock is traded on the OTC Bulletin Board and is not listed on any securities exchange. We have not registered any series of our currently issued and outstanding preferred stock for trading in the public securities markets and do not intend to do so. There is no established public trading market for any securities that we may offer and sell under this prospectus other than our common stock. Without an active market, the liquidity of the securities other than our common stock will be limited.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS AND INDUSTRY DATA

This prospectus contains forward-looking statements. Such forward-looking statements include those that express plans, anticipation, intent, contingency, goals, targets or future development and/or otherwise are not statements of historical fact. These forward-looking statements are based on our current expectations and projections about future events and they are subject to risks and uncertainties known and unknown that could cause actual results and developments to differ materially from those expressed or implied in such statements.

In some cases, you can identify forward-looking statements by terminology, such as “expects”, “anticipates”, “intends”, “estimates”, “plans”, “potential”, “possible”, “probable”, “believes”, “seeks”, “may”, “will”, “should”, “could” or the negative or other similar expressions. Accordingly, these statements involve estimates, assumptions and uncertainties that could cause actual results to differ materially from those expressed in them. Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this prospectus.

You should read this prospectus and the documents that we reference herein and therein and have filed as exhibits to the registration statement, of which this prospectus is part, completely and with the understanding that our actual future results may be materially different from what we expect. You should assume that the information appearing in this prospectus is accurate as of the date on the front cover of this prospectus only. Because the risk factors referred to above could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made by us or on our behalf, you should not place undue reliance on any forward-looking statements. These risks and uncertainties, along with others, are described above under the heading “Risk Factors” beginning on page 7 of this prospectus. Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict which factors will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We qualify all of the information presented in this prospectus, and particularly our forward-looking statements, by these cautionary statements.

This prospectus also includes estimates of market size and industry data that we obtained from industry publications and surveys and internal company sources. The industry publications and surveys used by management to determine market size and industry data contained in this prospectus have been obtained from sources believed to be reliable.

USE OF PROCEEDS

We estimate that our net proceeds from the sale of the Series D Preferred Stock offered pursuant to this prospectus will be approximately $ million after deducting the placement agents' fees and estimated offering expenses, based on an assumed public offering price of $ per share and assuming we sell the maximum number of shares offered hereby. There is no minimum offering amount. Thus, we may continue to have significant debt obligations and may continue to have a significant working capital deficit.

We currently intend to use the net proceeds that we receive in this offering in the following order of priority: (i) $1.0 million for repayment of the bridge loan which was used for working capital (ii) $3.5 million for repayment of our outstanding debt balance principal amount of debt held by non-affiliated parties, which will be due after completion of this offering (as set forth below), (iii) to pay interest of approximately $0.1 million, representing interest payable, (iv) $1.1 million for aged accounts payable; and (v) and the remainder for general corporate purposes.

Our outstanding indebtedness that will be repaid is as follows:

Principal Amount ($000's)	Interest Rate (per annum)		Maturity Date
1,625	15	%	October 2013
510	12	%	July 2013
390	15	%	July 2013
452	15	%	August 2013
185	15	%	April 2013
156	15	%	May 2013
117	15	%	June 2013
38	15	%	September 2013

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PRICE RANGE OF COMMON STOCK

Our shares of common stock were cleared for trading under the symbol “TTWZ:OB” on the OTCBB on November 24, 2008, and later began trading on the OTCBB under the symbol “MSLP:OB” on April 22, 2010. Prior to this period, there was minimal trading in our common stock. The following table shows the reported high and low bid quotations per share for our common stock based on information provided by the OTCBB. These prices reflect the 1-for-850 reverse stock split of our common stock that we effected on November 26, 2012.

	High	Low
2012		
Fourth Quarter (though December 18, 2012)	$ 6.21	$ 3.40
Third Quarter	17.43	5.02
Second Quarter	31.88	10.20
First Quarter	31.03	5.10
2011		
Fourth Quarter	21.93	4.68
Third Quarter	34.00	9.35
Second Quarter	73.10	18.70
First Quarter	123.26	27.20
2010		
Fourth Quarter	841.55	38.25
Third Quarter	884.05	297.52
Second Quarter (beginning April 22, 2010)	1,360.09	476.53
First Quarter [1]	-	-

[1] Prior to April 22, 2010, our common stock was not traded on the OTCBB or any other exchange.

Quotations on the OTCBB reflect bid and ask quotations, may reflect inter-dealer prices, without retail markup, markdown or commission, and may not represent actual transactions. In periods prior to April 22, 2010, there was no volume in our common stock.

As of December 18, 2012, there were approximately 420 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 3,700.

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.

DILUTION

If you invest in our Series D Preferred Stock, your interest will be immediately and substantially diluted to the extent of the difference between the public offering price per share of our common stock and the pro forma net tangible book value per share of our common stock after giving effect to this offering, assuming that all shares of Series D Preferred Stock have been converted into common stock.

Our pro forma net tangible book value as of September 30, 2012 was $(   ) or $(   ) per share of common stock, based upon [   ] shares outstanding, after giving effect to issuances of common stock from October 1, 2012 through and immediately prior to the date of this offering. After giving effect to the sale of the shares in this offering at the assumed public offering price of $ per share, at September 30, 2012, after deducting placement agents' fees and estimated offering expenses payable by us and assuming conversion of all shares of Series D Preferred stock into common stock, our pro forma as adjusted net tangible book value at September 30, 2012 would have been approximately , or $ per share. This represents an immediate increase in pro forma net tangible book value of approximately $ per share to our existing stockholders, and an immediate dilution of $ per share to investors purchasing shares in the offering.

Dilution in pro forma net tangible book value per share represents the difference between the amount per share paid by purchasers of our common stock in this offering (assuming conversion of all shares of Series D Preferred Stock into common stock) and the pro forma net tangible book value per share of our common stock immediately after this offering.

The following table illustrates the per share dilution to investors purchasing shares in the offering:

Assumed public offering price per share		$
Pro forma net tangible book value per share as of September 30, 2012	$(____)	-
Increase in net tangible book value per share attributable to this offering	$	
Pro forma as adjusted net tangible book value per share after this offering		$
Dilution in pro forma net tangible book value per share to new investors		$

To the extent that outstanding options or warrants are exercised, or restricted stock units vest and settle, investors purchasing our Series D Preferred Stock and subsequently converting to our common stock will experience further dilution. In addition, we may choose to raise additional capital due to market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans. To the extent that additional capital is raised through the sale of equity or convertible debt securities, the issuance of these securities could result in further dilution to our stockholders.

CAPITALIZATION

The following table sets forth our capitalization as of September 30, 2012:

- on an actual basis;
- on a pro forma basis to give effect to the issuance of common stock from October 1, 2012 through and immediately prior to the date of this prospectus; and
- on a pro forma, as adjusted basis to give effect to (i) the issuance of common stock from October 1, 2012 through and immediately prior to the date of this prospectus, and (ii) the sale of ________________ shares of Series D Preferred Stock in this offering at the assumed public offering price of $ per share, after deducting placement agents' fees and other estimated offering expenses payable by us.

You should consider this table in conjunction with "Use of Proceeds", "Description of Securities" and our financial statements and the notes to those financial statements included elsewhere in this prospectus.

	As of September 30, 2012		
	Actual	Pro Forma	Pro Forma As Adjusted
	(unaudited)		
Stockholders' equity (deficiency)	$	$	$
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; 51 shares authorized, issued and outstanding	-	-	
Preferred stock, $0.001 par value, Series C Convertible Preferred Stock; 500 shares authorized, none issued and outstanding	-	-	
Preferred Stock, $0.001 par value, Series D Convertible Preferred Stock, ______ shares authorized, none issued and outstanding at September 30, 2012 actual and pro forma; and ____________ issued and outstanding at September 30, 2012 pro forma as adjusted	-	-	
Common stock, $0.001 par value, 100,000,000 shares authorized, 2,697,255 and 2,666,159 issued and outstanding at September 30, 2012 actual; and 3,005,231 and 2,974,135 issued and outstanding, September 30, 2012 pro forma	2,697	3,005	
Treasury Stock, at cost; 31,096 shares	(460,978)	(460,978)	
Additional paid-in capital	51,947,272	[ ]	
Accumulated deficit during the development stage	(61,084,108)	[ ]	
Accumulated other comprehensive income	7,556	7,556	

Total stockholders’ equity (deficiency)	$ (7,297,593)	$ [ ]	$

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MANAGEMENT'S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read together with our financial statements and the related notes appearing elsewhere in this prospectus. This discussion contains forward-looking statements reflecting our current expectations that involve risks and uncertainties. See "Cautionary Note Regarding Forward-Looking Statements and Industry Data" 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 prospectus. All 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 develop, market and sell athlete-focused, high quality nutritional supplements primarily to specialty resellers. Our propriety and award winning products address active lifestyles including muscle building, weight loss, and maintaining general fitness through a daily nutritional supplement regimen. Our products are sold in over 110 countries and available in over 10,500 U.S. retail outlets, including Dick's Sporting Goods, GNC, Vitamin Shoppe and Vitamin World. We also sell our products in over 100 online channels, including bodybuilding.com, amazon.com, gnc.com and vitacost.com. Internationally, our nutritional supplements are sold in approximately 110 countries, and we expect that international sales will be a significant part of our sales for the foreseeable future.

Our primary growth strategy is to:

(1) increase our product distribution and sales through increased market penetrations both domestically and internationally;

(2) increase our margins by focusing on streamlining our operations and seeking operating efficiencies in all areas of our operations;

(3) continue to conduct additional testing of the safety and efficacy of our products and formulate new products; and

(4) 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 athlete's 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

Nine months ended September 30, 2012 compared to the nine months ended September 30, 2011.

	Nine Months Ended September 30,	
	2012	2011
Sales – net	$ 50,563,746	$ 10,875,249
Cost of sales	40,345,528	8,842,990
Gross profit	10,218,218	2,032,259
General and administrative expenses	16,420,665	7,425,596
Loss from operations	(6,202,447)	(5,393,337)
Other expenses	(9,724,979)	(6,938,899)
Net loss	$ (15,927,426)	$ (12,332,236)
Net loss per share – basic and diluted	$ (9.62)	$ (46.50)
Weighted average number of common shares outstanding during the period – basic and diluted	1,656,219	265,189

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Sales

Sales increased approximately $39.7 million or 365% to approximately $50.6 million for the nine months ended September 30, 2012, compared to approximately $10.9 million for the nine months ended September 30, 2011. The increase in sales was due primarily to increased awareness of our product brand. Since inception, we have focused on an aggressive marketing plan to penetrate the market. As such, significant promotional expenditures have been made to increase product sales by adding new customers and expanding our product line. We have hired additional sales and marketing staff and added new products in an effort to expand our customer base. Another growth area was nutritional product sales in international markets. International sales are included in the results of operations and increased to approximately $17.4 million for the nine months ended September 30, 2012, compared to approximately $2.8 million for the nine months ended September 30, 2011, an increase of approximately $14.5 million or 510%.

Overall as a direct result of our aggressive marketing plan, our products are currently being offered in more retail stores, both domestically and internationally, receiving better shelf placement, and receiving nationally recognized awards. At the 2012 Bodybuilding.com Supplement Awards, we received three Awards of Excellence; we received (i) the “Brand of the Year” award, (ii) the “Packaging of the Year” award; and (iii) the “Pre-Workout Supplement of the Year” award for Assault™.

Cost of Sales

Cost of sales for the nine months ended September 30, 2012 was approximately $40.3 million compared to approximately $8.8 million for the nine months ended September 30, 2011, an increase of 358%. Cost of sales as a percent of sales decreased slightly from 81% for the nine months ended September 30, 2011 to 80% of sales for the nine months ended September 30, 2012.

Gross Profit

Our gross profit for the nine months ended September 30, 2012 was approximately $10.2 million, an increase of approximately $8.2 million or 403%, compared to approximately $2.0 million for the nine months ended September 30, 2011. Meanwhile, our gross profit percentage (gross profit as a percentage of sales) increased slightly to approximately 20% during the nine months ended September 30, 2012, from 19% for the nine months ended September 30, 2011. We expect to focus on streamlining our operations and seeking operating efficiencies in order to further improve our gross profit percentage.

General and Administrative Expenses

General and administrative expenses for the nine months ended September 30, 2012, increased to approximately $16.4 million, or an increase of approximately $9.0 million or 121%, compared to approximately $7.4 million for the nine months ended September 30, 2011, primarily driven by our sales.

The major reasons for the increase in our general and administrative expenses were: approximately $3.1 million in increased advertising and promotions due to our increased levels of sales activities (which included approximately $1.4 million in increased product sponsorships and athlete endorsement costs); approximately $1.5 million in increased salaries and benefits expenses due to our overall significantly higher level of sales; approximately $1.4 million from increased professional fees due primarily to significant activity required to obtain financings, resolve disputes and restate certain prior period financial statements, as well as increased fees due for overall increased levels of activities and preparing to seek an exchange listing for our common stock; approximately $1.2 million in investment advisory costs due to two consulting contracts that require us to issue 8.4% of our common stock on an ongoing, fully diluted basis; and other increases in general administrative expenses of approximately $2.1 million (including $0.5 million in stock compensation, $0.2 million in depreciation, and $0.2 million in travel). The total increase in general and administrative costs was offset by decreases in research and development costs of approximately $0.3 million and company support of $0.1 million.

We expect that as we continue to promote our brand and products, sponsorships and athlete endorsements will hold steady or possibly increase slightly if it is beneficial to our brand and product awareness and sales.

Although salaries and benefits increased significantly, they were 6% of net sales for the period compared to 12% of net sales in 2011. We are seeking to maintain salaries and benefits at 6% of net sales.

Loss from Operations

Our loss from operations for the nine months ended September 30, 2012, was approximately $6.2 million, compared to approximately $5.4 million for the nine months ended September 30, 2011. The increase was primarily attributable to our aggressive plan to raise additional capital and retire warrants and existing debt which result in increased expenses that were only partially offset by the resulting increase in sales as a result of such efforts during the nine months ended September 30, 2012, compared to the nine months ended September 30, 2011.

Other Expenses

Other expenses were approximately $9.7 million for the nine months ended September 30, 2012, compared to approximately $6.9 million for the nine months ended September 30, 2011. Because almost all of our outstanding warrants were converted into common stock during the third quarter of 2012, we do not expect such significant charges per quarter for interest expenses, changes in fair value of derivate securities or losses on settlement of accounts payable and debt, and the resulting net expenses should be significantly lower. The components of our other income (expenses) for the periods indicated are reflected in the table below:

	Nine Months Ended September 30,	
	2012	2011
Derivative expense	$ (4,409,214)	$ (3,576,192)
Change in fair value of derivative liabilities	$ 5,900,749	$ 2,181,955
Loss on settlement of accounts payable and debt	$ (4,452,439)	$ (2,542,073)
Interest expense	$ (6,812,255)	$ (3,002,589)
Other income or expense	$ 48,180	$ -
	$ (9,724,979)	$ (6,938,899)

Net Loss

For the foregoing reasons, net loss was approximately $15.9 million or $(9.62) per share, for the nine months ended September 30, 2012, compared to approximately $12.3 million or $(46.50) per share, for the nine months ended September 30, 2011.

Inflation did not have a material impact on our operations for the nine months ended September 30, 2012.

Year ended December 31, 2011 compared to the year ended December 31, 2010.

	Year Ended December 31,	
	2011	2010
Sales – net	$17,212,636	$3,202,687
Cost of sales	14,845,069	2,804,274
Gross profit	2,367,567	398,413
General and administrative expenses	18,587,727	18,650,249
Loss from operations	(16,220,160)	(18,251,836)
Other income (expense)	(7,060,790)	(1,317,501)
Net income (loss)	(23,280,950)	(19,569,337)
Net loss per share – basic and diluted	$(70.30)	$(404.31)
Weighted average number of common shares outstanding during the period – basic and diluted	331,159	48,402

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Revenues

Our net revenues were approximately $17.2 million for the year ended December 31, 2011, compared approximately $3.2 million for the year ended December 31, 2010, an increase of 438%. Sales during the year ended December 31, 2011 increased due to our increased advertising and promotion efforts, as well as the change in our manufacturers, which provided more consistent shipments to customers. The sales increase was also the result of the significant capital spent on marketing with distributors and marketing and brand recognition with endorsements and sponsorships.

Cost of Sales

Cost of sales for the year ended December 31, 2011 was approximately $14.8 million or 86% of revenue, compared to approximately $2.8 million or 88% of revenue for the year ended December 31, 2010. This slight decrease was due to efficiencies from the larger scale of our operations.

General and Administrative Expenses

Operating expenses for the year ended December 31, 2011 decreased slightly to $18.6 million, compared to $18.7 million for the year ended December 31, 2010, due primarily to an increase in stock based compensation of approximately $3.7 million, an increase in depreciation expense of approximately $0.2 million and an increase in travel, meetings and entertainment of approximately $0.3 million due to our increased activity, offset by a decrease in investment advisory services of approximately $2.4 million, a decrease in research and development costs of approximately $1.2 million and the decrease of advertising expense of $0.9 million.

Operating Loss

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

Interest Expense

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

Other Expenses

Other expenses for the year ended December 31, 2011 were approximately $7.0 million, compared to approximately $1.3 million for the year ended December 31, 2010, an increase of 438%. The $5.7 million increase in other expenses was primarily due to an increase in derivative expense of approximately $4.7 million, an increase in interest expense of approximately $3.2 million and increases in the losses on settlement of accounts payable of approximately $3.4 million, offset by changes in the fair value of derivative liabilities of approximately $5.3 million and licensing income of approximately $0.2 million.

Net Loss

Net loss for the year ended December 31, 2011 was approximately $23.3 million, or $(68.00) per share, compared to the net loss of approximately $19.6 million or $(408.00) per share, for the year ended December 31, 2010. Inflation did not have a material impact on our operations for the years ended December 31, 2011 and 2010.

Liquidity and Capital Resources

The following table summarizes total current assets, liabilities and working capital deficit at September 30, 2012, compared to December 31, 2011:

	At September 30, 2012 (unaudited)	At December 31, 2011	Increase/(Decrease)
Current Assets	$ 5,833,776	$ 4,016,833	$ 1,816,943
Current Liabilities	$ 14,948,002	$ 17,710,100	$ (2,762,098)
Working Capital (Deficit)	$ (9,114,226)	$ (13,693,267)	$ (4,579,041)

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

On December 4, 2012, we entered into a $1.0 million bridge loan to provide us with short-term financing. In connection with the bridge loan, we entered into a subscription agreement with six subscribers pursuant to which we issued an aggregate $1.0 million principal amount of promissory notes and 50,000 shares of common stock to the subscribers. The promissory notes are due January 18, 2013 (45-days after the date of the subscription agreement), do not bear interest, and may be pre-paid in full at any time without penalty to us. If not repaid in full at maturity, following a five-day grace period, the default interest rate would be 12% per annum. The events of default under the promissory notes are defined broadly and include failure to pay principal and breach of covenants in the subscription agreement. Additionally, we granted the subscribers “piggy-back” registration rights for the shares of common stock in certain circumstances. The subscription agreement also contained customary representations and warranties, indemnification provisions, and additional covenants. Pursuant to the terms of the bridge loan, we are required to repay the entire bridge loan upon closing of this offering.

At September 30, 2012, we had cash of approximately $0.6 million and a working capital deficit of approximately $9.1 million, compared to cash of approximately $0.7 million and a working capital deficit of approximately $13.7 million at December 31, 2011. The working capital deficit decrease of approximately $4.6 million was primarily due to a net decrease in derivative liabilities of approximately $7.0 million, an increase in accounts receivable of approximately $1.5 million, offset by an increase in customer deposits of approximately $0.9 million, an increase in the current portion of debt of approximately $2.6 million and an increase in accounts payable and accrued liabilities of approximately $0.8 million.

Cash provided by operating activities was approximately $0.3 million for the nine months ended September 30, 2012, as compared to cash used in operating activities of approximately $4.1 million for the nine months ended September 30, 2011. The increase in cash provided by operating activities of approximately $4.4 million for the nine months ended September 30, 2012, compared to the nine months ended September 30, 2011, was primarily due to an increased payables and customer deposits of approximately $6.1 million, an increase in depreciation and amortization of approximately $3.2 million, a decrease in accounts receivable of approximately $1.8 million and an increase in derivative expense of approximately $0.8 million offset by an increase net loss of approximately $3.6 million and a decrease in derivative liabilities of approximately $3.7 million.

Cash used in investing activities increased to approximately $0.9 million from approximately $0.8 million for the nine months ended September 30, 2012 and 2011, respectively, due to slightly higher spending on fixed assets. Future investments in property and equipment, as well as further development of our Internet presence will largely depend on available capital resources.

Cash flows provided by financing activities were approximately $0.6 million for the nine months ended September 30, 2012, compared to cash flows provided by financing activities of approximately $4.8 million for the nine months ended September 30, 2011. The approximately $4.2 million decrease was due to primarily to the approximately $5.2 million repayments of debt and approximately $0.5 million purchase of treasury stock offset by an increase in proceeds from issuance of debt of approximately $0.3 million and an increase in proceeds from warrant exercises of approximately $1.1 million.

	Nine Months Ended September 30,	
	2012	2011
Cash Flows From Financing Activities:		
Proceeds from issuance of debt	$ 4,823,950	$ 4,495,756
Repayment of debt	(5,241,234)	-
Debt issuance costs	(166,950)	(219,368)
Repurchase of common stock	(460,978)	-
Proceeds from issuance of common stock and warrants	1,660,760	500,000
Cash overdraft	-	27,008
Net Cash (Used In) Provided By Financing Activities	$ 615,548	$ 4,803,396

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Going Concern

As reflected in the accompanying unaudited interim consolidated financial statements, we incurred a net loss of approximately $15.9 million and had net cash provided by operations of approximately $0.3 million for the nine months ended September 30, 2012 and a working capital deficit and stockholders' deficit of approximately $9.1 million and approximately $7.3 million respectively, at September 30, 2012. These factors raise substantial doubt about our ability to continue as a going concern.

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

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

We anticipate that the net proceeds from the maximum amount of this offering will fund our operations for approximately 12 months.

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

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

Financing

Our primary source of operating cash has been through the sale of equity and the issuance of secured and unsecured promissory notes, such as the recent bridge loan. We continue to explore potential sales expansion opportunities in order to boost sales, while leveraging distribution systems to consolidate lower costs. We need to continue to raise capital in order execute the business plan.

Off-Balance Sheet Arrangements

Other than the operating leases, as of September 30, 2012, we did not have any off-balance sheet arrangements. We are obligated under an operating lease for the rental of office space. Future minimum rental commitments with a remaining term in excess of one year as of September 30, 2012 are as follows:

Years Ending December 31,	
2012 (3 months)	$78,655
2013	357,431
2014	400,946
2015	304,542
Total minimum lease payments	$1,141,575

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Critical Accounting Policies and 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

We operate in an industry that is subject to rapid change and intense competition. Our operations are subject to significant risk and uncertainties including financial, operational, technological, regulatory and other risks, including the potential risk of business failure.

Principles of Consolidation

All intercompany accounts and transactions have been eliminated in consolidation.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable represents trade obligations from customers that are subject to normal trade collection terms. We periodically evaluate the collectability of our 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.

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

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

Fair Value of Financial Instruments

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

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

- Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2: Inputs reflect quoted prices for identical assets or liabilities in markets that are not active; quoted prices for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the assets or liabilities; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3: Unobservable inputs reflecting our assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

Revenue Recognition

We record 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. We record sales allowances and discounts as a direct reduction of sales.

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

We have an informal seven day right to return products. There were nominal returns at the three month periods ended September 30, 2012 and 2011.

Foreign Currency

We 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 United States 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 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 a transaction is complete and the actual realized gain or loss is recognized.

Beneficial Conversion Feature

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

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

Derivative Liabilities

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

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

Debt Issue Costs and Debt Discount

We 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, we provide the debt holder with an original issue discount. The original issue discount is recorded to debt discount and additional paid in capital at an amount not to exceed gross proceeds raised, reducing the face amount of the note and is amortized to interest expense over the life of the debt.

Share-Based Payments

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

Recent Accounting Pronouncements

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

BUSINESS

General

MusclePharm Corporation, a Nevada corporation ("MusclePharm", the "Company", "we", "us", or "our") was incorporated in the state of Nevada on August 4, 2006, under the name "Tone in Twenty" for the purpose of engaging in the business of providing personal fitness training using isometric techniques. On February 18, 2010, Tone in Twenty acquired all of the issued and outstanding equity and voting interests of Muscle Pharm, LLC, a Colorado limited liability company, in exchange for 30,589 shares of its common stock. As a result of this transaction, Muscle Pharm, LLC became a wholly owned subsidiary of Tone in Twenty, and Tone in Twenty changed its name to "MusclePharm Corporation." Our principal executive offices are located at 4721 Ironton Street, Building A, Denver, Colorado 80239 and our telephone number is (303) 396-6100.

We develop, market and sell athlete-focused, high quality nutritional supplements primarily to specialty resellers. Our products have been formulated to enhance active fitness regimens, including muscle building, weight loss and maintaining general fitness. Our nutritional supplements are available for purchase in over 10,500 U.S. retail outlets, including Dick's Sporting Goods, GNC, Vitamin Shoppe and Vitamin World. We also sell our products to over 100 online channels, including bodybuilding.com, amazon.com, gnc.com and vitacost.com. Internationally, our nutritional supplements are sold in approximately 110 countries, and we expect that international sales will be a significant portion of our sales for the foreseeable future.

We started formulating our nutritional supplements in 2008 for consumption by active individuals, high performance athletes and fitness enthusiasts. We launched our sales and marketing programs in late 2008 through our internal sales executives and staff targeting specialty retail distributors.

We supply our nutritional supplements to elite athletes on teams in the National Football League, Major League Baseball and the National Basketball Association, as well as Ultimate Fighting Championship fighters. While these endorsers and professional sports teams use our products, no endorsement by any of them as to the merits of the securities offered by this prospectus should be inferred.

Our products were created through our six-stage process using the expertise of distinguished nutritional scientists we have retained and they are typically field tested using a pool of several elite athletes on various teams in the National Football League, Major League Baseball and National Basketball Association, as well as Ultimate Fighting Championship fighters. We do not directly manufacturer or ship our products to most of our customers. Rather, we outsource our manufacturing to non-affiliated third parties who fulfill our orders and ship product directly to our customers.

We have recently experienced significant growth in our product sales. Our net sales for the years ended December 31, 2010 and 2011 were $3.2 million and $17.2 million, respectively. Our net sales for the nine months ended September 30, 2011 and 2012 were $10.9 million and $50.6 million, respectively. Additionally, during the second quarter of 2012, we commenced operations in Ontario, Canada, through our subsidiary Canada MusclePharm Enterprises Corp.

At the 2012 Bodybuilding.com Supplement Awards, we received three Awards of Excellence; we received (i) the “Brand of the Year” award, (ii) the “Packaging of the Year” award, and (iii) the “Pre-Workout Supplement of the Year” award for Assault™.

Our headquarters in Denver, Colorado has a state-of-the-art over 30,300 square feet athletic facility with a medical and clinical testing department, complete with equipment for measuring and conducting athletic clinical studies and supporting athletes. Our medical and clinical professionals consist of several nationally recognized medical doctors and nutritional experts who oversee our product research, formulation, efficacy analysis and testing.

Recent Developments

Conversion of Warrants into Common Stock

In late September 2012, we issued 512,675 shares of our common stock to several accredited investors pursuant to conversions of warrants to purchase an aggregate of 723,747 shares of our common stock. As a result of these warrant conversions and other extinguishments of derivative liabilities during the quarter ended September 30, 2012, our stockholders’ deficit decreased from $11,013,113 at June 30, 2012 to $7,297,593 at September 30, 2012 and our derivative liabilities decreased from $7,908,960 at June 30, 2012 to $24,889 at September 30, 2012. On December 5, 2012, we converted a warrant exercisable for 4,902 shares of common stock into 3,677 shares of our common stock. Thereafter, our derivative liability was reduced to approximately $300 as of December 5, 2012.

Proportionate Reverse Stock Split and Increase in Number of Authorized Shares of Common Stock

On November 26, 2012, we (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 2.5 billion shares to 2,941,177 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. See "Description of Securities" beginning on page 61 of this prospectus.

Bridge Loan

On December 4, 2012, we entered into a $1.0 million bridge loan to provide us with short-term financing. In connection with the bridge loan, we entered into a subscription agreement with six subscribers pursuant to which we issued an aggregate $1.0 million principal amount of promissory notes and 50,000 shares of common stock to the subscribers. The promissory notes are due January 18, 2013 (45-days after the date of the subscription agreement), do not bear interest, and may be pre-paid in full at any time without penalty to us. If not repaid in full at maturity, following a five-day grace period, the default interest rate would be 12% per annum. The events of default under the promissory notes are defined broadly and include failure to pay principal and breach of covenants in the subscription agreement. Additionally, we granted the subscribers "piggy-back" registration rights for the shares of common stock in certain circumstances. The subscription agreement also contained customary representations and warranties, indemnification provisions, and additional covenants. Pursuant to the terms of the bridge loan, we are required to repay the entire bridge loan upon closing of this offering.

Sales and Distribution

We sell our products both domestically and internationally. Domestically, we use three distribution systems:

1. We sell our products domestically to several distributors who operate over 100 online channels. Approximately 40% of our sales in 2011 were to a domestic internet website, bodybuilding.com, a leading online retailer of sports nutrition products in the United States. As of December 7, 2012, we had the second best-selling brand on bodybuilding.com for 2012 to date and had two products in top ten best sellers, and nine products in the top 50 selling products out of over 8,000 stock keeping units ("sku's") from over 500 companies.

2. We sell through traditional brick and mortar stores, and our products are carried in Dick's Sporting Goods, GNC stores, Vitamin Shoppe outlets and Vitamin World retail stores.

3. Our regional sales teams throughout the United States support our wholesale distributors such as Europa Sports Products, selling in up to 10,500 smaller domestic retail or regional stores. We also work with other distributors who have placed our products in smaller retail stores and gyms across the United States.

Internationally, we are continuing our sales expansion in Latin America, the Middle East, Europe, Russia, and the UK, and using Sportika Export as our international distributor that services approximately 110 countries. In addition, we recently launched a corporate partnership with a division of Eurpac Services, Inc. to distribute our supplements to approximately 130 U.S. military bases and 360 military stores throughout the world. We expect that international sales will represent a significant portion of our sales for 2012 and thereafter.

Our Growth Strategy

Our primary growth strategy is to:

- 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.

Core Marketing Strategy

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 athlete's 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.

Sponsorships and Promotions

In 2011, we became the official supplement provider and sponsor of the Ultimate Fighting Championship, or UFC. Our sponsorship includes prominent logo placement on the fighting mat, and our branding can be seen on FOX Television Stations, FX Networks, FUEL TV and Pay-Per-View television worldwide. The UFC fighters we sponsor feature our brand on their uniforms and we also extensively advertise at the UFC events.

We are also currently engaged in various in-store promotions, including point-of-purchase stands, aisle displays in retail outlets, as well as sample demonstrations in Dick's Sporting Goods, GNC, Vitamin World and Vitamin Shoppe.

In 2011, we launched an advanced website in seeking to tap into the social networking world and to further our brand and consumer awareness. The information in our website is not part of this prospectus. We have included our website address as a factual reference and do not intend it to be an active link to our website. Also, we currently have over 504,000 fans combined between our company and executive officer Facebook and Twitter accounts.

Industry Overview

We operate within the large and growing U.S. nutritional supplements industry. According to Nutrition Business Journal's 2012 Supplement Business Report, our industry generated over $30 billion in sales in 2011 and $28.1 billion in 2010, and is projected to grow at an average annual rate of approximately 6.0% through 2020.

According to Nutrition Business Journal, sports nutrition products represented approximately 12% of the total sales in the U.S. nutritional supplements industry in 2011, and the category is expected to grow at a 9.1% compound annual growth rate (or CAGR) from 2012 to 2020, representing the fastest growing product category in the nutritional supplements industry.

We believe there are several key demographic, healthcare and lifestyle trends driving the continued growth of our industry. These trends include:

- Increasing awareness of nutritional supplements across major age and lifestyle segments of the U.S. population. We believe that awareness of the benefits of nutritional supplements is growing among active, younger populations, providing the foundation for our future consumer base. In addition, the average age of the U.S. population is increasing and data from the United States Census Bureau indicates that the number of Americans age 65 or older is expected to increase by approximately 36% from 2010 to 2020. We believe that these consumers are likely to increasingly use nutritional supplements and generally have higher levels of disposable income to pursue healthier lifestyles.

- Increased focus on fitness and healthy living. We believe that consumers are trying to lead more active lifestyles and become increasingly focused on healthy living, nutritional and supplemental. According to the Nutrition Business Journal’s 2012 Supplement Business Report, 20% of the U.S. adult population (or 47 million people) were regular or heavy users of vitamins in 2011. We believe that growth in our industry will continue to be driven by consumers who increasingly embrace health and wellness as an important part of their lifestyles.

Participants in our industry include specialty retailers, supermarkets, drugstores, mass merchants, multi-level marketing organizations, online retailers, mail-order companies and a variety of other small participants. The nutritional supplements sold through these channels are divided into four major product categories: vitamins, minerals and health supplements; sports nutrition products; diet products; and other wellness products. Most supermarkets, drugstores and mass merchants have narrow nutrition supplement product offerings limited primarily to simple vitamins and herbs, with less knowledgeable sales associates than specialty retailers.

Our Products

We currently offer 20 athlete-focused, high quality nutritional supplement products. None of our products are formulated to contain substances that have been the subject of publicized health concerns by the medical community such as ephedra, androstene, androstenedione, aspartame, steroids or human growth hormones. Our products are comprised of amino acids, herbs and proteins tested by our recognized scientists, and intended to be safe and effective for the overall health of athletes. Moreover, our nutritional supplements are intended to enhance the effects of workouts, repair muscles, and nourish the human body for optimal physical fitness. The following is a brief description of our current products:

Product Name	Description and/or Intended Benefits
Amino 1™	Hydration sports recovery drink with amino acids, coconut water powder and electrolytes
Armor-V™	Advanced multi-vitamin complex; multiple vitamins and minerals along with immune system support
Assault™	Fuel power for long-lasting energy to enhance focus and build lean muscle mass
Battle Fuel™	Herbal formula to increase aggression and boost testosterone
BCAA™	Promote muscle development and maintenance through several amino acid complexes
Bizzy Diet Stack™	Diet supplement stack
Bullet Proof™	Promote deep sleep; optimize recovery; and stimulate growth hormone/testosterone output
Casein	Slow digesting protein with added digestive enzymes and pro-biotic blend
CLA Core™	Support body composition, aid in weight loss and increase metabolic rates
Combat Powder™	High protein supplement; enhance digestion of nutrients and maximize response to intense training
Creatine	Promote strength, power and endurance
Fish Oil	Blend of nutritional oils
GetSwole Stack™	Lean muscle mass combined products
Glutamine	Assist in recovery time, enhance muscle growth
Hybrid N.O.™	Increase muscle fullness
Live Shredded Stack™	Support lean muscle mass maintenance
MusclePharm Musclegel®	Protein and nutrition supplement, contains several different proteins
Re-Con®	Promote post-workout growth and repair; replenish nutrients
MusclePharm Shred Matrix®	Multi-level weight-loss system; increase metabolism, suppress hunger, burn fat
ZMA Max™	Mineral support formula to increase testosterone, and to support deep sleep and healthy libido function

MusclePharm Apparel

We granted an exclusive indefinite license to market, manufacture, design and sell our existing apparel line. The licensee paid an initial fee of $250,000 in June, 2011 and will pay us a 10% net royalty based on the licensee's net income at the end of each fiscal year. As of September 30, 2012, we had not earned any royalty revenue under this licensing arrangement.

Quality in Our Products

In seeking quality in our products, we require that before a product is brought to market, all:

- supplements are supported with publicly available scientific research and references;
- our manufacturers carry applicable manufacturing licenses;
- ingredients are combined so that their effectiveness is not impaired;
- ingredients are in dosage levels that fall within tolerable upper intake levels established for healthy people by the Institute of Medicine of the National Academies;
- products do not contain any substances banned by major sporting organizations such as the World Anti-Doping Agent, or WADA, NFL or MLB, or adulterated ingredients such as ephedra, androstenedione, aspartame, steroids or human growth hormones;
- formulations have a minimum two-year shelf life; and
- tablets, capsules and soft gels are designed to readily dissolve in the body to facilitate absorption.

Future Products

New products are derived from a number of sources, including our management, trade publications, scientific and health journals, consultants and distributors. Prior to introducing new products, we investigate product formulations as they relate to regulatory compliance and other issues. We expect to formulate between 10 to 20 new products within the next 12 to 18 months after the date of this prospectus.

Research and Development

Each of our products is the end result of a six stage process involving recognized nutrition scientists, doctors and professional athletes. Our expenses for research and development for the years ended December 31, 2010 and 2011, were approximately $1.3 million and $.1 million, respectively, and $.2 million for the nine months ended September 30, 2012.

Management Information, Internet and Telecommunication Systems

The ability to efficiently manage distribution, compensation, inventory control, and communication functions through the use of sophisticated and dependable information processing systems is critical to our success.

We continue to invest in applications and integrations to improve and optimize business processes and to increase performance company wide.

Product Returns

We provide an informal seven day right of return for our products. Historically, product returns as a percentage of our net sales have been nominal.

Trademarks and Patents

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

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

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

We have obtained U.S. registration on trademarks for 20 of our products. We have abandoned or not pursued efforts to register marks identifying other items in our product line for various reasons including the inability of some names to qualify for registration. We also received federal trademark registration for 20 names or expressions that we use or intend to use to distinguish ourselves from others. All trademark registrations are protected for an initial period of five years and then are renewable after five years if still in use and every 10 years thereafter.

We have filed for a provisional patent to protect technology used in certain of our products, including MusclePharm Musclegel® and Re-Con®. The patent was filed in the United States as a Patent Cooperation Treaty (PCT) application to secure patent protection worldwide. We currently expect the International Search Report (ISR)/Written Opinion to issue in December 2012 and publication at the International Bureau in February 2013.

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 three countries, and we believe the remaining registrations will be granted within the next several months.

The “MP” logo has been filed and registration granted in one country. The application for protection of the logo is expected to be filed in the near future in 26 additional countries. Going forward, we expect to seek trademark registration for our best-selling international products.

Competition

We compete with many companies engaged in selling nutritional supplements. The sports nutrition business is highly competitive. Most of our competitors have significantly more financial and human resources than we do, and have operating histories longer than ours. We seek to differentiate our products and marketing from our competitors based on our product quality, the use of sports celebrity endorsers and through our marketing program. Competition is based primarily on quality and assortment of products, marketing support, and availability of new products. Currently, our main competitors are three private companies: Optimum Nutrition, Inc., or Optimum, Iovate Health Sciences, Inc., or IHS, and Bio-Engineered Supplements and Nutrition, Inc., or BSN. Optimum is a wholly owned subsidiary of Glanbia Nutritionals, Inc., an international nutritional ingredients group. Optimum owns and operates two brands of nutritional supplements (Optimum Nutrition and American Body Building), providing a line of products across multiple categories. IHS is a nutritional supplement company that delivers a range of products to the nutritional marketplace. Headquartered in Oakville, Ontario, Canada, IHS’s line of products can be found in major retail stores and include such brands as Hydroxy-Cut™, Cell-Tech™, Six Star Nutrition™. BSN is also a sports nutrition leader whose top products include No-Explode™ and Syntha Six Protein™.

The retail market for nutritional supplements is characterized by a few dominant national companies, including GNC, Vitamin World, Vitamin Shoppe, and Great Earth Vitamin Stores. Others have a presence within local markets, such as Vitamin Cottage in Denver, Colorado. Four companies dominate the online channel—bodybuilding.com, vitamins.com (owned by Puritan's Pride), GNC.com and vitaminshoppe.com, the latter two having retail sales locations as well.

Major competitors in the sports nutrition and weight-loss markets consist of companies such as EAS, Inc., Weider Nutrition International, Inc. and Twinlab Corporation, which dominate the market with such products as Myoplex (EAS), Body Shaper (Weider) and Ripped Fuel (Twinlab).

We also compete with a number of large direct selling firms selling nutritional, diet, health, personal care and environmental products, and numerous small competitors. The principal direct selling competitors are Amway Corporation, Nature's Bounty, Inc., Sunrider Corporation, New Vision USA, Inc., Herbalife International of America, Inc., USANA, Inc., and Melaleuca, Inc.

We intend to compete by aggressively marketing our brand, emphasizing our relationships with professional athletes, and maximizing our relationships with those athletes, retail outlets and industry publications that align with our vision.

Our Manufacturers

We are committed to producing and selling highly efficacious products that are trusted for their quality and safety. To date, our products have been outsourced to a third party manufacturer where the products are manufactured in full compliance with the current good manufacturing practice, or cGMP, standards set by the U.S. Food and Drug Administration, or FDA.

We use four non-affiliated principal manufacturers for the components of our products, and multiple vendors for packaging and labeling. We have an agreement in place with our primary manufacturer. This agreement was designed to suppo