

Arrayit Corp
Form 10-Q/A
September 17, 2009

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

FORM 10-Q
(Amendment 3)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 2009

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act
For the transition period to

Commission File No. 001-16381

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

Nevada 76-0600966
(State of other jurisdiction of (I.R.S. Employer Identification No.)
incorporation)

524 East Weddell Drive Sunnyvale, CA 94089
(Address of Principal Executive Office) (Zip Code)

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

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

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

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

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

Large Accelerated filer Accelerated filer
Smaller Reporting Company

Non-Accelerated filer (Do not check if a smaller reporting company)

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

As of September 2, 2009, the issuer had 3,295,809 shares of common stock, \$0.001 par value per share outstanding .
Transitional Small Business Disclosure Format (check one): Yes No

EXPLANATORY NOTE

Arrayit Corporation has restated its Quarterly Report on Form 10-Q. This Quarterly Report is for the three months ended March 31, 2009, and was originally filed with the Commission on Form 10-Q on May 20, 2009, and as amended with Amendment One filed with the Commission on Form 10-Q on May 22, 2009, and further amended on July 31, 2009. The purpose of this amended Quarterly Report is to make corrections to the Quarterly Report based on comments received by the Commission. In addition, as required by Rule 12b-15 promulgated under the Securities Exchange Act of 1934, as amended, new certifications by our principal executive officer and principal financial officer are filed as exhibits to this Amendment.

There are changes made throughout this document, but primarily to the Items entitled

- Management Discussion and Analysis – Debt Obligations
- Management Discussion and Analysis – Restatement of Financial Statements
- Management Discussion and Analysis – Plan of Operations
- Notes 6 and 7 to the financial statements concerning Debt
- Management Discussion and Analysis – Liquidity

Arrayit Corporation filed Amendment One to Form 10-Q/A (the “Amended Report”) to its Quarterly Report on Form 10-Q for its quarterly period ended March 31, 2009, originally filed with the US Securities and Exchange Commission (“SEC”) on May 20, 2009 (the “Original Filing”). This amendment is filed for the sole purpose of including the following:

- Additional Statement of Cash Flows disclosures, and
- Correction of certain period-end date errors and other typographical errors.

Arrayit Corporation filed Amendment One to Form 10-Q/A (the “Amended Report”) to its Quarterly Report on Form 10-Q for its quarterly period ended March 31, 2009, originally filed with the US Securities and Exchange Commission (“SEC”) on May 20, 2009 (the “Original Filing”). This amendment is filed for the sole purpose of including the following:

- Management Discussion and Analysis – Debt Obligations
- Financial Statements – for retroactive treatment of March 22, 2009 30:1 reverse stock split
- Note 10 to the financial statements concerning Debt
- Management Discussion and Analysis – Liquidity

Except as discussed above and set forth in the Amended Report, we have not modified or updated disclosures presented in the Original Filing. Accordingly, this Amended Report does not reflect events occurring after our Original Filing or modify or update those disclosures affected by subsequent events, except as specifically referenced herein.

INDEX TO FORM 10-Q FILING
FOR THE QUARTER ENDED MARCH 31, 2009

TABLE OF CONTENTS

| Item | Page |
|---|------|
| PART I FINANCIAL INFORMATION | |
| Item 1.UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS | 5 |
| Item 2.MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS | 14 |
| Item 3.QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK | 18 |
| Item 4 CONTROLS AND PROCEDURES | 18 |
| PART II OTHER INFORMATION | |
| Item 1 LEGAL PROCEEDINGS | 19 |
| Item RISK FACTORS 1A | |
| Item 2 UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS | 19 |
| Item 3.DEFAULTS UPON SENIOR SECURITIES | 19 |
| Item 4.SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS | 19 |
| Item 5 OTHER INFORMATION | 19 |
| Item 6 EXHIBITS | 19 |
| SIGNATURES | 19 |

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

FORWARD-LOOKING STATEMENTS

Portions of this Form 10-Q, including disclosure under “Management’s Discussion and Analysis 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 obtain and retain customers,

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

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

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

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

With respect to any forward-looking statement that includes a statement of its underlying assumptions or bases, we caution that, while we believe such assumptions or bases to be reasonable and have formed them in good faith, assumed facts or bases almost always vary from actual results, and the differences between assumed facts or bases and actual results can be material depending on the circumstances. When, in any forward-looking statement, we or our management express an expectation or belief as to future results, that expectation or belief is expressed in good faith and is believed to have a reasonable basis, but there can be no assurance that the stated expectation or belief will result or be achieved or accomplished. All subsequent written and oral forward-looking statements attributable to us, or anyone acting on our behalf, are expressly qualified in their entirety by the cautionary statements. We do not undertake any obligations to publicly release any revisions to any forward-looking statements to reflect events or circumstances after the date of this report or to reflect unanticipated events that may occur.

PART I – FINANCIAL INFORMATION

ITEM 1.

ARRAYIT CORPORATION
CONDENSED CONSOLIDATED UNAUDITED BALANCE SHEETS

| | As of March 31, 2009 (as restated) | As of December 31, 2008 (as restated) |
|---|--|--|
| Assets | | |
| Current assets: | | |
| Cash | \$ - | \$ - |
| Accounts receivable, net of allowance for doubtful accounts of \$125,000 and \$105,000, respectively | 17,780 | 261,656 |
| Inventory | 625,892 | 484,368 |
| Prepaid expenses | - | - |
| Total current assets | 643,672 | 746,024 |
| Property and equipment, net | 43,416 | 41,451 |
| Restricted cash | 100,733 | 100,734 |
| Deposits | 18,924 | 18,924 |
| Total assets | \$ 806,745 | \$ 907,133 |
| Liabilities and Stockholders' Deficit | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 4,775,154 | \$ 5,143,622 |
| Bank overdraft | 45,739 | 9,110 |
| Due to related parties | 374,950 | 349,950 |
| Accrued expenses | - | 1,295,131 |
| Customer deposits | 70,603 | 62,798 |
| Derivative liability | 20,996,593 | 1,525,684 |
| Notes payables, current portion including related parties | 1,636,802 | 3,120,418 |
| Total current liabilities | 27,899,841 | 11,506,713 |
| Notes payable, long term | 76,148 | 248,412 |
| Total liabilities | 27,975,989 | 11,755,125 |
| Stockholders' deficit | | |
| Preferred stock, Series "A" \$0.001 par value; 166,667 shares authorized, 25,694 shares issued and outstanding | 25 | 123 |
| Preferred stock, Series "C" \$0.001 par value; 103,143 shares authorized, 103,143 shares issued and outstanding | 103 | 103 |
| Common stock, \$.001 par value, voting, 3,333,333 shares authorized, 3,295,809 shares issued and outstanding | 3,297 | 584 |
| Additional paid-in capital | 5,451,787 | 1,340,868 |
| Accumulated deficit | (32,624,456) | (12,189,670) |
| Total stockholders' deficit | (27,169,244) | (10,847,992) |

| | | |
|---|------------|------------|
| Total liabilities and stockholders' deficit | \$ 806,745 | \$ 907,133 |
|---|------------|------------|

See accompanying notes to condensed consolidated financial statements.

ARRAYIT CORPORATION
CONDENSED CONSOLIDATED UNAUDITED STATEMENTS OF OPERATIONS

| | Three Months Ended March 31 | |
|---|--------------------------------|--------------|
| | 2009 | 2008 |
| Total revenues | \$ 999,795 | \$ 852,372 |
| Cost of sales | 754,382 | 762,842 |
| Gross margin | 245,413 | 89,530 |
| Selling, general, and administrative expense | 347,933 | 269,201 |
| Profit (loss) from operations | (102,520) | (179,671) |
| Income from discontinued operations | - | - |
| Gain (loss) on derivative liability | (7,366,264) | 111,109 |
| Loss on extinguishment of debt | (12,834,898) | - |
| Legal expense | (12,447) | - |
| Interest (expense) | (118,657) | (132,812) |
| Net profit (loss) | \$(20,434,786) | \$ (201,374) |
| Net profit (loss) per common share - basic and diluted | \$ (32.77) | \$ (0.37) |
| Weighted average shares - basic and diluted | 623,494 | 542,807 |

See accompanying notes to condensed consolidated financial statements

ARRAYIT CORPORATION
CONDENSED CONSOLIDATED UNAUDITED STATEMENTS OF CASH FLOWS

| | For the Three Months Ended March 31, 2009 |
|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Net loss | \$ (20,434,786) |
| Adjustments to reconcile net loss to net cash used in operating activities: | |
| Provision for bad debt | 20,000 |
| Loss on derivative liability | 7,366,264 |
| Loss on extinguishment of debt | 12,834,898 |
| Changes in operating assets and liabilities: | |
| Accounts receivable | 223,876 |
| Inventory | (141,524) |
| Accounts payable | 100,431 |
| Accounts payable-related party | 25,000 |
| Customer deposits | 7,806 |
| CASH PROVIDED BY OPERATING ACTIVITIES | 1,965 |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Cash paid for purchase of fixed assets | (1,965) |
| CASH USED IN INVESTING ACTIVITIES | (1,965) |
| CASH FLOWS FROM FINANCING ACTIVITIES | |
| CASH USED IN FINANCING ACTIVITIES | - |
| NET DECREASE IN CASH | - |
| CASH AT BEGINNING OF YEAR | - |
| CASH AT YEAR END | \$ - |
| SUPPLEMENTAL DISCLOSURE | |
| Cash paid for interest | \$ 31,181 |

ARRAYIT CORPORATION
NOTES TO CONDENSED CONSOLIDATED UNAUDITED STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2009

NOTE 1 – ORGANIZATION AND BUSINESS OPERATIONS

Arrayit Corporation (the “Company” or “Arrayit”) is a Nevada Corporation, formerly known as TeleChem International, Inc., 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. 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 “Oral Agreements” 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.

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

Interim financial statements

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

Annual Report filed with the SEC on Form 10-K. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the consolidated financial statements, which would, substantially duplicate the disclosure contained in the audited financial statements for fiscal year 2008 as reported in Form 10-K have been omitted.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GOING CONCERN

Principles of Consolidation

The financial statements reflect the consolidated results of Arrayit Corporation and its and its wholly owned subsidiaries (enumerate holly owned entities). All material inter-company transactions have been eliminated in the consolidation.

Use of Estimates

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

Cash and Cash Equivalents

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

Property and Equipment

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

Impairment of Long-Lived Assets

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

Inventory

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

Revenue Recognition

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

Shipping and Handling Costs

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

Fair Value of Financial Instruments

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

Allowance for Doubtful Accounts

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

Patent Costs

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

Income Taxes

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

Upon completion of the February 21, 2008 transaction with IMHI as more fully described in Note 1, TeleChem ceased to be treated as an "S" Corporation for Income Tax purposes. Effective March 19, 2009, 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.

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 calculation for 2009 and 2008, respectively, since their effect is anti-dilutive.

Stock-Based Compensation

The Company accounts for stock issued to employees, officers and directors in accordance with Statement of Financial Standards No. 123 (revised 2004), Share-Based Payment ("SFAS No. 123(R)"), SFAS No. 123(R) 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.

Recent Accounting Pronouncements

In May 2008, the FASB issued FASB FSP APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)". FSP APB 14-1 requires the issuer of certain convertible debt instruments that may be settled in cash (or other assets) on conversion to separately account for the liability (debt) and equity (conversion option) components of the instrument in a manner that reflects the issuer's non-convertible debt borrowing rate. Such separate accounting also requires accretion of the resulting discount on the liability component of the debt to result in interest expense equal to an issuer's nonconvertible debt borrowing rate. In addition, the FSP provides for certain changes related to the measurement and accounting related to de-recognition, modification or exchange. FSP APB 14-1 is effective for fiscal years beginning after December 15, 2008 on a retroactive basis. The impact of this standard cannot be determined until the transactions occur.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities - an amendment to FASB Statement No. 133". SFAS No. 161 is intended to improve financial standards for derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. It is effective for financial statements issued for fiscal years beginning after November 15, 2008, with early adoption encouraged. The Company adopted SFAS No. 161 as of January 1, 2009.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations". This statement replaces SFAS No. 141 and defines the acquirer in a business combination as the entity that obtains control of one or more businesses in a business combination and establishes the acquisition date as the date that the acquirer achieves control. This statement is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Earlier adoption is prohibited. The Company adopted SFAS No. 160 as of January 1, 2009. The Company has not been involved in a business combination since the date of adoption.

In December 2007, the FASB issued SFAS No. 160, "Non-controlling Interests in Consolidated Financial Statements Liabilities -an Amendment of ARB No. 51". This statement amends ARB 51 to establish accounting and reporting standards for the Non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. This statement is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Earlier adoption is prohibited. The Company adopted SFAS No. 160 as of January 1, 2009. The Company has not been involved in a business combination since the date of adoption.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115". This statement permits entities to choose to measure many financial instruments and certain other items at fair value. SFAS No. 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. The adoption of this statement had no effect on the Company's financial statements.

NOTE 3- GOING CONCERN

Arrayit has a working capital deficit of \$27,256,169 , a stockholders' deficit, and recurring net losses. These factors create substantial doubt about Arrayit's ability to continue as a going concern. The financial statements do not include any adjustment that might be necessary if Arrayit is unable 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 – CASH AND RESTRICTED CASH

Cash on hand and bank overdrafts represent cash that may freely be used in the conduct of our business.

Restricted cash is comprised of a \$100,000 Certificate of Deposit plus accrued interest lodged with our bankers as security for a \$100,000 letter of deposit we were mandated to lodge with the Pennsylvania court, as part of the Pediatrix legal action more fully described in Note 8. Upon finalization of the legal action, the letter of credit will be returned and the bankers will release the restrictions on the Certificate of Deposit.

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 \$500,000, and is limited to receivables that are less than 31 days outstanding. The facility bears interest at prime plus 7% currently 10.25% at March 31, 2009, and is secured by an unconditional guarantee of the Company and a first charge against the Accounts Receivable. At March 31, 2009 the balance outstanding under the recourse contracts was \$415,429. 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 – NOTES PAYABLE

Notes payable consisted of the following at March 31, 2009

| | |
|---|--------------|
| Note payable to Dorn & Associates. Payable in 36 monthly installments of \$890 at an interest rate of 5%. The Company is presently in default of the payment terms on this note, and has classified the entire note balance as current. These notes are unsecured | \$ 25,177 |
| Convertible notes due to a former officer and shareholder of the Company, These notes bear interest at 12%, are unsecured, and due on demand. The Company is presently in default of the payment terms on these notes. The notes are convertible into approximately 10,251 shares at approximately \$8.00 per share. | 74,174 |
| Notes payable to an individual with interest at 10% collateralized by receivables and due on demand. | 17,826 |
| Note payable to a financial group, unsecured with interest rate at 12% and due on demand. | 25,000 |
| Notes payable to former officer and other individual accredited investors, unsecured without specific terms of repayment | 60,250 |
| Notes payable, interest free, unsecured due on demand from a shareholder | 23,500 |
| Notes payable to Wells Fargo, payable in 60 monthly instalments of \$8,572 including interest at bearing interest at Prime plus 2.75% (10.25% at December 31, 2008), 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 the those shareholders' spouses. Guarantee secured by two residential properties and cash collateral of \$276,000. | 304,939 |
| Notes payable, interest at 8%, unsecured due on demand from Arrayit creditors | 347,233 |
| Notes payable, interest at 5%, unsecured, due on demand from minority shareholders | 109,350 |
| Notes payable, interest at 8%, unsecured due on demand from the former TeleChem shareholders and their families | 725,501 |
| Notes payable including related parties | \$ 1,712,950 |

Current Portion of debt \$1,712,950

Convertible Debt – SovCap

The Company upon the execution of the reverse merger with IMHI become obligated for convertible debt of \$3,549,200 (see Note 7) which is covered by the Oral Agreements. The debt, as detailed in Note 7, is shown as a derivative in these financial statements. The continuity of the convertible loan for the three months ended March 31, 2009 is as follows:

Total Debt

Edgar Filing: Arrayit Corp - Form 10-Q/A

| | Shares Issued | Original Debt | Accrued Interest | |
|-------------------|------------------|------------------|---------------------|--------------|
| December 31, 2008 | | \$ 1,993,450 | \$ 1,555,750 | \$ 3,549,200 |
| Conversions: | | | | |
| March 13, 2009 | 1,140,000 | (134,799) | (105,201) | (240,000) |
| March 16, 2009 | 1,572,500 | (321,551) | (250,949) | (572,500) |
| March 31, 2009 | 2,712,500 | \$ 1,537,100 | \$ 1,199,600 | \$ 2,736,700 |

Predecessor Debt in Default not covered by Oral Agreements

The Company continues to be responsible for Predecessor Debt, in default, of the IMHI predecessor company that is not covered by the Oral Agreements described in Note 7 to these Financial Statements. The debt not covered by said Oral Agreements may be summarized as follows:

| | March 31, 2009 |
|---|------------------|
| Note payable to Dorn & Associates, in conjunction with a 2005 funding. Payable in 36 monthly instalments of \$890 at an interest rate of 5%. The Company is presently in default of the payment terms on this note, and has classified the entire note balance as current. These notes are unsecured. | \$ 25,177 |
| Convertible notes due to a former officer and shareholder of the Company, arising from a series of advances during fiscal; 2003. These notes bear interest at 12%, are unsecured, and due on demand. The Company is presently in default of the payment terms on these notes. The notes are convertible into approximately 10,251 shares at approximately \$8.00 per share. | 74,174 |
| TOTAL PREDECESSOR DEBT IN DEFAULT | \$ 99,351 |

At March 31, 2009 \$99,351 being the Dorn note and the Former Officer note are in default. No action has been taken by the note holders to assert their rights to collect the amounts in default, and the terms of the notes do not provide for any penalties or higher interest rates once the notes are in default. The note due to a former officer is convertible into 10,251 shares of the Company's common stock.

NOTE 7 - DEBT MODIFICATION

In 2008, Cloud Capital entered into a formal custodial arrangement with 16 participants. Cloud has no discretionary power and acts solely as custodian taking direction from each participant. Each participant lodged a basket of securities with the custodian made up of common, convertible preferred and convertible debt at the time of the IMHI acquisition of TeleChem on February 21, 2008.

In January 2008, the Company entered into an oral agreement with each of the participants whereby the participant agreed to a fixed number of shares for their "basket" of securities. However, On February 20, 2009 the participants became discouraged with the efforts of the company to complete the regulatory filings and requested that the original oral agreement be abrogated. The Company then came to a new oral agreement with each of the participants that included the following:

- (a) All prior agreements are now null and void. This includes both the predecessor Oral as well as the predecessor Written agreements .
- (b) The quantum of shares being made available to the 16 participants will be fixed at 12,478,357.
- (c) The 18,695 common shares, held by the participants, are issued and outstanding and will be not be affected by the new oral agreement.
- (d) The 2,926,787 pre-split, (97,560 post-split) series A preferred shares will be surrendered for cancellation without compensation by each of the participants .
- (e) The debt of \$1,993,450 and estimated penalty and interest of \$1,555,750 for a total approximation of \$3,549,200 will be converted into 12,478,357 common shares being a fixed number of common shares regardless of the interest and penalties that continue to accrue.

(f) Due to the lack of sufficient authorized capital only 2,712,500 common shares were available for conversion on March 13, 2009 and March 16, 2009.

Interest and penalties cease to accrue on the debt and therefore no additional penalties or interest will become payable.

(g)The Oral Agreements constitute a formal waiver of any prior and future defaults on the underlying debt, thereby preventing the debt holders from asserting any rights and / or remedies they previously were entitled to under the written agreements .

It is the intention of the 16 debt holders and the Company that the debt will be converted into common shares, as soon a practical. Currently, the company does not have sufficient authorized share capital to satisfy this obligation, and therefore the debt may not be converted. Management is not able to practically estimate when it will have sufficient authorized share capital as this lies outside the control of the company.

For greater certainty as as outlined in item (e) above, as a result of these Oral Agreements there will be no effect upon the company of the continuing defaults or of any changes in interest rates. The Oral Agreements fix the number of shares to be issued upon conversion regardless of any additional interest and penalties which may have been due under the originating documents that are now superceded by the Oral Agreements.

The Company recorded derivative liability of \$20,996,593 as a result of insufficient authorized shares to satisfy the debt settlement according to FAS 133 (Accounting for Derivative Instruments and Hedging Activities) and revalue the liability at the end of each interim period by recording gain/(loss) on derivative liability of \$7,366,264.

The 97,560 preferred series "A" shares held by the Oral Agreement debt holders were cancelled subsequent to the debt settlement. At the consummation of the debt settlement transaction, the Company recorded a loss on extinguishment of debt of \$12,834,898.

As the Warrant Agreement contained an anti-dilution clause, no recognition was given to the Reverse Stock Split of 30 to 1 which took place on March 22, 2009.

NOTE 8 - STOCKHOLDERS' EQUITY (DEFICIT)

| Description | Preferred Series A | | Preferred Series C | | Common Stock | | Additional | Retained | Total |
|--|--------------------|--------|--------------------|--------|--------------|----------|-----------------|----------------|----------------------|
| | Number | Dollar | Number | Dollar | Number | Dollar | Paid In Capital | Earnings | Stockholders' Equity |
| Balance, December 31, 2008 | 123,254 | \$ 123 | 103,143 | \$ 103 | 583,309 | \$ 584 | 1,340,868 | \$(12,189,670) | \$(10,847,992) |
| Modification of convertible debt | (97,560) | (98) | | | 2,712,500 | 2,713 | 4,110,919 | | 4,113,534 |
| Net Income for the three months ended March 31, 2009 | | | | | | | | (20,434,786) | (20,434,786) |
| Balance, March 31, 2009 | 25,694 | \$ 25 | 103,143 | \$ 103 | 3,295,809 | \$ 3,297 | 5,451,787 | \$(32,624,456) | \$(27,169,245) |

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.

Subsequent to the debt settlement described in Note 7 above, 97,560 shares of Preferred A have been surrendered to and cancelled by the Company.

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 TeleChem. 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.

NOTE 9 -COMMITMENTS AND CONTINGENCIES

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

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

On August 11, 2007, the jury returned a verdict finding that, while both parties were in breach of contract, Pediatrix also engaged in fraudulent misrepresentation and awarded TeleChem \$500,000 in damages and \$3,500,000 in punitive damages for the fraudulent misrepresentation claim and \$1,000,000 in damages on the breach of contract claim. The jury also awarded Pediatrix \$1,085,000 in damages for Pediatrix's breach of contract claim against TeleChem.

Pediatrix's Rule 59 motion to amend the judgment was denied by the District Court. Pediatrix appealed the jury verdict on fraudulent misrepresentation and the \$4,000,000 in damages awarded there under to the U.S. Court of Appeals for the Third Circuit. Pediatrix has indicated that it will not pursue on appeal the breach of contract verdict and damage award against it. TeleChem did not appeal any portion of the jury verdict.

The appeal is currently pending before the U.S. Court of Appeals for the Third Circuit.

Other Matters

IMHI may become or is subject to investigations, claims or lawsuits ensuing out of the conduct of its business. IMHI is currently unable to estimate the loss (if any) related to these matters. Other than the Pediatrix matter referred to above, IMHI is not aware of any other matters.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

For a description of our significant accounting policies and an understanding of the significant factors that influenced our performance during the three months ended March 31, 2009, this "Management's Discussion and Analysis" should be read in conjunction with the Condensed Consolidated Unaudited Financial Statements, including the related notes, appearing in Item 1 of this Quarterly Report, as well as the Company's Annual Report on Form 10-K for the year ended December 31, 2008. The preparation of this Quarterly Report on Form 10-Q requires us to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of our financial statements, and the reported amounts of revenue and expenses during the reporting period. There can be no assurance that actual results reported in the future will not differ from those estimates or that revisions of these estimates may not become necessary in the future.

Forward-Looking Statements

This Quarterly Report on Form 10-Q, includes statements that constitute "forward-looking statements." These forward-looking statements are often characterized by the terms "may," "believes," "projects," "expects," or "anticipates," and do not reflect historical facts. Specific forward-looking statements contained in this portion of the

Annual Report include, but are not limited to the Company's (i) expectation that certain of its liabilities listed on the balance sheet under the headings "Accounts Payable," "Accrued Liabilities" and "Note Payable" will be retired by issuing stock versus cash during the next 24 months; (ii) expectation that it will continue to devote capital resources to fund continued development of the Arrayit technology; (iii) anticipation that it will incur significantly capital expenditures to further its deployment of the Arrayit offerings; and (iv) anticipation of a significant increase in operational and SG&A costs as it accelerates the development and marketing of the Arrayit operations.

Forward-looking statements involve risks, uncertainties and other factors, which may cause our actual results, performance or achievements to be materially different from those expressed or implied by such forward-looking statements. Factors and risks that could affect our results and achievements and cause them to materially differ from those contained in the forward-looking statements include those to be identified in our Annual Report on Form 10-K for the year ended December 31, 2008 in the section titled "Risk Factors," as well as other factors that we are currently unable to identify or quantify, but may exist in the future.

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

Restatement of Financial Statements

This Amendment No. 3 on Form 10-Q/A reflects an enhancement of our footnote disclosure of our consolidated financial statements for the three months ended March 31, 2009. The financial statements have been restated as a result of a comment letter received from the SEC to reflect additional disclosure.

The restatement for these errors had no effect upon the Company's net income, as originally reported for the three months ended March 31, 2009, The restatement had no effect on our cash or net cash used in operations for the three months ended March 31, 2009. After reviewing the circumstances leading up to the restatement, management believes that the errors were inadvertent and unintentional. In addition, following the discovery of these errors, we have begun implementing procedures intended to strengthen our internal control processes and prevent a recurrence of future errors .

Company Overview

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

Arrayit Products and Services

In the late 1990's, Arrayit focused on developing microarray slides, kits and reagents using an open platform strategy in order to establish a market niche. In other words, 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. 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 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. As the industry grows, Arrayit is expanding its product line to include integrated platforms and pre-printed microarray slides with specific content.

Arrayit is now 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 this plan, Arrayit will create a variety of microarray based diagnostic tests using Arrayit's patented Healthcare technology, the Variation Identification Platform (VIP), technology. 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>

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

Corporate History

Integrated Media Holdings, Inc.(IMHI) is a Delaware corporation, on February 5, 2008, entered into a Plan and Agreement of Merger (the "Merger") by and among , TeleChem International, Inc. ("TeleChem"), the majority shareholders of TeleChem ("Shareholders"), Endavo Media and Communications, Inc., a Delaware corporation ("Endavo") and TCI Acquisition Corp., a Nevada corporation, and wholly owned subsidiary of IMHI ("Merger Sub"). IMHI, TeleChem, Endavo, Merger Sub and Shareholders are referred to collectively herein as the "Parties".

Effective February 21, 2008, IMHI completed the Plan and Agreement of Merger by and among us, TeleChem International, Inc., the majority shareholders of TeleChem, Endavo Media and Communications, Inc., a Delaware corporation and TCI Acquisition Corp., a Nevada corporation, and wholly owned subsidiary of IMHI. Consummation of the merger did not require a vote of our shareholders. IMHI issued 103,143 shares of Series C Convertible Preferred Stock to the Shareholders of TeleChem in exchange for 100% of the equity interests of TeleChem resulting in TeleChem being a wholly owned subsidiary . The former shareholders of TeleChem now own approximately 73.5% of the outstanding interest and voting rights of IMHI. The Preferred Stock is convertible into 36,100,000 shares of common stock after, but not before, the effective date of the reverse split of the outstanding Integrated Media common stock. Finally, in connection with the merger, we changed the address of our principal executive offices to 524 East Weddell Drive, Sunnyvale, CA 94089. Simultaneously with the merger we transferred our wholly-owned subsidiary, Endavo to an individual. As a result, the transaction will be accounted for as a reverse merger, where Telechem is the accounting acquirer resulting in a recapitalization of our equity.

Effective Thursday, March 19, 2009, the final steps of the business combination with Integrated Media Holdings, Inc. 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 reincorporation will be effected by the merger of IMHI, with and into its wholly owned subsidiary, Arrayit. Arrayit will be the surviving entity.

On the Effective Time, each of IMHI's common stockholders will be entitled to receive one fully paid and non-assessable share of common stock or preferred stock of Arrayit for each share of our common stock or preferred stock, respectively, outstanding as of the Effective Time and (ii) IMHI will cease its corporate existence in the State of Delaware. We anticipate that the shares of the Company will cease trading on the first trading date following the Effective Time and shares of Arrayit will begin trading in their place but under a new CUSIP number and trading symbol.

Recent Developments

On April 7, 2009, Arrayit Corporation announced a new research collaboration with The Parkinson's Institute of Sunnyvale, California to discover biomarkers for Parkinson's disease. This study involves the prospective collection of samples from well-characterized Parkinson's patients combined with Arrayit's new H25K microarray technology. The first experiments have enabled rapid and efficient sample preparation of specimens from Parkinson's disease patients, an important step in the discovery of molecular markers for Parkinson's disease.

On April 30, 2009, Arrayit Corporation announced that it is developing a microarray-based diagnostic test to detect the H1N1 swine flu virus. The Arrayit test will allow researchers and clinicians to detect the presence of the virus in infected patients and livestock and to distinguish the threatening mutated strain from less harmful variants in humans and swine. The H1N1 kits will use Arrayit's patented Variation Identification Platform (VIP) Technology. The H1N1 test kits will be sent to the Centers for Disease Control (CDC) for validation, then sold for emergency use by licensed clinics, laboratories and other health care organizations worldwide.

Market Conditions in Our 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 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.

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.

Critical Accounting Policies

Use of Estimates

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

Cash and Cash Equivalents

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

Property and Equipment

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

Impairment of Long-Lived Assets

Arrayit reviews its long-lived assets for impairment when events or changes in circumstances indicate that the book value of an asset may not be recoverable. Arrayit evaluates, at each balance sheet date, whether events and circumstances have occurred which indicate possible impairment. The Company uses an estimate of future

undiscounted net cash flows of the related asset or group of assets over the estimated remaining life in measuring whether the assets are recoverable. If it is determined that an impairment loss has occurred based on expected cash flows, such loss is recognized in the statement of operations.

Inventory

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

Revenue Recognition

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

Shipping and Handling Costs

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

Fair Value of Financial Instruments

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

Allowance for Doubtful Accounts

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

Patent Costs

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

Income Taxes

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

Upon completion of the February 21, 2008 transaction with IMHI as more fully described in Note 1, TeleChem ceased to be treated as an "S" Corporation for Income Tax purposes. Effective March 19, 2009, Arrayit Corporation became a Nevada C Corporation.

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

Results of Operations

Comparison of Operating Results- Three Months Ended March 31, 2009 and 2008

Gross revenues for the three months ended March 31, 2009 and 2008 were \$999,795 and \$852,372 respectively. The increase in revenue was the result of the increase of sales to the government.

The Cost of Sales for the three months ended March 31, 2009 amounting to \$754,382 and \$762,842 respectively, resulting in gross profit for the three months ended March 31, 2009 and 2008 of \$245,413 and \$89,530 respectively. The cost of sales decreased because the company changed its freight carrier during the quarter which in turn leads to lower freight expenses.

Selling, general and administrative expenses for March 31, 2009 were \$347,933 and \$269,201 respectively. The increase was directly related to the expenses incurred for complying with the filing requirements for a public company; these expenses include accounting fees, various public filing related fees legal fees. Legal expenses of \$12,447 were incurred during the three months ended March 31 2009 as compared with -\$0- for 2008.

Net loss from operations was \$102,520 for the three months ended March 31, 2009 compared with a net loss of \$179,671 for the three months ended March 31, 2008, resulting in a decreased loss of \$77,151. The reduction is the result of increased sales and cost reduction in freight expenses.

Interest Expense for the three months ended March 31, 2009 and 2008 were \$118,657 and \$132,812 respectively. The reduction in 2009 resulted from the reduction in outstanding debt.

Loss from the imbedded derivatives in connection with our debt settlement was \$7,366,264 during the three months ended March 31, 2009 and a gain of \$111,109 during the three months ended March 31, 2008.

Loss on extinguishment of debt was \$12,834,898 as a result of debt settlement by converting the previously issued convertible debts into equity. See Note 7 in section "Notes to Unaudited Condensed Consolidated Financial Statement).

Cash flows from operations approximated net income (loss) for the three months ended September 30, 2008 and 2007. The Company has funded its operating deficits through debt financing.

Convertible Debt – SovCap

The Company upon the execution of the reverse merger with IMHI become obligated for convertible debt of \$3,549,200, which is covered by the Oral Agreements. The debt is shown as a derivative in these financial statements. The continuity of the convertible loan for the three months ended March 31, 2009 is as follows:

| | Shares Issued | Original Debt | Accrued Interest | Total Debt |
|-------------------|---------------|---------------|------------------|--------------|
| December 31, 2008 | | \$ 1,993,450 | \$ 1,555,750 | \$ 3,549,200 |
| Conversions: | | | | |
| March 13, 2009 | 1,140,000 | (134,799) | (105,201) | (240,000) |
| March 16, 2009 | 1,572,500 | (321,551) | (250,949) | (572,500) |
| March 31, 2009 | 2,712,500 | \$ 1,537,100 | \$ 1,199,600 | \$ 2,736,700 |

Predecessor Debt in Default not covered by Oral Agreements

The Company continues to be responsible for Predecessor Debt, in default, of the IMHI predecessor company that is not covered by the Oral Agreements described above.

At March 31, 2009 \$99,351 being the Dorn note and the Former Officer note are in default. No action has been taken by the note holders to assert their rights to collect the amounts in default, and the terms of the notes do not provide for any penalties or higher interest rates once the notes are in default. The note due to a former officer is convertible into 10,251 shares of the Company's common stock.

Liquidity and Capital Resources

As of March 31, 2009 we had had a working capital deficiency of \$27,256,169 and a stockholders' deficiency of \$27,169,244. The working capital deficiency, in addition to amounts payable in the normal course of business is primarily attributable to (1) the \$2,762,000 liabilities incurred but as yet unpaid in defending our Pediatrix lawsuit (2) \$440,000 in deferred compensation (3) \$292,000 in Judgement interest and (4) \$20,996,593 arising from the recognition of the derivative arising from warrants outstanding and debt which cannot be converted until we are able to increase our authorized share capital.

During the six months operations generated \$1,965 of our cash resources.

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

- a) The favourable conclusion of the appeal against our successful judgement in the Pediatrix law suit. Should the defendant in the appeal not be successful the \$4,000,000 net award would allow us to liquidate some of our outstanding accounts payable.
- b) The trickle down effects of the federal stimulus package which provides funding for our customers and which may result in increased business for our Company.
- c) Our ability to increase our authorized share capital thereby allowing some of our debt holders to convert their debt to equity.

We estimate that we may require as much as approximately \$200,000 over the next twelve (12) months to meet our expenses and to continue to perfect our proprietary microarray technology. We may require additional funds over the next twenty-one (21) months to assist in realizing our business objectives. The amount of timing of additional funds required will be dependent on a variety of factors and cannot be determined at this time. The Company has been successful in paying its operating costs and funding its development from operations supplemented by short term borrowings from family members and third parties. We cannot be certain that we will be able to raise any additional capital to fund our ongoing operations.

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

Historical Cash Flows

The following table summarizes our cash flows for the nine months ended March 31, 2009:

| | Three Months Ended March 31, 2009 |
|--|---|
| Cash provided by operating activities | \$ 1,965 |
| Cash paid for capital expenditures | (1,965) |
| Increase (decrease) in cash and cash equivalents | \$ - |

Source of Liquidity

The Company's source of liquidity include our current cash and cash equivalents and internally generated cash flows from operations.

Off-Balance Sheet Arrangements

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

Forward-Looking Statements

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

ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required for smaller reporting companies.

ITEM 4. CONTROLS AND PROCEDURES

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

The evaluation of our disclosure controls by our chief executive officer, who is also our acting chief financial officer, included a review of the controls' objectives and design, the operation of the controls, and the effect of the controls on

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

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

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

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

PART II – OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

Civil Action number 01-2226 between TeleChem International, Inc., Pediatrix Screening, Inc. and Pediatrix Screening LP went to jury trial in the United States District Court in the Western District of Pennsylvania in the summer of 2007. 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 appealed the jury's decision, and requested that the damages award to TeleChem be reduced. This appeal was denied. 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. The parties await the Third Circuit Court's response.

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

ITEM 1A – RISKS FACTORS

Not required for smaller reporting companies.

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

The Company issued 2,712,500 common shares unregistered shares on March 13, 2009 and March 16, 2009 as partial conversion of the Oral Agreement Debt. The Company relied upon the exemption under Section 4(2) of the Securities Act. The issuance of shares is summarized as follows:

| | Shares Issued | Debt Converted |
|--------------------------------------|---------------|-------------------|
| Officers & Directors | | |
| William Sklar | 50,000 | \$ 14,977 |
| Total Officers & Directors | 50,000 | \$ 14,977 |
| 5% Shareholders | - | - |
| Other Participants | | |
| Individuals | 1,369,500 | \$ 410,219 |
| Companies | 1,293,000 | \$ 387,304 |
| Total Other Participants | 2,662,500 | \$ 797,523 |
| Total Shares Issued & Debt Converted | 2,712,500.0 | \$ 812,500 |

ITEM 3- DEFAULTS UPON SENIOR SECURITIES

Edgar Filing: Arrayit Corp - Form 10-Q/A

As part of the 'reverse merger' with Integrated Media Holdings, Inc., the ongoing Company took on the financial obligation for debt outstanding at the merger date. The predecessor debt amounts to \$2,047,974 at December 31, 2008, of which \$1,830,300 of original debt and \$163,150 of accrued interest is convertible into common shares. The entire \$2,047,974 is in default and is currently due. The debt conversion terms are such that decrease in the market value of our shares will materially increase the number of shares issuable pursuant to the terms of the debt notes. As the debt notes terms do not contain a floor on the conversion price, it is not possible to determine how many shares may ultimately be issuable under the terms of the notes payable. It is possible that the note holders, upon conversion could own a majority of the shares of the Company and it is further possible that the issuance of this unquantifiable number of our Company's shares will have a negative impact on the market price of our shares. While the terms of the Notes Payable limit the holdings of any one shareholder to 9.99%, there is no prohibition on that note holder from converting part of the debt, selling the resulting shares and then converting additional amounts of debt held. This could place additional downward pressure on the market price of our shares.

However the defaulted Senior Securities are covered by an Oral Agreement that

- (1) limits the issuance of shares upon conversion to 12,478,357
- (2) provides for the cessation of additional interest and penalties on the notes now in default
- (3) contemplates the conversion of the debt to common shares once the Company has sufficient authorized common share capital.

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

NONE

ITEM 5 - OTHER INFORMATION

NONE

ITEM 6 - EXHIBITS

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

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

SIGNATURES

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

Arrayit Corporation

Dated: September 8, 2009

By: /s/ RENE' A. SCHENA
Rene A Schena
Chairman , Director and CFO

