

Atlas Therapeutics Corp
Form 10-Q
May 15, 2012

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

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: March 31, 2012

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File No. 000-53298

ATLAS THERAPEUTICS CORPORATION
(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

90-0772394
(I.R.S. Employer Identification No.)

45 Horsehill Road, Suite 106
Cedar Knolls, NJ. 07927
(Address of Principal Executive Offices)

(973) 509-0444
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

Edgar Filing: Atlas Therapeutics Corp - Form 10-Q

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.

- | | |
|---|--|
| <input type="radio"/> Large accelerated filer | <input type="radio"/> Accelerated filer |
| <input type="radio"/> Non-accelerated filer | <input checked="" type="radio"/> Smaller reporting company |

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

As of May 1, 2012, the registrant had 79,938,997 shares of common stock outstanding.

INDEX

Page

PART 1-FINANCIAL INFORMATION

2

Item 1.	Financial Statements	
	Consolidated Balance Sheets as of March 31, 2012 (unaudited) and December 31, 2011	2
	Consolidated Statements of Operations (unaudited) for the three months ended March 31, 2012 and 2011 and the period from inception (April 11, 2007) to March 31, 2012	3
	Consolidated Statement of Changes in Stockholders' Equity (unaudited) for the period from inception (April 11, 2007) to March 31, 2012	4
	Consolidated Statements of Cash Flows (unaudited) for the three months ended March 31, 2012 and 2011 and the period from inception (April 11, 2007) to March 31, 2012	5 to 6
	Notes to Consolidated Financial Statements	7 to 19
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	20 to 22
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	23
Item 4.	Control and Procedures	23

PART II-OTHER INFORMATION

Item 1.	Legal Proceedings	24
Item 1A.	Risk Factors	24
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	24
Item 3.	Defaults Upon Senior Securities	24
Item 4.	Mine Safety Disclosures	24
Item 5.	Other Information	24
Item 6.	Exhibits	25

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

ATLAS THERAPEUTICS CORPORATION AND SUBSIDIARY
(a development stage company)
CONSOLIDATED BALANCE SHEETS

	March 31, 2012 (Unaudited)	December 31, 2011
ASSETS		
Current assets		
Cash	\$ 171,732	\$ 61,266
Accounts receivable	1,552	17,557
Inventories	517,729	526,284
Deferred financing cost	15,451	49,451
Prepaid expenses and other current assets	186,876	140,336
Total current assets	893,340	794,894
Fixed assets, net of accumulated depreciation of \$489		
Intellectual property	2,000,000	2,000,000
Security deposits	-	10,000
Total assets	\$ 2,897,100	\$ 2,807,642
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expenses	\$ 274,291	\$ 411,665
Note payable for acquisition of intellectual property	-	350,000
Convertible notes payable	400,000	400,000
Accrued interest	26,267	18,400
Accounts payable and accrued expenses - related parties	120,295	132,934
Loans payable	-	60,000
Notes payable - directors	99,500	80,000
Note payable	7,500	7,500
Total current liabilities	927,853	1,460,499
Derivatives liability	894,098	872,659
Total liabilities	1,821,951	2,333,158
Stockholders' equity		
Preferred stock, \$.001 par value; 25,000,000 shares authorized; no shares issued and outstanding	-	-
Common stock, \$.001 par value, 300,000,000 shares authorized; 77,588,997 shares issued and outstanding at March 31, 2012	77,589	66,814
66,813,997 shares issued and outstanding at December 31, 2011	7,227,657	6,138,916
Additional paid-in capital	7,227,657	6,138,916

Edgar Filing: Atlas Therapeutics Corp - Form 10-Q

Deficit accumulated during development stage	(6,230,097)	(5,731,246)
Total stockholders' equity	1,075,149	474,484
Total liabilities and stockholders' equity	\$2,897,100	\$2,807,642

The accompanying notes are an integral part of the financial statements

ATLAS THERAPEUTICS CORPORATION AND SUBSIDIARY
(a development stage company)
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended March 31,		April 11, 2007 (Inception Date) to March 31,
	2012	2011	2012
Revenue	\$ 24,541	\$ -	\$ 124,016
Cost of sales	8,556	-	58,488
Gross profit	15,985	-	65,528
General and administrative expenses	439,009	1,711,266	5,230,988
Loss from operations	(423,024)	(1,711,266)	(5,165,460)
OTHER INCOME (EXPENSE)			
Interest expense	(23,748)	(2,259)	(48,949)
Value of warrants in excess of the amount of additional paid-in capital received in the related private placement of restricted common stock			(2,405,303)
Change in fair value of warrants	(18,079)	(460,000)	4,083,664
Impairment charge - intellectual property			(2,662,000)
Amortization of deferred financing costs	(34,000)		(44,549)
Gain on forgiveness of debt			12,500
	(75,827)	(462,259)	(1,064,637)
Net loss	\$ (498,851)	\$ (2,173,525)	\$ (6,230,097)
Weighted average number of common shares outstanding, basic and diluted	71,495,865	53,454,523	
Basic and diluted net loss per share attributable to common stockholders	\$ (0.01)	\$ (0.04)	

The accompanying notes are an integral part of the financial statements

ATLAS THERAPEUTICS CORPORATION AND SUBSIDIARY
(a development stage company)
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
For the period from April 11, 2007 (date of inception) to March 31, 2012

	Common Stock		-	Deficit accumulated during development stage	Total stockholders' equity (deficit)
	Shares	Amount \$.001 par	Additional paid-in capital		
Balance at April 11, 2007	-	\$ -	\$ -	\$ -	\$ -
Common stock issued for cash at \$0.0002 per share	28,000,000	28,000	(23,000)		5,000
Common stock issued for cash at \$0.004 per share	21,000,000	21,000	54,000		75,000
Net loss				(60,185)	(60,185)
Balance at December 31, 2007	49,000,000	49,000	31,000	(60,185)	19,815
Net loss				(17,928)	(17,928)
Balance at December 31, 2008	49,000,000	49,000	31,000	(78,113)	1,887
Net loss				(39,308)	(39,308)
Balance at December 31, 2009	49,000,000	49,000	31,000	(117,421)	(37,421)
Net loss				(16,525)	(16,525)
Balance at December 31, 2010	49,000,000	49,000	31,000	(133,946)	(53,946)
Issuance of 7,024,000 shares of Common Stock to Peak Wellness, Inc. as part of the purchase price of intellectual property	7,024,000	7,024	3,504,976		3,512,000
Fair value of shares transferred from existing stockholder to the CEO in connection with employment agreement			1,500,000		1,500,000
Proceeds from private placements of restricted common stock	8,334,997	8,335	2,472,165		2,480,500
Offering costs			(45,000)		(45,000)
Fair value of warrants issued to private			(2,432,365)		(2,432,365)

Edgar Filing: Atlas Therapeutics Corp - Form 10-Q

placement investors					
Shares issued for services	2,055,000	2,055	688,138		690,193
Vesting of options and shares issued to directors and advisory board members			360,402		360,402
Shares issued in connection with debt	400,000	400	59,600		60,000
Net loss				(5,597,300)	(5,597,300)
Balance at December 31, 2011	66,813,997	66,814	6,138,916	(5,731,246)	474,484
Proceeds from private placements of restricted common stock	10,250,000	10,250	1,014,750		1,025,000
Shares issued to COO, not vested	500,000	500	(500)		-
Shares issued for service	25,000	25	2,250		2,275
Vesting of options and shares issued to directors and advisory board members			72,241		72,241
Net loss				(498,851)	(498,851)
Balance at March 31, 2012	77,588,997	\$ 77,589	\$ 7,227,657	\$ (6,230,097)	\$ 1,075,149

The accompanying notes are an integral part of the financial statements

ATLAS THERAPEUTICS CORPORATION AND SUBSIDIARY
(a development stage company)
CONSOLIDATED STATEMENTS OF CASH FLOW

April 11, 2007
(Inception Date)
to March 31,
2012

Three Months Ended March 31,
2012 2011

Cash Flows from Operating Activities

Net loss	\$ (498,851)	\$ (2,173,525)	\$ (6,230,097)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	212	26	488
Stock based compensation	74,516	1,500,000	2,625,111
Impairment charges			2,662,000
Derivatives charges and credits	21,439	460,000	(1,538,267)
Changes in operating assets and liabilities			
(Increase) in accounts receivable	16,005		(1,552)
(Increase) in inventories	8,555		(517,729)
(Increase) in deferred financing cost	34,000		34,000
(Increase) in prepaid expenses and other assets	(46,540)	(167,342)	(143,827)
Increase in accounts payable and accrued expenses	(129,507)	14,998	300,558
Net cash used in operating activities	(520,171)	(365,843)	(2,809,315)

Cash Flows from Investing Activities

Acquisition of intellectual property		(450,000)	(450,000)
Acquisition of fixed assets	(1,224)	(1,569)	(4,248)
Decrease in security deposits	10,000		10,000
Net cash used in investing activities	8,776	(451,569)	(444,248)

Cash Flows from Financing Activities

(Repayments to) advances from related parties	(53,139)		87,295
Repayment of notes payable	(350,000)		(742,500)
Insurance financing note		(10,487)	
Offering costs			(45,000)
Proceeds from issuance of stock to initial stockholders			80,000
Proceeds from issuance of notes			540,000
Proceeds from private placement of common stock	1,025,000	1,427,256	3,505,500

Edgar Filing: Atlas Therapeutics Corp - Form 10-Q

Net cash provided by financing activities	621,861	1,416,769	3,425,295
Net increase in cash	110,466	599,357	171,732
Cash at beginning of the period	61,266	-	-
Cash at end of the period	\$ 171,732	\$ 599,357	\$ 171,732

The accompanying notes are an integral part of the financial statements

ATLAS THERAPEUTICS CORPORATION AND SUBSIDIARY
(a development stage company)
CONSOLIDATED STATEMENTS OF CASH FLOW (Continued)

	Year Ended March 31,		April 11, 2007 (Inception Date) to December 31, 2012
	2012	2011	2012
Supplemental Disclosure of Cash Flow Information:			
Cash paid for franchise taxes	\$1,550	\$800	\$2,350
Cash paid for interest	\$-	\$-	\$-
Supplemental Disclosure of Non-Cash Transactions:			
Offering costs paid by stockholder	\$-	\$25,000	\$25,000
Conversion of stockholder loan into common stock	\$-	\$2,744	\$2,744
Conversion of stockholder loan into capital - no shares issued	\$-	\$22,256	\$22,256
Note payable - insurance financing	\$-	\$42,500	\$42,500
Note issued for accounts payable	\$-	\$-	\$7,500
Acquisition of intellectual property through note payable	\$-	\$700,000	\$700,000
Financing costs through issuance of restricted common stock	\$-	\$-	\$60,000

The accompanying notes are an integral part of the financial statements

ATLAS THERAPEUTICS CORPORATION AND SUBSIDIARY

(a development stage company)

Notes to Consolidated Financial Statements

March 31, 2012 and 2011

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization & Business Activities

Atlas Therapeutics Corporation (the "Company") was incorporated under the laws of the State of Nevada on April 11, 2007 to provide mailing & shipping services. The Company changed its name to Atlas Therapeutics Corporation in May 2010. On February 25, 2011, the Company entered into an agreement to purchase certain intellectual property from Peak Wellness, Inc. (the "Acquisition"). Since the Acquisition, the Company's business focus has been on the discovery, development and commercialization of therapeutic products, nutritional supplements and other technologies aimed at improving the health and performance of muscle tissue (see Note 8 – Intellectual Property Purchase Agreement). The Company has only realized revenues of \$124,016 through March 31, 2012 and therefore is still considered a development stage company.

Continuation of the Company as a Going Concern

At March 31, 2012, the Company had cash of \$171,732, accumulated losses since inception of \$6,230,097 and a working capital deficit of \$34,513. These factors raise substantial doubt about the ability of the Company to continue as a going concern. The continuation of the Company as a going concern is dependent both on achieving the projected sales growth of the Company's products and obtaining additional financing on terms acceptable to the Company. No adjustments have been made to the accompanying financial statements to reflect the recoverability or classification of recorded asset amounts or the amounts or classification of liabilities should the Company be unable to continue in existence.

Depreciation

The cost of property and equipment will be depreciated over the estimated useful life of 4 to 7 years. Depreciation is computed using the straight-line method when assets are placed in service.

Basis of Accounting and Principles of Consolidation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and include the accounts of the Company and its wholly-owned subsidiary, Atlas Acquisition Corp. (formed on February 23, 2011 to facilitate the purchase of the intellectual property discussed in Note 8). All material intercompany balances and transactions have been eliminated.

Cash & Cash Equivalents

The Company considers all highly liquid investments purchased with a maturity of three months or less to be a cash equivalent.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues & expenses during the reporting period.

Fair Value of Indefinite-Lived Intangible Assets

The Company's policy is to evaluate indefinite-lived intangible assets for possible impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable.

An intangible asset with an indefinite life (the intellectual property) is evaluated for possible impairment by comparing the fair value of the asset with its carrying value. Fair value is estimated as the discounted value of future revenues arising from a trademark using a royalty rate that an independent party would pay for use of that trademark. An impairment charge is recorded if the trademark's carrying value exceeds its estimated fair value. An impairment charge is recorded if the carrying value of the goodwill exceeds its implied fair value. See Note 8 for information related to impairment charges recorded in 2011 for indefinite-lived intellectual property intangible assets.

ATLAS THERAPEUTICS CORPORATION AND SUBSIDIARY
(a development stage company)
Notes to Consolidated Financial Statements
March 31, 2012 and 2011

Revenue Recognition

The Company recognizes revenue when products are shipped and collection is reasonably assured.

Inventories

Inventories are stated at the lower of cost or market, with cost generally determined on a first-in, first-out basis.

Advertising

The Company charges the costs of advertising to expense as incurred. The Company incurred \$1,000 of advertising and promotional costs for the period ended March 31, 2012 and \$237,599 since its inception.

Fixed Assets

Fixed assets consists solely of office equipment and are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of 5 to 7 years. Repair and maintenance costs are expensed as incurred. Depreciation expense for the period ended March 31, 2012 was \$212.

Concentrations of Risk

The Company's bank accounts are deposited in insured institutions. From December 31, 2010 through December 31, 2012, all non-interest-bearing transaction accounts will be fully insured by the FDIC, regardless of the balance of the account and the ownership capacity of the funds. Since all of the Company's funds are deposited in a checking account which is considered a noninterest-bearing transaction account, all of its funds are currently insured regardless of the balance.

Equity Based Compensation

The Company accounts for equity-based compensation under the provisions of ASC 718-10 Compensation - Stock Compensation and ASC 505-50 Equity Based Payments to Non-Employees. ASC 718 requires companies to estimate the fair value of share-based payment awards on the date of grant using an option-pricing model. For stock options and restricted stock that do not vest immediately but which contain only a service vesting feature, we recognize compensation cost on the unvested shares and options on a straight-line basis over the remaining vesting period, net of any projected forfeitures

The Company uses the Black-Scholes option-pricing model as its method of valuation for share-based compensation. Our determination of fair value of share-based payment awards on the date of grant using an option-pricing model is affected by our stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to our expected stock price volatility over the term of the awards, and certain other market variables such as the risk free interest rate. Equity-based compensation expense for awards to employees and non-employees recognized was \$74,516 and \$1,500,000 for the periods ended March 31, 2012 and 2011, respectively.

Comprehensive Loss

The Company had no items of other comprehensive income or expense for the years ended March 31, 2012 and 2011, respectively. Accordingly, the Company's comprehensive loss and net loss are the same for all periods presented.

Segment Information

ASC 280, “Disclosures about Segments of an Enterprise and Related Information”, establishes standards for reporting information regarding operating segments in annual consolidated financial statements and requires selected information for those segments to be presented in interim financial reports issued to stockholders. It also establishes standards for related disclosures about products and services and geographic areas. Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision maker, or decision-making group, in making decisions how to allocate resources and assess performance. The Company operates in a single segment, internally reports the results of operations for that segment and the information disclosed herein materially represents all of the financial information related to the single operating segment.

ATLAS THERAPEUTICS CORPORATION AND SUBSIDIARY

(a development stage company)

Notes to Consolidated Financial Statements

March 31, 2012 and 2011

Fair Value Measurement

The Company adopted the provisions of ASC 820 “Fair Value Measurements and Disclosures” on January 1, 2009, the beginning of our 2009 fiscal year. ASC 820 clarifies the principle that fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. Under the standard, fair value measurements are separately disclosed by level within the fair value hierarchy. As originally issued, it was effective for fiscal years beginning after November 15, 2007, with early adoption permitted. It does not require any new fair value measurements. It only applies to accounting pronouncements that already require or permit fair value measures, except for standards that relate to share-based payments.

On February 12, 2008, the FASB allowed deferral of the effective date of ASC 820 for one year, as it relates to nonfinancial assets and liabilities. Accordingly, our adoption related only to financial assets and liabilities. Upon adoption ASC 820, there was no cumulative effect adjustment to beginning retained earnings and no impact on the consolidated financial statements as of December 31, 2010 and 2009, respectively.

Valuation techniques considered under ASC 820 techniques are based on observable and unobservable inputs. The ASC classifies these inputs into the following hierarchy:

Level 1 inputs are observable inputs and use quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date and are deemed to be most reliable measure of fair value.

Level 2 inputs are observable inputs and reflect assumptions that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Level 2 inputs includes 1) quoted prices for similar assets or liabilities in active markets, 2) quoted prices for identical or similar assets or liabilities in markets that are not active, 3) observable inputs such as interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, credits risks, default rates, and 4) market-corroborated inputs.

Level 3 inputs are unobservable inputs and reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available under the circumstances.

In October 2008, the FASB clarified the application of ASC 820 in determining the fair value of a financial asset when the market for that financial asset is not active.

The Company adopted the provisions of ASC 825, “The Fair Value Option for Financial Assets and Liabilities”, on January 1, 2009, the beginning of our 2009 fiscal year. ASC 825 permits us to choose to measure certain financial assets and liabilities at fair value that are not currently required to be measured at fair value (the “Fair Value Option”). Election of the Fair Value Option is made on an instrument-by-instrument basis and is irrevocable. At the adoption date, unrealized gains and losses on financial assets and liabilities for which the Fair Value Option has been elected are reported as a cumulative adjustment to beginning retained earnings.

Our intangible assets are valued and tested for impairment using Level 3 inputs (see Note 8). In the process of the valuation of the intangible asset, we determined that the carrying cost exceeded the fair value at December 31, 2011 and we recorded an impairment charge and adjusted the balance of the asset to reflect the fair value.

Basic and Diluted Income (Loss) per Share

In accordance with ASC 260, Earnings Per Share, the basic loss per common share is computed by dividing net loss available to common stockholders by the weighted average number of common shares outstanding. Diluted loss per common share is computed in a manner similar to basic loss per common share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. At March 31, 2012 and 2011, the Company's stock equivalents were anti-dilutive and excluded in the diluted loss per share computation. The aggregate number of potentially dilutive warrants and options outstanding at March 31, 2012 were 9,534,997.

ATLAS THERAPEUTICS CORPORATION AND SUBSIDIARY

(a development stage company)

Notes to Consolidated Financial Statements

March 31, 2012 and 2011

Income Taxes

Income taxes are accounted for under the asset and liability method in accordance with ASC 740, Income Taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial carrying amounts of existing assets and liabilities and their respective tax bases as well as operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the periods in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance to the extent that the recoverability of the asset is unlikely to be recognized.

The Company follows ASC 740 rules governing uncertain tax positions, which provides guidance for recognition and measurement. This prescribes a threshold condition that a tax position must meet for any of the benefits of the uncertain tax position to be recognized in the financial statements. It also provides accounting guidance on recognition, classification and disclosure of these uncertain tax positions. The Company has no uncertain income tax positions.

Interest costs and penalties related to income taxes are classified as interest expense and selling, general and administrative costs, respectively, in the Company's financial statements. For the years ended March 31, 2012 and 2011, the Company did not recognize any interest or penalty expense related to income taxes. The Company files income tax returns in the U.S. federal jurisdiction and states in which it does business.

NOTE 2- PRIVATE PLACEMENTS OF RESTRICTED COMMON STOCK

During April 2007, the Company sold 28,000,000 (after adjusting for the 1 to 14 split) shares of its common stock to its founders for cash proceeds of \$5,000. During December 2007, the company sold 21,000,000 (after adjusting for the 1 to 14 split) shares of its common stock in a private placement for cash of proceeds \$75,000.

From February 25 through July 12, 2011, the Company issued an aggregate of 8,134,997 shares of common stock and warrants to purchase 8,134,997 shares of common stock to certain investors (the "Private Placements"). Each warrant has a three-year term and is exercisable at \$0.60 per share (currently at \$.10 due to the triggering of a down round full ratchet anti dilution provision). The warrants are redeemable by the Company in the event the Company's common stock exceeds \$3.00 for twenty of thirty trading days. The Company granted piggy-back registration rights for the securities issued in the Private Placements.

On December 2, 2011, one investor purchased 200,000 shares for gross proceeds of \$40,000 in a private placement. The subscription agreement contains a "Purchase Price Protection" clause that grants the investor additional shares in the event of a private placement during the 10 month period from the date of the investment at a price per share less than the investor's purchase price. The additional shares shall be issued for no additional payment such that the total per share price paid by this investor will equal the amount paid by investors in such later private placement.

During February and March 2012, the Company issued an aggregate of 10,250,000 shares of restricted common stock to certain investors in a private placement and received aggregate gross proceeds of \$1,025,000. The securities are subject to piggyback registration rights.

ATLAS THERAPEUTICS CORPORATION AND SUBSIDIARY
(a development stage company)
Notes to Consolidated Financial Statements
March 31, 2012 and 2011

The Company received aggregate gross proceeds of \$3,505,500 from the private placements as follows:

Date	Shares	Gross Proceeds	Related Warrant Liability at Inception	Related Warrant Liability at March 31, 2012
February 25, 2011	4,766,666	\$1,430,000	\$2,350,251	\$435,845
May 31, 2011	1,409,999	423,000	1,186,859	132,642
June 27, 2011	1,874,999	562,500	1,243,838	178,009
July 12, 2011	83,333	25,000	57,742	7,592
December 2, 2011	200,000	40,000	-	-
February 10, 2012	3,250,000	325,000	-	-
February 14, 2012	4,000,000	400,000	-	-
March 7, 2012	1,000,000	100,000	-	-
March 15, 2012	1,750,000	175,000	-	-
March 22, 2012	250,000	25,000	-	-
	18,584,997	\$3,505,500	\$4,838,690	\$754,088

The warrants are subject to full ratchet anti-dilution protection if the Company sells shares or share-indexed financing instruments at less than the \$0.60 exercise price. Repricing events occurred twice since the warrants were issued, once to \$0.20 on December 2, 2011 and again to \$0.10 on February 10, 2012 as a result of private placements of restricted common stock. The warrants issued in this financing arrangement did not meet the conditions for equity classification and are required to be carried as a derivative liability, at fair value. Management estimates the fair value of the warrants on the inception dates, and subsequently at each reporting period, using the Black-Scholes option-pricing model, adjusted for dilution, because that technique embodies all of the assumptions (including volatility, expected terms, dilution and risk free rates) that are necessary to determine the fair value of freestanding warrants.

NOTE 3 - RECENT ACCOUNTING PRONOUNCEMENTS

The Company does not believe that the adoption of any recently issued, but not yet effective, accounting standards will have a material effect on its financial position and results of operations.

NOTE 4 - ADVANCES, ACCOUNTS PAYABLE AND ACCRUED EXPENSES - RELATED PARTIES

A former officer/director advanced an aggregate \$45,911 to the Company in 2010 and 2009, which was the balance due at December 31, 2011. The aggregate balance due to all related parties for advances, accounts payable and accrued expenses at March 31, 2012 was \$120,295. The advances and other amounts due are all non-interest bearing and due and payable upon demand.

NOTE 5 - NOTES AND LOANS PAYABLE

Convertible Notes Payable

On November 29, 2011, the Company received aggregate proceeds of \$400,000 from two individuals (\$150,000 of which was from a director of the Company) on notes payable bearing interest at 18%, due on May 29, 2012 and convertible into common stock at the rate of \$0.20 per share or an adjusted lower rate determined by reference to a subsequent qualified financing. As additional consideration, the note holders were issued an aggregate of 400,000 shares of common stock valued at \$0.15 per share for an aggregate of \$60,000. The value of the shares issued were recorded as deferred financing costs and are being amortized over the 6 month term of the notes. The unamortized balances were \$15,451 at March 31, 2012 and \$49,451 at December 31, 2011. Related amortization expense was \$34,000 for the three months ended March 31, 2012.

ATLAS THERAPEUTICS CORPORATION AND SUBSIDIARY

(a development stage company)

Notes to Consolidated Financial Statements

March 31, 2012 and 2011

Notes Payable to Director

A director loaned the Company \$99,500, of which \$60,000 was advanced on September 29, 2011 and is evidenced by an unsecured note payable which was due on October 29, 2011 bearing interest at 3%; \$10,000 was advanced in December 2011 for direct payment to a vendor and \$19,500 was advanced in January 2012 for direct payments to vendors. None of the principal or interest have been paid to date.

Note Payable

On May 20, 2010, the Company issued a note for \$7,500 bearing interest at 5% in exchange for Maremanno Corporation's payment of \$7,500 on an open account payable balance. The note is due and payable upon demand. The principal balance of the note remained \$7,500 at both March 31, 2012 and December 31, 2011. Accrued interest payable on this note was \$1,170 and \$982 as of March 31, 2012 and December 31, 2011, respectively.

Loan Payable

In November and December 2011, an unrelated third party loaned the company an aggregate of \$60,000, payable on demand without interest. The loan was repaid in February 2012.

Loan Payable to Officer

The Company owed \$5,000 to its former Chief Executive Officer for funds advanced by him for working capital. The loan bears no interest and is not evidenced by a note. The loan was repaid in April 2012.

See Note 8 for a description of the terms of the note payable to Peak Wellness, Inc. for the acquisition of intellectual property.

NOTE 6 - CAPITAL STOCK

On February 12, 2010, the Company's articles of incorporation were amended to increase the number of authorized preferred shares to 25,000,000 and the number of authorized common shares to 300,000,000. The Company's 3,500,000 common shares outstanding were also forward split on a 14 shares for 1 basis with the result that 49,000,000 shares were issued and outstanding on that date. The accompanying financial statements reflect the forward stock split on a retroactive basis.

NOTE 7 - WARRANTS AND OPTIONS

The following tables summarize warrants issued during the year ended December 31, 2011 to private placement stockholders and consultants. For the quarter ended March 31, 2012, no warrants were issued and no expense was recognized.

Grant Date	Number of Warrants	Exercise Price Original/Repriced	Expiration Term in Years
February 25, 2011 (A)	4,766,666	\$ 0.60 /\$0.10	3
May 31, 2011 (A)	1,409,999	\$ 0.60/\$0.10	3
June 27, 2011 (A)	1,874,999	\$ 0.60/\$0.10	3
June 27, 2011 (B)	100,000	\$ 1.00	2
July 12, 2011 (A)	83,333	\$ 0.60/\$0.10	3

Edgar Filing: Atlas Therapeutics Corp - Form 10-Q

December 27, 2011 (B)	50,000	\$ 1.00	2
-----------------------	--------	---------	---

(A) Private placement warrants (these warrants are subject to down round full ratchet anti dilution provisions and based on the 2012 private placements at \$0.10 per share, the exercise price has been adjusted to \$0.10 until such later time as a lower down round offering takes place)

(B) Sponsorship agreement, including put option - see Note 10

ATLAS THERAPEUTICS CORPORATION AND SUBSIDIARY

(a development stage company)

Notes to Consolidated Financial Statements

March 31, 2012 and 2011

Activity in warrants for each of the year ended December 31, 2011 and the three months ended March 31, 2012 is summarized as follows:

	Shares Under Warrants	Weighted Average Exercise Price Original/Repriced
Balance at January 1, 2011	-	
Warrants granted	8,284,997	\$ 0.61/\$0.10
Warrants exercised	-	
Warrants cancelled/expired	-	
Balance at December 31, 2011	8,284,997	\$ 0.61/\$0.10
Warrants granted	-	
Warrants exercised	-	
Warrants cancelled/expired	-	
Balance at March 31, 2012	8,284,997	\$ 0.61/\$0.10

The following table summarizes information about warrants outstanding and exercisable at March 31, 2012. As all warrants currently outstanding are fully and immediately vested at issuance, the information for both outstanding and exercisable are identical.

Warrants Outstanding and Exercisable

Range of Exercise Price	Warrants Outstanding and Exercisable	Weighted Average Remaining Contractual Life
\$0.60 (A)	8,134,997	2.30
\$1.00	150,000	1.66

(A) The exercise price decreased to \$0.10 in 2012 upon the closing of the private placements

The following table summarizes the assumptions used to value the warrants using the Black-Scholes option pricing model:

	Grant Date	Number of Warrants	Stock Price on Measurement Date	Exercise Price	Expected Term	Expected Volatility	Dividend Yield	Risk Free Rate
(A)	02/25/11	4,766,666	\$ 0.500	\$ 0.60	3.00	285.20 %	0.00 %	1.48 %
(B)	Remeasurement		\$ 0.110	\$ 0.10	1.92	195.00 %	0.00 %	0.51 %

Edgar Filing: Atlas Therapeutics Corp - Form 10-Q

(A)	05/31/11	1,409,999	\$ 0.850	\$ 0.60	3.00	208.89	%	0.00	%	0.79	%
(B)	Remeasurement		\$ 0.110	\$ 0.10	2.17	195.00	%	0.00	%	0.51	%
(A)	06/27/11	1,874,999	\$ 0.670	\$ 0.60	3.00	295.31	%	0.00	%	0.64	%
(B)	Remeasurement		\$ 0.110	\$ 0.10	2.25	195.00	%	0.00	%	0.51	%
(A)	07/12/11	83,333	\$ 0.700	\$ 0.60	3.00	278.00	%	0.00	%	0.42	%
(B)	Remeasurement		\$ 0.110	\$ 0.10	2.33	195.00	%	0.00	%	0.51	%
(C)	06/27/11	100,000	\$ 0.670	\$ 1.00	2.00	213.59	%	0.00	%	0.41	%
(C)	12/23/11	50,000	\$ 0.090	\$ 1.00	2.00	209.00	%	0.00	%	0.28	%

ATLAS THERAPEUTICS CORPORATION AND SUBSIDIARY

(a development stage company)

Notes to Consolidated Financial Statements

March 31, 2012 and 2011

(A) Private placement warrants

(B) Remeasurement required at end of each period because of the down round full ratchet anti dilution provision

(C) Sponsorship agreement, including put option - see Note 10

In July and August 2011, the Company issued an aggregate of 1,250,000 options to purchase restricted common stock to the following directors and medical advisory board members (see Note 10).

Grant Date	Number of Options	Exercise Price	Expiration Term in Years
Dr. Louis Aronne - director - July 14, 2011	250,000	\$0.64	10
Dr. Louis Aronne - medical advisory board - July 14, 2011	500,000	\$0.64	10
Dr. Robert Hariri - director - July 26, 2011	250,000	\$0.69	10
Dr. Peter Diamandis - director - August 15, 2011	250,000	\$0.45	10

The following table summarizes the assumptions used to value the director/advisory board options using the Black-Scholes option pricing model:

Grant Date	Number of Options	Stock Price on Measurement Date	Exercise Price	Expected Term	Expected Volatility	Dividend Yield	Risk Free Rate
07/14/11	750,000	\$ 0.640	\$ 0.64	10.00	287.00 %	0.00 %	2.98 %
07/26/11	250,000	\$ 0.690	\$ 0.69	10.00	285.00 %	0.00 %	2.99 %
08/15/11	250,000	\$ 0.450	\$ 0.45	10.00	284.00 %	0.00 %	2.29 %

Activity in stock options for each of the year ended December 31, 2011 and quarter ended March 31, 2012 is summarized as follows:

	Shares Under Options	Weighted Average Exercise Price
Balance at January 1, 2011	-	
Options granted	1,250,000	\$0.61
Options exercised	-	
Options cancelled/expired	-	
Balance at December 31, 2011	1,250,000	\$0.61
Options granted	-	
Options exercised	-	
Options cancelled/expired	-	
Balance at March 31, 2012	1,250,000	\$0.61

At March 31, 2012, the weighted-average remaining term of the options was 9.32 years and the aggregate intrinsic value was nil because none of the options have a strike price below the quoted market price of the Company's shares. The aggregate unvested cost of the options at March 31, 2012 was \$567,500.

ATLAS THERAPEUTICS CORPORATION AND SUBSIDIARY

(a development stage company)

Notes to Consolidated Financial Statements

March 31, 2012 and 2011

The following table summarizes information about options outstanding and exercisable at March 31, 2012.

Options Outstanding			Options Exercisable		
Range of Exercise Price	Options Outstanding	Weighted Average Remaining Contractual Life	Range of Exercise Price	Options Exercisable	Weighted Average Remaining Contractual Life
\$0.64	750,000	9.29	\$0.64	208,333	9.29
\$0.69	250,000	9.33	\$0.69	83,333	9.33
\$0.45	250,000	9.38	\$0.45	83,333	9.38

NOTE 8 – INTELLECTUAL PROPERTY PURCHASE AGREEMENT

On February 25, 2011, the Company, Atlas Acquisition Corp., a wholly-owned subsidiary of the Company formed in February 2011 (“Atlas Sub”), and Peak Wellness, Inc. (“Peak”), entered into and consummated an Intellectual Property Purchase Agreement (the “Purchase Agreement”), pursuant to which Atlas Sub purchased certain intellectual property assets from Peak (the “Acquisition”). Pursuant to the Purchase Agreement, the Company acquired from Peak all intellectual property pertaining to MYO-T12, a natural-myostatin inhibitor, including the formula and process for making MYO-T12, certain trademarks, trade secrets, patent applications and certain domain names. The aggregate consideration for MYO-T12 was \$4,662,000 paid in cash, a promissory note and shares of common stock. The contractually stated purchase price for the assets was \$1,150,000, of which \$450,000 was paid in cash and \$700,000 via the issuance of the promissory note. Additionally, the Company issued 7,024,000 shares of common stock with an aggregate fair value of \$3,512,000 to Peak as part of the purchase price of MYO-T12, representing 12% of the fully diluted voting common stock of the Company on the date of the Acquisition.

In connection with the Purchase Agreement, the Company issued a secured promissory note to Peak (the “Promissory Note”) in the amount of \$700,000 with interest accruing at an interest rate of 3% per annum. The Promissory Note was payable in two installments as follows: \$350,000 plus accrued interest was due within 180 days after the closing date of the Agreement (originally August 25, 2011 but extended to the earlier of November 30, 2011 or the closing of a certain financing and paid on November 29, 2011) and \$350,000 plus accrued interest was due on the first anniversary of the closing date of the Agreement and paid on February 21, 2012.

In connection with the Purchase Agreement and the Promissory Note, the Company entered into a security agreement with Peak to secure the payments due under the Promissory Note (the “Security Agreement”). Pursuant to the Security Agreement, the Company granted Peak a continuing security interest in the assets purchased from Peak. The Security Agreement also secured all of the Company’s obligations to Peak, whether related or unrelated to the Promissory Note. The security interest was released in February 2012 upon payment of the final installment of the Promissory Note. On the closing date of the Acquisition, new officers and a new director were appointed to serve the Company.

The Company completed its annual impairment testing for indefinite-lived intangible assets after the fourth quarter of 2011. Based on (i) assessment of current and expected future economic conditions, (ii) trends, strategies and projected revenues from sales of MYO-T12® and (iii) assumptions similar to those that market participants would make in valuing the Company's intangible assets, management determined that the carrying values of the intellectual property intangible assets exceeded its fair value. Accordingly, the Company recorded noncash impairment charges totaling

\$2,662,000 in the Consolidated Statement of Operations for the year ended December 31, 2011, reducing the MYO-T12 intellectual property asset to its fair value of \$2,000,000.

ATLAS THERAPEUTICS CORPORATION AND SUBSIDIARY
(a development stage company)
Notes to Consolidated Financial Statements
March 31, 2012 and 2011

NOTE 9 - INCOME TAXES

The Company has the following deferred tax assets and liabilities:

	March 31, 2012	December 31, 2011
Noncurrent assets and liabilities		
Intellectual property	\$ 1,038,000	\$ 1,038,000
Net operating loss carryforwards	962,000	843,000
	2,000,000	1,881,000
Valuation allowance	(2,000,000)	(1,881,000)
Net deferred tax asset	\$-	\$-

The valuation allowance for the deferred tax asset increased by \$119,000 for the quarter ended March 31, 2012.

The Company has net operating losses amounting to approximately \$2,600,000 that expire in various periods through 2031. The ultimate realization of the net operating losses is dependent upon future taxable income, if any, of the Company and may be limited in any one period by alternative minimum tax rules. Although management believes that the Company will have sufficient future taxable income to absorb the net operating loss carryovers before the expiration of the carryover period, the current global economic crisis imposes additional profitability risks that are beyond the Company's control. Accordingly, management has determined that a full valuation allowance of the deferred tax asset is appropriate at this time.

Internal Revenue Code Section 382 imposes limitations on the use of net operating loss carryovers when the stock ownership of one or more 5% shareholders (shareholders owning 5% or more of the Company's outstanding capital stock) has increased by more than 50 percentage points. Management intends to carefully monitor share ownership of 5% shareholders but cannot control the ownership changes occurring as a result of public trading of the Company's Common Stock. Accordingly, there is a risk of an ownership change beyond the control of the Company that could trigger a limitation of the use of the loss carryover.

The Company has no uncertain income tax positions.

The tax years ended December 31, 2007 through 2011 are open for examination by federal and state taxing authorities. The Company has not filed all required federal and state income tax returns for years prior to 2010.

The statutory federal income tax rate and the effective rate are reconciled as follows:

	March 31, 2012		December 31, 2011	
Statutory federal income tax rate	34	%	34	%
State taxes, net of federal tax benefit	5	%	5	%
Valuation allowance	(39)%	(39)%
Net deferred tax asset	-	%	-	%

NOTE 10 - COMMITMENTS, CONTINGENCIES AND OTHER COMMENTS

Employment Agreements:

J.B. Bernstein: On February 25, 2011, the Company entered into an employment agreement with J.B. Bernstein, pursuant to which Mr. Bernstein served as Chief Executive Officer of the Company. The employment agreement was amended effective as of March 1, 2011. On April 30, 2012, J.B. Bernstein resigned from his positions as President and Chief Executive Officer and

ATLAS THERAPEUTICS CORPORATION AND SUBSIDIARY

(a development stage company)

Notes to Consolidated Financial Statements

March 31, 2012 and 2011

as a member of the Company's board of directors. In connection with his resignation, Mr. Bernstein entered into a consulting agreement with the Company (the "Consulting Agreement"), pursuant to which Mr. Bernstein will be entitled to a consulting fee of \$5,000 per month during the six-month term of the Consulting Agreement. The Consulting Agreement also includes confidentiality and non-competition obligations and provisions for intellectual property assignments by Mr. Bernstein.

Carlton Colker MD, FACN: On February 25, 2011, concurrent with the closing of the Acquisition, the Company entered into an employment agreement with Carlton Colker, MD, FACN, pursuant to which Dr. Colker will serve as Chief Medical Officer and Executive Vice President of the Company.

Pursuant to Dr. Colker's employment agreement, the term of employment with the Company is for three years, commencing on February 25, 2011. The agreement provides that Dr. Colker will work on a part-time basis and will receive an annual base salary of \$60,000. For the term of the employment agreement, Dr. Colker shall be entitled to receive an annual cash bonus of up to 50% of his base salary depending on the Company's achievement of certain milestones. The agreement shall automatically renew for successive one-year periods at a base salary of \$150,000, unless a notice of non-renewal is provided by either party within 90 days prior to the expiration date. Pursuant to the terms of his employment agreement, Dr. Colker will continue to maintain a separate medical practice and other activities relating to Peak and those activities will take precedence over his obligations to the Company.

Upon the adoption of a stock option plan, the Company will grant Dr. Colker an option to purchase shares of common stock of the Company consistent with the option awards granted to similarly situated executives, as determined by the Company's board of directors after consultations with Dr. Colker. The option vests in annual equal installments over the term of the employment agreement. Dr. Colker is entitled to receive twelve months' base salary in the event his employment with the Company is terminated other than by death or for cause by the Company. In the event Dr. Colker's employment is terminated for cause (as defined in the employment agreement), he shall be entitled to receive only the base salary owed to him as of the date of termination.

Dr. Colker's employment agreement contains customary non-competition and non-solicitation provisions that extend to termination of Dr. Colker's employment with the Company. Dr. Colker will not be subject to any non-competition and non-solicitation provisions subsequent to the termination of his employment with the Company. Dr. Colker also agreed to customary terms regarding the protection and confidentiality of trade secrets, proprietary information and technology, designs and inventions.

Dr. Colker shall be entitled to participate in such employee benefit plans and insurance offered by the Company to similarly situated employees of the Company subject to eligibility requirements, restrictions and limitations of any such plans.

Peter A. Levy: On February 10, 2012, the Company entered into an employment agreement (the "Agreement") with Peter Levy, age 51, pursuant to which Mr. Levy will serve as the Company's Chief Operating Officer and Executive Vice President.

Pursuant to the terms of the Agreement, Mr. Levy will work for the Company on a full-time basis and will receive an annual base salary of \$200,000. Mr. Levy will be entitled to such bonus compensation (e.g. cash, stock or other property) as determined by the Company's board of directors in its sole discretion. In addition, Mr. Levy was granted

500,000 shares of the Company's common stock, which shares will vest semi-annually commencing on August 10, 2012. The term of the Agreement is two years, and the Agreement will automatically renew for successive two-year periods, unless a notice of non-renewal is provided by either party within 60 days prior to the expiration date of the term.

ATLAS THERAPEUTICS CORPORATION AND SUBSIDIARY

(a development stage company)

Notes to Consolidated Financial Statements

March 31, 2012 and 2011

In the event Mr. Levy's employment with the Company is terminated as a result of his death, his estate will be entitled to receive any accrued and unpaid compensation through the date of termination and certain benefits for six months following the date of termination. In addition, all of his unvested options will expire immediately and any vested options will expire twelve months following the date of termination. In the event Mr. Levy's employment with the Company is terminated as a result of a disability, he will be entitled to receive his base salary for six months following the date of termination and certain benefits for twelve months following the date of termination. In addition, all of his unvested options will expire immediately and any vested options will expire twelve months following the date of termination.

In the event Mr. Levy's employment with the Company is terminated for any reason other than death or disability, he will be entitled to receive any accrued and unpaid compensation through the date of termination. If he is terminated without cause (as defined in the Agreement) or resigns for good reason (as defined in the Agreement), all of his unvested options will vest immediately and any vested options will expire twelve months following the date of termination. If Mr. Levy is terminated for cause, all unvested options will expire immediately and any vested options will expire three months following the date of termination. In lieu of any severance payment, Mr. Levy is entitled to receive \$40,000 on the effective date of the Agreement.

Sponsorship Agreement

On June 27, 2011, the Company entered into a one year agreement with a celebrity spokesperson pursuant to which the spokesperson agreed to perform certain services for the Company and granted the Company the worldwide right to use the spokesperson's name and approved image in various media. The agreement provided for cash compensation of \$150,000 in three equal installments of \$50,000, all of which has been paid prior to March 31, 2012. Royalties at the rate of \$0.50 per unit sold are payable to the spokesperson for the term of the agreement and an additional 12 months thereafter.

The agreement also provided for the issuance of warrants to purchase 150,000 shares of common stock, 100,000 of which were issued upon signing of the agreement and 50,000 of which were issued in December 2011. The warrants have a term of two years with an exercise price of \$1.00 per share. The warrants further provide that in the event (a) the trading price of the common stock of the Company on its principal trading market does not exceed \$2.00 within two years of issuance and (b) the warrants were not exercised prior to such time, then the spokesperson shall have the right to sell any unexercised portion of the warrants to the Company in exchange for \$1.00 for each share of common stock underlying the unexercised portion of the warrants.

The 100,000 warrants issued upon execution of the agreement and the 50,000 warrants issued in December 2011 were valued at \$88,600 and \$48,050, respectively, using a Black-Scholes option pricing model and determining that the put option was the predominant feature of the instrument.

Investor Relations Consulting Agreement

On July 5, 2011, the Company entered into an investor relations agreement for a term of 6 months for a total fee of \$250,000. The fee was paid in June 2011 and was charged to operations during the year ended December 31, 2011.

Investor Advisory Agreement

On July 5, 2011, the Company entered into an investor advisory agreement with a third party for a term of 6 months providing for compensation solely in the form of 400,000 shares of restricted common stock with "piggy-back"

registration rights, which shares were issued on that date. The shares were valued at \$266,000, the value of the shares on the date of the agreement.

Director and Advisory Board Agreements:

Dr. Louis Aronne:

On July 14, 2011, the Company entered into two separate agreements with Dr. Louis Aronne to be a member of the Board of Directors and the chairman of the newly formed Medical Advisory Board.

The director agreement provides for compensation in the form of 100,000 shares of restricted common stock vesting in five equal annual installments commencing on execution of the agreement and an option to purchase 250,000 shares of common stock at an exercise price of \$.64 for 10 years vesting over a period of 3 years, the first installment of which vested immediately. Upon a Change of Control, the unvested shares and the option will vest immediately. The advisory board agreement has a term of 5 years and provides for the issuance of 500,000 shares vesting in five equal annual installments commencing July 14, 2012 and an option to purchase 500,000 shares at \$.64 per share vesting in four equal annual installments, and the first installment vested immediately upon the execution of the agreement. Upon a Change of Control, all unvested option shall immediately vest.

Dr. Robert Hariri:

On July 26, 2011, the Company entered into an agreement with Dr. Robert Hariri to be a member of the Board of Directors.

ATLAS THERAPEUTICS CORPORATION AND SUBSIDIARY
(a development stage company)
Notes to Consolidated Financial Statements
March 31, 2012 and 2011

The director agreement provides for 100,000 shares of restricted common stock vesting in five equal annual installments (the first installment of which vested immediately) and an option to purchase 250,000 shares of common stock at an exercise price of \$.69 for 10 years vesting over a period of 3 years, the first installment of which vested immediately. Upon a Change of Control, the unvested shares and the option shall immediately vest.

Dr. Peter Diamandis:

On August 15, 2011, the Company entered into an agreement with Dr. Peter Diamandis to be a member of the Board of Directors. The director agreement provides for 100,000 shares of restricted common stock vesting in five equal annual installments commencing (the first installment of which vested immediately) and an option to purchase 250,000 shares of common stock at an exercise price of \$.45 for 10 years vesting over a period of 3 years, the first installment of which vested immediately. Upon a Change of Control, the unvested shares and the option shall immediately vest.

Stock-Based Compensation

We do not have a formal stock compensation plan. Although we do not have a formal plan, we do grant restricted common stock awards to consultants from time to time. Additionally, during the year ended December 31, 2011, we granted options to directors to acquire an aggregate of 1,250,000 shares of restricted common stock, of which 374,999 have vested and 875,001 remain unvested at March 31, 2012. The vesting terms range from 3 to 4 years and the options have a weighted average remaining term of 2 years and a weighted average exercise price of \$.66 per share.

During the period ended March 31, 2012, the Company issued an aggregate of 525,000 shares of restricted common stock to consultants and an officer for services. The 500,000 shares issued to an officer do not commence vesting until July 2012. The shares issued were valued at trading prices on the date of issuance of \$.09 per share for an aggregate charge of \$2,275.

NOTE 11 - SUBSEQUENT EVENT

Offering of Unregistered Securities

In April 2012, the Company issued an aggregate of 1,000,000 shares of restricted common stock to one investor in a private placement and received aggregate gross proceeds of \$100,000. The securities are subject to piggyback registration rights.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Plan of Operation

We are focused on the development and commercialization of therapeutic and dietary products relating to muscle health, including the formulation, acquisition and distribution of nutritional, nutraceutical, physical performance enhancement and wellness products. Our initial core brand product is MYO-T12, a myostatin-inhibiting product. We provide a pathway for consumers to easily access the product through an easy to navigate website and targeted marketing campaigns. Our operations are supported by outside third party vendors, who also provide the order processing controls, such as electronic data interface with our customers. Our plan of action over the next twelve months is to market and distribute our current nutrition maximization and wellness products and to research and test new products in this area.

Three Months Ended March 31, 2012 compared to Three Months Ended March 31, 2011

We are a development stage company that has generated minimal revenues. From inception to March 31, 2012, we only generated revenues of \$124,016 and have a cumulative net loss of \$6,230,097. In order to continue as a going concern and achieve a profitable level of operations, we will need, among other things, additional capital resources and to develop a consistent source of revenues. At this point, we believe that the best use of any additional funding would be to substantially increase advertising and other marketing efforts. We believe we have developed the infrastructure and have sufficient product inventory to adequately fulfill a reasonable influx of orders in response to increased advertising and marketing.

In the period from April 11, 2007 (inception) to March 31, 2012, we generated revenues of \$124,016 while incurring \$5,230,988 in general and administrative expenses. The cumulative net loss since inception was \$6,230,097, including net non-cash derivatives valuation adjustments of \$1,678,361 and intellectual property impairment charges of \$(2,662,000). For the quarter ended March 31, 2012, we incurred general and administrative expenses of \$439,009 compared to \$1,711,266 for the quarter ended March 31, 2011. Upon completion of our annual impairment testing for indefinite-lived intangible assets after the fourth quarter of 2011, we determined that the carrying values of the intellectual property intangible assets exceeded its fair value and we recorded noncash impairment charges totaling \$2,662,000 in the Consolidated Statement of Operations, reducing the carrying value of the asset to its fair value of \$2,000,000. We are required to revalue certain derivative financial instruments each quarter and the change in value from the dates of their original issuance in 2011 resulted in an increase to our net loss for the quarter ended March 31, 2012 by \$(18,079). Such revaluations do not affect our cash flow.

Liquidity and Capital Resources

As of March 31, 2012, we had cash of \$171,732 and \$2,897,100 in total assets (which includes \$2,000,000 of intangible assets). For the quarter ended March 31, 2012, we used cash of \$520,171 for operating activities. We received aggregate gross proceeds of \$1,025,000 from private placements of our securities during the quarter. The first installment of \$350,000 on the note payable to Peak was paid on November 29, 2011 and the second and final installment of \$350,000 was paid on February 21, 2012. (See Note 8 – Intellectual Property Purchase Agreement.) In order to have sufficient cash for debt service and operations we will need to meet our sales projections for 2012 and/or raise additional capital through the issuance of debt or equity securities.

At March 31, 2012, we had accumulated losses since inception of \$6,230,097 and had a working capital deficit of \$34,513. These factors raise substantial doubt about the ability of the Company to continue as a going concern. The continuation of the Company as a going concern is dependent both on achieving the projected sales growth of our products and obtaining additional financing on terms acceptable to us. We are seeking additional capital through loans and sales of securities, but the consummation of those transactions, on terms acceptable to us or at all, cannot be assured at this time.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Critical Accounting Policies

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes, and disclosure of contingent liabilities at the date of the financial statements. Estimates are used for, but not limited to, the selection of the useful lives of property and equipment, provisions necessary for contingent liabilities, fair values, revenue recognition, taxes, budgeted costs and other similar charges. Management believes that the estimates utilized in preparing its financial statements are reasonable and prudent. Actual results could differ from these estimates.

Impact of Derivative Accounting

As a result of recent financing transactions we have entered into, our financial statements are impacted by the accounting effect of the application of derivative accounting. ASC Topic 815 and ASC Topic 815-40 govern the accounting treatment for both freestanding and embedded derivative financial instruments in our financial statements. Generally, warrants, conversion features in debt, and similar terms that include “full-ratchet” or reset provisions, which mean that the exercise or conversion price adjusts to pricing in subsequent sales or issuances, no longer meet the definition of indexed to a company's own stock and are not an exemption for equity classification provided in ASC Topic 815-15. The amount of non-cash gains or losses we record is based upon the fair market value of our common stock on the measurement date. The fair value of certain warrants outstanding which have “full-ratchet” or reset provisions (whereby the exercise or conversion price adjusts to pricing in subsequent sales or issuances in certain instances) is based on judgment as to expected future volatility of our common stock.

Long-lived assets

We apply the provisions of Financial Accounting Standard Board (“FASB”) Accounting Standards Codification (“ASC”) No. 360, “Property, Plant and Equipment”. ASC 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable through the estimated undiscounted cash flows expected to result from the use and eventual disposition of the assets. Whenever any such impairment exists, an impairment loss will be recognized for the amount by which the carrying value exceeds the fair value.

The Company tests long-lived assets, including property, plant and equipment and other assets, for recoverability at least annually or more frequently upon the occurrence of an event or when circumstances indicate that the net carrying amount is greater than its fair value. Assets are grouped and evaluated at the lowest level for their identifiable cash flows that are largely independent of the cash flows of other groups of assets. The Company considers historical performance and future estimated results in its evaluation of potential impairment and then compares the carrying amount of the asset to the future estimated cash flows expected to result from the use of the asset. If the carrying amount of the asset exceeds estimated expected undiscounted future cash flows, the Company measures the amount of impairment by comparing the carrying amount of the asset to its fair value. The estimation of fair value is generally measured by discounting expected future cash flows at the rate the Company utilizes to evaluate potential investments. The Company estimates fair value based on the information available in making the necessary estimates, judgments and projections.

Fair Value of Indefinite-Lived Intangible Assets

The Company's policy is to evaluate indefinite-lived intangible assets for possible impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. An intangible asset with an indefinite life (the intellectual property) is evaluated for possible impairment by comparing the fair value of the asset with its carrying value. Fair value is estimated as the discounted value of future revenues arising from a trademark using a royalty rate that an independent party would pay for use of that trademark. An impairment charge is recorded if the trademark's carrying value exceeds its estimated fair value. An impairment charge is recorded if the carrying value of the goodwill exceeds its implied fair value. See Note 8 for information related to impairment charges recorded in 2012 for indefinite-lived intellectual property intangible assets.

Equity Based Compensation

The Company accounts for equity-based compensation under the provisions of ASC 718-10 Compensation - Stock Compensation and ASC 505-50 Equity Based Payments to Non-Employees. ASC 718 requires companies to estimate the fair value of share-based payment awards on the date of grant using an option-pricing model. For stock options and restricted stock that do not vest immediately but which contain only a service vesting feature, we recognize compensation cost on the unvested shares and options on a straight-line basis over the remaining vesting period, net of any projected forfeitures

The Company uses the Black-Scholes option-pricing model as its method of valuation for share-based compensation. Our determination of fair value of share-based payment awards on the date of grant using an option-pricing model is affected by our stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to our expected stock price volatility over the term of the awards, and certain other market variables such as the risk free interest rate.

Income taxes

The Company accounts for income taxes using an asset and liability approach which allows for the recognition and measurement of deferred tax assets based upon the likelihood of realization of tax benefits in future years. Under the asset and liability approach, deferred taxes are provided for the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. A valuation allowance is provided for deferred tax assets if it is more likely than not these items will either expire before the Company is able to realize their benefits, or that future deductibility is uncertain.

The Company records a valuation allowance for deferred tax assets, if any, based on its estimates of its future taxable income as well as its tax planning strategies when it is more likely than not that a portion or all of its deferred tax assets will not be realized. If the Company is able to utilize more of its deferred tax assets than the net amount previously recorded when unanticipated events occur, an adjustment to deferred tax assets would increase the Company's net income when those events occur.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are a smaller reporting company and therefore are not required to provide the information for this item for Form 10-Q.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2012. Based on their evaluation, our principal executive officer and principal financial officer have concluded that, as of March 31, 2012, our disclosure controls and procedures were not effective.

Changes in Internal Controls

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended March 31, 2012 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II- OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

Factors that could cause our actual results to differ materially from those in this report are any of the risks described in our Annual Report for the year ended December 31, 2011 filed with the SEC. Any of these factors could result in a significant or material adverse effect on our results of operations or financial condition. Additional risk factors not presently known to us or that we currently deem immaterial may also impair our business or results of operations.

As of the date of this report, there have been no material changes to the risk factors disclosed in our Annual Report for the year ended December 31, 2011 filed with the SEC, except we may disclose changes to such factors or disclose additional factors from time to time in our future filings with the SEC.

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

During February and March 2012, the Company issued an aggregate of 10,250,000 shares of restricted common stock to certain investors in a private placement and received aggregate gross proceeds of \$1,025,000. The securities are subject to piggyback registration rights. No underwriting discounts or commissions were paid.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. MINE SAFETY DISCLOSURES

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

Exhibit No.	Description of Exhibit
10.1	Employment Agreement between the Company and Peter Levy dated February 10, 2012
31.1	Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act Of 2002
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act Of 2002
101.INS *	XBRL Instance Document
101.CAL *	XBRL Taxonomy Extension Calculation Linkbase Document
101.SCH *	XBRL Taxonomy Extension Schema Document
101.DEF *	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB *	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE *	XBRL Taxonomy Extension Presentation Linkbase Document
*	XBRL (eXtensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ATLAS THERAPEUTICS CORPORATION

Date: May 14, 2012

By: /s/ Peter Levy

Name: Peter Levy

Title: Chief Operating Officer