

Arrayit Corp
Form 10-Q/A
June 22, 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

For the Transition Period From to

Commission File No. 001-16381

ARRAYIT CORPORATION

(Exact name of registrant as specified in its charter)

Nevada

(State of other jurisdiction of incorporation)

76-0600966

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

524 East Weddell Drive Sunnyvale, CA

94089

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(Address of Principal Executive Office) (Zip Code)

Registrant's telephone number, including area code: (408) 744-1331

Securities registered pursuant to Section 12 (b) of the Act: NONE

Securities registered pursuant to Section 12 (g) of the Act: Common Stock \$0.001 par value

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 periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

Indicate by check mark 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. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a 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

There were 27,303,574 shares of the Registrant's common stock outstanding at May 21, 2012.

Form 10-Q

For the Quarterly Period Ended March 31, 2012

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This report contains trademarks and trade names that are the property of Arrayit Corporation and its subsidiaries, and of other companies, as indicated.

FORWARD-LOOKING STATEMENTS

Portions of this Form 10-Q, including disclosure under “Management’s Discussion and Analysis of Financial Position and Results of Operations,” contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), Section 21E of the Securities and Exchange Act of 1934, as amended (the “Exchange Act”), and the Private Securities Litigation Reform Act of 1995, as amended. These forward-looking statements are subject to risks and uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from the results, performance or achievements expressed or implied by the forward-looking statements. You should not unduly rely on these statements. Forward-looking statements involve assumptions and describe our plans, strategies, and expectations. You can generally identify a forward-looking statement by words such as may, will, should, expect, anticipate, estimate, believe, intend, contemplate or project. Factors, risks, and uncertainties that could cause actual results to differ materially from those in the forward-looking statements include, among others,

- our ability to raise capital,
- our ability obtain and retain customers,

- our ability to provide our products and services at competitive rates,
- our ability to execute our business strategy in a very competitive environment,

- our degree of financial leverage,
- risks associated with our acquiring and integrating companies into our own,

- risks related to market acceptance and demand for our services,
- the impact of competitive services,

- other risks referenced from time to time in our SEC filings.

With respect to any forward-looking statement that includes a statement of its underlying assumptions or bases, we caution that, while we believe such assumptions or bases to be reasonable and have formed them in good faith, assumed facts or bases almost always vary from actual results, and the differences between assumed facts or bases and actual results can be material depending on the circumstances. When, in any forward-looking statement, we or our management express an expectation or belief as to future results, that expectation or belief is expressed in good faith and is believed to have a reasonable basis, but there can be no assurance that the stated expectation or belief will result

or be achieved or accomplished. All subsequent written and oral forward-looking statements attributable to us, or anyone acting on our behalf, are expressly qualified in their entirety by the cautionary statements. We do not undertake any obligations to publicly release any revisions to any forward-looking statements to reflect events or circumstances after the date of this report or to reflect unanticipated events that may occur.

PART I – FINANCIAL INFORMATION**ITEM 1.****ARRAYIT CORPORATION****CONSOLIDATED BALANCE SHEETS**

| | 03/31/2012 | 12/31/2011 |
|--|-------------|-------------|
| Statement of Financial Position | | |
| ASSETS | | |
| Current Assets: | | |
| Cash | \$20,702 | \$1,519 |
| Accounts receivable | 59,663 [1] | 276,954 [2] |
| Inventory | 176,030 | 180,638 |
| Prepaid expenses | 2,250 | 2,250 |
| Total current assets {sum} | 258,645 | 461,361 |
| Property and equipment, net | 12,810 | 16,310 |
| Deposits | 18,365 | 18,365 |
| Total assets {sum} | \$289,820 | \$496,036 |
| Liabilities and Stockholders' Deficit | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$6,647,213 | \$6,564,585 |
| Bank overdraft | 87,853 | 173,262 |
| Due to related parties | 605,783 | 615,783 |
| Customer deposits | 4,895 | 4,895 |
| Notes payables, current portion including related parties | 1,115,287 | 1,145,892 |
| Total current liabilities {sum} | 8,461,031 | 8,504,417 |
| Notes payable, long term | 0 | 0 |
| Total liabilities {sum} | 8,461,031 | 8,504,417 |
| Commitments and contingencies | 0 | 0 |
| Stockholders' Deficit | | |
| Preferred stock, \$0.001 par value; 20,000,000 shares authorized; | | |
| Preferred stock, Series A, 22,034 shares outstanding | 22 | 22 |
| Preferred stock, Series C,\$0.001 par value; 91,259 and 91,887 shares outstanding | 92 | 92 |
| Common stock, \$0.001 par value; 480,000,000 shares authorized, 27,303,112 and 26,978,501 issued and outstanding | 27,004 | 26,788 |
| Additional paid-in capital | 16,582,026 | 16,546,092 |
| Accumulated deficit | -24,736,881 | -24,544,723 |

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| | | |
|---|------------|------------|
| Total Arrayit Corp's Stockholders' Equity (Deficit) {sum} | -8,127,737 | -7,971,729 |
| Total Non-controlling interests | -43,474 | -36,652 |
| Total stockholders' deficit {sum} | -8,171,211 | -8,008,381 |
| Total liabilities and stockholders' deficit {sum} | 289,820 | \$496,036 |

[1] Accounts receivable, net of allowance for doubtful accounts of \$133,000

[2] Accounts receivable, net of allowance for doubtful accounts of \$133,000

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

ARRAYIT CORPORATION**CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)**

| | For the Three Months Ended March 31, 2012 | For the Three Months Ended March 31, 2011 |
|---|--|--|
| Statement of Operations | | |
| Total Revenues | \$568,275 | \$977,267 |
| Cost of Sales | 352,323 | 552,552 |
| Gross Margin {sum} | 215,952 | 424,715 |
| Selling, General and Administrative | 344,651 | 368,399 |
| Research and Development | 450 | 11,055 |
| Legal Expense | 27,427 | 15,391 |
| Loss from operations {sum} | (156,576) | 29,870 |
| Interest expense | (42,403) | (47,431) |
| Net loss | (198,979) | (17,561) |
| Less: Net loss attributable to the non-controlling interest | (6,821) | (12,666) |
| Net Loss attributable to common stockholders {sum} | (\$192,158) | (\$4,895) |
| Profit (Loss) per share - basic | \$(0.01) | (\$0.00) |
| Basic weighted average number of common shares | 26,717,726 | 26,200,068 |

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

ARRAYIT CORPORATION**CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

| | For the Three Months Ended | |
|---|----------------------------|-------------|
| | March 31 | |
| | 2012 | 2011 |
| Cash flows from operating activities: | | |
| Net loss | \$ (198,980) | \$ (17,561) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | |
| Depreciation | 3,500 | 7,652 |
| Accretion of debt discount | 0 | 8,916 |
| Stock paid for services | 36,150 | 46,500 |
| Changes in operating assets and liabilities | | |
| Accounts receivable | 217,291 | (64,150) |
| Inventory | 4,608 | 99,087 |
| Prepays | 0 | (2,250) |
| Accounts payable and accrued liabilities | 93,662 | 56,571 |
| Bank overdraft | (85,409) | 11,246 |
| Due to related parties | (10,000) | (16,500) |
| Customer deposits | 0 | (85,093) |
| Net cash provided by operating activities | 60,822 | 44,418 |
| Cash flows from investing activities: | | |
| Cash paid for purchase of fixed assets | 0 | (3,290) |
| Cash flows from financing activities: | | |
| Proceeds from notes payable | 0 | 0 |
| Payments on notes payable, net | (41,639) | (51,818) |
| Net cash provided by (used in) financing activities | (41,639) | (51,818) |
| Net increase (decrease) in cash | 19,183 | (10,690) |
| Cash, beginning of period | 1,519 | 10,833 |
| Cash, end of | 20,702 | 143 |

period

Supplemental cash flow information:

| | | |
|------------------------|--------|--------|
| Cash paid for interest | 31,369 | 23,963 |
|------------------------|--------|--------|

| | | |
|----------------------------|---|---|
| Cash paid for income taxes | 0 | 0 |
|----------------------------|---|---|

Noncash Transaction:

| | | |
|---|---|---------|
| Payment of bank note by related party in exchange for note payable with the company | 0 | 161,602 |
|---|---|---------|

| | | |
|---|--------|--------|
| Conversion of accrued interest to notes payable | 11,034 | 19,778 |
|---|--------|--------|

| | | |
|-------------------------------|-----|-----|
| Conversion of preferred stock | 110 | 110 |
|-------------------------------|-----|-----|

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

ARRAYIT CORPORATION

NOTES TO CONSOLIDATED UNAUDITED STATEMENTS

March 31, 2012

NOTE 1 – ORGANIZATION AND BUSINESS OPERATIONS

Arrayit Corporation (the “Company” or “Arrayit”) is a Nevada Corporation that entered into the life sciences in 1996. Arrayit is a leading edge developer, manufacturer and marketer of next-generation life science tools and integrated systems for the large scale analysis of genetic variation, biological function and diagnostics. Using Arrayit’s proprietary technologies, the Company provides a comprehensive line of products and services that currently serve the sequencing, genotyping, gene expression and protein analysis markets, and the Company expects to enter the market for molecular diagnostics.

Arrayit has earned respect as a leader in the health care and life sciences industries with its proven expertise in three key areas: the development and support of microarray tools and components, custom printing and analysis of microarrays for research, and the identification and development of diagnostic microarrays and tools for early detection of treatable disease states. As a result, Arrayit has provided tools and services to thousands of the leading genomic research centers, pharmaceutical companies, academic institutions, clinical research organizations, government agencies and biotechnology companies worldwide.

The Company’s patented tools and trade secrets provide researchers around the world with the performance, throughput, cost effectiveness and flexibility necessary to perform the billions of genetic tests needed to extract valuable medical information. The Company believes this information will enable researchers to correlate genetic variation and biological function, which will enhance drug discovery, drug development and clinical research, allowing diseases to be detected earlier and permitting better choices of drugs for individual patients.

Effective Thursday, March 19, 2009, the final steps of the business combination with Integrated Media Holdings, Inc (IMHI) were completed and the Company’s common stock began trading on the OTC Bulletin Boards as “ARYC”. In addition, the Company changed its name to “Arrayit Corporation”, was reincorporated to Nevada from Delaware, and reverse-split its common stock and Series A Convertible Preferred stock in the ratio of one for thirty shares. The reverse split was only applicable to the Company’s Class “A” Preferred shares and its Common Shares. The Class “C” Preferred Shares were not affected by the reverse split. The reverse split had no effect upon the convertible debt which fixed the amount of shares to be issued at 12,478,357 both pre and post split. As the March 19, 2009, Directors Resolution did not change the authorized share capital of the Company, the authorized number of Common Shares was reduced from 100,000,000 to 3,333,333. The Directors approved the reverse split to create a more orderly market for the trading of its Common Shares on the OTC BB.

On August 31, 2009, a majority of the stockholders provided written consent in lieu of a meeting to approve an increase in the authorized common shares of the Company from 3,333,333 to 480,000,000 and an increase in the authorized preferred shares of the Company from 166,667 to 20,000,000. A Certificate of Amendment to the Restated Certificate of Incorporation of the Company was filed on December 18, 2009. The forgoing was published in form DEF 14-C on November 18, 2009.

The effects of the Reverse Stock Split have been reflected retroactively in the accompanying consolidated financial statements and notes thereto for all periods presented.

Arrayit has a December 31 year end.

Arrayit's principal office is in Sunnyvale, California. Arrayit presently has nine employees.

Interim financial statements

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X, and, therefore, do not include all information and footnotes necessary for a complete presentation of financial position, results of operations, cash flows, and stockholders' equity in conformity with accounting principles generally accepted in the United States of America. In the opinion of management, all adjustments considered necessary for a fair presentation of the results of operations and financial position have been included and all such adjustments are of a normal recurring nature.

These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto contained in Arrayit's Annual Report filed with the SEC on Form 10-KA. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the consolidated financial statements, which would substantially duplicate the disclosure contained in the audited financial statements for fiscal year 2011 as reported in Form 10-KA, have been omitted.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GOING CONCERN*Basis of Presentation*

Through May 23, 2011, the date in which the Company entered into equity transactions relating to its Arrayit Diagnostics, Inc. subsidiary as described below, the accompanying Consolidated Financial Statements include the following majority-owned subsidiaries for all or a portion of the periods indicated, each of which has been consolidated since the date the Company acquired majority-voting control (collectively, the “Consolidated Subsidiaries”):

| Subsidiary | Date of Incorporation | Business of Entity | Ownership |
|---------------------------------------|-----------------------|---|--|
| Arrayit Diagnostics, Inc. | June 2, 2009 | Develops medical tests and through its partially owned subsidiaries markets these tests to the medical community. incorporating the technology and equipment developed by Arrayit Corporation | 80% owned by Arrayit Corporation |
| Arrayit Diagnostics (Ovarian), Inc. | June 16, 2009 | Markets a test for Ovarian Cancer incorporating the technology and equipment developed by Arrayit Corporation | 80% owned by Arrayit Diagnostics, Inc. |
| Arrayit Diagnostics (Parkinson), Inc. | October 15, 2009 | Markets a test for Parkinson’s Disease incorporating the technology and equipment developed by Arrayit Corporation | 80% owned by Arrayit Diagnostics, Inc. |

On May 23, 2011, Arrayit Diagnostics, Inc. (Diagnostics) acquired the outstanding 20% non-controlling interest in Ovarian, recognizing no gain or loss on the transaction. Ovarian was then collapsed into Diagnostics, which continues to be an 80% subsidiary of the Company.

Also on May 23, 2011, Diagnostics acquired the outstanding 20% non-controlling interest in Parkinson, also recognizing no gain or loss on the transaction, and distributed the now 100% owned subsidiary directly to Arrayit Corporation. As part of the exchange, Parkinson’s name was changed to Arrayit Scientific Solutions, Inc. The following includes a description of majority owned subsidiaries and ownership at March 31, 2012:

| Subsidiary | Date of Incorporation | Business of Entity | Ownership |
|------------|-----------------------|--------------------|-----------|
|------------|-----------------------|--------------------|-----------|

| | | | |
|---------------------------------------|---------------------|--|--|
| Arrayit Diagnostics, Inc. | June 2, 2009 | Markets a test for Ovarian Cancer incorporating the technology and equipment developed by Arrayit Corporation | 78% owned by Arrayit Corporation |
| Arrayit Scientific Solutions, Inc. | October 15, 2009 | Markets a test for Parkinson's Disease incorporating the technology and equipment developed by Arrayit Corporation | 98% owned by Arrayit Corporation (2% owned by the President of Arrayit Scientific Solutions, Inc.) |

On December 12, 2011, Arrayit Corporation signed an Agreement and Plan of Distribution with its subsidiary, Arrayit Diagnostics, Inc., whereby 19,350,000 shares of common stock of Arrayit Diagnostics (78.18% of the total outstanding) owned by Arrayit Corporation will be distributed ratably to the shareholders of Arrayit Corporation on the record date which will be upon successful completion of the Form S-1 registration statement by Arrayit Diagnostics, Inc.

Summary of Significant Accounting Policies

Financial Reporting:

The Company prepares its financial statements in conformity with accounting principles generally accepted in the United States of America. Revenues and expenses are reported on the accrual basis, which means that income is recognized as it is earned and expenses are recognized as they are incurred.

Management further acknowledges that it is solely responsible for adopting sound accounting practices, establishing and maintaining a system of internal accounting control and preventing and detecting fraud. The Company's system of internal accounting control is designed to assure, among other items, that 1) recorded transactions are valid; 2) valid transactions are recorded; and 3) transactions are recorded in the proper period in a timely manner to produce financial statements which present fairly the financial condition, results of operations and cash flows of the Company for the respective periods being presented.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash includes all cash and highly liquid investments with original maturities of three months or less. The Company maintains cash in bank deposit accounts which, at times, exceed federally insured limits. The Company has not experienced any losses on these accounts.

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation. Depreciation and amortization on property and equipment are determined using the straight-line method over the three to five year estimated useful lives of the assets.

Impairment of Long-Lived Assets

Arrayit reviews its long-lived assets for impairment when events or changes in circumstances indicate that the book value of an asset may not be recoverable. Arrayit evaluates, at each balance sheet date, whether events and circumstances have occurred which indicate possible impairment. The Company uses an estimate of future undiscounted net cash flows of the related asset or group of assets over the estimated remaining life in measuring whether the assets are recoverable. If it is determined that an impairment loss has occurred based on expected cash flows, such loss is recognized in the statement of operations.

Inventory

Inventories are stated at the lower of cost or market, cost determined on the basis of FIFO.

Revenue recognition:

Overview

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectability is reasonably assured. In instances where final acceptance of the product or system is required, revenue is deferred until all the acceptance criteria have been met.

Product Sales

Product sales include sales of microarrays, reagents and related instrumentation. Microarray, reagent and instrumentation revenues are recognized when earned, which is generally upon shipment and transfer of title to the customer and fulfilment of any significant post-delivery obligations. Accruals are provided for anticipated warranty expenses at the time the associated revenue is recognized.

Services

Services revenue is comprised of equipment service revenue; revenue from custom microarray design fees; and scientific services revenue, which includes associated consumables.

Diagnostic Revenue

Revenue from medical testing and scientific services is recognized upon shipment of the reported results.

Other Income

The Company recognizes interest income as earned.

Shipping and Handling Costs

Shipping and handling costs billed to customers are recorded as revenue. Shipping and handling costs paid to vendors are recorded as cost of sales.

Fair Value of Financial Instruments

The Company follows accounting guidance relating to fair value measurements. This guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.

Level 3 – unobservable inputs for the asset or liability only used when there is little, if any, market activity for the asset or liability at the measurement date.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the unobservable inputs.

The fair value of the Company's notes payable approximate stated value. The notes payable fair value was based on Level 2 inputs.

Allowance for Doubtful Accounts

The Company records an allowance for estimated losses on customer accounts. The allowance is increased by a provision for bad debts, which is charged to expense, and reduced by charge-offs, net of recoveries.

Patent Costs

Costs incurred with registering and defending patent technology are charged to expense as incurred.

Income Taxes

Upon completion of the March 19, 2009 transaction with IMHI as more fully described in Note 1, Arrayit Corporation became a Nevada "C" Corporation.

Deferred taxes are computed using the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are not recognized unless it is more likely than not that the asset will be realized in future years.

Accounting for Uncertainty in Income Taxes

The Financial Accounting Standards Board has issued guidance on Accounting for Uncertainty in Income Taxes, FASB ASC 740, Income Taxes which prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest amount of benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Management has concluded that the Company has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

When applicable, the Company will include interest and penalties related to uncertain tax positions in income tax expense.

Earnings (Loss) per Common Share

The computation of basic earnings per common share is computed using the weighted average number of common shares outstanding during the period. The computation of diluted earnings per common share is based on the weighted average number of shares outstanding during the period plus common stock equivalents which would arise from the exercise of options and warrants outstanding using the treasury stock method and the average market price per share during the year. Options, warrants, convertible debt and convertible preferred stock which are common stock equivalents are not included in the diluted earnings per share calculations when their effect is anti-dilutive.

Stock-Based Compensation

The Company accounts for stock issued to employees, officers and directors in accordance with accounting standards for share-based payments which requires all new share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values.

Non-Controlling Interest:

Arrayit Corporation is the controlling interest of the affiliated group, since it maintains an investment in each of the operating entities. As of March 31, 2012, Arrayit Corporation has a 78% ownership investment in Arrayit Diagnostics, Inc.

Effective December 12, 2011 Arrayit Corporation, signed an Agreement and Plan of Distribution with its subsidiary, Arrayit Diagnostics, Inc., whereby 19,350,000 shares of common stock of Arrayit Diagnostics (78.18% of the total outstanding) owned by Arrayit Corporation will be distributed ratably to the shareholders of Arrayit Corporation on the record date which will be upon successful completion of the filing of a Form S-1 registration statement by Arrayit Diagnostics, Inc. The shares of Arrayit Corporation entitled to participate in the “spin-off” shares will include shares of Arrayit Corporation issuable on the record date upon conversion of outstanding securities and exercise of outstanding warrants and options.

The Company accounts for the non-controlling interest in its two subsidiaries under ASC 810-10-45-16, Non-controlling Interest in a Subsidiary. This standard defines a non-controlling interest, previously called a minority interest, as the portion of equity in a subsidiary not attributable, directly or indirectly, to a parent. The standard requires, among other items, that a non-controlling interest be included in the consolidated statement of financial position within equity separate from the parent's equity; consolidated net income to be reported at amounts inclusive of both the parent's and non-controlling interest's shares and, separately, the amounts of consolidated net income attributable to the parent and non-controlling interest all on the consolidated statement of operations; and if a subsidiary is deconsolidated, any retained non-controlling equity investment in the former subsidiary be measured at fair value and a gain or loss be recognized in net income based on such fair value. Additionally, the standard defines a non-controlling interest as a financial instrument issued by a subsidiary that is classified as equity in the subsidiary's financial statements. A financial instrument issued by a subsidiary that is classified as a liability in the subsidiary's financial statements based on the guidance in other standards is not a controlling interest because it is not an ownership interest.

Royalty interests that entitle the holder to participate in future earnings and are not repayable are classified as non-controlling interests.

Deferred Offering Costs:

The Company may incur legal and accounting fees, as well as due diligence fees related to the preparation of our pending financing. Such costs are initially deferred until the offering is completed, at which time they are recorded as a reduction of gross proceeds from the offering, or expensed to operations if the offering is unsuccessful.

Recent Accounting Pronouncements

ASU 2011-5, Statement of Comprehensive Income, was effective for the current quarter, but the guidance, which required companies to present net income and comprehensive income in one continuous statement or two consecutive statements had no impact on the Company's financial statements.

The Company has reviewed all recently issued, but not yet effective, accounting pronouncements and does not believe the future adoption of any such pronouncements may be expected to cause a material impact on its financial condition or the results of its operations.

Loss per Common and Common Equivalent Share

The computation of basic loss per common share is computed using the weighted average number of common shares outstanding during the year. The computation of diluted earnings per common share is based on the weighted average number of shares outstanding during the year plus common stock equivalents which would arise from their exercise using the treasury stock method and the average market price per share during the year. The Company determined that the effect of common stock equivalents (Stock Options, Stock Warrants and convertible Series "C" Preferred Shares) outstanding at March 31, 2012 and at December 31, 2011 were anti dilutive.

Other Comprehensive Income

The Company has no components of other comprehensive income and, accordingly, no Statement of Comprehensive Income has been included in the accompanying consolidated financial statements.

NOTE 3 – GOING CONCERN

The accompanying consolidated financial statements of the Company were prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has incurred significant net losses and negative cash from operations since it was a party to the Pediatrix legal dispute. At March 31, 2012, Arrayit had a working capital deficit of \$8,202,386, an accumulated deficit of \$24,736,881, and recurring net losses. The Company currently devotes a significant amount of its resources on developing and manufacturing clinical diagnostic products and services, and it does not expect to generate substantial revenue until certain diagnostic tests are cleared by the United States Food and Drug Administration and commercialized. Management believes that current available resources will not be sufficient to fund the Company's planned

expenditures over the next 12 months. The Company's ability to continue to meet its obligations and to achieve its business objectives is dependent upon, among other things, raising additional capital or generating sufficient revenue in excess of costs. At such time as the Company requires additional funding, the Company will seek to raise such additional funding from various possible sources, including its parent company, the public equity market, private financings, sales of assets, collaborative arrangements and debt. If the Company raises additional capital through the issuance of equity securities or securities convertible into equity, stockholders will experience dilution, and such securities may have rights, preferences or privileges senior to those of the holders of common stock or convertible senior notes. If the Company raises additional funds by issuing debt, the Company may be subject to limitations on its operations, through debt covenants or other restrictions. If the Company obtains additional funds through arrangements with collaborators or strategic partners, the Company may be required to relinquish its rights to certain technologies or products that it might otherwise seek to retain. There can be no assurance that the Company will be able to raise additional funds, or raise them on acceptable terms. If the Company is unable to obtain financing on acceptable terms, it may be unable to execute its business plan, the Company could be required to delay or reduce the scope of its operations, and the Company may not be able to pay off its obligations, if and when they come due.

These factors create substantial doubt about Arrayit's ability to continue as a going concern. These consolidated financial statements do not include any adjustments relating to the recoverability or classification of recorded assets and liabilities or other adjustments that may be necessary should the Company not be able to continue as a going concern.

The ability of Arrayit to continue as a going concern is dependent on Arrayit generating cash from the sale of its common stock or obtaining debt financing and attaining future profitable operations. Management's plans include selling its equity securities and obtaining debt financing to fund its capital requirement and ongoing operations; however, there can be no assurance Arrayit will be successful in these efforts.

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable are shown net of an Allowance for Doubtful Accounts. As more fully explained in Note 5 below, accounts receivable has also been reduced by Accounts Receivable loans sold with recourse.

| | March 31, 2012 | December 31, 2011 |
|---|-------------------|------------------------------|
| Gross accounts receivable | \$ 339,222 | \$ 652,504 |
| Less: | | |
| Allowance for doubtful accounts | (133,000) | (133,000) |
| Loan value of receivables sold with recourse (see note 5) | (146,559) | (242,550) |
| Total | \$ 59,663 | \$ 276,954 |

NOTE 5 – ACCOUNTS RECEIVABLE SOLD WITH RECOURSE

Pursuant to an agreement dated July 5, 2007, the Company has sold some of its Accounts Receivable to a financial institution with full recourse. The financial institution retains a 15% portion of the proceeds from the receivable sales as reserves, which are released to the Company as the Receivables are collected. The maximum commitment under this facility is \$450,000, and is limited to receivables that are less than 31 days outstanding. The facility bears interest at 16% at March 31, 2012, and is secured by an unconditional guarantee of the Company and a first charge against the Accounts Receivable. At March 31, 2012, the balance outstanding under the recourse contracts was \$146,559 net of a hold back reserve of \$36,229 (December 31, 2011, \$242,550 net of a hold back reserve of \$59,405). Because of the Company's credit policies, repossession losses and refunds in the event of default have not been significant and losses under the present recourse obligations are not expected to be significant, it is at least reasonably possible that the Company's estimate will change within the near term.

NOTE 6 – FIXED ASSETS

Property and equipment consisted of the following:

| March 31, | December |
|-----------|----------|
| 2012 | 31, 2011 |

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| | | |
|--------------------------|-----------|-----------|
| Fixed Assets – Cost | \$350,429 | \$350,429 |
| Less: | | |
| Accumulated Depreciation | (337,619) | (334,119) |
| Total | \$12,810 | \$16,310 |

Depreciation expense totalled \$3,500 and \$7,652, respectively, for the three months ended March 31, 2012 and 2011.

NOTE 7 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities, consisted of the following:

| | March 31, 2012 | December 31, 2011 |
|----------------------------|--------------------|----------------------|
| ACCOUNTS PAYABLE | | |
| Trade Vendors | \$ 1,201,560 | \$1,179,108 |
| Professional Advisors | 3,117,006 | 3,110,669 |
| Total Accounts Payable | 4,318,566 | 4,289,777 |
| ACCRUED LIABILITIES | | |
| Accrued salaries and wages | 1,112,313 | 1,443,574 |
| Judgment Interest | 391,982 | 391,982 |
| Other | 824,352 | 439,252 |
| Total Accrued Liabilities | 2,328,647 | 2,274,808 |
| TOTAL | \$6,647,213 | \$6,564,585 |

NOTE 8 – DEBT

| | March 31, 2012 | December 31, 2011 |
|--|-------------------|----------------------|
| NOTES PAYABLE - ARRAYIT DIAGNOSTICS, INC. | | |
| Notes payable, interest at 10%, which was due January 22, 2011 and is now past due, secured by 1,000,000 shares out of the Company's common stock, pledged to the private lender without compensation by the Company's Chairman. The terms also called for the issuance of 300,000 warrants issuable for shares of common stock at \$0.22 per share. The annual effective interest rate for this loan is estimated to be 243.8% | \$66,371 | \$66,371 |
| Notes payable, interest at 10%, which was due August 10, 2010 and is now past due, secured by 200,000 shares out of the Company's common stock, pledged to the private lender without compensation as follows: 100,000 common shares provided by the Company's chief financial officer; 50,000 common shares provided without compensation by a minority shareholder in Arrayit Diagnostics; and a call option call to acquire an additional 50,000 common shares currently held by a minority shareholder in Arrayit Diagnostics. | 53,640 | 53,640 |
| | \$120,011 | \$120,011 |
| NOTES PAYABLE - ARRAYIT CORP. | | |
| Notes payable, interest at 10%, which was due August 10, 2010 and is now past due, secured by 1,000,000 shares out of the Company's common stock, pledged to the private lender without compensation by the Company's Chairman. The terms also called for the lender to withhold proceeds of \$20,000 as a debt origination fee and the issuance of 200,000 warrants issuable for shares of common stock at \$1.00 per share. The annual effective interest rate for this loan is estimated to be 239.2% | 256,250 | 250,000 |
| Notes payable, interest at 8%, unsecured due on demand from Arrayit creditors | 34,166 | 34,509 |
| Notes payable, interest at rates varying from 8% to 10%, unsecured due on demand from the former TeleChem shareholders and their families. | 704,860 | 741,372 |
| | 995,276 | 1,025,881 |
| Notes payable including related parties | \$1,115,287 | \$1,145,892 |
| Short Term Debt | \$1,115,287 | \$1,145,892 |
| Long Term Debt | 0 | 0 |
| Notes payable including related parties | \$1,115,287 | \$1,145,892 |

NOTE 9 – WARRANTS AND OPTIONS

Warrants

On January 19, 2008, the Company issued 1,250,000 warrants, expiring on January 19, 2013, exercisable at \$0.01.

On October 1, 2009, the Company issued 450,000 stock purchase warrants, expiring on October 1, 2014, exercisable at \$0.32 to

On April 25, 2010, the Company issued 150,000 share purchase warrants, expiring on April 25, 2012, exercisable at \$1.00 for c

On May 12, 2010 the Company issued 200,000 share purchase warrants, expiring on May 12, 2012 exercisable at \$1.00 in com

On September 30, 2010 the Company issued 200,000 share purchase warrants expiring on October 1, 2014 exercisable at \$0.20

On October 14, 2010 the Company issued 300,000 share purchase warrants expiring on February 15, 2013 exercisable at \$0.22
During 2010, 200,000 warrants were cancelled.

Options

On October 1, 2009, the Company granted 450,000 options to the President of Arrayit Diagnostics, Inc. at an exercise price of \$

On June 30, 2010, 160,000 share purchase options were exercised upon payment of \$51,200.

The following table summarizes options and warrants outstanding at March 31, 2012:

Outstanding at December 31, 2011
Granted
Cancelled/forfeited
Expired
Exercised
Outstanding at March 31, 2012

NOTE 10 – ROYALTY OBLIGATIONS

(a)

Advisory Agreement

Under paragraph 2 (b) of an advisory agreement dated August 11, 2009 between Arrayit Diagnostics, Inc. and a limited liability partnership, controlled by parties that are also shareholders in Arrayit Corporation, there was a contractual obligation to pay a Royalty of Twenty percent (20%) of the net sales of Arrayit Diagnostics, Inc., and its subsidiaries, which includes the Company. “Net Sales” means the gross selling price by the Company and sub-licensees for the sale of any product or products, less trade discounts allowed, credits for claims or allowances, commissions, refunds, returns and recalls.

The term of the advisory agreement was five years. The royalties and ownership provisions were in perpetuity.

The entitlement to royalties under the advisory agreement was decreased by obligation to pay royalties to other advisors and investors. With respect to the revenue generated by Arrayit Diagnostics, Inc. as described in (b) below the Company was obligated to pay a 0.95% royalty to purchasers of royalty interests, thereby reducing the Company’s obligation to the advisor by a similar amount, resulting in a net royalty obligation to the advisor of 19.05% on revenue generated by our Ovarian subsidiary.

During the period ended March 31, 2012, there were no revenues earned and hence no obligation to pay any royalties.

On March 5, 2012, the 20% royalty interests were exchanged for 385,000 shares of Arrayit Diagnostics, Inc.

(b) Royalty Interests – ARRAYIT DIAGNOSTICS, INC.

Third party investors purchased royalty interests in the amount of \$285,000 in Arrayit Diagnostics (Ovarian), Inc., in return for a zero decimal nine five percent (0.95%) royalty on net sales of the Ovarian test. Amounts received with respect to these royalty interests are shown as Non-Controlling Interests on the Balance Sheet, as there are no terms of repayment of the royalty interests. On May 23, 2011, Arrayit Diagnostics, Inc. acquired the outstanding 20% non-controlling interest in Ovarian, recognizing no gain or loss on the transaction. Ovarian was then collapsed into Diagnostics, which continues to be an 80% subsidiary of the company. The 0.95% royalty interests on net sales of the

Ovarian test owned by third party investors were not affected and remain in place.

During the period ended March 31, 2012, there were no revenues earned and hence no obligation to pay any royalties.

On March 5, 2012, the 0.95% royalty interests were exchanged for 200,000 shares of Arrayit Diagnostics, Inc.

(c) Wayne State University – ARRAYIT DIAGNOSTICS, INC.

Under terms of a biomarker license agreement between Wayne State University and the Company, effective December 7, 2009 the Company is obligated to pay the University royalties of 5% of net sales. In addition the license agreement provides for lump sum payments to be made as milestone events are achieved.

There were no revenues generated during the fiscal period ended March 31, 2012, and hence no obligation to pay any amounts to Wayne State University.

(d) The Parkinson's Institute – ARRAYIT SCIENTIFIC SOLUTIONS, INC. (formerly Arrayit Diagnostics (Parkinson), Inc.

Pursuant to an agreement dated February 9, 2009 between the company, and The Parkinson's Institute, a California Corporation, Arrayit Scientific Solutions, Inc. is obligated to make payments, of 5% of gross earnings generated from Research derived from the biological specimens from Parkinson's disease patients and control patients provided by the Parkinson's Institute.

There were no revenues generated during the fiscal periods ended March 31, 2012 and hence no obligation to pay any amounts to the Parkinson's Institute.

NOTE 11 – STOCK-BASED COMPENSATION

The Company adopted ASC 718 and ASC 505, "Share-Based Payment", to account for its stock options and similar equity instruments issued. Accordingly, compensation costs attributable to stock options or similar equity instruments granted are measured at the fair value at the grant date, and expensed over the expected vesting period. ASC 718 and

ASC 505 requires excess tax benefits be reported as a financing cash inflow rather than as a reduction of taxes paid.

Operations for the periods ended March 31, 2012 and December 31, 2011 include \$36,151 and \$46,500 of stock-based compensation, arising from the granting of 106,325 and 26,788 unregistered common shares, respectively. Restricted shares were issued in exchange for services related to website consulting and investor relations. The Company relied upon the exemption under Section 4(2) of the Securities Act.

NOTE 12 – CONVERTIBLE PREFERRED STOCK

Convertible Preferred Stock

The Series A Preferred Stock has no stated dividend rate and has a liquidation preference of \$.001 per share. The Series A Preferred Stock also has voting rights that entitle the preferred shareholders to vote with the common shareholders as if the preferred stock had converted to common. Both the conversion ratio of the preferred into common and the number of shares outstanding is subject to revision upon reverse stock dividends or splits that reduce the total shares outstanding.

The Series C Preferred Stock has no stated dividend rate. The Series C Preferred Stock also has voting rights that entitle the preferred shareholders to vote with the common shareholders as if the preferred stock had converted to common. The conversion ratio of the preferred into common is not subject to revision upon reverse stock dividends or splits that reduce the total shares outstanding.

The 103,143 Series C Preferred Stock was issued on February 21, 2008 as part of the merger with IMHI. These Series C Preferred shares are convertible into 36,100,000 common shares at the rate of 350:1.

On August 15, 2008 the articles of designation for the Series C Preferred Stock were amended to limit the conversion to common shares to 10% of the holders' original holdings in any quarter.

During the three months ended March 31, 2012, 314 Series C Preferred Stock shares were converted into 110,005 shares of common stock.

NOTE 13- STOCKHOLDERS' EQUITY

The following table summarizes changes in stockholders' equity during the quarter ended March 31, 2012:

TOTAL ARRAYIT CORPORATION STOCKHOLDERS' EQUITY (DEFICIENCY)

| Description | Preferred Series A Number | Dollar | Preferred Series C Number | Dollar | Common Stock Number | Add Paid Dollars |
|--|------------------------------|--------|------------------------------|---------|------------------------|------------------------|
| Balance, December 31, 2011 | 22,034 | \$ 22 | 90,934 | \$ 92 | 26,978,501 | \$ 1,267,700 |
| Convert Preferred C to Common | | | | (314) 0 | 110,005 | 110 |
| Issuance of shares for services | | | | | 106,325 | 36,010 |
| Net Loss for the nine months ended March 31, 2012 | | | | | | |
| Balance, March 31, 2012 | 22,034 | \$ 22 | 90,620 | \$ 92 | 27,194,831 | \$ 1,270,000 |

NOTE 14 – INCOME TAXES

At March 31, 2012 and December 31, 2011, the Company had net operating loss (NOL) carry-forwards available to offset future taxable income of approximately \$24 million including approximately \$17.5 million from IMHI at date of the merger. The utilization of the NOL carry-forwards is dependent upon the tax laws in effect at the time the NOL carry-forwards can be utilized. It is also likely that utilization of the NOL carry-forwards are limited based on changes in control from the merger. A valuation allowance of approximately \$9.5 million has been recorded against the deferred tax asset for as of December 31, 2011 and March 31, 2012 due to the uncertainty surrounding its realization caused by the Company's recurring losses. There was no change in the valuation allowance during the quarter ended March 31, 2011. The NOL carry-forwards will fully expire in 2031.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Pediatrix Screening, Inc., et al. V. TeleChem International, Inc.

The controversy at issue arose from a failed grant collaboration between Pediatrix and TeleChem, involving TeleChem's proprietary microarray technology and subsequent agreement by the parties to commercialize this microarray technology through the formation of a joint corporation. Pediatrix brought a lawsuit in the United States District Court for the Western District of Pennsylvania alleging multiple claims for breach of contract in connection with both the grant collaboration and Pre-Incorporation Agreement. TeleChem counterclaimed alleging breach of the Pre-Incorporation Agreement, as well as fraudulent misrepresentation and trade secret misappropriation, *inter alia*, stemming from the failed grant collaboration and subsequent Pre-Incorporation Agreement.

Civil Action number 01-2226 between TeleChem International, Inc., Pediatrix Screening, Inc. and Pediatrix Screening LP went to jury trial in the United States District Court in the Western District of Pennsylvania in the summer of 2007. On August 11, 2007, the jury awarded TeleChem \$5 million in damages for Pediatrix's breach of contract, fraudulent misrepresentation, and punitive damages. The jury awarded Pediatrix \$1,085,001 for TeleChem's breach of contract. Pediatrix put \$5 million in bond, and submitted an appeal to the Third Circuit Court of Appeals to request that the damages award to TeleChem be reduced. Oral argument in the appeal was heard on December 15, 2009 by a panel of three judges in the Third Circuit Court of Appeals in Philadelphia, PA.

On April 20, 2010, the Third Circuit Court of Appeals rendered its judgment on that appeal that the Judgment entered August 16, 2007 is reversed in part, with respect to the judgment in favor of TeleChem on its counterclaim of misrepresentation and the award of damages. The Appeal Court ordered a new trial on TeleChem's counterclaim for fraudulent misrepresentation and damages. The judgments on all other claims were affirmed.

On October 27, 2011, Arrayit Corporation announced that the litigation between its wholly owned subsidiary, TeleChem International, Inc., and Pediatrix Screening, Inc. *et al.* was settled without financial penalty to either party.

Long Term Lease Commitments

The Company leases its office facility in Sunnyvale, California under operating leases that expire November 30, 2012.

Future minimum lease payments as of March 31, 2012 are as follows:

YEAR ENDING

2012 \$ 123,869

Rent expense was \$32,516 and \$44,960 for the three months ended March 31, 2012 and 2011, respectively.

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

For a description of our significant accounting policies and an understanding of the significant factors that influenced our performance during the three months ended March 31, 2012, this "Management's Discussion and Analysis" should be read in conjunction with the Consolidated Unaudited Financial Statements, including the related notes, appearing in Item 1 of this Quarterly Report, as well as the Company's Annual Report on Form 10-KA for the year ended December 31, 2011. The preparation of this Quarterly Report on Form 10-Q requires us to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of our financial statements, and the reported amounts of revenue and expenses during the reporting period. There can be no assurance that actual results reported in the future will not differ from those estimates or that revisions of these estimates may not become necessary in the future.

Forward-Looking Statements

This Quarterly Report on Form 10-Q, includes statements that constitute "forward-looking statements." These forward-looking statements are often characterized by the terms "may," "believes," "projects," "expects," or "anticipates," and do not reflect historical facts. Specific forward-looking statements contained in this portion of the Annual Report include, but are not limited to the Company's (i) expectation that certain of its liabilities listed on the balance sheet under the headings "Accounts Payable," "Accrued Liabilities" and "Note Payable" will be retired by issuing stock versus cash during the next 24 months; (ii) expectation that it will continue to devote capital resources to fund continued development of the Arrayit technology; (iii) anticipation that it will incur significant capital expenditures to further its deployment of the Arrayit offerings; and (iv) anticipation of a significant increase in operational and SG&A costs as it accelerates the development and marketing of the Arrayit operations.

Forward-looking statements involve risks, uncertainties and other factors, which may cause our actual results, performance or achievements to be materially different from those expressed or implied by such forward-looking statements. Factors and risks that could affect our results and achievements and cause them to materially differ from those contained in the forward-looking statements include those to be identified in our Annual Report on Form 10-KA for the year ended December 31, 2011 in the section titled "Risk Factors," as well as other factors that we are currently unable to identify or quantify, but may exist in the future.

In addition, the foregoing factors may generally affect our business, results of operations and financial position. Forward-looking statements speak only as of the date the statement was made. We do not undertake and specifically decline any obligation to update any forward-looking statements.

Company Overview

Arrayit began as a division of TeleChem International, Inc. in 1996 with the advent of Dr. Mark Schena's visionary introduction of microarrays as genetic research tools. Arrayit was able to generate a large customer base in a relatively short time frame by capitalizing on increased Internet access and Arrayit's online business model. Genetic research advanced at a dramatic pace in the 1990s as more sophisticated tools became commercially available. Microarray technology, including printing, detection and scanning instrumentation, was a timely addition to the geneticist's repertoire of advanced tools, including automated sequencing, PCR, and expanded computing capability. The sequencing of the genomes of various simple organisms and later, sequencing of the more complex human genome, led to yet another revolution in genetic discovery: research in gene function and gene variation with regard to disease states and diagnostics. Microarray tools, having undergone FDA-validation in the 2000s, remain an important component of the new genomics and proteomics industry upon which Arrayit will continue to capitalize. The Company believes that non-invasive, pre-symptomatic diagnostic tests from a single droplet of blood for cancer (e.g. ovarian cancer), neurodegenerative disease (e.g. Parkinson's Disease), and other clinical disorders, as well as personalized, companion diagnostic tests for specific medications, food allergies, and other factors impacting human health and lifestyle represent a large growth opportunity in the consumer markets.

Arrayit Products and Services

In the late 1990's, Arrayit focused on developing microarray glass substrate slides, kits and reagents using an open platform strategy in order to establish a market niche. Arrayit decided to make products that integrate with components from other vendors, enabling research laboratories to utilize microarray products from multiple vendors, in contrast to the closed platform format of the earliest competitors. Research customers especially enjoy the flexibility and continue to buy Arrayit's products. Arrayit's patented printing technology has become an industry standard for microarray manufacturing, allowing customers to manufacture microarrays of all types including DNA, protein, patient DNA, antibody, antigen, peptide, carbohydrate, and many others. Arrayit's revenues from the printing patent and its own family of printing instrumentation illustrate the Company's success at meeting the unmet needs of the microarray industry. Arrayit now sells both small-scale microarray manufacturing robots (SpotBot®) and high throughput versions (NanoPrint™). The SpotBot® and NanoPrint product lines have been further advanced to accommodate more stringent requirements in manufacturing protein microarrays. Arrayit also offers personal microarray scanners (SpotLight™) as well as high-end scanning instruments (InnoScan®). As the industry grows, Arrayit is expanding its product line to include fully integrated platforms such as the company's Platinum, Gold, Silver and Bronze Variation Identification Platform™ (VIP) genotyping systems that include cleanroom and laboratory versions. Arrayit is also expanding its pre-printed microarray content to enhance the flagship H25K Whole Human Genome Microarray, which is a premium product for biomarker discovery and drug testing. Additional pre-printed microarrays include H25K subsets as well as a diversity of protein microarrays with specific content, such as PlasmaScan Antibody Microarrays.

Arrayit is expanding its Microarray Services capabilities as well, in connection with increased demand for microarrays of all kinds, and a trend toward outsourcing high end technical manufacturing. With the investment proposed in its business plan, Arrayit will create a variety of microarray based diagnostic tests using Arrayit's patented VIP Healthcare technology and related proprietary approaches. As microarrays move into clinical diagnostics and genetic screening applications, the Company also expects to earn license and royalty fees in these areas.

Arrayit has been a microarray technology market driver for more than a decade. A full microarray product list with descriptions, scientific publications, protocols and pricing is available at <http://arrayit.com>.

A complete list products and services with descriptions, scientific publications, protocols and pricing is available on-line at www.arrayit.com. The Company's products and services can also be purchased on a 24-hour a day basis electronically using the company store at shop.arrayit.com.

Arrayit's principal office is in Sunnyvale, California. The Company presently has ten full-time employees.

Corporate History

Arrayit Corporation (the “Company” or “Arrayit”) is a Nevada Corporation that entered into the life sciences in 1996. Arrayit is a leading edge developer, manufacturer and marketer of next-generation life science tools and integrated systems for the large scale analysis of genetic variation, biological function and diagnostics. Using Arrayit’s proprietary technologies, the Company provides a comprehensive line of products and services that currently serve the sequencing, genotyping, gene expression and protein analysis markets, and the Company expects to enter the market for molecular diagnostics.

Arrayit has earned respect as a leader in the health care and life sciences industries with its proven expertise in three key areas: the development and support of microarray tools and components, custom printing and analysis of microarrays for research, and the identification and development of diagnostic microarrays and tools for early detection of treatable disease states. As a result, Arrayit has provided tools and services to thousands of the leading genomic research centers, pharmaceutical companies, academic institutions, clinical research organizations, government agencies and biotechnology companies worldwide.

The Company’s patented tools and trade secrets provide researchers around the world with the performance, throughput, cost effectiveness and flexibility necessary to perform the billions of genetic tests needed to extract valuable medical information. The Company believes this information will enable researchers to correlate genetic variation and biological function, which will enhance drug discovery, drug development and clinical research, allowing diseases to be detected earlier and permitting better choices of drugs for individual patients.

Effective Thursday, March 19, 2009, the final steps of the business combination with Integrated Media Holdings, Inc (IMHI) were completed and the Company’s common stock began trading on the OTC Bulletin Boards as “ARYC”. In addition, the Company changed its name to “Arrayit Corporation”, was reincorporated to Nevada from Delaware, and reverse-split its common stock and Series A Convertible Preferred stock in the ratio of one for thirty shares. The reverse split was only applicable to the Company’s Class “A” Preferred shares and its Common Shares. The Class “C” Preferred Shares were not affected by the reverse split. The reverse split had no effect upon the convertible debt which fixed the amount of shares to be issued at 12,478,357 both pre and post split. As the March 19, 2009, Directors Resolution did not change the authorized share capital of the Company, the authorized number of Common Shares was reduced from 100,000,000 to 3,333,333. The Directors approved the reverse split to create a more orderly market for the trading of its Common Shares on the OTC BB.

On August 31, 2009, a majority of the stockholders provided written consent in lieu of a meeting to approve an increase in the authorized common shares of the Company from 3,333,333 to 480,000,000 and an increase in the authorized preferred shares of the Company from 166,667 to 20,000,000. A Certificate of Amendment to the Restated Certificate of Incorporation of the Company was filed on December 18, 2009. The forgoing was published in form DEF 14-C on November 18, 2009.

The effects of the Reverse Stock Split have been reflected retroactively in the accompanying consolidated financial statements and notes thereto for all periods presented.

On June 2, 2009, we incorporated Arrayit Diagnostics, Inc. (Diagnostics) to develop medical tests and through its partially owned subsidiaries, market these tests to the medical community, incorporating the technology and equipment developed by Arrayit Corporation. On June 16, 2009, Diagnostics incorporated Arrayit Diagnostics (Ovarian), Inc. to market a test for Ovarian Cancer, incorporating the technology and equipment developed by Arrayit Corporation, and on October 15, 2009, Diagnostics incorporated Arrayit Diagnostics (Parkinson), Inc. (Parkinson) to market a test for Parkinson's Disease, incorporating our technology and equipment.

On May 23, 2011, Arrayit Diagnostics, Inc. acquired the outstanding 20% non-controlling interest in Arrayit Diagnostics (Ovarian), Inc., recognizing no gain or loss on the transaction. Arrayit Diagnostics (Ovarian), Inc. was then collapsed into Arrayit Diagnostics, Inc.

Also on May 23, 2011, Arrayit Diagnostics, Inc. acquired the outstanding 20% non-controlling interest in Arrayit Diagnostics (Parkinson), Inc., also recognizing no gain or loss on the transaction, and distributed the now 100% owned subsidiary directly to Arrayit Corporation. As part of the exchange, Parkinson's name was changed to Arrayit Scientific Solutions, Inc.

On December 12, 2011, Arrayit Corporation signed an Agreement and Plan of Distribution with its subsidiary, Arrayit Diagnostics, Inc., whereby 19,350,000 shares of common stock of Arrayit Diagnostics, Inc. (80% of the total outstanding) owned by Arrayit Corporation will be distributed ratably to the shareholders of Arrayit Corporation on the record date which will be upon successful completion of the Form S-1 registration statement by Arrayit Diagnostics, Inc.

Arrayit has a December 31 year end.

Arrayit's principal office is in Sunnyvale, California. Arrayit presently has nine employees.

The Microarray Industry

The microarray industry is comprised of four areas: basic research into the function of genes in plants and animals, research on the human genome, development of diagnostics for personalized medicine, and diagnostic screening tools for drug development programs that identify toxicity patterns in patient populations.

The basic research segment constitutes a significant portion of the industry that has grown dramatically since first introduced in the mid-nineties by Arrayit's Dr. Mark Schena. Arrayit currently sells the majority of its products to this segment of the industry. The human genetic research segment constitutes the fastest growing segment, making up the current balance of Arrayit's sales. However, the impact of diagnostics in personalized medicine is expected to be far greater than the above, because of its impact on the very costly healthcare industry. Better patient outcome and lower healthcare cost to medical and insurance providers will provide opportunities in a vast number of disease states as the industry grows. Diagnostic tests will become a part of every individual patient's care plan across the costly spectrum of disease states, including cardiovascular, oncology, neurology, and other genetic diseases that affect large numbers of the population.

Critical Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash includes all cash and highly liquid investments with original maturities of three months or less. The Company maintains cash in bank deposit accounts which, at times, exceed federally insured limits. The Company has not experienced any losses on these accounts.

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation. Depreciation and amortization on property and equipment are determined using the straight-line method over the three to five year estimated useful lives of the assets.

Impairment of Long-Lived Assets

Arrayit reviews its long-lived assets for impairment when events or changes in circumstances indicate that the book value of an asset may not be recoverable. Arrayit evaluates, at each balance sheet date, whether events and circumstances have occurred which indicate possible impairment. The Company uses an estimate of future undiscounted net cash flows of the related asset or group of assets over the estimated remaining life in measuring whether the assets are recoverable. If it is determined that an impairment loss has occurred based on expected cash flows, such loss is recognized in the statement of operations.

Inventory

Inventories are stated at the lower of cost or market, cost determined on the basis of FIFO.

Revenue Recognition

Revenue is recognized when title and risk of loss are transferred to customers upon delivery based on terms of sale and collectability is reasonably assured.

Shipping and Handling Costs

Shipping and handling costs billed to customers are recorded as revenue. Shipping and handling costs paid to vendors are recorded as cost of sales.

Fair Value of Financial Instruments

The carrying amounts reported in the accompanying balance sheets of all financial instruments approximates their fair values because of the immediate or short-term maturity of these financial instruments or comparable interest rates of similar instruments.

Allowance for Doubtful Accounts

The Company records an allowance for estimated losses on customer accounts. The allowance is increased by a provision for bad debts, which is charged to expense, and reduced by charge-offs, net of recoveries.

Patent Costs

Costs incurred with registering and defending patent technology are charged to expense as incurred.

Income Taxes

Prior to February 21, 2008, the financial statements of TeleChem did not include a provision for Income Taxes, because the taxable income of TeleChem was included in the Income Tax Returns of the Stockholders under the Internal Revenue Service "S" Corporation elections.

Upon completion of the February 21, 2008 transaction with IMHI, TeleChem ceased to be treated as an "S" Corporation for Income Tax purposes. Effective February 21, 2008, Arrayit Corporation became a Nevada C Corporation.

Deferred taxes are computed using the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are not recognized unless it is more likely than not that the asset will be realized in future years.

Results of Operations

Comparison of Operating Results –Three Months Ended March 31, 2012 and 2011

Gross revenues for the three months ended March 31, 2012 and 2011 were \$568,275 and \$977,267, respectively, representing a 58% decrease in gross revenues for the quarter.

The cost of sales for the three months ended March 31, 2012 and 2011 amounted to \$352,323 and \$552,552, respectively, resulting in gross profit for the three months ended March 31, 2012 and 2011 of \$215,952 and \$424,715, respectively. The Company's cost of sales is dependent upon product mix. During the first quarter of 2012, the gross margin was 38% versus 44% for the first quarter of 2011. The Company sold more entry level microarray printers in the first quarter of 2012, which have a slightly lower gross margin percentage than the higher end microarray platforms that sold in the quarter ended December 31, 2011.

Selling, general and administrative expenses for the three months ended March 31, 2012 and December 31, 2011 were \$344,651 and \$368,399, respectively. The decrease of \$23,748 is attributable to a reduction in professional fees and interest costs, offset by increases in consulting fees, liability insurance and travel expenses.

Net loss from operations was \$198,979 for the three months ended March 31, 2012, compared with a net loss from operations of \$17,561 for the three months ended March 31, 2011. The increase in loss is a result of lower revenues and lower gross profits, which were not sufficient to cover expenses.

Legal expenses associated with the Pediatrix case accounted for most of the legal expenses of \$24,727 for the three months ended March 31, 2012 and legal expenses of \$15,391 for the three months ended March 31, 2011.

Interest expense was \$42,403 for the three months ended March 31, 2012 compared to \$47,431 for the three months ended December 31, 2011. The interest costs for 2012 and 2011 include the amortized cost of debt arrangement fees and warrants issued in connection with financing. The decrease in interest costs was the result of negotiating lower interest rates on past due balances with trade creditors.

Net loss attributable to the non-controlling interest in our Arrayit Diagnostics, Inc. subsidiary amounted to \$6,821 for the three months ended March 31, 2012 and \$12,666 for the three months ended December 31, 2011. The reduction is due to the spin-off of Arrayit Diagnostics, Inc. On December 12, 2011, Arrayit Corporation signed an Agreement and Plan of Distribution with its subsidiary, Arrayit Diagnostics, Inc., whereby 19,350,000 shares of common stock of Arrayit Diagnostics (78.18% of the total outstanding) owned by Arrayit Corporation will be distributed ratably to the shareholders of Arrayit Corporation on the record date which will be upon successful completion of the Form S-1 registration statement by Arrayit Diagnostics, Inc.

Liquidity and Capital Resources

Cash flows provided by operations was \$60,822 for the three months ended March 31, 2012. As of March 31, 2012, we had had a working capital deficiency of \$8,202,386 and an accumulated deficit of \$24,736,881. The working capital deficiency, in addition to amounts payable in the normal course of business, is primarily attributable to legal expenses, deferred compensation, and judgement interest.

We currently have no commitments, understandings or arrangements for any additional working capital. If we are unable to secure additional financing to cover our operating losses until breakeven operations can be achieved we may not be able to continue as a going concern. We are not aware of any trends, events or uncertainties that have a material impact upon our short-term or long-term liquidity.

We estimate that we may require as much as approximately \$1,200,000 over the next twelve (12) months to meet our expenses and to continue to perfect our proprietary microarray technology. We may require additional funds over the next eighteen (18) months to assist in realizing our business objectives. The amount of timing of additional funds required will be dependent on a variety of factors and cannot be determined at this time. The Company has been successful in paying its operating costs and funding its development from operations supplemented by short term borrowings from family members and third parties. We cannot be certain that we will be able to raise any additional capital to fund our ongoing operations.

Even if we cannot raise additional capital, we believe that we will be able to continue operations for the next 12 months, based on the funding currently provided and revenues that we anticipate generating in the near future. Our investors should assume that any additional funding may cause substantial dilution to current stockholders. In addition, we may not be able to raise additional funds on favorable terms, if at all.

Source of Liquidity

During the three months ended March 31, 2012, the Company relied upon extended terms from its creditors to finance its loss from operations.

Off-Balance Sheet Arrangements

We currently do not have any off-balance sheet arrangements.

Forward-Looking Statements

This document contains forward-looking statements that involve risks and uncertainties. We use words such as anticipate, believe, plan, expect, future, intend and similar expressions to identify such forward-looking statements. You should not place too much reliance on these forward-looking statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required for smaller reporting companies.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures

Disclosure controls and procedures are designed with an objective of ensuring that information required to be disclosed in our periodic reports filed with the Securities and Exchange Commission, such as this Quarterly Report on Form 10-Q, is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission. Disclosure controls also are designed with an objective of ensuring that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, in order to allow timely consideration regarding required disclosures.

The evaluation of our disclosure controls by our chief executive officer, who is also our acting chief financial officer, included a review of the controls' objectives and design, the operation of the controls, and the effect of the controls on the information presented in this Quarterly Report. Our management, including our chief executive officer, does not expect that disclosure controls can or will prevent or detect all errors and all fraud, if any. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Also, projections of any evaluation of the disclosure controls and procedures to future periods are subject to the risk that the disclosure controls and procedures may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on this review and evaluation as of the end of the period covered by this Form 10-Q, and subject to the inherent limitations all as described above, our chief executive officer, who is also our acting chief financial officer, has concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) contain material weaknesses and are not effective.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected.

The material weaknesses we have identified are the direct result of a lack of adequate staffing in our accounting department. Currently, our chief executive officer and a controller have sole responsibility for receipts and disbursements. We do not employ any other parties to prepare the periodic financial statements and public filings. Reliance on these limited resources impairs our ability to provide for a proper segregation of duties and the ability to ensure consistently complete and accurate financial reporting, as well as disclosure controls and procedures. As we grow, and as resources permit, we project that we will hire such additional competent financial personnel to assist in the segregation of duties with respect to financial reporting, and Sarbanes-Oxley Section 404 compliance.

(b) Changes in internal control over financial reporting

There were no changes in our internal control over financial reporting that occurred during the quarter.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Civil Action number 01-2226 between TeleChem International, Inc., Pediatrix Screening, Inc. and Pediatrix Screening LP went to jury trial in the United States District Court in the Western District of Pennsylvania in the summer of 2007. On August 11, 2007, the jury awarded TeleChem \$5,000,000 in damages for Pediatrix's breach of contract, fraudulent misrepresentation, and punitive damages. The jury awarded Pediatrix \$1,085,001 for TeleChem's breach of contract. Pediatrix put \$5,000,000 in bond, and submitted an appeal to the Third Circuit Court of Appeals to request that the damages award to TeleChem be reduced. Oral argument in the appeal was heard on December 15, 2009 by a panel of three judges in the Third Circuit Court of Appeals in Philadelphia, PA.

On April 20, 2010, the Third Circuit Court of Appeals rendered its judgment on that appeal that the Judgment entered August 16, 2007 is reversed in part, with respect to the judgment in favor of TeleChem on its counterclaim of misrepresentation and the award of damages. The Appeals Court ordered a new trial on TeleChem's counterclaim for fraudulent misrepresentation and damages. The judgments on all other claims were affirmed.

On October 27, 2011, Arrayit Corporation announced that the litigation between its wholly owned subsidiary, TeleChem International, Inc., and Pediatrix Screening, Inc. *et al.* was settled without financial penalty to either party.

There are no other legal proceedings, although we may, from time to time, be party to certain legal proceedings and other various claims and lawsuits in the normal course of our business, which, in the opinion of management, are not material to our business or financial condition.

ITEM 1A – RISKS FACTORS

Not required for smaller reporting companies.

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

On February 22, 2012, we issued 31,325 unregistered common shares for services rendered. The Company relied upon the exemption under Section 4(2) of the Securities Act.

On February 22, 2012, we issued 75,000 unregistered common shares for services rendered. The Company relied upon the exemption under Section 4(2) of the Securities Act.

ITEM 3 – DEFAULTS UPON SENIOR SECURITIES

NONE

ITEM 4 – REMOVED AND RESERVED

NONE

ITEM 5 – OTHER INFORMATION

NONE

ITEM 6 – EXHIBITS

31.1 Certification of Chief Executive Officer and Principal Accounting Officer pursuant to Section 302 of the Sarbanes - Oxley Act of 2002. (Filed herewith)

32.1 Certification of Chief Executive Officer and Principal Accounting Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (Filed herewith)

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Arrayit Corporation

Dated: May 21, 2012 By: /s/ RENE A. SCHENA
Rene A. Schena
Chairman and Director