

Arrayit Corp  
Form 10-K/A  
April 19, 2012

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 10-K/A**

(Mark One)

**ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2011

**TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-16381

**ARRAYIT CORPORATION**

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(Exact name of small business issuer as specified in its charter)

**NEVADA**

(State or other jurisdiction of  
incorporation or organization)

**76-0600966**

(IRS Employer  
Identification No.)

**524 East Weddell Drive, Sunnyvale, CA 94089**

(Address of principal executive offices)

**408-744-1331**

(Registrant's telephone number)

Securities registered under Section 12(b) of the Exchange Act:

NONE

Securities registered under Section 12(g) of the Exchange Act:

**Common Stock, \$0.001 par value per share**

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes [ ] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [ ] No [X]

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

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B not contained in this form, and no disclosure will be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K/A or any amendment to this Form 10-K/A. [ ]

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

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company

(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 [X].

The issuer's revenues for the most recent fiscal year ended December 31, 2011 were \$3,811,578.

The aggregate market value of the voting and non-voting common equity held by nonaffiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter was \$2,643,177.

As of April 11, 2012, there were 27,303,112 shares of common stock outstanding.

ARRAYIT CORPORATION  
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YEAR ENDED DECEMBER 31, 2011  
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## PART I

### ITEM 1. BUSINESS

CERTAIN STATEMENTS IN THIS ANNUAL REPORT ON FORM 10-K/A (THIS "FORM 10-K/A"), INCLUDING STATEMENTS UNDER "ITEM 1. BUSINESS," AND "ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS", CONSTITUTE "FORWARD LOOKING STATEMENTS" WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1934, AS AMENDED, AND THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 (COLLECTIVELY, THE "REFORM ACT"). CERTAIN, BUT NOT NECESSARILY ALL, OF SUCH FORWARD-LOOKING STATEMENTS CAN BE IDENTIFIED BY THE USE OF FORWARD-LOOKING TERMINOLOGY SUCH AS "BELIEVES", "EXPECTS", "MAY", "SHOULD", OR "ANTICIPATES", OR THE NEGATIVE THEREOF OR OTHER VARIATIONS THEREON OR COMPARABLE TERMINOLOGY, OR BY DISCUSSIONS OF STRATEGY THAT INVOLVE RISKS AND UNCERTAINTIES. SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS OF ARRAYIT CORPORATION (THE "COMPANY", TeleChem , Arrayit , "WE", "US" OR "OUR") TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. REFERENCES IN THIS FORM 10-K/A, UNLESS ANOTHER DATE IS STATED, ARE TO DECEMBER 31, 2011.

Portions of this Form 10-K/A, including disclosure under Management's Discussion and Analysis or Plan of Operation, 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 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, and
- 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. Except as required by applicable law, including the securities laws of the United States and/or if the existing disclosure fundamentally or materially changes, 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.

## **INDUSTRY DATA**

In this Form 10-K/A, we may rely on and refer to information regarding the biotech industry from market research reports, analyst reports and other publicly available information. Although we believe that this information is reliable, we cannot guarantee the accuracy and completeness of this information, and we have not independently verified any of it.

### ***Overview:***

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.

## **General Business Description, Operating History and Change in Control**

## **Corporate History**

Arrayit began as a division of TeleChem International in 1996 with the advent of Dr. Mark Schena's use 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 was advancing at a dramatic pace in the 1990s as more advanced scientific tools became commercially available.

Microarray technology, including printing, detection and scanning instrumentation, was a timely addition to the geneticist's repertoire of advanced tools and technology, including automated sequencing, PCR, and expanded computing capability. The sequencing of the genomes of various simple organisms and later, sequencing of the more complex genomes of humans, have led to yet another revolution in genetic discovery: exploring gene function and variations with regard to disease states and diagnostics. Microarray tools, having undergone FDA-validation in the 2000's, remain an important component of the new genomic and proteomic industry upon which Arrayit will capitalize.

## **Overview of the Business**

We are 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 our proprietary technologies, we provide 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. We presently conduct our operations through three wholly owned subsidiaries and one majority owned subsidiary:

TeleChem International, Inc., a wholly owned subsidiary

Arrayit Marketing, Inc., a wholly owned subsidiary

Arrayit Scientific Solutions, Inc., a wholly owned subsidiary

Arrayit Diagnostics, Inc., an 80% majority owned subsidiary

## **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>.

## **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.

## Health Care Industry Segment

A 13 year combined effort of scientists around the world and the expenditure of over \$2.7 billion led to the completion of the mapping of the entire human genome in 2003. This project identified the complete set of 25,000 genes that are common to all humans. The human genome sequence speeded the study of genes and the variations in the genes that produce unique human characteristics, including pre-disposition to human disease. Because each gene has the potential for numerous variations, the possible combinations number in the billions. As daunting as the task was to map the human genome, the identification of all the variations of these genes and the implications to human health was even more overwhelming. Dr. Mark Schena, the company president, has worked to develop the tools and methods to take on this task using microarray technology. Now laboratories and research facilities around the globe use microarrays daily to isolate and screen genetic variations that identify specific characteristics. With the isolation of these variations, a whole new world of opportunities has been opened.

With the tools and reagents that were developed to create microarrays and analyze the results as a foundation, very specific diagnostic opportunities emerged. The pioneering diagnostic slides, which support screening of one patient at a time, suggested the universally beneficial need to test millions of people for a specific disease and determine if they have the disease undetected, or will develop that disease, or in order to identify what disease is associated with symptoms. However, testing millions of patient samples, one at a time, would overwhelm the testing facilities and be cost prohibitive.

To solve this problem, Dr. Schena developed and patented a method to place up to 100,000 individual patient samples on a single microscope substrate slide and have that slide immersed in a solution that contains the known markers for a specific disease, such as childhood hearing loss, Parkinson's Disease, Alzheimer's Disease, etc. Should any one of those 100,000 patient samples contain the marker for the disease being tested it would produce a red spot, if no disease, a green spot. This procedure also identifies carriers as yellow spots. Because of the sophistication of this patent, one lab could test hundreds of thousands of patient samples a day after receiving a sample of DNA from each patient. It is the only method available to the industry that can accomplish this. Dr. Schena's multi-patient genotyping procedure is protected by the following patents:

US Patent 6,913,879

Australia 2002218740

Europe 1343911

Korea 10-0756015

New Zealand 523560

Singapore 94899

Taiwan I280282

Israel 153848

Other worldwide patents pending

## **Strategic Relationships and Licensing Arrangements**

Arrayit Corporation and Wayne State University completed Task 2 of a sponsored research agreement to study ovarian cancer, producing three new proteomic markers that may provide additional sensitivity and specificity for the OvaDx® test. Continuing analysis of these markers, coupled with other technical improvements we have made recently, suggests that we may achieve our OvaDx® clinical trials goals of 90% sensitivity and specificity approaching 100% for this general purpose screening test.

OvaDx® will be marketed and sold upon FDA approval by Arrayit Diagnostics, Inc ( AD ). On December 14th, 2011, Arrayit Corporation announced the spin-off of AD and the distribution of its 78.18% interest in AD to ARYC shareholders on the record date which will be upon successful completion of the filing of a Form S-1 registration statement by AD. The company believes that the AD stock dividend will provide a shareholder dividend of significant value. Arrayit Corporation and AD are exploring strategic partnership opportunities with corporations that have a large customer base, and a significant sales and marketing presence in the diagnostics industry worldwide. We are also exploring investment opportunities with investors wishing to focus exclusively on the AD spin-off. AD s OvaDx® Pre-Symptomatic Ovarian Cancer Screening Test will be the first product on the market to allow detection of all stages and histologies of ovarian cancer including stage IA disease, which has excellent treatment options and prognosis. Recent advances in Arrayit Blood Card technology indicates that OvaDx® is deployable using both intravenous draws as well as 4-5 drops of human blood, a capacity the company believes will greatly simplify testing by facilitating the procurement, handling and storage of large numbers of OvaDx® patient samples.

We are also increasingly utilizing our patented contact printing technology to create collaborative and strategic opportunities with companies that have pre-existing diagnostics platforms that could benefit from our ability to miniaturize and multiplex their current diagnostic tests. Arrayit technology provides manufacturing cost savings by reducing reagent consumption, and enables deeper diagnostic information by increasing the number of markers that can be tested with a given device. These collaborative and strategic arrangements are akin to semi-conductor manufacturers that provide microprocessors for many different consumer computers.

BioSystems International (BSI) is producing antibodies of blood plasma, taken from human sources, for which Arrayit has developed a PlasmaScan™ microarray that potentially has the capability to identify predictors and biomarkers for such difficult to diagnose diseases as Parkinson's disease and Alzheimer's disease, among others. Once these

biomarkers are identified, a diagnostic slide could then be developed for broad use across the healthcare industry. Arrayit will also benefit from licensing of these antibodies for such downstream applications.

Arrayit has an ongoing collaboration with the Parkinson's Institute to test known Parkinson's Disease (PD) patients blood to identify biomarkers for Parkinson's Disease from the human plasma proteome microarray marketed as PlasmaScan™. Arrayit is also using the H25K Whole Human Genome Microarray to examine PD samples and has identified the world's first functional mRNA biomarkers for Parkinson's Disease. An expanded patient study will be used to further validate the PD biomarkers. Arrayit is also working with Stanford University to test known Alzheimer's patients blood to identify biomarkers for Alzheimer's Disease using PlasmaScan and other tools.

### **Product and Services Categories**

While the upcoming diagnostic opportunities will be the pay back for years of research and development, they are only possible because of the development of the microarray equipment and consumables by Arrayit.

### **Patented Printing Technology**

Arrayit manufactures the world's most widely used microarray printing technology consisting of Professional, 946, Stealth and ChipMaker® pins and printheads. Arrayit's patented printing technology allows the high-speed manufacture of DNA, protein, antibody, lipid, carbohydrate and many other types of microarrays for research and diagnostic applications including gene expression, genotyping, protein profiling and many more.

### **Instrumentation**

Instrumentation including NanoPrint™ and SpotBot® provide for automated microarray printing. NanoPrint™ allows high-end manufacturing, whereas SpotBot® systems are the only personal microarrayers in the industry that enable affordable desktop use.

Other instruments include SpotLight™ CCD fluorescence scanners, SpotWare-® colorimetric scanners, InnoScan® laser scanners, TrayMix™ Hybridization Stations, high speed centrifuges, air jets, vacuum products. Laboratory tools and bioinformatics computers complete the instrumentation line which are all designed to facilitate the quality and speed of microarray research.

### **Consumables**

Arrayit manufactures and provides the microarray industry with variety of consumables, including glass substrates and slides, reagents, solutions, kits and clean room supplies.

Arrayit Super Microarray Substrates have been adopted by major Life Science companies and are used industry wide. They are polished atomically flat glass printing surfaces with proprietary coupling chemistry that afford high signal intensities and low background noise for premium quality microarray experimentation.

Arrayit buffers and solutions are optimized to increase the quality of microarray manufacturing, processing, and use. Purification kits provide both a high yield and superior purity. Applications include: DNA microarrays, fluorescent microarray purification, sequencing and others. Arrayit kits utilize proprietary binding membranes and purification chemistries for optimal performance.

### **Healthcare Platforms**

Arrayit's patented Healthcare technology, the Variation Identification Platform (VIP), allows diagnostic tests to be performed by depositing as many as 100,000 patient samples onto a single microarray. VIP manufacturing and clean room technology platforms are also sold to customers who license the technology from Arrayit. VIP platforms enable the manufacture of extremely high-quality microarrays with superior precision and accuracy. These microarrays containing 100,000 individual features allow the simultaneous genotyping of 100,000 different patients in a single test.

### **Arrayit Opportunity in Diagnostics and Personalized Medicine**

With the completion of the human genome sequencing project, genetic research is increasing its focus on identifying the variations in the DNA of specific genes in the genome. These DNA variations are partly what define individual characteristics, including disease states or a statistical propensity for disease as well as compatibility with specific pharmaceutical compounds, such as anti-clotting medication. In addition to DNA analysis, it is now possible to identify messenger RNA (mRNA) and protein markers or biomarkers in the blood stream that provide definitive early warning signs for diseases such as Parkinson's Disease and ovarian cancer. Arrayit technology uniquely allows the analysis and identification of all of the major classes of molecules in the human body (DNA, mRNA and protein) using a single patented and proprietary microarray technology platform. The implications of this capability are far-reaching and impact not only the research community, but will also impact individual patients and medical and insurance providers in the near future. Diagnostic tests that detect diseases very early in their progression will provide options for earlier treatments that may improve patient quality of life and prognosis by delaying or preventing disease progression or even death. The health care enterprise will incur major cost savings by avoiding costly late stage disease treatments.

We intend to pursue opportunities to license diagnostic markers that were developed using our platform and to acquire businesses that increase our disease diagnostic capability and expand our geographic reach. We also intend to consider acquiring manufacturers of other highly engineered and customized ancillary or complementary products that will further our penetration into the life sciences, diagnostics and health care markets and our customer base served by these sectors. We favor academic and commercial candidates that have core competencies and business



characteristics similar to our own, and those that we expect will benefit from some of the major positive trends occurring in our industry.

### Competition within the Microarray Research and Development Industry

Arrayit competes with large and small, public and private companies. The industry has been historically dominated by Affymetrix which achieved strong market penetration by being the first public company to commercialize and promote microarray applications. A more recent entry to the market, Illumina, has taken significant market share from Affymetrix. However, both competitors face mid to long term scientific and technological challenges because they are limited by what they can deposit onto a microarray--DNA. Arrayit's patented printing technology can deposit any kind of molecule into a microarray, including DNA, proteins, antibodies, diagnostic elements and other compounds. These next generation microarrays represent the largest growth opportunity in the industry. Arrayit has a long-term advantage in its unique line of personal and high throughput microarray printers, highest sensitivity microarray scanners, top quality consumables, patented diagnostic methods, collaborative corporate culture, and competitive pricing.

The following companies compete with Arrayit in the research and development portion of the microarray market:

Name and Location	Trading Symbol	Price per Common Share	Market Capitalization
Agilent Technologies, Inc., Santa Clara, California	NYSE: A	\$44.77	\$15.56B
Agilent provides bio-analytical and electronic solutions to the communications, electronics, life sciences and chemical analysis industries. The microarray division is a small portion of their total business. Agilent's process places spots in a microarray by means of an ink jet technology and is limited to DNA microarrays.			
Affymetrix, Inc., Santa Clara, California	NasdaqGS: AFFX	\$4.25	299.40M
Affymetrix provides consumables and systems for genetic analysis in life sciences. Their process creates a microarray by means of photolithography and is limited to DNA microarrays.			
Illumina, Inc., San Diego, California	NasdaqGS: ILMN	\$52.33	\$6.40B
Illumina provides a line of products and services to serve the sequencing, genotyping and gene expression markets. Their process places chemically reacted beads into a microarray format, and is limited to DNA microarrays.			

(1) Share price and market cap values as of April 6, 2012.

### Advertising, Marketing and Sales

Thanks to the successful efforts of the Company's sales and marketing team, Arrayit is the most highly recognized independent brand name in the microarray industry. This was accomplished through visibility in major broadcast television news media, full page advertisements in top scientific journals, trade shows and workshops, vendor fairs, direct mail campaigns, feature articles in major trade publications and e-mail newsletters. All advertising and marketing efforts drive traffic to the Arrayit.com website and web based store resulting in sales. The Arrayit.com web site, which regularly receives more than 750 unique visitors per day and 22,000 visitors per month and over 700,000 hits per month, is considered by many to be the portal of the microarray industry.

The Company's sales strategy has been successful by providing personalized sales and support. The inside sales force is currently comprised of three persons. External sales are accomplished domestically and internationally by Arrayit's more than 40 distributors. The Company plans to hire additional experienced sales professionals with microarray, diagnostics and pharmaceutical contacts who will capitalize on the company's powerful microarray technologies. The company anticipates a sales force of approximately ten within three years.

### **Strategic Distributorships**

The Company utilizes more than 40 international distributors in South America, Europe, Japan, the Middle East, South Africa, China, Singapore, Korea, India, Taiwan, Israel and other locations world-wide. The Company has generally chosen one representative in each geographical area, and has worked closely with that organization to promote the Company's product line. These global distributors purchase directly from Arrayit for resale on net 30 day terms, and represent approximately 43% of the Company's 2011 revenues. These foreign receivables are insured through Atradius Trade Credit Insurance, Inc.

### **Facilities**

Arrayit's corporate offices and research facilities are located at 524 East Weddell Drive, Sunnyvale, California 94089. The corporate headquarters covers 8,280 square feet which in addition to the executive offices, shipping and receiving, include a microarray manufacturing cleanroom demonstration facility, two (2) microarray manufacturing clean rooms, a substrate manufacturing clean room, preparation and packing facilities, and quality control and quality assurance work stations. The base rent is \$13,662 per month plus a monthly operating expense charge of \$1,821. The lease expires on November 30, 2012.

Our Subsidiary, Arrayit Diagnostics, Inc operates from offices located at 1950 Cinnamon Teal Drive, Redmond, Oregon 97756.

Our internet website address is <http://www.arrayit.com>

Our annual reports on Form 10-K/A, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports are available free of charge on the SEC's website, [www.sec.gov](http://www.sec.gov).

Management believes these facilities are suitable and adequate for its current operations.

## **Regulatory Matters**

We and our customers are subject to various government regulations, and we may incur significant expenses to comply with, and experience delays in our product commercialization as a result of, these regulations.

The FDA must approve certain in-vitro diagnostic products before they can be marketed in the U.S. Certain in-vitro diagnostic products must also be approved by the regulatory agencies of foreign governments or jurisdictions before the product can be sold outside the U.S. Commercialization of our and our collaborative partners' in-vitro diagnostic products outside of the research environment may depend upon successful completion of clinical trials. Clinical development is a long, expensive and uncertain process and we do not know whether we, or any of our collaborative partners, will be permitted to undertake clinical trials of any potential in-vitro diagnostic products. It may take us or our collaborative partners many years to complete any such testing, and failure can occur at any stage. Delays or rejections of potential products may be encountered based on changes in regulatory policy for product approval during the period of product development and regulatory agency review. Moreover, if and when our projects reach clinical trials, we or our collaborative partners may decide to discontinue development of any or all of these projects at any time for commercial, scientific or other reasons. Any of the foregoing matters could have a material adverse effect on our business, financial condition and results of operations.

Many of our products are labeled for research only. Even where a product is exempted from FDA clearance or approval, the FDA may impose restrictions as to the types of customers to which we can market and sell our products. Such restrictions may materially and adversely affect our business, financial condition and results of operations.

The FDA, the U.S. Department of Health and Human Services and foreign government regulators are increasingly focused on genetic analysis tools, including the use of arrays that are labeled for research use only by cytogenetics labs, including labs certified under the Clinical Laboratory Improvement Amendments (CLIA). We cannot predict the

extent of the FDA's future efforts in regulation and policies with respect to the sale and use of arrays for the development of assays by CLIA laboratories, which are referred to as laboratory developed tests ( LDTs ). If new regulations restrict our customers' development of LDTs using our products labeled for research use only, or if we otherwise are required to obtain FDA premarket clearance or approval prior to commercializing these products, our ability to generate revenue from the sale of our products may be delayed or otherwise adversely affected. Moreover, our failure to comply with governmental rules and regulations related to our products could cause us to incur significant adverse publicity, or subject us to investigations and notices of non-compliance or lead to fines or restrictions upon our ability to sell our products.

Medical device laws and regulations are also in effect in many countries, ranging from comprehensive device approval requirements to requests for product data or certifications. The number and scope of these requirements are increasing. We may not be able to obtain regulatory approvals in such countries or may incur significant costs in obtaining or maintaining our foreign regulatory approvals. In addition, the export by us of certain of our products which have not yet been cleared for domestic commercial distribution may be subject to FDA or other export restrictions.

We have agreements relating to the sale of our products to government entities and, as a result, we are subject to various statutes and regulations that apply to companies doing business with the government. A failure to comply with these regulations might result in suspension of these contracts or administrative penalties, and could have a material adverse effect on our ability to compete for future government grants, contracts and programs.

### **Healthcare reform and restrictions on reimbursements**

We are currently collaborating with our partners to develop diagnostic and therapeutic products. The ability of our collaborators to commercialize such products may depend, in part, on the extent to which reimbursement for the cost of these products will be available under U.S. and foreign regulations that govern reimbursement for clinical testing services by government authorities, private health insurers and other organizations. In the U.S., third-party payer price resistance, the trend towards managed health care and legislative proposals to reform health care or reduce government insurance programs could reduce prices for health care products and services adversely affect the profits of our customers and collaborative partners and reduce our future royalties.

### **Handling of hazardous materials and other regulations governing environmental safety.**

Our operations are subject to complex and stringent environmental, health, safety and other governmental laws and regulations that both public officials and private individuals may seek to enforce. Our activities that are subject to these regulations include, among other things, our use of hazardous materials and the generation, transportation and storage of waste. We could discover that we or an acquired business is not in material compliance. Existing laws and regulations may also be revised or reinterpreted, or new laws and regulations may become applicable to us, whether retroactively or prospectively, that may have a negative effect on our business and results of operations. It is also impossible to eliminate completely the risk of accidental environmental contamination or injury to individuals. In such an event, we could be liable for any damages that result, which could adversely affect our business.

### **Employees**

At April 2, 2012, we had 9 full time employees, and agreements with three consultants. We had no part-time employees. None of our employees are covered by a collective bargaining agreement with a union. We consider our relationship with our employees to be good.

### **Comment Letters Issued by the SEC**

During 2011, the SEC issued comment letters relating to the Company's previously filed Forms 10K, and the Company responded. The SEC notified the Company that they completed their review on February 9, 2012.

## ITEM 1A. RISK FACTORS

Our business faces many risks. The risks described below may not be the only risks we face. Additional risks that we do not yet know of, or that we currently think are immaterial, may also negatively impact our business operations or financial results. If any of the events or circumstances described in this section occur, our business, financial condition or results of operations could be negatively affected to a significant extent. Our securities are highly speculative and should only be purchased by persons who can afford to lose their entire investment in our Company. The Company's business is subject to many risk factors, including the following:

### *Risks Related to the Growth of Our Business*

**If we do not continually develop and commercialize new or enhanced products and services, our business may not grow.**

Our success depends in large part on our continual, timely development and commercialization of new or enhanced products and services that address evolving market requirements and are attractive to customers. The genetic analysis tools market is characterized by rapid and significant technological changes, frequent new product introductions and enhancements, evolving industry standards and changing customer needs. Standardization of tools and systems for genetic research is still ongoing and we cannot assure you that our products will emerge as the standard for genetic research. Other companies may introduce new technologies, techniques, products or services that render our products or services obsolete or uneconomical. If we do not appropriately innovate and invest in new technologies, then our technologies will become dated and our customers could move to new technologies offered by our competitors.

As a result, we are continually looking to develop, license or acquire new or enhanced technologies, products and services to further broaden and deepen our offerings. Some of the factors affecting market acceptance of our products and services include:

- availability, quality and price as compared to competitive products and services;
- the functionality of new and existing products and services;

- the timing of introduction of our products and services as compared to competitive products and services;
- the existence of product defects;
- scientists' and customers' opinions of the utility of our products and services and our ability to incorporate their feedback into future products and services;
- citation of our products in published research; and
- general trends in life science research and life science informatics software development.

Our new or enhanced technologies, products or services may not be accepted by customers in our target markets. For example, once we have developed or obtained a new technology, we may fail to successfully commercialize new products and services based on that technology, particularly to the extent that our new products and services compete with established technologies or the products and services of more established competitors. Risks relating to product adoptions include the inability to accurately forecast demand and difficulties in managing different sales and support requirements due to the type or complexity of the new products.

**Our growth depends in part on our ability to acquire new technologies, products and services through additional acquisitions, which may absorb significant resources and may not be successful.**

As part of our strategy to develop and identify new technologies, products and services, we have made and may continue to make acquisitions. Our integration of the operations of acquired businesses requires significant efforts, including the coordination of information technologies, research and development, sales and marketing, operations, manufacturing and finance. These efforts result in additional expenses and divert significant amounts of management s time from other projects. Our failure to manage successfully and coordinate the growth of the combined company could also have an adverse impact on our business. In addition, there is no guarantee that some of the businesses we acquire will become profitable or remain so. If our acquisitions do not meet our initial expectations, we may record impairment charges, such as those recorded in 2008.

Factors that will affect the success of our acquisitions include:

- our ability to retain key employees of the acquired company;
- the performance of the acquired business, technology, product or service;

- our ability to integrate operations, financial and other systems;
- the ability of the combined company to achieve synergies among its constituent companies, such as increasing sales of the combined company's products and services, achieving expected cost savings and effectively combining technologies to develop new products and services;
- any disruption in order fulfillment due to integration processes and therefore loss of sales;
- the presence or absence of adequate internal controls and/or significant fraud in the financial systems of acquired companies;
- any decrease in customer and distributor loyalty and product orders caused by dissatisfaction with the combined companies' product lines and sales and marketing practices, including price increases; and
- Our assumption of known contingent liabilities that are realized, known liabilities that prove greater than anticipated, or unknown liabilities that come to light, to the extent that the realization of any of these liabilities increases our expenses or adversely affects our business or financial position.

**Emerging market opportunities in molecular diagnostics may not develop as quickly as we expect and we depend on the efforts of our partners to be successful.**

The clinical applications of our technologies for diagnosing and enabling informed disease management options in the treatment of disease is an emerging market opportunity in molecular diagnostics. At this time, we cannot be certain that molecular diagnostic markets will develop as quickly as we expect. Although we believe that there will be clinical applications of our technologies that will be utilized for diagnosing and enabling informed disease management options in the treatment of disease, there can be no certainty of the technical or commercial success our technologies will achieve in such markets.



Our success in the molecular diagnostics market depends to a large extent on our collaborative relationships and the ability of our collaborative partners to achieve regulatory approval for such products in the United States and in overseas markets, and successfully market and sell products using our technologies.

***Patent disputes can be costly to prosecute and defend and adverse judgments could result in damage awards, increased royalties and other similar payments and decreased sales.***

Patent positions can be highly uncertain and patent disputes in the medical industry are not unusual. An adverse result in a patent dispute involving our patents, or the patents of our collaborators, may lead to a determination by a court that the patent is not infringed, is invalid, and/or is unenforceable. Such an adverse determination could lead to our loss of market exclusivity. An adverse result in a patent dispute alleging that we have infringed patents held by a third party may lead to a determination by a court that the patent is infringed, valid, and enforceable. Such an adverse determination may preclude the commercialization of our products and/or may lead to significant financial damages for past and ongoing infringement. Due to the uncertainty surrounding patent litigation, parties may settle patent disputes by obtaining a license under mutually agreeable terms in order to decrease risk of an interruption in manufacturing and/or marketing of its products.

The potential for litigation regarding our intellectual property rights always exists and litigation may be initiated by third parties attempting to abridge our rights. Even if we are ultimately successful in a particular dispute, we may incur substantial costs in defending its patents and other intellectual property rights.

### ***Risks Related to Our Sales***

**We face significant competition, and our failure to compete effectively could adversely affect our sales and results of operations.**

We compete with companies that develop, manufacture and market genetic analysis tools for the life science and clinical healthcare markets. We face significant competition as our competitors develop new, improved or more economical products and services and as new companies enter the market with new and innovative technologies.

The market for molecular diagnostics products and services is highly competitive, has high barriers of entry, and has several other large companies with significant market share. For example, companies such as Affymetrix, Illumina, Agilent Technologies and Life Technologies have products for genetic analysis that are directly competitive with

certain of our products. We also face competition from established diagnostic companies such as Beckman Coulter, Becton Dickinson, bioMérieux, Celera Diagnostics, Johnson & Johnson and Roche Diagnostics, which have made strategic commitments to diagnostics, have financial and other resources to invest in new technologies, and have substantial intellectual property portfolios. They also have substantial experience in new product development, regulatory expertise,

Many of our current and potential competitors have significantly greater financial, technical, marketing and other resources than we do. In addition, many current and potential competitors have greater name recognition, more extensive customer bases and access to proprietary genetic content.

**Consolidation trends in both our market and that of our customers have increased competition.**

There has been a trend toward industry consolidation in our markets for the past several years. We expect this trend toward industry consolidation to continue as companies attempt to strengthen or hold their market positions in an evolving industry and as companies are acquired or are unable to continue operations. We believe that industry consolidation may result in stronger competitors that are better able to compete as sole-source vendors for customers. This could lead to more variability in operating results and could harm our business.

Additionally, there has been a trend toward consolidation in many of the customer markets we sell to, in particular the pharmaceutical industry. Consolidation in our customer markets results in increased competition for important market segments and fewer available accounts, and larger consolidated customers may be able to exert increased pricing pressure on companies in our market.

**Reduction or delay in research and development budgets and government funding may adversely impact our sales.**

We expect that our revenues in the foreseeable future will be derived primarily from products and services provided to a relatively small number of academic, governmental and other research institutions, as well as pharmaceutical and biotechnology companies. Our operating results may fluctuate substantially due to reductions and delays in research and development expenditures by these customers.

Factors that could affect the spending levels of our customers include:

- weakness in the global economy and changing market conditions that affect our customers;
- changes in the extent to which the pharmaceutical industry may use genetic information and genetic testing as a methodology for drug discovery and development;
- changes in government programs that provide funding to companies and research institutions;
- changes in the regulatory environment affecting life science companies and life science research;
- impact of consolidation within the pharmaceutical industry; and
- cost reduction initiatives of customers.

Government funding of research and development is subject to the political process, which is inherently unpredictable. Any shift away from the funding of life science research and development or delays surrounding the approval of government budget proposals may cause our customers to delay or forego purchases of our products and services. Moreover, in the short term, our customers may delay or reduce their purchases of our products as they wait to learn whether, and to what extent, they will receive stimulus funding. Additionally, if our customers are unable to obtain funding they may reduce their research and development budgets, resulting in a decrease in demand for our products. A reduction or delay in demand will reduce our revenues and adversely affect our profitability.

**If we are unable to maintain our relationships with collaborative partners, we may have difficulty developing and selling our products and services.**

We believe that our success in penetrating our target markets depends in part on our ability to develop and maintain collaborative relationships with key companies as well as with key academic researchers. Relying on our collaborative relationships is risky to our future success because:

- our partners may develop technologies or components competitive with our products and services;
- our existing collaborations may preclude us from entering into additional future arrangements;
- our partners may not obtain regulatory approvals necessary to continue the collaborations in a timely manner;
- some of our agreements may terminate prematurely due to disagreements between us and our partners;

- our partners may not devote sufficient resources to the development and sale of our products and services;
- our partners may be unable to provide the resources required for us to progress in the collaboration on a timely basis;
- our collaborations may be unsuccessful; or
- some of our agreements have expired and we may not be able to negotiate future collaborative arrangements on acceptable terms.

**The size and structure of our current sales, marketing and technical support organizations may limit our ability to sell our products and services.**

Although we have invested significant resources to expand our direct sales force and our technical and support staff, we may not be able to establish a global sales, marketing or technical support organization that is sufficient to sell, market or support our products globally. To assist our sales and support activities, we have entered into distribution agreements through certain distributors, principally in markets outside of North America and Europe. These and other third parties on whom we rely for sales, marketing and technical support may decide to develop and sell competitive products or otherwise become our competitors, which could harm our business.

***Risks Related to the Manufacturing of Our Products***

**We rely on third parties whose operations are outside our control.**

We rely on arrangements with third-party shippers and carriers such as independent shipping companies for timely delivery of our products to our customers. As a result, we may be subject to carrier disruptions and increased costs due to factors that are beyond our control, including labor strikes, inclement weather, natural disasters and rapidly increasing fuel costs. If the services of any of these third parties become unsatisfactory, we may experience delays in meeting our customers' product demands and we may not be able to find a suitable replacement on a timely basis or on commercially reasonable terms. Any failure to deliver products to our customers in a timely and accurate manner may damage our reputation and could cause us to lose customers.

We also utilize third party distributors to sell, install and service certain of our products. While we are selective in whom we choose to represent us, it is difficult for us to ensure that our distributors and manufacturer's representatives consistently act in accordance with the standards we set for them. To the extent any of our end-customers have negative experiences with any of our distributors; it could reflect poorly on us and damage our reputation, thereby negatively impacting our financial results.

**We may need to adjust our manufacturing capacity based on business requirements or improvements made to our technological capabilities and there are risks associated with such adjustment.**

If demand for our products is reduced or if we implement technologies that increase the density or yields of our microarrays, our manufacturing capacity could be under-utilized and some of our long-lived assets, including facilities and equipment, may be impaired, which would increase our expenses. In addition, factory planning decisions may shorten the useful lives of long-lived assets including facilities and equipment, and cause us to accelerate depreciation. These changes in demand for our products, and changes in our customers' product needs, could have a variety of negative effects on our competitive position and our financial results, and, in certain cases, may reduce our revenue, increase our costs, lower our gross margin percentage or require us to recognize impairments of our assets. In addition, if demand for our products is reduced or we fail to accurately forecast demand, we could be required to write down inventory since certain of our products have a limited shelf life, which would have a negative impact on our gross margin.

**We may lose customers or sales if we are unable to meet customer demand for our products on a timely and cost-effective basis, or if we are unable to ensure the proper performance and quality of our products.**

We produce our products in an innovative and complicated manufacturing process which has the potential for significant variability in manufacturing yields. We have encountered and may in the future encounter difficulties in manufacturing our products and, due to the complexity of our products and our manufacturing process, we may experience delays in the manufacture of our products or fail to ensure their proper performance or quality. As we develop new and enhanced products, we must be able to resolve in a timely, cost-effective manner manufacturing issues that may arise from time to time.

We rely on internal quality control procedures to verify our manufacturing processes. Due to the complexity of our products and manufacturing process, however, it is possible that products that do not meet all of our performance specifications may not be identified before they are shipped. If our products do not consistently meet our customers performance expectations, demand for our products will decline. In addition, we do not maintain any backup manufacturing capabilities for the production of our products. Any interruption in our ability to continue operations at our existing manufacturing facilities could delay our ability to develop or sell our products, which could result in lost revenue and seriously harm our business, financial condition and results of operations.

### ***Risks Related to Our Operations***

#### **We have had significant operating losses expect to continue to incur net losses for the near term.**

Although we were formed in 1993, we have been unable to consistently operate profitably. As of December 31, 2011, we had an accumulated deficit of approximately \$24,544,723. We have reported net losses of approximately \$248,618 and \$3,439,358 for the fiscal years ended December 31, 2011 and 2010, respectively. Unless our sales increase substantially in the near future, we anticipate that we will continue to incur net losses in the near term, and we may never be able to achieve profitability. In order to achieve profitable operations we need to significantly increase our revenues from the sales of product and licensing fees. We cannot be certain that our business will ever be successful or that we will generate significant revenues and become profitable.

#### **We may have substantial future cash requirements but no assured financing source to meet such requirements.**

If we are able to generate funds from financing activities, we will have sufficient cash and cash equivalents, to support our projected operating needs for the next fiscal year. However, with limited revenues from sales of our products and services, our business plan that calls for us to continue to improve our products, create new products, and more aggressively market our existing products will require us to obtain additional working capital. Our future capital requirements will depend on many factors, including continued progress in product enhancements and new product development programs, the magnitude of these programs, the time and costs involved in completion of technological, manufacturing and market requirements, and the cost of finalizing licensing agreements to produce licensing revenues. We do not know whether additional financing will be available when needed, or on terms favorable to us or

our stockholders particularly in light of current economic conditions which have significantly adversely affected the availability of credit, and other sources of capital. We may raise necessary funds through public or private equity offerings, debt financings or additional corporate collaboration and licensing arrangements. To the extent we raise additional capital by issuing equity securities; our stockholders will experience further dilution. If we raise funds through debt financings, we may become subject to restrictive covenants. To the extent that we raise additional funds through collaboration and licensing arrangements, we may be required to relinquish some rights to our technologies or products, or grant licenses on terms that are not favorable to us.

**Our operating results may vary significantly from quarter to quarter.**

Our quarterly results may be materially and adversely affected by:

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the timing and volume of work under new agreements;

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general economic conditions;

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the spending patterns of customers;

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customer orders received;

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losses experienced in our operations not otherwise covered by insurance;

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a change in the demand or production of our products caused by severe weather conditions;

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convertible debt and warrant grants categorized as derivative financial instruments require changes in fair value be recorded in the consolidated statement of operations;

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a change in the mix of our customers, contracts and business;

increases in design and manufacturing costs; and

the ability of customers to pay their invoices owed to us and disagreements with customers related to product performance on delivery.

Accordingly, our operating results in any particular quarter may not be indicative of the results that you can expect for any other quarter or for an entire year.

**We plan to engage in acquisitions and joint ventures, and may encounter unexpected difficulties identifying, pricing or integrating those businesses.**

We seek to grow, in part, through strategic acquisitions that are intended to complement or expand our business, and expect to continue to do so in the future. The success of this strategy will depend on our ability to identify, price, finance and complete these transactions or arrangements. Success will also depend on our ability to integrate the businesses acquired in these transactions. We may encounter unexpected difficulties in completing and integrating acquisitions with our existing operations, and in managing strategic investments. Furthermore, we may not realize the degree, or timing, of benefits we anticipated when we first entered into a transaction. Any of the foregoing could adversely affect our business and results of operations.

**We may be unsuccessful at generating internal growth.**

Our ability to generate internal growth will be affected by, among other factors, our ability to attract new customers, increase the number or size of orders received by existing customers, hire and retain employees and increase volume utilizing our existing facilities. In addition, our customers may reduce the number or size of their orders. Many of the factors affecting our ability to generate internal growth may be beyond our control, and we cannot be certain that our strategies will be successful or that we will be able to generate cash flow sufficient to fund our operations and to support internal growth. If we are unsuccessful, we may not be able to achieve internal growth, expand our operations or grow our business.

**The departure of key personnel could disrupt our business.**

We depend on the continued efforts of Dr. Mark Schena, our president, and other senior management. We cannot be certain that any individual will continue in such capacity for any particular period of time. The loss of key personnel,



or the inability to hire and retain qualified employees, could negatively impact our ability to manage our business.

**Our business requires skilled labor, and we may be unable to attract and retain qualified employees.**

Our ability to maintain our productivity and profitability will be limited by our ability to employ, train and retain skilled personnel necessary to meet our requirements. We may experience shortages of qualified personnel. We cannot be certain that we will be able to maintain an adequate skilled labor force necessary to operate efficiently and to support our growth strategy or that our labor expenses will not increase as a result of a shortage in the supply of skilled personnel. Labor shortages or increased labor costs could impair our ability to maintain our business or grow our revenues, and may adversely impact our profitability.

**We carry insurance against many potential liabilities, and our risk management program may leave us exposed to unidentified or unanticipated risks.**

Although we maintain insurance policies with respect to our related exposures, these policies contain deductibles and limits of coverage. We estimate our liabilities for known claims and unpaid claims and expenses based on information available as well as projections for claims incurred but not reported. However, insurance liabilities are difficult to estimate due to various factors. If any of our insurance policies or programs are not effective in mitigating our risks, we may incur losses that are not covered by our insurance policies or that exceed our accruals or that exceed our coverage limits and could adversely impact our consolidated results of operations, cash flows and financial position.

**Future litigation could impact our financial results and condition.**

Our business, results of operations and financial condition could be affected by significant future litigation or claims adverse to us. Types of potential litigation cases include: product liability, contract, employment-related, labor relations, personal injury or property damage, intellectual property, stockholder claims and claims arising from any injury or damage to persons, property or the environment from hazardous substances used, generated or disposed of in the conduct of our business.

**An adverse ruling by the U.S. Internal Revenue Service could create significant liability.**

Several of the persons, including consultants and executive officers, who provide services to us are treated as independent contractors or receive below market loans instead of salaries or wages. If the I.R.S examines our prior years tax returns and determines that one or more of such persons were employees, the resulting liability for withholding and payroll taxes could be significant.

**Market disruptions caused by the worldwide financial crisis could affect our ability to meet our liquidity needs at reasonable cost and our ability to meet long-term commitments, which could adversely affect our financial condition and results of operations.**

We rely on our credit facility with our primary lender, amongst other avenues, to satisfy our liquidity needs. Further disruptions in the credit markets or further deterioration of the banking industry's financial condition, may discourage or prevent our primary lender and other lenders from meeting their existing lending commitments, extending the terms of such commitments or agreeing to new commitments. Market disruptions may also limit our ability to issue debt securities in the capital markets. We can provide no assurances that our primary lender or any other lenders we may have will meet their existing commitments or that we will be able to access the credit markets in the future on terms acceptable to us or at all.

Longer term disruptions in the capital and credit markets as a result of uncertainty, reduced financing alternatives or failures of significant financial institutions could adversely affect our access to the liquidity needed for our business. Any disruption could require us to take measures to conserve cash until the market stabilizes or until alternative financing can be arranged. Such measures could include deferring capital expenditures and reducing other discretionary expenditures.

Continued market disruptions could cause a broad economic downturn that may lead to increased incidence of customers' failure to pay for services delivered, which could adversely affect our financial condition, results of

operations and cash flow.

Continued capital market disruptions could result in increased costs related to variable rate debt. As a result, continuation of market disruptions could increase our interest expense and adversely impact our results of operations.

Disruption in the capital markets and its actual or perceived effects on particular businesses and the greater economy also adversely affects the value of the investments held within our pension plans. Significant declines in the value of the investments held within our pension plans may require us to increase contributions to those plans in order to meet future funding requirements if the actual asset returns do not recover these declines in value in the foreseeable future. These trends may also adversely impact our results of operations, net cash flows and financial positions, including our stockholders' equity.

**Restrictive loan covenants may impact our ability to operate our business and to pursue our business strategies, and our failure to comply with these covenants could result in an acceleration of our indebtedness.**

Our credit facility with our primary lender contains certain restrictive covenants. The majority of the liquidity derived from our credit facility is based on availability determined by a borrowing base. Specifically, the availability of credit is dependent upon our eligible receivables, inventory and certain liens. We may not be able to maintain adequate levels of eligible assets to support our required liquidity.

**Due to the international nature of our business, political or economic changes or other factors could harm our business.**

A significant amount of our revenue is currently generated from sales outside the United States. Although such transactions are primarily denominated in U.S. dollars, our future revenue, gross margin, expenses and financial condition are still affected by such factors as changes in foreign currency exchange rates; unexpected changes in, or impositions of, legislative or regulatory requirements, including export and trade barriers and taxes; longer payment cycles and greater difficulty in accounts receivable collection.

We also are subject to general geopolitical risks in connection with international operations, such as political, social and economic instability, potential hostilities, epidemics and changes in diplomatic and trade relationships. We cannot assure investors that one or more of the foregoing factors will not have a material adverse effect on our business, financial condition and operating results or require us to modify our current business practices.

**Our effective tax rate may vary significantly.**

Our operations are subject to income and transaction taxes in the United States and in multiple foreign jurisdictions. Estimates and judgments are required in determining our worldwide provision for income taxes. Some of these estimates are based on interpretations of existing tax laws or regulations. The ultimate amount of tax liability may be uncertain as a result.

Changes in overall levels and the geographic mix of pretax earnings may adversely impact our effective tax rate. Certain jurisdictions have lower tax rates, and the amount of earnings in these jurisdictions may fluctuate. If we do not have profitable operations in these jurisdictions, our effective tax rate could be adversely impacted. Changes in tax laws and regulatory requirements in the countries in which we operate could have a material impact on our tax provision. To the extent that we are unable to continue to reinvest a substantial portion of our profits in our foreign operations, we may be subject to effective income tax rate increases in the future. Tax authorities may challenge the allocation of profits between our subsidiaries and we may not prevail in any such challenge. If we were not to prevail, we could be subject to higher tax rates or double tax.

Estimates are required in determining any valuation allowance to be recorded against our net deferred tax assets. Changes in the amount of valuation allowance required may significantly impact our financial results of operations.

### ***Risks Related to Government Regulation and Litigation***

**We and our customers are subject to various government regulations, and we may incur significant expenses to comply with, and experience delays in our product commercialization as a result of, these regulations.**

The FDA must approve certain in-vitro diagnostic products before they can be marketed in the United States. Certain in-vitro diagnostic products must also be approved by the regulatory agencies of foreign governments or jurisdictions before the product can be sold outside the United States. Commercialization of our and our collaborative partners in-vitro diagnostic products outside of the research environment may depend upon successful completion of clinical trials. Clinical development is a long, expensive and uncertain process and we do not know whether we, or any of our collaborative partners, will be permitted to undertake clinical trials of any potential in-vitro diagnostic products. It may take us or our collaborative partners many years to complete any such testing, and failure can occur at any stage. Delays or rejections of potential products may be encountered based on changes in regulatory policy for product approval during the period of product development and regulatory agency review. Moreover, if and when our projects reach clinical trials, we, or our collaborative partners, may decide to discontinue development of any or all of these projects at any time for commercial, scientific or other reasons. Any of the foregoing matters could have a material adverse effect on our business, financial condition and results of operations.

Many of our products are labeled for research only. Even when a product is exempted from FDA clearance or approval, the FDA may impose restrictions as to the types of customers to which we can market and sell our products. Such restrictions may materially and adversely affect our business, financial condition and results of operations.

The FDA, the U.S. Department of Health and Human Services and foreign government regulators are increasingly focused on genetic analysis tools, including the use of arrays that are labeled for research use only by cytogenetics labs, including labs certified under the Clinical Laboratory Improvement Amendments ( CLIA ). We cannot predict the extent of the FDA's future efforts in regulation and policies with respect to the sale and use of arrays for the development of assays by CLIA laboratories, which are referred to as laboratory developed tests ( LDTs ). If new regulations restrict our customers' development of LDTs using our products labeled for research use only, or if we otherwise are required to obtain FDA premarket clearance or approval prior to commercializing these products, our ability to generate revenue from the sale of our products may be delayed or otherwise adversely affected. Moreover, our failure to comply with governmental rules and regulations related to our products could cause us to incur significant adverse publicity, subject us to investigations and notices of non-compliance or lead to fines or restrictions upon our ability to sell our products.

Medical device laws and regulations are also in effect in many countries, ranging from comprehensive device approval requirements to requests for product data or certifications. The number and scope of these requirements are increasing. We may not be able to obtain regulatory approvals in such countries or may incur significant costs in obtaining or maintaining our foreign regulatory approvals. In addition, the export by us of certain of our products which have not yet been cleared for domestic commercial distribution may be subject to FDA or other export restrictions.

We have agreements relating to the sale of our products to government entities and, as a result, we are subject to various statutes and regulations that apply to companies doing business with the government. A failure to comply with these regulations might result in suspension of these contracts or administrative penalties, and could have a material adverse effect on our ability to compete for future government grants, contracts and programs.

**Healthcare reform and restrictions on reimbursements may limit our returns on molecular diagnostic products that we may develop with our collaborators.**

We are currently collaborating with our partners to develop diagnostic and therapeutic products. The ability of our collaborators to commercialize such products may depend, in part, on the extent to which reimbursement for the cost of these products will be available under U.S. and foreign regulations that govern reimbursement for clinical testing services by government authorities, private health insurers and other organizations. In the United States, third-party payer price resistance, the trend towards managed health care and legislative proposals to reform health care or government insurance programs could reduce prices for health care products and services, adversely affecting the profits of our customers and collaborative partners and reduce our future royalties.

**Risks related to handling of hazardous materials and other regulations governing environmental safety.**

Our operations are subject to complex and stringent environmental, health, safety and other governmental laws and regulations that both public officials and private individuals may seek to enforce. Our activities that are subject to these regulations include, among other things, our use of hazardous and materials and the generation, transportation and storage of waste. We could discover that we or an acquired business is not in material compliance. Existing laws and regulations may also be revised or reinterpreted, or new laws and regulations may become applicable to us, whether retroactively or prospectively, that may have a negative effect on our business and results of operations. It is also impossible to eliminate completely the risk of accidental environmental contamination or injury to individuals. In such an event, we could be liable for any damages that result, which could adversely affect our business.

**We may be exposed to liability due to product defects.**

The risk of product liability claims is inherent in the testing, manufacturing, marketing and sale of human diagnostic and therapeutic products and we may be subjected to such claims. We may seek to acquire additional insurance for clinical or product liability risks. We may not be able to obtain such insurance or general product liability insurance on acceptable terms or in sufficient amounts. A product liability claim or recall could have a serious adverse effect on our business, financial condition and results of operations.

**Ethical, legal and social concerns surrounding the use of genetic information could reduce demand for our products.**

Genetic testing has raised ethical issues regarding privacy and the appropriate uses of the resulting information. For these reasons, governmental authorities may call for limits on or regulation of the use of genetic testing or prohibit testing for genetic predisposition to certain conditions, particularly for those that have no known cure. Similarly, such concerns may lead individuals to refuse to use genetics tests even if permissible. Any of these scenarios could reduce the potential markets for our molecular diagnostic products, which could have a material adverse effect on our business, financial condition and results of operations.

***Risks Related to Our Intellectual Property***

**We may be unable to effectively protect or enforce our intellectual property, which could harm our competitive position.**

Maintaining a strong patent position is critical to our business. Patent law relating to the scope of claims in the technology fields in which we operate is uncertain, so we cannot be assured the patent rights we have or may obtain will be valuable. Others have filed, and in the future are likely to file, patent applications that are similar or identical to ours or those of our licensors. To determine the priority of inventions, we may have to participate in interference proceedings declared by the United States Patent and Trademark Office that could result in substantial costs in legal fees and could substantially affect the scope of our patent protection. We cannot be assured our patent applications will have priority over those filed by others. Also, our intellectual property may be subject to significant administrative and litigation proceedings such as opposition proceedings against our patents in Europe, Asia and other jurisdictions.

Legal actions to enforce our patent rights can be expensive and may involve the diversion of significant management time. In addition, these legal actions could be unsuccessful and could also result in the invalidation of our patents or a

finding that they are unenforceable. We may or may not choose to pursue litigation or interferences against those that have infringed on our patents, or used them without authorization, due to the associated expense and time commitment of monitoring these activities. If we fail to protect or to enforce our intellectual property rights successfully, our competitive position could suffer, which could harm our results of operations.

In addition to patent protection, we also rely upon copyright and trade secret protection, as well as non-disclosure agreements with our employees, consultants and third-parties, to protect our confidential and proprietary information. Such measures may not provide adequate protection for our proprietary information.

**Litigation or other proceedings or third party claims of intellectual property infringement could require us to spend significant time and money and could prevent us from selling our products or services or impact our stock price.**

Third parties have asserted and may in the future assert that we are employing their proprietary technology without authorization. We are currently engaged in litigation with third parties who allege that we have infringed their intellectual property rights. See Item 8 . Financial Statements and Supplementary Data Note 14 ~. Commitments and Contingencies for further information. In addition, we are aware of third-party patents that may relate to our technology. We routinely receive notices claiming infringement from third parties as well as invitations to take licenses under third party patents.

As we enter new markets, we expect that competitors will claim that our products infringe their intellectual property rights as part of business strategies designed to impede our successful entry into those markets. In addition, third parties may have obtained, and may in the future obtain, patents allowing them to claim that the use of our technologies infringes these patents. We could incur substantial costs and divert the attention of our management and technical personnel in defending ourselves against any of these claims. Any adverse ruling or perception of an adverse ruling in defending ourselves against these claims could have a material adverse impact on our stock price, which may be disproportionate to the actual import of the ruling itself. Furthermore, parties making claims against us may be able to obtain injunctive or other relief, which could block our ability to develop, commercialize and sell products, and could result in the award of substantial damages against us. In the event of a successful claim of infringement against us, we may be required to pay damages and obtain one or more licenses from third parties, or be prohibited from selling certain products. In addition, we may be unable to obtain these licenses at a reasonable cost, if at all. We could therefore incur substantial costs related to royalty payments for licenses obtained from third parties, which could negatively affect our gross margins. In addition, we could encounter delays in product introductions while we attempt to develop alternative methods or products. Defense of any lawsuit or failure to obtain any of these licenses on favorable terms could prevent us from commercializing products, and the prohibition of sale of any of our products could materially affect our ability to grow and maintain profitability.

### ***Risks Relating to Our Organization***



**Our certificate of incorporation authorizes our board to create new series of preferred stock without further approval by our stockholders, which could adversely affect the rights of the holders of our common stock.**

Our board of directors has the authority to fix and determine the relative rights and preferences of preferred stock.

Our board of directors also has the authority to issue preferred stock without further stockholder approval. As a result, our board of directors could authorize the issuance of a series of preferred stock that would grant to holders the preferred right to our assets upon liquidation, the right to receive dividend payments before dividends are distributed to the holders of common stock and the right to the redemption of the shares, together with a premium, prior to the redemption of our common stock. In addition, our board of directors could authorize the issuance of a series of preferred stock that has greater voting power than our common stock or that is convertible into our common stock, which could decrease the relative voting power of our common stock or result in dilution to our existing stockholders.

**Your ability to influence corporate decisions is limited because our executive officers and directors own a controlling percentage of our common stock.**

A majority of our voting securities are owned by senior officers and directors who are all members of the same family.

Therefore, they, with influence from other members of the family, control all matters submitted to our stockholders for approval, including the election of directors and approval of any merger, consolidation or sale of all or substantially all of our assets. This concentration of voting power could delay or prevent an acquisition of our company on terms that other stockholders may desire. In addition, as the interests of the controlling family and our minority stockholders may not always be the same, this large concentration of voting power may lead to stockholder votes that are inconsistent with your best interests or the best interest of us as a whole.

### **Limitations of Liability; Indemnification**

Our Articles of Incorporation and Bylaws contain provisions that limit the liability of directors for monetary damages and provides for indemnification of officers and directors under certain circumstances. Such provisions may discourage stockholders from bringing a lawsuit against directors for breaches of fiduciary duty and may also have the effect of reducing the likelihood of derivative litigation against directors and officers even though such action, if successful, might otherwise have benefited our stockholders. In addition, a stockholder's investment in the company may be adversely affected to the extent that costs of settlement and damage awards against our officers or directors are paid by the company pursuant to such provisions.

**If we fail to develop and maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud. As a result, our current and potential stockholders could lose confidence in our financial reports, which could harm our business and the trading price of our common stock.**

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. Section 404 of the Sarbanes-Oxley Act of 2002 requires us to evaluate and report on our internal controls over financial reporting and may in the future require our independent registered public accounting firm to annually attest to our evaluation, as well as issue their own opinion on our internal controls over financial reporting. The process of implementing and maintaining proper internal controls and complying with Section 404 is expensive and time consuming. We cannot be certain that we can attract and retain a sufficient number of independent directors that includes independent members of our audit committee and accomplish the other measures that ensure we will maintain adequate controls over our financial processes and reporting in the future. Furthermore, if we are able to rapidly grow our business, the internal controls that we will need will become more complex, and significantly more resources and independent officers and directors will be required to ensure our internal controls remain effective. Failure to implement required controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations. If we or our auditors discover a material weakness in our internal controls, the disclosure of that fact, even if the weakness is quickly remedied, could diminish investors confidence in our financial statements and harm our stock price. In addition, non-compliance with Section 404 could subject us to a variety of administrative sanctions, including the suspension of trading, ineligibility for future listing on NYSE Amex or another national securities exchange, and the inability of registered broker-dealers to make a market in our common stock, which may reduce our stock price.

**Because we became public by means of a reverse merger, we may not be able to attract the attention of major brokerage firms.**

There may be risks associated with us becoming public through a reverse merger. Securities analysts of major brokerage firms may not provide coverage of us since there is no incentive to brokerage firms to recommend the purchase of our common stock. No assurance can be given that brokerage firms will, in the future, want to conduct any public or private offerings on our behalf.

**Our Growth Will Place Significant Strains On Our Resources.**

The Company's growth, if any, is expected to place a significant strain on the Company's managerial, operational and financial resources. Furthermore, assuming the Company receives additional contracts, and obtains additional partners, it will be required to manage multiple relationships with other third parties. These requirements will be exacerbated in the event of further growth of the Company or in the number of its contracts, partnerships and employees. There can be no assurance that the Company's systems, procedures or controls will be adequate to support the Company's operations or that the Company will be able to achieve the rapid execution necessary to successfully offer its services and continue its business plan. The Company's future operating results, if any, will also depend on its ability to add additional personnel commensurate with the growth of its business, if any. If the Company is unable to manage growth effectively, the Company's business, results of operations and financial condition will be adversely affected.

***Risks Related to Our Common Stock***

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

technological innovations or new products and services by us or our competitors;  
additions or departures of key personnel;  
limited availability of freely-tradable unrestricted shares of our common stock to satisfy purchase orders and demand;  
our ability to execute our business plan;  
operating results that fall below expectations;  
loss of any strategic relationship;  
industry developments;  
we have issued warrants and options that may have a dilutive effect for our stockholders;  
economic and other external factors; and  
period-to-period fluctuations in our financial results.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These market fluctuations may also significantly affect the market price of our common stock.

**There may be a limited market for our securities and we may fail to qualify for a NYSE Amex or other listing.**

Although we plan on applying for listing of our common stock on the NYSE Amex or a different national exchange once we meet the qualifications, there can be no assurance that our initial listing application will be granted, when the required listing criteria will be met or when, or if, our application will be granted. Thereafter, there can be no assurance that trading of our common stock on such market will be sustained or desirable. At the present time, we do not qualify for certain of the initial listing requirements of the NYSE Amex or other national exchanges. In the event that our common stock fails to qualify for initial or continued inclusion, our common stock could thereafter only be quoted on the OTC Bulletin Board or in what are commonly referred to as the pink sheets. Under such circumstances, you may find it more difficult to dispose of, or to obtain accurate quotations, for our common stock, and our common stock would become substantially less attractive to certain purchasers, such as financial institutions, hedge funds, and large investors.

**Offers or availability for sale of a substantial number of shares of our common stock may cause the price of our common stock to decline.**

If our stockholders sell substantial amounts of our common stock in the public market, including shares covered by this Private Placement Memorandum forms a part, upon the expiration of any regulatory holding period, under Rule 144, or issued upon the exercise of outstanding options or warrants, could create a circumstance commonly referred to as an overhang and in anticipation of which the market price of our common stock could fall. The existence of an overhang, whether or not sales have occurred or are occurring, also could make more difficult our ability to raise additional financing through the sale of equity or equity-related securities in the future at a time and price that we deem reasonable or appropriate.

**We do not expect to pay dividends in the future. As a result, any return on investment may be limited to the value of our common stock.**

We do not anticipate paying cash dividends on our common stock in the foreseeable future. The payment of dividends on our common stock will depend on our earnings, financial condition and other business and economic factors as our board of directors may consider relevant. If we do not pay dividends, our common stock may be less valuable because a return on your investment will only occur if our stock price appreciates.

**Our quarterly results have historically fluctuated significantly and may continue to do so. Failure to meet financial expectations may disappoint securities analysts or investors and result in a decline in our stock price.**

Our revenues and operating results may fluctuate significantly due in part to factors that are beyond our control and which we cannot predict. The timing of our customers' orders may fluctuate from quarter to quarter. Historically, we have experienced customer ordering patterns for instrumentation and consumables where the majority of the shipments occur in the last month of the quarter. These ordering patterns may limit management's ability to accurately forecast our future revenues or product mix. Additionally, license revenue may also be unpredictable and may fluctuate due to the timing of payments of non-recurring licensing fees. Because our expenses are largely fixed in the short to medium term, any material shortfall in revenues may cause us to experience material losses.

Because of this difficulty in predicting future performance, our operating results may fall below our own expectations and the expectations of securities analysts or investors in some future quarter or quarters. Our failure in the past to meet these expectations has adversely affected the market price of our common stock and may continue to do so.

In addition to factors that affect the spending levels of our customers described above, additional factors could cause our operating results to fluctuate, including:

- competition;

- our inability to produce products in sufficient quantities and with appropriate quality;
- the frequency of experiments conducted by our customers;
- our customers' inventory of products;
- the receipt of relatively large orders with short lead times; and
- our customers' expectations as to how long it takes us to fill future orders.

**We Have A Limited Operating History As A Public Company Upon Which You Can Assess Our Prospects And We Are Subject To The Risks Associated With Any New Public Company.**

As a result of our short history of operations as a public company, there is little historical information regarding our operations upon which you can base your investment decision. In addition, we are subject to all of the business risks and uncertainties associated with any newly public business enterprise. Additionally, our management has limited experience operating a public company. As such, our Company may not be able to continue to meet its continued filing requirements and may be late in its periodic filings, which late filings may cause the Company to be delisted from the Over-The-Counter Bulletin Board. If this were to happen, any investment in the Company could become devalued or worthless.

**We Incur Significant Costs As A Result Of Operating As A Fully Reporting Company In Connection With Section 404 Of The Sarbanes Oxley Act, And Our Management Is Required To Devote Substantial Time To Compliance Initiatives.**

We anticipate incurring significant legal, accounting and other expenses in connection with our status as a fully reporting public company. The Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") and new rules subsequently implemented by the SEC have imposed various new requirements on public companies, including requiring changes in corporate governance practices. As such, our management and other personnel will need to devote a substantial amount of time to these new compliance initiatives. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. In addition, the Sarbanes-Oxley Act may require, among other things, that we maintain effective internal controls for financial reporting and disclosure of controls and procedures. Our testing, may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses. Our compliance with Section 404 may require that we incur substantial accounting expense and expend significant management efforts. We currently do not have an internal

audit group, and we may need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge. Moreover, if we are not able to comply with the requirements of Section 404 in a timely manner, the market price of our stock could decline, and we could be subject to sanctions or investigations by the SEC or other regulatory authorities, which would require additional financial and management resources.

**There Is Currently Only A Limited Market For Our Common Stock, And The Market For Our Common Stock May Continue To Be Illiquid, Sporadic And Volatile.**

There is currently only a limited market for our common stock, and as such, we anticipate that such market will be illiquid, sporadic and subject to wide fluctuations in response to several factors moving forward, including, but not limited to:

- (1) actual or anticipated variations in our results of operations;
- (2) our ability or inability to generate new revenues;
- (3) the number of shares in our public float;
- (4) increased competition;
- (5) conditions and trends in the market for biotech developers

Furthermore, because our common stock is traded on the Over-The-Counter Bulletin Board, our stock price may be impacted by factors that are unrelated or disproportionate to our operating performance. These market fluctuations, as well as general economic, political and market conditions, such as recessions, interest rates or international currency fluctuations may adversely affect the market price of our common stock. Additionally, at present, we have a limited number of shares in our public float, and as a result, there could be extreme fluctuations in the price of our common stock. Further, due to the limited volume of our shares which trade and our limited public float, we believe that our stock prices (bid, ask and closing prices) are entirely arbitrary, are not related to the actual value of the Company, and do not reflect the actual value of our common stock (and in fact reflect a value that is much higher than the actual value of our common stock). Shareholders and potential investors in our common stock should exercise caution before making an investment in the Company, and should not rely on the publicly quoted or traded stock prices in determining our common stock value, but should instead determine the value of our common stock based on the information contained in the Company's public reports, industry information, and those business valuation methods commonly used to value private companies.

### **Investors May Face Significant Restrictions On The Resale Of Our Common Stock Due To Federal Regulations Of Penny Stocks.**

Our common stock will be subject to the requirements of Rule 15(g) 9, promulgated under the Securities Exchange Act as long as the price of our common stock is below \$5.00 per share. Under such rule, broker-dealers who recommend low-priced securities to persons other than established customers and accredited investors must satisfy special sales practice requirements, including a requirement that they make an individualized written suitability determination for the purchaser and receive the purchaser's consent prior to the transaction. The Securities Enforcement Remedies and Penny Stock Reform Act of 1990, also requires additional disclosure in connection with any trades involving a stock defined as a penny stock.

Generally, the Commission defines a penny stock as any equity security not traded on an exchange or quoted on NASDAQ that has a market price of less than \$5.00 per share. The required penny stock disclosures include the delivery, prior to any transaction, of a disclosure schedule explaining the penny stock market and the risks associated with it. Such requirements could severely limit the market liquidity of the securities and the ability of purchasers to sell their securities in the secondary market.

In addition, various state securities laws impose restrictions on transferring "penny stocks" and as a result, investors in the common stock may have their ability to sell their shares of the common stock impaired.

### **Item 1B . UNRESOLVED STAFF COMMENTS**

During 2011, the SEC issued comment letters relating to the Company's previously filed Forms 10K, and the Company responded. The SEC notified the Company that they completed their review on February 9, 2012.

### **ITEM 2. PROPERTIES**

Arrayit's corporate offices and research facilities are located at 524 East Weddell Drive, Sunnyvale, California 94089. The corporate headquarters covers 8,280 square feet which in addition to the executive offices, shipping and



receiving, include a microarray manufacturing cleanroom demonstration facility, two (2) microarray manufacturing clean rooms, a substrate manufacturing clean room, preparation and packing facilities, and quality control and quality assurance work stations. The base rent is \$13,662 per month plus a monthly operating expense charge of \$1,821. The lease expires on November 30, 2012.

Our Subsidiary, Arrayit Diagnostics, Inc. operates from offices located at 1950 Cinnamon Teal Drive, Redmond, Oregon 97756.

### ITEM 3. LEGAL PROCEEDINGS

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.

Except for matters related to collection of past due invoices, there are no other material 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.

We are not aware, of any governmental authority contemplating any proceeding to which we are a party or to which any of our properties is subject.

#### **ITEM 4. RESERVED**

## **PART II**

#### **ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

##### **Market Information and Holders**

###### *Transfer Agent*

Our transfer agent and warrant agent is Standard Registrar and Transfer Co., Inc., 12528 South 1840 East Street, Draper, Utah 84020

*Price Range of Common Stock*

Our common stock now trades publicly on the OTC Bulletin Board under the symbol "ARYC". The OTCBB is a regulated quotation service that displays real-time quotes, last-sale prices and volume information in over-the-counter equity securities. The OTCBB securities are traded by a community of market makers that enter quotes and trade reports. This market is extremely limited and any prices quoted are not a reliable indication of the value of our common stock.

The following table sets forth the quarterly high and low bid prices per share of our common stock by the OTCBB during the last two fiscal years. The quotes represent inter-dealer quotations, without adjustment for retail mark-up, markdown or commission and may not represent actual transactions. The trading volume of our securities fluctuates and may be limited during certain periods. As a result of these volume fluctuations, the liquidity of an investment in our securities may be adversely affected.

<b>QUARTER ENDED</b>	<b>HIGH</b>	<b>LOW</b>
January 1, 2012 – April 2, 2012	\$ 0.47	\$ 0.09
December 31, 2011	\$ 0.17	\$ 0.08
September 30, 2011	\$ 0.27	\$ 0.08
June 30, 2011	\$ 0.27	\$ 0.09
March 31, 2011	\$ 0.35	\$ 0.20
December 31, 2010	\$ 0.35	\$ 0.16
September 30, 2010	\$ 0.73	\$ 0.19
June 30, 2010	\$ 1.05	\$ 0.51
March 31, 2010	\$ 1.65	\$ 0.84

As of December 31, 2011, we had 26,978,501 shares of common stock issued and outstanding held by approximately 362 shareholders of record based on information provided by our transfer agent. The foregoing number of record holders does not include any persons who hold their stock in street name. In addition we had 22,034 shares of Series A Convertible Preferred Stock issued and outstanding and 90,945 shares of Series C Convertible Preferred Stock issued and outstanding.

**Dividends**

We have never declared or paid any cash dividends on our common stock, and we do not anticipate paying any cash dividends in the foreseeable future. We intend to devote any earnings to fund the operations and the development of our business.

## **Common Stock**

Holders of shares of common stock are entitled to one vote per share on each matter submitted to a vote of shareholders. In the event of liquidation, holders of common stock are entitled to share pro rata in the distribution of assets remaining after payment of liabilities, if any. Holders of common stock have no cumulative voting rights, and, accordingly, the holders of a majority of the outstanding shares have the ability to elect all of the directors. Holders of common stock have no pre-emptive or other rights to subscribe for shares. Holders of common stock are entitled to such dividends as may be declared by the Board out of funds legally available therefore. The outstanding shares of common stock are validly issued, fully paid and non-assessable.

**RECENT SALES OF UNREGISTERED SECURITIES**

On January 5, 2011, we issued 27,000 unregistered common shares for services rendered. The Company relied upon the exemption under Section 4(2) of the Securities Act.

On January 11, 2011, we issued 110,005 unregistered common shares upon conversion of 314 Preferred Class C shares. The Company relied upon the exemption under Section 4(2) of the Securities Act.

On January 24, 2011, we issued 18,000 unregistered common shares for a consideration for consulting services. The Company relied upon the exemption under Section 4(2) of the Securities Act.

On February 18, 2011, we issued 18,000 unregistered common shares for a consideration for consulting services. The Company relied upon the exemption under Section 4(2) of the Securities Act.

On March 22, 2011, we issued 18,000 unregistered common shares for a consideration for consulting services. The Company relied upon the exemption under Section 4(2) of the Securities Act.

On April 1, 2011, we issued 40,000 unregistered common shares for services rendered. The Company relied upon the exemption under Section 4(2) of the Securities Act.

On April 8, 2011, we issued 110,005 unregistered common shares upon conversion of 314 Preferred Class C shares. The Company relied upon the exemption under Section 4(2) of the Securities Act.

On May 10, 2011, we issued 100,000 unregistered common shares for services rendered. The Company relied upon the exemption under Section 4(2) of the Securities Act.

On August 29, 2011, we issued 425,000 unregistered common shares for services rendered. The Company relied upon the exemption under Section 4(2) of the Securities Act.

On September 16, 2011, we issued 10,000 unregistered common shares for services rendered. The Company relied upon the exemption under Section 4(2) of the Securities Act.

On December 19, 2011, we issued 110,005 unregistered common shares upon conversion of 314 Preferred Class C shares. The Company relied upon the exemption under Section 4(2) of the Securities Act.

On April 4, 2012, we issued 110,005 unregistered common shares upon conversion of 314 Preferred Class C shares. The Company relied upon the exemption under Section 4(2) of the Securities Act.

## **ITEM 6. SELECTED FINANCIAL DATA**

Not required.

## **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **Critical Accounting Policies**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company to make estimates and assumptions that affect amounts reported in the accompanying consolidated financial statements and related footnotes. These estimates and assumptions are evaluated on an on-going basis based on historical developments, market conditions, industry trends and other information the Company believes to be reasonable under the circumstances. There can be no assurance that actual results will conform to the Company's estimates and assumptions, and that reported results of operations will not be materially adversely affected by the need to make accounting adjustments to reflect changes in these estimates and assumptions from time to time. The following policies are those the Company believes to be the most sensitive to estimates and judgments. The Company's significant accounting policies are more fully described in Note 2 to our consolidated financial statements.

## Use of Estimates

The Company's significant estimates include an allowance for doubtful accounts and accrued expenses. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. While the Company believes that such estimates are fair when considered in conjunction with the financial statements taken as a whole, the actual amounts of such estimates, when known, will vary from these estimates. If actual results significantly differ from the Company's estimates, the Company's financial condition and results of operations could be materially impacted.

## 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 fulfillment 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*

We recognize interest income as earned.

#### **Patent Costs**

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

#### **Non-controlling Interest:**

We account for the non-controlling interest in our 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.

**Nature and Classification of the Non-Controlling Interest in the Consolidated Financial Statements:**

Arrayit Corporation is the controlling interest of the affiliated group, since it maintains an investment in each of the operating entities. As of December 31, 2011, Arrayit Corporation has an 80% ownership investment in Arrayit Diagnostics, Inc., and 100% ownership investment in Arrayit Scientific Solutions, 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 the 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.

A non-controlling interest is the portion of the equity in a subsidiary not attributable, directly or indirectly, to a parent. A non controlling interest is the ownership held by owners other than the consolidating parent. The non-controlling interest is reported in the consolidated statement of financial position separately from the parent's equity, within the equity section of the balance sheet. The minority interest in the current year's income (loss) is segregated from the earnings (loss) attributable to the controlling parent. Minority ownership equity interest in the consolidating subsidiaries is increased by equity contributions and proportionate share of the subsidiaries earnings and is reduced by dividends, distributions and proportionate share of the subsidiaries incurred losses.

### **Recent Accounting Pronouncements**

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.

### **PLAN OF OPERATIONS FOR THE NEXT TWELVE MONTHS**

During fiscal 2012, we plan to continue investing to support our long-term growth initiatives. We plan to partner with other alliances, enter new markets and further expand our presence in existing markets. Should we not be successful in raising funds, we will curtail the development of our diagnostics business and concentrate our efforts on the sale of our tools and consumables.

### **DEBT OBLIGATIONS**

The Company has \$1,145,892 (2010 - \$1,226,084) of debt. The debt is comprised of a bank loan of \$nil (2010 - \$173,706), advances from creditors of \$24,509 (2010 - \$39,293); a past due loan from minority shareholders of

\$250,000 (2010 - \$200,000); and \$741,372 (2010 - \$707,001) is due to the former TeleChem shareholders and their families. The company's subsidiary, Arrayit Diagnostics, Inc. has \$120,011 (2010 - \$106,084) of debt. To date the Company has been able to meet the servicing of the debt from cash flow generated by operations.

## **COMPARISON OF OPERATING RESULTS**

### **RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2011 COMPARED TO THE YEAR ENDED DECEMBER 31, 2010**

Gross revenues for the twelve months ended December 31, 2011 and 2010 were \$3,811,578 and \$3,076,967, respectively, representing a 24% increase from the prior period.

The cost of sales for the twelve months ended December 31, 2011 and 2010 of \$2,310,008 and \$1,635,689, respectively, resulting in a gross profit for the twelve months ended December 31, 2011 and 2010 of \$1,501,570 (40%) and \$1,441,278 (47%), respectively. The Company's cost of sales and gross profit are dependent upon product mix.

Selling, general and administrative expenses for the twelve months ended December 31, 2011 and 2010 were \$1,313,065 and \$3,547,677, respectively. The majority of the decrease of \$2,234,612 for the year ended December 31, 2011 is attributable to a reduction in stock compensation, legal expenses and salaries, offset by increases in freight cost and promotional expenses.

Net loss from operations was \$198,740 for year ended December 31, 2011, compared with a net loss from operations of \$3,248,242 for the year ended December 31, 2010. The narrowing of loss is attributable to a reduction of sales, general and administrative expenses, and research and development.

Legal expenses associated with the Pediatrix case and plans of corporate restructuring, including the planned spin-off of Arrayit Diagnostics, Inc., accounted for most of the legal expense of \$88,006 for the year ended December 31, 2011 and the Pediatrix case accounted for most of the legal expense of \$585,871 for the year ended December 31, 2010.

Interest expense was \$309,568 and \$376,184 for the year ended December 31, 2011 and 2010, respectively. The interest costs for 2011 and 2010 include the amortized cost of debt arrangement fees and warrants issued in connection with financing. The decrease in total interest costs was the result of decreased amortization.

Net loss attributable to the non-controlling interest in our Arrayit Diagnostics, Inc. subsidiary amounted to \$49,878 for the year ended December 31, 2011 and \$191,116 for the year ended December 31, 2010.

The Company had net loss attributable to common shareholders of \$198,740 for the year ended December 31, 2011, compared to net loss of \$3,248,242 for the year ended December 31, 2010, a decrease in net loss of \$3,049,502 or 94% from the prior period.

## LIQUIDITY AND CAPITAL RESOURCES

We had total assets of \$496,036 and total liabilities of \$8,504,417 as of December 31, 2011. We had total negative working capital of \$8,043,056 as of December 31, 2011.

We had accounts payable and accrued liabilities of \$6,564,585 at December 31, 2011 compared to \$6,436,439 at December 31, 2010.

	December 31, 2011	December 31, 2010
<b>ACCOUNTS PAYABLE</b>		
Trade Vendors	\$1,179,108	\$1,281,280
Professional Advisors	3,110,669	3,140,913
Total Accounts Payable	\$4,289,777	\$4,422,193
<b>ACCRUED LIABILITIES</b>		
Accrued salaries and wages	1,443,574	1,257,980
Judgment interest	391,982	328,303

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Other	439,252	427,963
Total Accrued Liabilities	2,274,808	2,014,246
TOTAL	\$6,564,585	\$6,436,439

For the years ended December 31, 2011 and 2010, we had net cash provided by (used in) operating activities of \$199,437 and (\$253,107), respectively.

For the years ended December 31, 2011 and 2010, we had net cash provided by (used in) financing activities of (\$205,461) and \$232,613, respectively.

We relied on our officers and directors and our shareholders to supplement our operations or provide us with financing. If we are unable to increase revenues from operations, to raise additional capital from conventional sources and/or additional sales of stock in the future, we may be forced to curtail or cease our operations. In the future, we may be required to seek additional capital by selling debt or equity securities. The sale of additional equity or debt securities, if accomplished, may result in dilution to our then shareholders. We provide no assurance that financing will be available in amounts or on terms acceptable to us, or at all.

In the long term, the Company will need significant amounts of net cash to fund its research and development, to provide working capital and to repay its debt. Failure to raise new capital will severely impact the Company's ability to complete its business plan as more fully described above.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

ARRAYIT CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2011 and 2010

ARRAYIT CORPORATION

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**REPORT OF INDEPENDENT REGISTERED CERTIFIED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of

Arrayit Corporation.

Sunnyvale, California

We have audited the accompanying consolidated balance sheets of Arrayit Corporation and subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of operations, changes in stockholders' equity (deficit), and cash flows for the years then ended. Arrayit Corporation's management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Arrayit Corporation and its subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the financial statements, the Company has suffered recurring losses and has working capital and stockholder deficits which raise substantial doubt about its ability to continue as a going



concern. Management's plans regarding these matters are also described in Note 3. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Moss, Krusick and Associates, LLC

Winter Park, Florida

April 18, 2012

**ARRAYIT CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**

**As of December 31, 2011 and 2010**

	<b>2011</b>	<b>2010</b>
<b>ASSETS</b>		
Current Assets:		
Cash	\$1,519	\$10,833
Accounts receivable	276,954 [1]	187,242 [2]
Inventory	180,638	301,936
Prepaid expenses	2,250	0
Total current assets {sum}	461,361	500,011
Property and equipment, net	16,310	40,111
Deposits	18,365	18,924
Total assets {sum}	\$496,036	\$559,046
<b>Liabilities and Stockholders' Deficit</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$6,564,585	\$6,436,439
Bank overdraft	173,262	0
Due to related parties	615,783	645,116
Customer deposits	4,895	160,370
Notes payables, current portion including related parties	1,145,892	1,139,765
Total current liabilities {sum}	8,504,417	8,381,690
Notes payable, long term	0	86,319
Total liabilities {sum}	8,504,417	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; 90,945 and 91,887 shares outstanding	92	92
Common stock, \$0.001 par value; 480,000,000 shares authorized, 26,978,501 and 25,992,486 issued and outstanding	26,788	25,802
Additional paid-in capital	16,546,092	16,397,878

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Accumulated deficit	(24,544,723)	(24,345,983)
Total Arrayit Corp s Stockholders Equity (Deficit)		
{sum}	(7,971,729)	(7,922,189)
Non-controlling interest:		
Royalty interests	285,000	285,000
Less: Subscriptions receivable	(13,750)	(13,750)
Interest in subsidiaries earnings	(307,902)	(258,024)
Total Non-controlling interests {sum}	(36,652)	13,226
Total stockholders' deficit {sum}	(8,008,381)	(7,908,963)
Total liabilities and stockholders' deficit {sum}	\$496,036	\$559,046

[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**  
**For the years ended December 31, 2011 and 2010**  
**(audited)**

	2011	2010
<b>Statement of Operations</b>		
Total Revenues	\$3,811,578	\$3,076,967
Cost of Sales	2,310,008	1,635,689
Gross Margin {sum}	1,501,570	1,441,278
Selling, General and Administrative	1,313,065	3,547,677
Research and Development	39,549	404,262
Legal Expense	88,006	585,871
Income (Loss) from operations {sum}	60,950	(3,096,532)
Interest expense	309,568	376,184
Loss (gain) on extinguishment of debt	0	(33,359)
Net loss	(248,618)	(3,439,358)
Less: Net loss attributable to the non-controlling interest	(49,878)	(191,110)
Net Loss attributable to common stockholders {sum}	(\$198,740)	(\$3,248,242)
Profit (Loss) per share - basic	(\$0.01)	(\$0.14)
Basic weighted average number of common shares	26,479,612	23,699,907

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



## ARRAYIT CORPORATION

## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)

For the years ended December 31, 2011 and 2010

## TOTAL ARRAYIT CORPORATION STOCKHOLDERS' EQUITY (DEFICIENCY)

Description	Preferred Series A		Preferred Series C		Common Stock			
	Number	Dollar	Number	Dollar	Number	Dollar		
<b>Balance, December 31, 2009</b>	<b>25,620</b>	<b>25</b>	<b>-</b>	<b>103,143</b>	<b>103</b>	<b>-</b>	<b>19,085,859</b>	<b>18,8</b>
Convert Preferred A to Common	(3,586)	(3)					13,177	
Convert Preferred C to Common				(11,256)	(11)		3,940,015	3,9
Issuance of shares for services							2,205,010	2,2
Issuance of shares for debt conversion							588,425	5
Issuance of shares on exercise of options							160,000	1
Issuance of warrants for services								
Issuance of warrants as part of debt								
Net Loss for the year								

ended December 31, 2010								
<b>Balance, December 31, 2010</b>	22,034	22	-	91,887	92	-	25,992,486	25,8
Convert Preferred C to Common	-	-		(942)	-		330,015,330	
Issuance of shares for services	-	-		-	-		656,000	6
Net Loss for the year ended December 31, 2011								
<b>Balance, December 31, 2011</b>	22,034	22		90,945	92		26,978,501	26,7

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

## ARRAYIT CORPORATION

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(audited)

	2011	2010
Statement of Cash Flows		
<b>Cash flows from operating activities:</b>		
Net loss	(\$248,618)	(\$3,439,358)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	27,092	30,609
Amortization of debt discount	0	135,366
Gain on extinguishment of debt	0	(33,359)
Warrants for compensation	0	143,431
Stock paid for services	149,200	1,607,402
Changes in operating assets and liabilities		
Inc/dec in accounts receivable	(89,712)	(148,289)
Inc/dec in inventory	121,298	(60,500)
Inc/dec in prepaids	(2,250)	12,500
Inc/dec in deposits	559	0
Inc/dec in restricted cash	0	100,293
Inc/dec in accounts payable and accrued liabilities	128,145	1,149,559
Inc/dec in bank overdraft	173,262	(31,076)
Inc/dec in due to related parties	(29,333)	186,000
Inc/dec in accrued interest	125,269	0
Inc/dec in customer deposits	(155,475)	94,683
Net cash provided by (used in) operating activities	199,437	(253,107)
<b>Cash flows from investing activities:</b>		
Cash paid for purchase of fixed assets	(3,290)	(2,032)
<b>Cash flows from financing activities:</b>		
Proceeds from loans, net	0	204,077
Repayment of notes payable	(205,461)	(113,587)
Proceeds from issuance of warrants	0	124,282
Proceeds from option exercise	0	51,200
Net cash provided by (used in) financing activities	(205,461)	265,972
<b>Net increase (decrease) in cash</b>	<b>(9,314)</b>	<b>10,833</b>
<b>Cash, beginning of period (start)</b>	<b>10,833</b>	<b>0</b>
<b>Cash, end of period (end)</b>	<b>1,519</b>	<b>10,833</b>



**Supplemental cash flow information:**

Cash paid for interest	\$184,299	\$156,708
Cash paid for income taxes	\$0	\$0

**Noncash Transaction:**

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	\$125,269	\$0
Conversion of preferred stock	\$330	\$0

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

## ARRAYIT CORPORATION

### NOTES TO CONSOLIDATED AUDITED FINANCIAL STATEMENTS

December 31, 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 nine employees.

## **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

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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. As a result, beginning on May 23, 2011, the accompanying Consolidated Financial Statements include the following majority owned subsidiaries:

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	80% 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 fulfillment 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 and manufacturing 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 approximates stated value. The notes payable fair value was based on Level 2 inputs. See notes 8 and 9.

#### Sale of Accounts Receivable to Factoring Company

The Company accounts for its sales of Accounts Receivable to the Factoring Company in accordance with the provisions of ASC 860-10-40. In order for a transfer of financial assets to be considered a sale, the assets transferred by the Company must have been isolated from the seller, even in bankruptcy or other receivership, and the purchaser must have the right to pledge or exchange the assets transferred. In addition, the sale accounting rules of ASC 860-10-40-5 require the Company to relinquish effective control over the loans sold as of the sale date.

#### 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.

#### Legal Proceedings

Jury and Court Awards against the Company are recorded as an expense when the court renders a decision. Jury and Court Awards in favour of the Company are only recorded when the defendant has exhausted its avenues of appeal. The costs of prosecuting and defending legal actions are expensed as incurred.

#### 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

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.

#### Nature and Classification of the Non-Controlling Interest in the Consolidated Financial Statements:

Arrayit Corporation is the controlling interest of the affiliated group, since it maintains an investment in each of the operating entities. As of December 31, 2011, Arrayit Corporation has an 80% ownership investment in Arrayit Diagnostics, Inc., and 98% ownership investment in Arrayit Scientific Solutions, Inc. The remaining 2% is owned by the President of Arrayit Scientific Solutions, 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.

A non-controlling interest is the portion of the equity in a subsidiary not attributable, directly or indirectly, to a parent. A non controlling interest is the ownership held by owners other than the consolidating parent. The non-controlling interest is reported in the consolidated statement of financial position separately from the parent's equity, within the equity section of the balance sheet. The minority interest in the current year's income (loss) is segregated from the earnings (loss) attributable to the controlling parent. Minority ownership equity interest in the consolidating subsidiaries is increased by equity contributions and proportionate share of the subsidiaries earnings and is reduced by dividends, distributions and proportionate share of the subsidiaries incurred losses.

#### Recent Accounting Pronouncements

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 December 31, 2011 were anti dilutive.

## 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 December 31, 2011, Arrayit had a working capital deficit of \$8,043,056, a stockholders' deficit of \$24,544,723, and recurring net losses. The Company currently devotes a significant amount of its resources on developing clinical protein biomarker 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 are also shown net of Accounts Receivable loans sold with recourse.

	<b>December 31, 2011</b>	<b>December 31, 2010</b>
Gross accounts receivable	\$ 652,504	\$ 508,952
Less:		
Allowance for doubtful accounts	(133,000)	(133,000)
Loan value of receivables sold with recourse (see note 5)	(242,550)	(188,710)
Total	\$ 276,954	\$ 187,242

#### **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 December 31, 2011, and is secured by an unconditional guarantee of the Company and a first charge against the Accounts Receivable. At December 31, 2011, the balance outstanding under the recourse contracts was \$242,550 net of a hold back reserve of \$59,405 (December 31, 2010, \$188,710 net of a hold back reserve of \$32,879). 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:

	<b>December 31, 2011</b>	<b>December 31, 2010</b>
Fixed Assets Cost	\$ 350,429	\$ 347,139
Less:		
Accumulated Depreciation	(334,119)	(307,028)
Total	\$ 16,310	\$ 40,111

Depreciation expense totaled \$27,092 and \$22,957, respectively, for the years ended December 31, 2011 and 2010.

#### **NOTE 7 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities, consisted of the following:

	December 31, 2011	December 31, 2010
<b>ACCOUNTS PAYABLE</b>		
Trade Vendors	\$1,179,108	\$1,281,280
Professional Advisors	3,110,669	3,140,913
Total Accounts Payable	\$4,289,777	\$4,422,193
<b>ACCRUED LIABILITIES</b>		
Accrued salaries and wages	1,443,574	1,257,980
Judgment interest	391,982	328,303
Other	439,252	427,963
Total Accrued Liabilities	2,274,808	2,014,246
<b>TOTAL</b>	<b>\$6,564,585</b>	<b>\$6,436,439</b>



**NOTE 8 DEBT**

	<b>December 31,2011</b>	<b>December 31, 2010</b>
<b>NOTES PAYABLE - ARRAYIT DIAGNOSTICS, INC.</b>		
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	\$ 65,000
LESS: Unamortized loan fee and discount in connection with the obtaining of the loan	-	(8,916)
	66,371	56,084
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	50,000
	\$ 120,011	\$ 106,084
<b>NOTES PAYABLE - ARRAYIT CORP.</b>		
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. Interest is being accrued at 25% default	250,000	200,000

rate. 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%

Notes payable to Wells Fargo, payable in 60 monthly installments of \$8,572 including interest at bearing interest at Prime plus 2.75%, through November 2012. Secured by Equipment, Inventory, Accounts, Instruments, Chattel Paper and General Intangibles of TeleChem International, Inc. Unconditional Guarantees by some of the Company's Class C shareholders and unconditional limited guarantees by those shareholders' spouses. Guarantee secured by two residential properties and cash collateral of \$276,000.

Notes payable, interest at 8%, unsecured due on demand from Arrayit creditors

Notes payable, interest at rates varying from 8% to 10%, unsecured due on demand from the former TeleChem shareholders and their families.

Notes payable including related parties

Short Term Debt  
Long Term Debt

Notes payable including related parties

-	173,706
34,509	39,293
741,372	707,001
1,025,881	1,120,000
\$ 1,145,892	\$ 1,226,084
\$ 1,145,892	\$ 1,139,765
-	86,319
\$ 1,145,892	\$ 1,226,084

## 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 April 25, 2010, the Company issued 150,000 share purchase warrants, expiring on

April 25, 2012, exercisable at \$1.00 for consulting services.

On May 12, 2010 the Company issued 200,000 share purchase warrants, expiring on May 12, 2012 exercisable at \$1.00 in connection with a debt financing.

On September 30, 2010 the Company issued 200,000 share purchase warrants expiring on October 1, 2014 exercisable at \$0.20 to the President of Arrayit Diagnostics.

On October 14, 2010 the Company issued 300,000 share purchase warrants expiring on February 15, 2013 exercisable at \$0.22 in connection with a debt financing.

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 \$0.32. The \$189,000 intrinsic value of these options was recorded as an expense on that date.

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 December 31,

2011:

	<b>Number of Options and Warrants</b>	<b>Weighted Average Exercise Price Per Share</b>
Outstanding at December 31, 2009	1,700,000	\$0.23
Granted	850,000	\$0.54
Cancelled/forfeited	(200,000)	\$0.20
Expired	-	-
Exercised	(160,000)	(\$0.32)
Outstanding at December 31, 2010	2,190,000	\$0.23
Granted	-	-
Cancelled/forfeited	-	-
Expired	-	-
Exercised	-	-
Outstanding at December 31, 2011	2,190,000	\$0.23

**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 is 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 is five years. The royalties and ownership provisions are in perpetuity.

The entitlement to royalties under the advisory agreement is 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 is obligated to pay a 0.3% 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 19.7% on revenue generated by our Ovarian subsidiary.

During the periods ended December 31, 2011 and 2010, there were no revenues earned and hence no obligation to pay any royalties.

(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 three percent (0.3%) 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 0.3% royalty interests on net sales of the Ovarian test owned by third party investors were not affected and remain in place.

During the periods ended December 31, 2011 and 2010, there were no revenues earned and hence no obligation to pay any royalties.

On March 5, 2012, the 20% and 0.3% royalty interests were exchanged for 385,000 and 200,000 shares, respectively, 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 December 31, 2011 and 2010, 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 December 31, 2011 and 2010 and hence no obligation to pay any amounts to the Parkinson's Institute.

#### **NOTE 11 STOCK-BASED COMPENSATION**

Operations for the periods ended December 31, 2011 and 2010 include \$149,200 and \$1,466,380 of stock-based compensation, arising from the granting of 656,000 and 2,205,010 unregistered common shares, respectively.

#### **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 twelve months ended December 31, 2011, 942 Series C Preferred Stock shares were converted into 330,015 shares of common stock.

### **NOTE 13 INCOME TAXES**

At December 31, 2010 and December 31, 2011, the Company had net operating loss (NOL) carry-forwards available to offset future taxable income of approximately \$24.5 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, 2010 and December 31, 2011 due to the uncertainty surrounding its realization caused by the Company's recurring losses. The NOL carry-forwards will fully expire in 2031.

### **NOTE 14 DUE TO RELATED PARTY**

Pursuant to a previous consulting agreement with Dr. Mark Schena, Director, which ended December 31, 2010, the Company was obligated to pay a royalty of 5% of gross sales to him as a royalty for unfettered use of his patents and knowledge. Amounts outstanding at December 31, 2011 and 2010 of \$615,783 and \$645,116, respectively, are unsecured, non-interest bearing and due on demand.

### **NOTE 15 - COMMITMENTS AND CONTINGENCIES**

Disclosure regarding lawsuits

The Company expensed all legal fees as and when invoiced, and recorded an increase in Accounts Payable equal to the amount of each invoice as and when invoiced. The Company accrues interest each quarter on the outstanding judgments. We record interest expense equal to the court indicated interest rate applied to the outstanding judgment and record an increase in judgment interest payable, which corresponds to the interest expense recognized during the year.

Legal Firm	Amount Payable	Description
	At Dec 31, 2011	
Baker Hughes	\$143,111	Baker Hughes, Inc. vs TeleChem International, Inc., Case #106-CV-075502 Baker Hughes, a chemical manufacturer, sued TeleChem for breach of contract regarding payment for chemicals supplied, resulting in a judgment against TeleChem for \$143,111 plus interest, costs and attorneys fees.
Hogan, Holmes & Usoz LLP	\$107,042	Hogan Holmes and Usoz LLP vs TeleChem International, Inc., Case #1-09-CV-156111. Hogan Holmes and Usoz LLP, a law firm, sued TeleChem for breach of contract regarding payment for services rendered. The parties agreed to a payment schedule and reached a settlement. The payment schedule is current.
Morrison & Foerster LLP	\$1,307,966	Morrison & Foerster LLP vs TeleChem International, Inc., Case # CGC-07-469964 Morrison & Foerster LLP, a law firm, sued TeleChem for breach of contract regarding payment for services rendered, resulting in a judgment against TeleChem for \$1,340,155 plus interest, costs and attorneys fees.
Townsend & Townsend & Crew	\$139,704	Townsend & Townsend & Crew, a law firm, represented TeleChem International, Inc. in Oxford Gene Technology Ltd. Vs TeleChem International, Inc. Case# 04-013 KAJ. Oxford Gene Technology, a biotech company, sued TeleChem for patent infringement. The lawsuit was settled in 2005. Accounts payable to Townsend are for services rendered.
Reed Smith LLP	\$1,757,541	Reed Smith LLP, a law firm, represented TeleChem International, Inc. in Pediatrix Screening, Inc. vs TeleChem International, Inc., Case #01-2226. The case was settled on October 27, 2011. Accounts payable to Reed Smith LLP are for services rendered.

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 December 31, 2011 are \$170,320.

Rent expense was approximately \$180,338 and \$178,724 for the twelve months ended December 31, 2011 and 2010 respectively.

**Note 16 - Stockholders' Equity (Deficit)**

*Conversion of Debt to Common Stock*

During 2011, trade creditors converted no accounts payable into shares of common stock. During 2010, trade creditors converted \$141,022 of accounts payable into 588,425 shares of common stock.

*Common Shares Issued for Service*

During 2011, the Company issued 656,000 common shares to consultants under consulting agreements. The associated expense was \$149,200. During 2010, the Company issued 2,205,010 common shares to consultants under consulting agreements. The associated expense was \$1,466,380.

*Common Shares Issued for Compensation*

No shares were issued as compensation during 2011 and 2010.

*Common Shares Issued for Cash*

No shares were issued for cash during 2011 and 2010.

*Common Shares Issued on Exercise of Options*

No shares were issued for options during 2011. During 2010, the Company issued 160,000 common shares upon the exercise of options for a cash consideration of \$51,200.

*Issuance of Warrants for Services and as Part of Debt*

No warrants were issued for services or debt during 2011. During 2010, we issued \$143,431 worth of warrants for services and we issued \$124,282 worth of warrants as part of a debt financing.

*Series A Convertible Preferred Stock*

The Series A Preferred Stock, \$0.001 par value, 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. There are 166,667 authorized and 22,034 (2010 22,034) issued and outstanding shares.

*Series C Convertible Preferred Stock*

The Series C Preferred Stock, \$0.001, has no stated dividend rate. There are 103,143 authorized shares. 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 TeleChem, and at December 31, 2011 there were 90,945 (2010 91,887) issued and outstanding shares.. 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 to shares to 10% of the holders' original holdings in any quarter.

*Options and warrants*

The following table summarizes information about outstanding warrants and options for common stock at December 31, 2011:

Range of Exercise	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number Exercised	Average Exercise Price
\$ 0.01	1,000,000	2	n/a	0	n/a
\$ 0.20	200,000	2.75	n/a	0	n/a
\$ 0.22	450,000	1.15	n/a	0	n/a
\$ 0.42	300,000	0.75	n/a	0	n/a
\$ 1.00	350,000	0.33	n/a	0	n/a

**NOTE 17 INCOME TAXES**

At 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 \$9,500,000 has been recorded against the deferred tax asset due to the uncertainty surrounding its realization caused by the Company's recurring losses. The NOL carryforwards will expire in 2031.

Prior to merger, 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 Internal Revenue Service "S" Corporation elections. Upon completion of the merger, TeleChem ceased to be treated as an S Corporation for income tax purposes.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**ITEM 9A(T). CONTROLS AND PROCEDURES**

*Management's Annual Report on Internal Control over Financial Reporting*

Our management, including our Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act, as amended. Our management, including our Chief Executive Officer and Chief Financial Officer assessed the effectiveness of our internal control over financial reporting as of December 31, 2011. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ( COSO ) in Internal Control-Integrated Framework. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. In its assessment of the effectiveness of internal control over financial reporting as of December 31, 2011, our management including our Chief Executive Officer and Chief Financial Officer determined that there were control deficiencies that constituted material weaknesses, as described below.

As of the end of the period covered by this report, our management including our Chief Executive Officer and Chief Financial Officer, also carried out an evaluation of our disclosure controls and procedures as defined in Rule 13a-15(e) of the Exchange Act. Based on that evaluation, management including our Chief Executive Officer and Chief Financial Officer determined that our disclosure controls and procedures are ineffective in enabling the Company to record, process, summarize and report, in a timely manner, the information that the Company is required to disclose in its Exchange Act reports. Control deficiencies that constituted material weaknesses, are described below.

***Material Weaknesses***

*Lack of Effective Corporate Governance Policies and Procedures.* We do not have effective policies regarding the independence of or directors and do not have independent directors. The lack of independent directors means that there is no effective review, authorization, or oversight of management or management's actions by persons that were not involved in approving or executing those actions. This has resulted in inconsistent practices. Further, the Board of Directors does not currently have any independent members and no director qualifies as an audit committee financial expert as defined in Item 407(d)(5)(ii) of Regulation S-B. Since these entity level programs have a pervasive effect across the organization, management has determined that these circumstances constitute a material weakness.

We have no conflicts of interest policies and there is no provision for the review and approval of transactions between the Company and interested members of management.

*Lack of Effective Policies Regarding the General Accounting System.* We do not have any documented processes for the input, accumulation, or testing of financial data that would provide assurance that all transactions are accurately and timely recorded or that the financial reports will be prepared on a periodic basis.

*Lack of Effective Control over Financial Statement Disclosure.* We do not maintain effective controls over financial statement disclosure. Specifically, controls were not designed and in place to ensure that all disclosures required were originally addressed in our financial statements. Accordingly, management has determined that this control deficiency constitutes a material weakness.

Because of these material weaknesses, management has concluded that the Company did not maintain effective internal control over financial reporting as of December 31, 2011, based on the criteria established in "Internal Control-Integrated Framework" issued by the COSO.

Management, including our Chief Executive Officer and Chief Financial Officer, has determined that the Company does not have the financial resources or personnel to address any of the material weaknesses identified or to conduct a more robust evaluation of its controls. As resources become available, management will develop and implement remedial actions to address the material weaknesses it has identified.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

*Changes in internal control over financial reporting*

There were no changes in our internal control over financial reporting during our most recent fiscal quarter that materially affected, or were reasonably likely to materially affect, our internal control over financial reporting.

*Limitations on the Effectiveness of Controls*

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our Disclosure Controls and internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management or board override of the control.

The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

**ITEM 9B. OTHER INFORMATION**

None.

**PART III****ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The following sets forth our officers and Directors as of the date of this filing:

<b>Name</b>	<b>Position</b>	<b>Year of Appointment</b>
<b>Rene Schena</b>	<b>Chairman, Director, CEO and CFO</b>	<b>2007</b>
<b>Todd J Martinsky</b>	<b>Vice President and Director</b>	<b>2007</b>
<b>Mark Schena, Ph.D</b>	<b>President, Chief Technology Officer, Secretary and Treasury</b>	<b>2007</b>
<b>Paul Haje</b>	<b>Director of Advertising and Public Relations</b>	<b>2007</b>
<b>William L. Sklar</b>	<b>Director, CFO (resigned April 10, 2012)</b>	<b>2007</b>

**Rene Schena Chairman, Chief Executive Officer and Chief Financial Officer**

Arrayit Corporation was formed from the Biotech Division of TeleChem International Inc., a company Rene co-founded in 1993. Arrayit has emerged as a world leader in microarray technology under Rene's leadership, being distinguished by *Inc. Magazine* in 2002 and 2003 as one of the nation's Top 500 Fastest Growing privately-held companies; and in 2005 was recognized by the *Silicon Valley Business Journal* as the 11th largest woman-owned business in Silicon Valley.

Rene holds a degree in Language Studies from the University of California, Santa Cruz. She has earned 25 years experience in international business, including translation, contract documentation and commodities trading. She worked in commodities trading with a subsidiary of ConAgra (1985-1988) and as a chemical import and distribution specialist, department manager, and later President of NuSource Chemical Corporation (1988-1993). Rene co-founded TeleChem International, Inc., which focused on traditional chemical distribution before expanding into the government and biotech sectors. At Arrayit, Rene manages all corporate financial, tax, legal, regulatory and human resource activities.

**Mark Schena, Ph.D. President, Chief Science Officer and Director**



Dr. Schena graduated first in his class with a PhD in Biochemistry in 1990 from the University of California at San Francisco. In 1995, as a postdoctoral fellow at Stanford University, he published the first paper on microarrays in the premier scientific journal *Science*, introducing microarrays to the world as a new scientific technology. His work rapidly led to a new field of discovery that uses microarrays to investigate both genes and proteins in research and diagnostics. Today, microarrays are used in more than 100,000 laboratories in 50 countries to help address complicated questions in biology, chemistry, agriculture and medicine. The microarray field to date has produced 550,000 scientific publications. Moreover, the commercial expansion of microarray technologies has created a multi-billion dollar industry with over 200 companies producing ancillary products and services. Acknowledged by his peers for the importance of these accomplishments, in 2003 Dr. Schena was proclaimed the "Father of Microarray Technology" by *The Scientist*, a broadly read scientific journal. In 2009, Dr. Schena was proclaimed the "Father of Microarrays" by *Drug Discovery News*, further reinforcing his leadership position in the field.

Dr. Schena has authored five foundational books on the subject of microarrays, including the best selling text, *Microarray Analysis* (J. Wiley and Sons); and has published more than 30 important papers in scientific journals. Dr. Schena has organized symposia and course work, chaired societal meetings and promoted the expansion of microarray technology - accruing over one million travel miles worldwide to speak to audiences of PhDs, MDs and life science professionals. Dr. Schena holds the key microarray diagnostics patent (issued in 2005) that provides for 100,000 patients to be screened for a health condition in a single, simple laboratory test. In 2001, this discovery was featured in the NOVA television documentary *Cracking the Code of Life*, wherein Dr. Schena introduced the use of microarrays as a diagnostic tool for the first time, and presented his vision for preventative, personalized medicine through pre-symptomatic testing. Mark's innovation, product development ideas, world-respected credentials and scientific celebrity extend the ultimate scientific credibility to the Arrayit companies and their leading-edge products and services.

### **Todd Martinsky Senior Vice President and Director**

Todd received a Bachelor of Arts degree from San Jose State University, after which he served as Director of Education and Consulting at the Codd and Date Consulting Group, whose founder was famous for creating the relational database. Todd co-founded TeleChem International, Inc. in 1993, and oversaw the Arrayit biotech division beginning in 1996. His computer science consulting experience had measurable impact on the evolution of Arrayit's business, as he led the design, development and implementation of the Company's online presence and related e-commerce platform - the first of its kind in the biotech sector.

Todd is recognized as a leader in the microarray field. He has guided and consulted with microarray professionals since the advent of commercial microarrays. He has presented as a Keynote Speaker for key microarray workshops and scientific meetings and has served on various microarray manufacturing panels. Over the past decade, Todd has served as a guest speaker at events sponsored by the Centers for Disease Control (CDC), The United States Department of Agriculture (USDA), and a number of major universities. Serving as an advisor to the U.S. Pharmacopeia (USP), he authored a chapter for a compendium on nucleic acid test methods for which he received Doctoral-level recognition. In addition, Todd has authored chapters on microarray manufacturing methods for five books, including the new 2009 *Microarray Methods and Protocols* (CRC Press). On the web, he authors and manages a popular microarray blog and is a respected member of the email-based microarray Gene-Arrays List Serve. Todd has been recognized as the number one most-quoted microarray executive through Arrayit's educational outreach

program, appearing in numerous feature articles and scientific publications. During his tenure at Arrayit, he has established numerous successful and mission critical business alliances that continue today.

**William L. Sklar Chief Financial Officer and Director (resigned April 10, 2012)**

Bill brings Arrayit over 30 years of experience as an advisor and consultant in the corporate and financial markets. His experience includes serving from 2004 to 2006 as a director of Pathogenics, Inc., a biopharmaceutical company engaged in the acquisition, development and commercialization of novel therapeutics that have potential significant commercial viability and that target certain unmet market needs; and serving from 2004 to 2008 as a director and Chief Financial Officer of PaperFree Medical Solutions, Inc., a provider of Electronic Medical Records. Other engagements in the medical area include being a director of PharmaGlobe a nutraceutical company, and consulting to nursing home and assisted living facilities.

Prior to joining Arrayit in 2008, he served as Director and President of Willmar Management Corporation since 1988, where he provided management, financial and administrative counsel to private and public companies within the United States, Canada and the United Kingdom. Throughout his career, Bill's primary focus has been to provide outsourced financial services for emerging companies in the public arena. He is a graduate of the University of Toronto where he earned a Bachelor's degree in Commerce.

**Paul K. Haje Vice President of Sales and Marketing**

Paul joined Arrayit in 1999 as Director of Advertising and Public Relations, and was promoted to Vice President of Sales and Marketing in 2008. He has implemented a multi-faceted strategy to drive sales of Arrayit's microarray products, which include healthcare platforms, instrumentation, genomic and proteomic tools, microarray kits and consumables, as well as OEM products. Paul's sales strategy includes building a customer base and corporate presence through scientific and B2B exhibitions, scientific workshops, print-advertising campaigns, ancillary marketing materials (product catalogs, direct mailers, microarray book covers, web graphics, etc.) and direct sales. Twice, Paul won first place awards for the most effective full-page print advertisement (Signet Research 2003 and Readex Research Advertising Award 2009). His marketing campaigns have launched a number of new product lines (examples include SpotBot, NanoPrint, Microarray Manufacturing Services) and helped make them successful revenue streams.

Paul has also been a technical contributor at Arrayit. He is a co-author of 16 papers published in *NATURE* (2006) in collaboration with 130 institutions and the US Food and Drug Administration. He has represented Arrayit at the U.S. FDA's Microarray Quality Control projects I and II, drawing important attention in the scientific press to the Company and its H25K Whole Human Genome Chip.

Paul graduated from the California Institute of the Arts in Valencia, California, with a Bachelors of Fine Arts, with honors. Before working at Arrayit, he worked at The Walt Disney Company, WDEMCO division, as an Associate Producer of educational films, then at Universal City Studios in Television and Theatrical Distribution. He managed his own Public Relations business for actors and businesses in Hollywood, California from 1984 to 1999.

**John Howell President and Chief Executive Officer, Arrayit Diagnostics, Inc.**

John earned a Bachelor of Science degree in Aerospace Engineering from Oregon State University with graduate studies at the University of San Francisco in Organizational Development and Change. He originally joined Arrayit Corporation in 2008 as Executive Vice President of Administration, but assumed the post of President and CEO of Arrayit Diagnostics upon its formation in mid-2009.

With over 30 years experience in the development, creation and management of sales and marketing platforms and internal management systems for businesses in the areas of health care, real estate, high technology and telecommunications. For the past 15 years, he was primarily engaged in the fields of high technology and telecommunications, serving as CEO of Eversys Corporation, a manufacturer of computer equipment for the local area network; Vice President of Sales & Marketing for TeraGlobal Communications, a manufacturer of equipment for the convergence of voice, video and data; Executive Vice President of Rim Semiconductor Corp., a late development stage fabless communications semiconductor company; Executive Vice President and Chief Operating Officer of Kingdom Ventures, Inc., a marketing company for the Christian community; and President of NutraCea, (OTCBB: NTRZ) an international nutraceutical company.

**Independence of Directors**

We are not required to have independent members of our Board of Directors, and do not anticipate having independent Directors until such time as we are required to do so.

**Corporate Governance**

We are a small reporting company, not subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act respecting any director. Each of our directors has attended all meetings either in person or via telephone conference. We have no standing committees regarding audit, compensation or other nominating committees.

We strive to promote accountability for adherence to honest and ethical conduct; endeavor to provide full, fair, accurate, timely and understandable disclosure in the reports and documents that we file with the SEC and in other public communications made by us; and we strive to be compliant with applicable governmental laws, rule4s and regulations.

We have adopted a written code of business conduct and ethics.

Our entire Board of Directors is responsible for reviewing and making recommendations concerning the selection of outside auditors, reviewing the scope, results and effectiveness of the annual audit of our financial statements and other services provided by the Company's independent public accountants. The Board of Directors reviews the Company's internal accounting controls, practices and policies. Our Board of Directors has determined that no director qualifies as an audit committee financial expert as defined in Item 407(d) (5) (ii) of Regulation S-K.

### **Audit Committee and Financial Expert**

The Company is not required to have an audit committee and as such, does not have one.

### **Code of Ethics for the CEO and CFO**

On Feb 21, 2008, the Board of Directors of the Company adopted a Code of Ethics for the Company's senior officers. The Board of Directors believes that these individuals must set an exemplary standard of conduct, particularly in the areas of accounting, internal accounting control, auditing and finance. This code sets forth ethical standards to which the designated officers must adhere and other aspects of accounting, auditing and financial compliance.

A copy of our Code of Ethics, will be provided without fee, upon written request to our Corporate offices.

### **SECTION 16 (A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the securities Exchange Act of 1934, as amended, requires our directors, executive officers and persons who own more than 10% of a class of our equity securities which are registered under the Exchange Act of 1934, as amended, to file with the Securities and Exchange Commission initial reports of ownership and reports of changes of ownership of such registered securities. Such executive officers, directors and greater than 10% beneficial owners are required by Commission regulation to furnish us with copies of all Section 16(a) forms filed by such reporting persons.

### **ITEM 11. EXECUTIVE COMPENSATION**

#### **SUMMARY COMPENSATION TABLE**

Name and Principal Position	Year						All Other	Total (\$)
		Salary (\$)	Bonus (\$)	Stock Awards (\$)	Options Awards (\$)	Compensation (\$)		
Rene A Schena Chairman, Director and CEO	2011	\$ 0	0	0	0	\$ 0	\$ 0	
	2010	0	0	0	0	9,196	\$ 9,196	
Todd J Martinsky Vice President and Director	2011	0	0	0	0	0	\$ 0	
	2010	0	0	0	0	12,591	\$ 12,591	
Mark Schena, Ph.D President, Chief Technology Officer, Secretary & Treasurer, and Director	2011	0	0	0	0	0	\$ 0	
	2010	0	0	0	0	250,000	\$ 250,000	
William L. Sklar CFO , Director	2011	0	0	0	0	0	\$ 0	
	2010	0	0	0	0	60,000	\$ 60,000	
Paul Haje Director of Advertising and Public Relations	2011		0	0	0	0	\$ 0	
	2010	0	0	0	0	125,000	\$ 125,000	

Fair value of stock awards was computed in accordance with FASB ASC Topic 718 (column (e)).

Our compensation and benefits programs are administered by our Board of Directors and intended to retain and motivate individuals with the necessary experience to accomplish our overall business objectives within the limits of our available resources. Consequently, the guiding principles of our compensation programs are:

- simplicity, clarity, and fairness to both the employee and the Company;
- preservation of Company resources, including available cash; and
- opportunity to receive fair compensation if the Company is successful.

Each element of our compensation program contributes to these overall goals in a different way.

- Base Salary and Benefits are designed to provide a minimum threshold to attract and retain employees identified as necessary for our success.
- Cash Bonuses and equity awards are designed to provide supplemental compensation when the Company achieves financial or operational goals within the limits of our available resources.

All compensation payable to the Chief Executive Officer and the other named executive officers is reviewed annually by the Board of Directors and changes or awards are approval by the Board of Directors.

### Board Compensation

The following table sets forth summary information concerning the compensation we paid to directors during the year ended December 31, 2011 and 2010:

Name	Fees Earned or Paid in Cash	Stock Awards	Option Awards	All Other Compensation	Total
Name	(\$)	(\$)	(\$)	(\$)	(\$)
Rene Schena	-	-	-	-	-
Mark Schena	-	-	-	-	-
Todd Martinsky	-	-	-	-	-
William L. Sklar	-	-	-	-	-

(1) None of the Board members received any additional consideration for their services to the Board of Directors other than what they were paid as officers of the Company, as provided above, and as such, they have not been included in the table above.

### INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Pursuant to Section 78.7502 of the Nevada Revised Statutes, the Registrant has the power to indemnify any person made a party to any lawsuit by reason of being a director or officer of the Registrant, or serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. Our By-laws provide that the Registrant shall indemnify its directors and officers to the fullest extent permitted by Nevada law.

With regard to the foregoing provisions, or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act of 1933, as amended, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by us of expenses incurred or paid by a director, officer or controlling person of the Corporation in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, we will, unless in the opinion of our counsel the matter has been settled by a controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by us is against public policy as expressed in the Securities Act of 1933, as amended, and will be governed by the final adjudication of such case.



**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

Beneficial ownership of the common stock is determined in accordance with the rules of the Securities and Exchange Commission and includes any shares of common stock over which a person exercises sole or shared voting or investment powers, or of which a person has a right to acquire ownership at any time within 60 days of April 15, 2012. Except as otherwise indicated, and subject to applicable community property laws, the persons named in this table have sole voting and investment power with respect to all shares of common stock held by them. Applicable percentage ownership in the following table is based on 58,816,302 shares of common stock equivalents outstanding.

At December 31, 2011 the total Common Share Equivalents was determined as follows:

Share Class	Outstanding	Conversion Factor	Common Share Equivalents
Class A	22,034	0.32	7,051
Class C	90,945	350	31,830,750
Common	26,978,501	1	26,978,501
			58,816,302

The following table sets forth a description of any substantial interest, direct or indirect of each person who has been a director or executive officer of the registrant at any time since the beginning of the last fiscal year. The address of each person, unless otherwise noted, is 524 East Weddell Drive, Sunnyvale, California 94089. Additionally we have included information about persons more than 5% of the total voting rights.

	Common Stock	Series C Preferred Stock	Series C Preferred Stock Common Share Equivalents	Total Voting Shares Based on All Voting Shares Outstanding	Total %
Officers and Directors					
Rene A Schena, Chief Executive Officer, Chief Financial Officer, Chairman and Director	2,000,000	38,571	13,499,955	15,499,955	26.4%
Mark Schena, Director	1,000,000	12,857	4,500,090	5,500,090	9.4%

President & Director William L. Sklar Former CFO and Director	775,000			775,000	1.3%
Todd Martinsky, Director Vice President & Director	1,500,000	25,714	8,999,865	10,499,865	17.9%
Paul K. Haje Director of Advertising and Public Relations		12,857	4,500,090	4,500,090	7.7%
John Howell President Arrayit Diagnostics, Inc.	916,000			916,000	1.6%
Greater Than 5% Shareholders					
None					
<b>All of the Officers and Directors as a Group (6 Persons)</b>					
	<b>6,191,000</b>	<b>90,000</b>	<b>31,500,000</b>	<b>37,691,000</b>	<b>64.1%</b>

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Pursuant to a previous consulting agreement with Dr. Mark Schena ended December 31, 2010, the Company was obligated to pay a royalty of 5% of gross sales to him as a royalty for unfettered use of his patents and knowledge.

Amounts outstanding at December 31, 2011 and December 31, 2010 of \$615,783 and \$645,116 respectively are unsecured, non-interest bearing and due on demand.

### ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

#### Audit Fees

The aggregate fees billed for each of the fiscal years ended December 31, 2011 and December 31, 2010 for professional services rendered by the principal accountants for the audit of the Company's annual financial statements and the review of the Company's quarterly financial statements were \$67,555 and \$77,641, respectively.

**Audit Related Fees**

None.

**Tax Fees**

None

**All Other Fees**

None for 2011

We do not have an audit committee and as a result our entire board of directors performs the duties of an audit committee. Our board of directors evaluates the scope and cost of the engagement of an auditor before the auditor renders audit and non-audit services.

**ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

**(a) Exhibits**

The following exhibits are either attached hereto or incorporated herein by reference as indicated.

Exhibit Number	Description	Previously Filed as Exhibit	File Number	Previously Date Filed
2.1	Agreement and Plan of Merger	Exhibit 10.1 to the Registrant's Current Report on Form 8-K	001-16381	10/03/2008

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2.2	Amendment and Restated Agreement and Plan of Merger	Exhibit A to the Registrant's Preliminary Schedule 14C	001-16381	10/03/2008
3.1	Amended and Restated Bylaws	Exhibit 3iii to the Registrant's Report on Form 10K	0001-05901604/15/2009	
3.2	Amendment of Articles of Incorporation	Exhibit 3 to the Registrant's Report on Form 10K	0001-05901604/15/2009	
3.3	Certificate of Designation of the Series C Convertible Preferred Stock	Exhibit 10.3 to the Registrant's Current Report on Form 8-K	001-16381	10/03/2008
3.4	Certificate of Correction for the Certificate of Designation of the Series C Convertible Preferred Stock	Exhibit 10.4 to the Registrant's Current Report on Form 8-K	001-16381	10/03/2008
3.5	State of Delaware Certificate of Amendment of Certificate of Designation of Series A Convertible Preferred Shares	Exhibit 3.1 to the Registrant's Current Report on Form 8-K	0001-05901611/25/2008	
3.6	Code of Ethics	Exhibit 14 to the Registrant's Report on Form 10K	0001-05901604/15/2009	
4.1	Form of Warrant	Exhibit 4.2 to Registrant's Current Report on Form 8-K	001-16381	2/28/05
4.2	Form of Additional Investment Right "A"	Exhibit 10.2 to Registrant's Current Report on Form 8-K	001-16381	2/28/05
4.3	Form of Additional Investment Right "B"	Exhibit 10.3 to Registrant's Current Report on Form 8-K	001-16381	2/28/05
10.1	2004 Directors, Officers and Consultants Stock Option, Stock Warrant and Stock Award Plan	Exhibit 4.1 to the Registrant's Registration Statement on Form S-8	333-119586	10/07/04
10.2	2002 Directors, Officers and Consultants Stock Option, Stock Warrant and Stock Award Plan	Exhibit 4.1 to the Registrant's Registration Statement on Form S-8	333-99371	9/10/02
10.3	Option to Purchase Common Stock between Registrant and John Howell	Exhibit 99.1 to the Registrant's Current Report on Form 8-K/A	0001-05901610/26/2009	
10.4	Form of Securities Purchase Agreement for 8.0% Senior Secured Convertible Notes	Exhibit 10.1 to Registrant's Current Report on Form 8-K	001-16381	2/28/05
10.5	Form of Security Agreement	Exhibit 10.4 to Registrant's Current Report on Form 8-K	001-16381	2/28/05
10.6	SovCap Equity Partners, Ltd., Notes	Exhibit 10.3 to the Registrant's Report on Form 10K/A	0001-05901609/17/2009	
10.7	Common Stock Purchase Warrant	Exhibit 10.1 to the Registrant's Current Report on Form 8-K	0001-05901611/26/2008	
10.8	License Agreement Between Arrayit Diagnostics, Inc. and Wayne State University	Exhibit 10.1 to the Registrant's Current Report on Form 8-K	0001-05901612/09/2009	
10.9	Sponsored Research Agreement Between Arrayit Diagnostics, Inc. and Wayne State University	Exhibit 10.1 to the Registrant's Current Report on Form 8-K	0001-05901612/10/2009	
10.10	Consulting Agreement dated November 1, 2009 between the Registrant and William L. Sklar	Exhibit 10.1 to the Registrant's Current Report on Form 8-K	0001-05901612/15/2009	
10.11	Consulting Agreement dated January 2, 2010 between the Registrant and Mark Schena, Inc.	Exhibit 99.1 to the Registrant's Current Report on Form 8-K	0001-05901603/31/2010	
16.1	Letter From Berman, Hopkins & Laham, CPAs And Associates, LLP	Exhibit 16.1 to the Registrant's Current Report on Form 8-K	0001-05901608/17/2010	

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- 21.1\* Subsidiaries Attached hereto
- 31.1\* Certificate of the Chief Executive Officer pursuant Attached hereto  
to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2\* Certificate of the Chief Accounting Officer pursuant Attached hereto  
to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1\* Certificate of the Chief Executive Officer pursuant Attached hereto  
to Section 906 of the Sarbanes-Oxley Act of 2002

(1) The Company made and delivered to SovCap Equity Partners, Ltd. 13 separate demand promissory notes from August 21, 2003 through September 8, 2004. Each of these demand notes used the form attached. Only the principal amounts varied. These demand notes are discussed in greater detail under Item 12. Certain Relationships and Related Transactions - Other Relationships and Related Transactions.

(b) We did not file any Current Reports on Form 8-K during the period covered by this Annual Report.

\* Filed herein.

**SIGNATURES**

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**Arrayit Corporation**

DATED: April 18, 2012  
Chairman, Director, CEO

By: /s/ Rene Schena

In accordance with the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<b>NAME</b>	<b>TITLE</b>	<b>DATE</b>
/s/ Rene Schena Rene Schena	Chairman, CEO, CFO, Director	April 18, 2012
/s/ Todd Martinsky Todd Martinsky	V. President and Director	April 18, 2012
/s/ Mark Schena Mark Schena	President and Director	April 18, 2012

**Exhibit 31.1**

Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a)

**CERTIFICATION PURSUANT TO**

**18 U.S.C. SECTION 1350,**

**AS ADOPTED PURSUANT TO**

**SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Rene A. Schena certify that:

1. I have reviewed this Annual Report on Form 10-K/A of Arrayit Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
  
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
  
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):



- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Rene A. Schena

Rene A. Schena

Chief Executive Officer

April 18, 2012

**Exhibit 31.2**

Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a)

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**