

Arrayit Corp  
Form 10-Q  
November 22, 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  
September 30, 2011**

**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  
(Address of Principal Executive Office)

94089  
(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

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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 26,946,496 shares of the Registrant's common stock outstanding at September 30, 2011.

**Form 10-Q**  
**For the Quarterly Period Ended September 30, 2011**

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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**

	<b>09/30/2011</b>	<b>12/31/2010</b>
Statement of Financial Position		
<b>ASSETS</b>		
Current Assets:		
Cash	\$1,606	\$10,833
Accounts receivable	168,010 [1]	187,242 [2]
Inventory	279,132	301,936
Prepaid expenses	14,803	0
Total current assets {sum}	463,551	500,011
Property and equipment, net	20,899	40,111
Deposits	18,365	18,924
Total assets {sum}	\$502,815	\$559,046
<b>Liabilities and Stockholders' Deficit</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$6,541,955	\$6,436,439
Bank overdraft	82,425	0
Due to related parties	598,283	645,116
Customer deposits	134,677	160,370
Notes payables, current portion including related parties	1,142,074	1,139,765
Total current liabilities {sum}	8,499,414	8,381,690

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Notes payable, long term	0	86,319
Total liabilities {sum}	8,499,414	8,468,009
Commitments and contingencies	0	0
<b>Stockholders' Deficit</b>		
Preferred stock, \$0.001 par value; 20,000,000 shares authorized;	0	0
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, 26,946,496 and 25,992,486 issued and outstanding	26,753	25,802
Additional paid-in capital	16,570,127	16,397,878
Accumulated deficit	(24,568,939)	(4,345,983)
Total Arrayit Corp s Stockholders Equity (Deficit) {sum}	(7,971,945)	(7,922,189)
Non-controlling interest:		
Royalty interests	285,000	285,000
Less: Subscriptions receivable	(13,750)	(13,750)
Interest in subsidiaries earnings	(295,904)	(258,024)
Total Non-controlling interests {sum}	(24,654)	13,226
Total stockholders' deficit {sum}	(7,996,599)	(7,908,963)
Total liabilities and stockholders' deficit {sum}	\$502,815	\$559,046

[1] Accounts receivable, net of allowance for doubtful accounts of \$100,000

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

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

(Unaudited)

	07/01/2011 to 09/30/2011	07/01/2010 to 09/30/2010	01/01/2011 to 09/30/2011	01/01/2010 to 09/30/2010
<b>Statement of Operations</b>				
Total Revenues	\$780,445	\$688,779	\$2,561,837	\$2,145,747
Cost of Sales	451,065	263,942	1,523,008	1,101,129
Gross Margin {sum}	329,380	424,837	1,038,829	1,044,618
Selling, General and Administrative	359,764	582,954	1,061,441	2,990,442
Research and Development	3,427	142,720	22,633	311,819
Legal Expense	23,621	106,036	74,542	232,884
Loss from operations {sum}	(57,432)	(406,873)	(119,787)	(2,490,527)
Interest expense	(40,587)	(137,153)	(141,049)	(241,348)
Net loss	(98,019)	(544,026)	(260,836)	(2,731,875)
Less: Net loss attributable to the non-controlling interest	(10,124)	(69,920)	(37,880)	(117,678)
Net Loss attributable to common stockholders {sum}	(\$87,895)	(\$474,106)	(\$222,956)	(\$2,614,197)
Profit (Loss) per share - basic	\$(0.00)	(\$0.02)	(\$0.01)	(\$0.11)
Basic weighted average number of common shares	26,660,419	24,876,930	26,480,759	23,197,665

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

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

	<b>01/01/2011</b>	<b>01/01/2010</b>
	<b>to</b>	<b>to</b>
	<b>09/30/2011</b>	<b>09/30/2010</b>
Statement of Cash Flows		
<b>Cash flows from operating activities:</b>		
Net loss	(\$260,836)	(\$2,731,875)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	22,502	22,957
Amortization	8,916	102,674
Warrants for compensation	0	0
Stock paid for services	173,200	1,538,936
Changes in operating assets and liabilities		
Inc/dec in accounts receivable	19,232	20,277
Inc/dec in inventory	22,804	3,565
Inc/dec in prepaids	(14,803)	12,500

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Inc/dec in deposits	559	0
Inc/dec in restricted cash	0	100,293
Inc/dec in accounts payable and accrued liabilities	152,690	638,965
Inc/dec in bank overdraft	82,425	(20,616)
Inc/dec in due to related parties	(46,833)	132,217
Inc/dec in customer deposits	(25,693)	36,140
Net cash provided by (used in) operating activities	134,163	(184,521)
<b>Cash flows from investing activities:</b>		
Cash paid for purchase of fixed assets	(3,290)	(2,032)
Net cash provided by (used in) investing activities	(3,290)	(2,032)
<b>Cash flows from financing activities:</b>		
Proceeds from loans, net	0	147,326
Repayment of notes payable	(140,100)	(94,647)
Proceeds from issuance of warrants	0	82,674
Proceeds from option exercise	0	51,200
Net cash provided by (used in) financing activities	(140,100)	186,553
<b>Net increase (decrease) in cash</b>	<b>(9,227)</b>	<b>0</b>
<b>Cash, beginning of period (start)</b>	<b>10,833</b>	<b>0</b>
<b>Cash, end of period (end)</b>	<b>1,606</b>	<b>0</b>
<b>Supplemental cash flow information:</b>		
Cash paid for interest	\$141,049	\$75,714
Cash paid for income taxes	\$0	\$0
<b>Noncash Transaction:</b>		
Payment of bank note by related party in exchange for note payable with the company	\$161,602	\$0
Conversion of accrued interest to notes payable	\$47,174	\$0
Conversion of preferred stock	\$220	\$0
Shares issued for services	\$173,200	\$1,395,505
Warrants issued for services	\$0	\$143,431

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

**ARRAYIT CORPORATION**  
**NOTES TO CONSOLIDATED UNAUDITED STATEMENTS**  
**September 30, 2011**

**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 ten 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 wi