

Atlas Therapeutics Corp
Form 10-Q
August 15, 2011

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: June 30, 2011

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)

20-8758875

(I.R.S. Employer Identification No.)

4640 Admiralty Way, Suite 500
Marina Del Rey, CA 90292
(Address of Principal Executive Offices)

(310) 496-5727

(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

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to submit and post such files). Yes No

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

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

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

As of August 5, 2011, the registrant had 64,583,997 shares of common stock outstanding.

INDEX	Page
PART 1-FINANCIAL INFORMATION	2
Item 1. Financial Statements	
Consolidated Balance Sheets as of June 30, 2011 (unaudited) and December 31, 2010	2
Consolidated Statements of Operations (unaudited) for the three and six months ended June 30, 2011 and 2010 and the period from inception (April 11, 2007) to June 30, 2011	3
Consolidated Statements of Changes in Stockholders' Equity for the period from inception (April 11, 2007) to June 30, 2011	4
Consolidated Statements of Cash Flows (unaudited) for the six months ended June 30, 2011 and 2010 and for the period from inception (April 11, 2007) to June 30, 2011	5 to 6
Notes to Consolidated Financial Statements	7 to 13
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	14
Item 3. Quantitative and Qualitative Disclosures about Market Risk	16
Item 4. Control and Procedures	16
PART II-OTHER INFORMATION	
Item 1. Legal Proceedings	17
Item 1A. Risk Factors	17
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	17
Item 3. Defaults Upon Senior Securities	17
Item 4. [Removed and Reserved]	17
Item 5. Other Information	17
Item 6. Exhibits	18
SIGNATURES	19

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	(Unaudited)	
	June 30, 2011	December 31, 2010
ASSETS		
Current assets		
Cash	\$ 529,184	\$—
Inventories	335,830	—
Prepaid expenses and other current assets	405,963	—
	1,270,977	—
Fixed assets, net of accumulated depreciation of \$105		
Intellectual property	1,464	—
Security deposits	4,662,000	—
	10,000	—
Total assets	\$ 5,944,441	\$—
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Accounts payable and accrued expenses	\$ 26,798	\$ 535
Note payable for acquisition of intellectual property	700,000	—
Accrued interest	7,215	—
Accounts payable related party	45,911	45,911
Note payable - insurance financing	17,597	—
Note payable	7,500	7,500
Total current liabilities	805,021	53,946
Derivatives liability	5,811,632	—
Total liabilities	6,616,653	53,946
Stockholders' deficit		
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; 64,075,664 shares issued and outstanding at June 30, 2011 and; 49,000,000 shares issued and outstanding at December 31, 2010	64,076	49,000
Additional paid-in capital	5,045,564	31,000
Deficit accumulated during development stage	(5,781,852)	(133,946)
Total stockholders' deficit	(672,212)	(53,946)
Total liabilities and stockholders' deficit	\$ 5,944,441	\$—

The accompanying notes are an integral part of the financial statements

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

	Three Months Ended June 30,		Six Months Ended June 30,		April 11, 2007 (date of inception) to June 30, 2011
	2011	2010	2011	2010	
Revenue	\$—	\$—	\$—	\$—	\$—
General and administrative expenses	613,121	20,829	2,324,387	25,605	2,470,603
Loss from operations	(613,121)	(20,829)	(2,324,387)	(25,605)	(2,470,603)
Other Income					
Interest expense	(5,677)	(42)	(7,936)	(42)	(8,166)
Value of warrants in excess of the amount of additional paid-in capital received in the related private placement of restricted common stock	(1,448,481)	—	(2,373,248)	—	(2,373,248)
Increase in fair value of warrants	(482,335)	—	(942,335)	—	(942,335)
Gain on forgiveness of debt	—	—	—	12,500	12,500
	(1,936,493)	(42)	(3,323,519)	12,458	(3,311,249)
Net loss	\$(2,549,614)	\$(20,871)	\$(5,647,906)	\$(13,147)	\$(5,781,852)
Weighted average number of common shares outstanding, basic and diluted	61,317,314	49,000,000	57,407,505	49,000,000	
Basic and diluted net loss per share attributable to common stockholders	\$(0.04)	\$(0.00)	\$(0.10)	\$(0.00)	

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 (Unaudited)
For the period from April 11, 2007 (date of inception) to
June 30, 2011

Date	Preferred Stock Amount \$.001 Shares par	Common Stock Amount \$.001 Shares par	Additional paid-in capital	Deficit accumulated during development stage	Total stockholders' equity (deficit)
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)
Net loss				(17,928)	(17,928)
Balance at December 31, 2008	—	49,000,000	49,000	31,000	(78,113)
Net loss				(39,308)	(39,308)
Balance at December 31, 2009	—	49,000,000	49,000	31,000	(117,421)
Net loss				(16,525)	(16,525)
Balance at December 31, 2010	—	49,000,000	49,000	31,000	(133,946)
Proceeds from private placement of restricted common stock	February 25, 2011	4,757,520	4,758	1,422,498	1,427,256
Conversion of stockholder loan into common stock	February 25, 2011	9,146	9	2,735	2,744
Issuance of 7,024,000 shares of Common Stock to Peak					
Wellness, Inc. as part of the purchase price of intellectual property	February 25, 2011	7,024,000	7,024	3,504,976	3,512,000
Offering Costs				(25,000)	(25,000)

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	February 25, 2011					
Conversion of stockholder loan into capital - no shares issued	February 25, 2011				22,256	22,256
Fair value of warrants issued to private placement investors (A)	February 25, 2011				(1,425,233)	(1,425,233)
Fair value of shares transferred from existing stockholder to the CEO in connection with employment agreement	February 25, 2011				1,500,000	1,500,000
Proceeds from private placement of restricted common stock	May 31, 2011	1,409,999	1,410		421,590	423,000
Fair value of warrants issued to private placement investors (A)	May 31, 2011				(421,591)	(421,591)
Proceeds from private placement of restricted common stock	June 27, 2011	1,874,999	1,875		560,625	562,500
Fair value of warrants issued to private placement investors (A)	June 27, 2011				(560,625)	(560,625)
Share based compensation to consultants - issuance pending					12,333	12,333
Net loss					(5,647,906)	(5,647,906)
Balance at June 30, 2011		\$ —	\$ 64,075,664	\$ 64,076	\$ 5,045,564	\$ (5,781,852)
					\$ (672,212)	

(A) Limited to the additional paid-in capital from the related private placement

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
(Unaudited)

	Six Months Ended June 30,		April 11, 2007 (date of inception) to June 30, 2011
	2011	2010	
Cash Flows from Operating Activities			
Net loss	\$(5,647,906)	\$(13,147)	\$(5,781,852)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	105	—	105
Stock based compensation	1,512,333	—	1,512,333
Fair value of warrants issued to consultants	88,600	—	88,600
Derivatives charges	3,315,583	—	3,315,583
Changes in operating assets and liabilities:			
(Increase) in inventories	(335,830)	—	(335,830)
(Increase) in prepaid expenses and other assets	(373,463)	—	(373,463)
Increase in accounts payable and accrued expenses	33,478	(8,892)	34,013
Net cash used in operating activities	(1,407,100)	(22,039)	(1,540,511)
Cash Flows from Investing Activities:			
Acquisition of intellectual property	(450,000)	—	(450,000)
Acquisition of fixed assets	(1,569)	—	(1,569)
Net cash used in investing activities	(451,569)	—	(451,569)
Cash Flows from Financing Activities			
Advances from related parties	—	21,900	53,411
Repayment of insurance financing note	(24,903)	—	(24,903)
Proceeds from issuance of stock to initial stockholders	—	—	80,000
Proceeds from private placement of common stock	2,412,756	—	2,412,756
Net cash provided by financing activities	2,387,853	21,900	2,521,264
Net increase in cash	529,184	(139)	529,184
Cash at beginning of the period	—	145	—
Cash at end of the period	\$529,184	\$6	\$529,184

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)

	Six Months Ended June 30,		April 11, 2007 (date of inception) to June 30, 2011
	2011	2010	
Supplemental Disclosure of cash flow information:			
Cash paid for franchise taxes	\$ 800	\$ —	\$ 800
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	\$ 7,500

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
June 30, 2011 and 2010

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 has not realized any revenues to date and therefore is classified as a development stage company. 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"). As a result of the Acquisition, the Company is now focused on the formulation, acquisition and distribution of nutritional, nutraceutical, physical performance enhancement and wellness products (see Note 7 – Intellectual Property Purchase Agreement).

Continuation of the Company as a Going Concern

At June 30, 2011, the Company had cash of \$529,184 and as of August 12, 2011, the Company has remaining cash of approximately \$110,000, with current liabilities of approximately \$800,000, including the first payment of \$350,000 on the note payable to Peak Wellness which is due on August 25, 2011. The continuation of the Company as a going concern is dependent both on achieving the projected sales growth after launch of the Company’s sales channels and obtaining additional financing on terms acceptable to the Company.

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 consolidating 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. 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.

Revenue Recognition

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

7

ATLAS THERAPEUTICS CORPORATION AND SUBSIDIARY
(A Development Stage Company)
Notes to Consolidated Financial Statements
June 30, 2011 and 2010

Advertising

The Company charges the costs of advertising to expense as incurred. The Company has incurred \$215,943 in advertising and promotional costs for the period ended June 30, 2011 and cumulative since its inception.

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.

Basic Loss per Share

The computation of the basic loss per share of common stock is based on the weighted average number of shares outstanding during the period.

	Three Months Ended June		Six Months Ended June 30,	
	2011	2010	2011	2010
Net Loss (Numerator)	\$(2,549,614)	\$(20,871)	\$(5,647,906)	\$(13,147)
Weighted Average Shares (Denominator)	61,317,314	49,000,000	57,407,505	49,000,000
Per share amount	\$(0.04)	\$(0.00)	\$(0.10)	\$(0.00)

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 December 31, 2010 and 2009, 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.

ATLAS THERAPEUTICS CORPORATION AND SUBSIDIARY
(A Development Stage Company)
Notes to Consolidated Financial Statements
June 30, 2011 and 2010

NOTE 2- PRIVATE PLACEMENTS OF RESTRICTED COMMON STOCK

During April 2007, the Company sold 28,000,000 (2,000,000 before 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 (1,500,000 before the 1 to 14 split) shares of its common stock in a private placement for cash of proceeds \$75,000.

From February 25 through June 27, 2011, the Company issued an aggregate of 8,051,660 shares of common stock and warrants to purchase 8,051,660 shares of common stock to certain investors (the "Private Placements"). Each warrant has a three-year term, is exercisable at \$0.60 per share. 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. The Company received aggregate gross proceeds of \$2,415,500 from the Private Placements as follows:

Date	Shares	Gross Proceeds	Related Warrant Liability at Inception	Related Warrant Liability at June 30, 2011
February 25, 2011	4,766,666	\$1,430,000	\$2,350,251	\$3,382,180
May 31, 2011	1,409,999	423,000	1,186,859	1,003,839
June 27, 2011	1,874,999	562,500	1,243,838	1,337,009
	8,051,664	\$2,415,500	\$4,780,948	\$5,723,028

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. 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-Sholes Merton valuation technique, 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 FROM RELATED PARTIES

A stockholder of the Company advanced the corporation \$45,911. The advances are non-interest bearing and due and payable upon demand.

ATLAS THERAPEUTICS CORPORATION AND SUBSIDIARY
(A Development Stage Company)
Notes to Consolidated Financial Statements
June 30, 2011 and 2010

NOTE 5 - NOTES 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 June 30, 2011 and December 31, 2010. Accrued interest payable on this note was \$606 at June 30, 2011 and \$230 as of December 31, 2010.

On March 9, 2011, the Company entered into an insurance financing agreement to fund the premium of \$42,500 in its officers and directors insurance policy. The note is payable in 9 equal monthly installments of \$3,611 and bears interest at the rate of 4.65%. The unpaid balance of this note at June 30, 2011 was \$17,597.

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 – 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 is payable in two installments as follows: \$350,000 plus accrued interest is due within 180 days after the closing date of the Agreement and \$350,000 plus accrued interest is due on the first anniversary of the closing date of the Agreement.

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 secures all of the Company's obligations to Peak, whether related or unrelated to the Promissory Note. Upon an event of default of the Security Agreement, Peak will have all the rights of a secured party under the Uniform

Commercial Code. On the closing date of the Acquisition, new officers and a new director were appointed to serve the Company.

ATLAS THERAPEUTICS CORPORATION AND SUBSIDIARY
(A Development Stage Company)
Notes to Consolidated Financial Statements
June 30, 2011 and 2010

NOTE 8 – COMMITMENTS

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 will serve as Chief Executive Officer of the Company. The employment agreement was amended effective as of March 1, 2011.

Pursuant to Mr. Bernstein's employment agreement, as amended, the term of employment with the Company is for four years, commencing on February 25, 2011. The agreement provides that Mr. Bernstein will work on a full-time basis and will receive a one-time signing bonus of \$20,000 plus an annual base salary of \$213,600. For the term of the employment agreement, Mr. Bernstein 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 the same base salary, unless a notice of non-renewal is provided by either party within 90 days prior to the expiration date. In connection with the Acquisition, Ms. Mathers, our former Chief Executive Officer, transferred 3,000,000 shares to Mr. Bernstein upon commencement of his employment.

Upon the adoption of a stock option plan, the Company will grant Mr. Bernstein 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 Mr. Bernstein. The option vests in annual equal installments over the term of the employment agreement.

Mr. Bernstein is entitled to receive twelve months' base salary in the event his employment with the Registrant is terminated other than by death or for cause by the Company. In the event Mr. Bernstein'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.

Mr. Bernstein's employment agreement contains customary non-competition and non-solicitation provisions that extend to twelve months after termination of Mr. Bernstein's employment with the Registrant. Mr. Bernstein also agreed to customary terms regarding the protection and confidentiality of trade secrets, proprietary information and technology, designs and inventions.

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

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.

ATLAS THERAPEUTICS CORPORATION AND SUBSIDIARY
(A Development Stage Company)
Notes to Consolidated Financial Statements
June 30, 2011 and 2010

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.

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 provides for cash compensation of \$150,000 in three equal installments of \$50,000, \$100,000 of which has been paid prior to June 30, 2011. Royalties at the rate of \$0.50 per unit sold are payable for the term of the agreement and an additional 12 months thereafter.

The agreement also provides 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 are to be issued 6 months after completion of the services. 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 were valued at \$88,600 using a Black-Sholes option pricing model and determining that the put option was the predominant feature of the instrument.

NOTE 9 – SUBSEQUENT EVENTS

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 is included on the balance sheet in prepaid expenses.

Director and Advisory Board Agreements:

Dr. Louis Aronne:

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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.

ATLAS THERAPEUTICS CORPORATION AND SUBSIDIARY
(A Development Stage Company)
Notes to Consolidated Financial Statements
June 30, 2011 and 2010

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 vests immediately. Upon a Change of Control, the unvested shares and the option shall immediately vest. The advisory board agreement has a term of 5 years and provides for compensation by 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 which Option shall vest in four equal annual installments, with the first such installment vesting 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. 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 \$.69 for 10 years vesting over a period of 3 years, the first installment of which vests immediately. Upon a Change of Control, the unvested shares and the option shall immediately vest.

Share-based Compensation:

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.

On July 25, 2011, the Company issued 25,000 shares of restricted common stock to a non-employee consultant in lieu of cash compensation.

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

Plan of Operation

We are focused on 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 intend to provide a pathway for consumers to easily access the product through an easy to navigate website and targeted marketing campaigns. Our operations will be supported by outside third party vendors, who will 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 commence our operations to market and distribute nutrition maximization and wellness products.

As of August 12, 2011, we have accomplished the following:

- Established our website which went live in June 2011 and is currently processing retail orders.
 - Purchased products ready and available for resale shipping.
 - Entered into fulfillment and credit card processing agreements.
 - Entered into sales agency agreements.
 - Entered into consulting agreements.

We have begun generating sales of our product through the Company's website and other internet sales channels in August 2011 and have also shipped wholesale orders to a national online retailer.

Three Months Ended June 30, 2011 compared to Three Months Ended June 30, 2010.

We are a small, start-up company that has not generated any revenues and lack a stable customer base. Since our inception to June 30, 2011, we did not generate any revenues and have incurred a cumulative net loss of \$5,781,852 as indicated in our financial statements. In order to continue as a going concern and achieve a profitable level of operations, the Company will need, among other things, additional capital resources and develop a consistent source of revenues.

In the initial operating period from April 11, 2007 (inception) to June 30, 2011, the Company generated no revenues while incurring \$2,470,603 in general and administrative expenses. The cumulative net loss since inception was \$5,781,852, including non-cash derivatives valuation charges of \$3,315,383. For the three months ended June 30, 2011, we incurred general and administrative expenses of \$613,121 compared to \$20,829 for the three months ended June 30, 2010. For the three months ended June 30, 2011, we incurred a net loss of \$2,549,614 (which includes non-cash derivatives valuation charges of \$1,930,816) compared to net loss of \$20,871 for the three months ended June 30, 2010. Excluding the non-cash charges, the increase in the loss is due to the costs of starting a new line of business including professional, advertising and consulting fees.

Six Months Ended June 30, 2011 compared to Six Months Ended June 30, 2010.

For the six months ended June 30, 2011, we incurred general and administrative expenses of \$2,324,387 compared to \$25,605 for the six months ended June 30, 2010. For the six months ended June 30, 2011, we incurred a net loss of \$5,647,906 (which includes non-cash derivatives valuation charges of \$3,315,383) compared to net loss of \$13,147 for the six months ended June 30, 2010. Excluding the non-cash charges, the increase in the loss is due to the costs of starting a new line of business including professional, advertising and consulting fees.

Liquidity and Capital Resources

As of June 30, 2011, we had \$529,184 in cash and \$5,944,441 in total assets (which includes \$4,672,000 of intangible assets). For the six months ended June 30, 2011, we used cash of \$1,407,100 for operating activities and we used \$450,000 as the cash down payment for the acquisition of the intellectual property assets from Peak. We received aggregate gross proceeds of \$2,415,500 from private placements of our securities. The first installment of \$350,000 on the note payable to Peak is due on August 25, 2011 and as of August 12, 2011 we do not have sufficient cash to make that payment. A failure to make such payment may result in an event of default under the note and the security agreement. See Note 7 – Intellectual Property Purchase Agreement. In order to have sufficient cash for debt service and operations we will need to meet our sales projections for August 2011 and/or raise additional capital through the issuance of debt or equity securities.

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.

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and any impairment losses. The cost of an asset is comprised of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to the profit and loss account in the year in which they are incurred.

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In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset beyond its originally assessed standard of performances, the expenditure is capitalized as an additional cost of the asset.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, less any estimated residual value. Estimated useful lives of our assets are as follows:

Office equipment	5 years
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Any gain or loss on disposal or retirement of a fixed asset is recognized in the profit and loss account and is the difference between the net sales proceeds and the carrying amount of the relevant asset. When property and equipment are retired or otherwise disposed of, the assets and accumulated depreciation are removed from the accounts and the resulting profit or loss is reflected in income.

Expenditures for maintenance and repairs are charged to expense as incurred. Additions, renewals and betterments are capitalized.

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 as 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. There was no impairment of long-lived assets since our acquisition of the assets from Peak.

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 have not entered into, and do not expect to enter into, financial instruments for trading or hedging purposes.

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 June 30, 2011. Based on their evaluation, our principal executive officer and principal financial officer have concluded that, as of June 30, 2011, our disclosure controls and procedures were 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 June 30, 2011 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

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

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

On May 31, 2011, the Company issued an aggregate of 1,409,000 shares of common stock and warrants to purchase 1,409,000 shares of common stock to certain investors. Each warrant has a three-year term and is exercisable at \$0.60 per share and is redeemable by the Company in the event the Company common stock exceeds \$3.00 for twenty of thirty trading days. The warrants are subject to full ratchet anti-dilution protections. The Company granted the investors in the offering piggy-back registration rights for the securities issued in the offering. The Company received gross proceeds of \$423,000 in the offering. No underwriting discounts or commissions were paid.

On June 27, 2011 the Company issued an aggregate of 1,874,999 shares of common stock and warrants to purchase 1,874,999 shares of common stock to certain investors. Each warrant has a three-year term and is exercisable at \$0.60 per share and is redeemable by the Company in the event the Company common stock exceeds \$3.00 for twenty of thirty trading days. The warrants are subject to full ratchet anti-dilution protections. The Company granted the investors in the offering piggy-back registration rights for the securities issued in the offering. The Company received gross proceeds of \$562,500 in the offering. No underwriting discounts or commissions were paid.

ITEM 3. Defaults Upon Senior Securities.

None

ITEM 4. [Removed and Reserved]

ITEM 5. Other Information.

None

ITEM 6. EXHIBITS

- | No. | Description of Exhibit |
|---------|--|
| 31.1 | Certification of Principal Executive Officer/Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1 | Certification of Principal Executive Officer / Principal Financial Officer 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.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: August 12, 2011

By: /s/ J.B. Bernstein
J.B. Bernstein
Chief Executive Officer