

Arrayit Corp
Form 10-Q
May 20, 2015

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

Form 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2015

Or

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period From to

Commission File No. 001-16381

Arrayit Corporation
(Exact name of registrant as specified in its charter)

Nevada
(State or Other Jurisdiction
of Incorporation or Organization)

001-16381
(Commission
File Number)

76-0600966
(I.R.S. Employer
Identification No.)

927 Thompson Place, Sunnyvale CA 94085

(Address of Principal Executive Offices) (Zip Code)

408-744-1331

(Registrant's telephone number, including area code)

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

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

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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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates 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 \$3,853,000.

As of May 12, 2015, there were 64,371,019 shares of common stock outstanding.

Form 10-Q
For the Quarterly Period Ended March 31, 2015

TABLE OF CONTENTS

		Page
PART I. FINANCIAL INFORMATION		
Item 1.	Consolidated Financial Statements	
	Consolidated Balance Sheets at March 31, 2015 (unaudited) and December 31, 2014 (audited)	4
	Consolidated Statements of Operations for the three months ended March 31, 2015 and 2014 (unaudited)	5
	Consolidated Statements of Cash Flows for the three months ended March 31, 2015 and 2014 (unaudited)	6
	Notes to Consolidated Financial Statements (unaudited)	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	22
Item 3.	Quantitative and Qualitative Disclosure About Market Risk	24
Item 4.	Controls and Procedures	24
PART II. OTHER INFORMATION		
Item 1.	Legal Proceedings	25
Item 1A.	Risk Factors	26
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	26
Item 3.	Defaults Upon Senior Securities	26
Item 4.	Mine Safety Disclosures	26
Item 5.	Other Information	26
Item 6.	Exhibits	27
Signatures		28
Exhibit 31.1		
Exhibit 31.2		
Exhibit 32.1		
Exhibit 32.2		

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

FORWARD-LOOKING STATEMENTS

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

- our ability to raise capital,
- our ability to 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, 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. We do not undertake any obligations to publicly release any revisions to any forward-looking statements to reflect events or circumstances after the date of this report or to reflect unanticipated events that may occur.

PART I – FINANCIAL INFORMATION

ITEM 1.

ARRAYIT CORPORATION
CONSOLIDATED BALANCE SHEETS

	March 31, 2015 (unaudited)	December 31, 2014
ASSETS		
Current Assets		
Cash	\$58,761	\$22,587
Accounts receivable, net	187,353	198,195
Inventory	477,202	464,192
Prepaid expenses	-	40,750
Total current assets	723,316	725,724
Property and equipment, net	164,724	174,665
Deposits	100,000	100,000
Total assets	\$988,040	\$1,000,389
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable and accrued liabilities	\$5,894,281	\$5,993,522
Due to related parties	-	-
Derivative liability	753,555	273,239
Customer deposits	140,840	151,665
Notes payables, current portion including related parties	1,235,434	1,078,167
Total current liabilities	8,024,110	7,496,593
Notes payable, long term	-	-
Total liabilities	8,024,110	7,496,593
Commitments and contingencies	-	-
Stockholders' Deficit		
Preferred stock, \$0.001 par value; 20,000,000 shares authorized;		
Preferred stock, Series 'A' 22,034 shares issued and outstanding	22	22
Preferred stock, Series 'C' 87,145 shares issued and outstanding	87	87
Common stock, \$0.001 par value, voting, 480,000,000 shares authorized, 56,779,289 and 54,691,581 issued and outstanding	56,588	54,500
Additional paid-in capital	23,943,633	23,012,265
Accumulated deficit	(29,486,399)	(28,013,077)
Reciprocal shareholdings	(1,550,001)	(1,550,001)
Total stockholders' equity (deficit)	(7,036,070)	(6,496,204)
Total liabilities and stockholders' deficit	\$988,040	\$1,000,389

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

ARRAYIT CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended March 31, 2015	For the Three Months Ended March 31, 2014
Total revenues	\$787,038	\$1,090,704
Cost of sales	402,915	708,832
Gross margin	384,123	381,872
Selling, general and administrative	1,152,381	653,876
Research and development	72,740	6,949
Legal expense	41,054	47,188
Income (loss) from operations	(882,052)	(326,141)
Gain on Extinguishment of Liabilities	223	391,306
Gain (loss) on derivatives	(422,323)	-
Interest (expense)	(169,169)	(27,545)
Net income (loss)	(1,473,322)	37,620
Income (loss) per share - basic	\$(0.03)	\$(0.00)
Basic and diluted weighted average number of common shares	56,326,229	38,189,606

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

ARRAYIT CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

	For the Three Months Ended March 31	
	2015	2014
Cash flows from operating activities:		
Net loss	\$(1,473,322)	\$37,620
Adjustments to reconcile net loss to net cash used by operating activities:		
Amortization of debt discount	18,625	-
Depreciation	9,941	10,017
Gain on extinguishment of liabilities	-	(391,306)
Change in fair value of derivative liability	422,323	-
Provision (recovery) for bad debts	-	86,142
Issuance of shares for unpaid compensation	26,459	-
Amortization of debt discount (debt offset)	95,664	-
Non -cash interest (capitalized interest)	25,176	-
Settlement of legal suit	-	(5,890)
Stock for Avant guarantee	-	74,142
Stock paid for services	16,025	16,025
Issuance of shares for debt conversion	23,885	-
Warrants issued for services	768,338	-
Changes in operating assets and liabilities		
Inc/dec in accounts receivable	10,841	(200,715)
Inc/dec in inventory	(13,010)	(71,319)
Inc/dec in prepaids	40,750	124,242
Inc/dec in deposits	-	-
Inc/dec in accounts payable and accrued liabilities	(99,241)	408,615
Inc/dec in bank overdraft	-	-
Inc/dec in due to related parties	-	(19,101)
Inc/dec in accrued interest	-	-
Inc/dec in customer deposits	(10,825)	(67,981)
Net cash used by operating activities	(138,371)	491
Cash flows from investing activities:		
Cash paid for purchase of fixed assets	-	(134,456)
Net cash used by investing activities	-	(134,456)
Cash flows from financing activities:		
Proceeds from loans, net	75,000	10,889
Repayment of notes payable	796	(6,632)
Issuance of shares on warrant exercise	25,000	-
Proceeds from issuance of common stock	73,749	60,000
Net cash provided by financing activities	174,545	64,257
Net increase (decrease) in cash	36,174	(69,708)
Cash, beginning of period	22,587	290,659
Cash, end of period	\$58,761	\$220,951
Supplemental cash flow information:		

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Cash paid for interest	\$165,328	\$16,657
Cash paid for income taxes	\$-	\$-
Noncash Transaction:		
Conversion of accrued interest to notes payable	\$120,839	\$10,889
Beneficial conversion feature - notes payable	\$57,993	\$-

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

ARRAYIT CORPORATION
NOTES TO CONSOLIDATED UNAUDITED STATEMENTS
March 31, 2015

NOTE 1 – ORGANIZATION AND BUSINESS OPERATIONS

Arrayit Corporation (the “Company” or “Arrayit”) is a Nevada “C” Corporation that entered into the life sciences industry 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 and patented 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 manufacturing 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.

Arrayit has a December 31 year end.

Arrayit’s principal office is in Sunnyvale, California. Arrayit presently has seven employees.

Interim financial statements

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

These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto contained in Arrayit’s Annual Report filed with the SEC on Form 10-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 disclosures contained in the audited financial statements for fiscal year 2014 as reported in Form 10-K, have been omitted.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The following includes a description of subsidiaries and percentage ownership at March 31, 2015:

Subsidiary	Date of Incorporation	Business of Entity	Ownership
TeleChem International, Inc.	November 1, 1993	Import, export, manufacturing and distribution of wholesale industrial chemicals	100% owned by Arrayit Corporation
Arrayit Marketing Inc.	September 3, 2008	Inactive	100% 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 and 2% owned by the former President of Arrayit Scientific Solutions, Inc.
Avant Diagnostics, Inc.	June 2, 2009	Markets a test for Ovarian Cancer incorporating the technology and equipment developed by Arrayit Corporation	41.7% owned by Arrayit Corporation at March 31, 2015. As the Avant super voting Preferred Series "A" shares provide effective control of the Company, the Avant holding is not consolidated

The Company had previously consolidated the financial statements of Avant Diagnostics, Inc. as a majority owned subsidiary and this was reflected in the consolidated financial statements for the year ended December 31, 2012. On December 31, 2012, Avant Diagnostics, Inc. issued additional shares of its common stock, which reduced the Company's ownership interest in Avant Diagnostics, Inc. so that the Company no longer had a controlling financial interest. In accordance with FASB ASC 810-10-40, "Deconsolidation of a Subsidiary or Derecognition of a Group of Assets", as of December 31, 2012, the Company deconsolidated its majority ownership interest and recognized a non-cash, net gain on the transaction. Thus, the Company's 2015 and 2014 financial statements do not include the effect of the financial statements of Avant Diagnostics, Inc.

In July 2013, the Company issued 500,000 shares of its common stock with a market price of \$0.12 per share or \$60,000 to settle debt of Avant Diagnostics, Inc. Arrayit was the guarantor of the debt. The Company recorded a charge of \$38,962 on the transaction and received equipment from Avant Diagnostics, Inc. valued at \$21,038.

In March 2014, the Company issued 500,000 shares of common shares of its common stock with a market price of \$0.14 per share or \$74,142 to settle additional debt of Avant Diagnostics, Inc. Arrayit Corporation was the guarantor of the debt. The Company recorded a charge of \$74,142 on the transaction.

On December 12, 2011, Arrayit signed an Agreement and Plan of Distribution with its subsidiary, Avant Diagnostics, Inc., whereby shares of common stock of Avant Diagnostics (currently 39,350,000 shares or 41.7% of the total outstanding) owned by Arrayit will be distributed ratably to the shareholders of Arrayit on the record date which will occur upon approval by the SEC of a Form S-1 registration statement to be submitted by Avant 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. Inventories are stated at the lower of cost or market, cost determined on the basis of FIFO. 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.

Management 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.

Non-Controlling Interest:

The Company accounts for the non-controlling interest in its 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.

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.

Income/Loss per Common and Common Equivalent Share

The computation of basic income/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 converted or 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 "A" and "C" Preferred Shares) outstanding at March 31, 2015 should be excluded from diluted earnings per common share for the year ended March 31, 2015. The Company's diluted earnings per share calculation excludes approximately 72 million potential shares for the three months ended March 31, 2015.

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 large working capital deficits and accumulated deficits. At March 31, 2015, Arrayit had a working capital deficit of \$7,300,794, and an accumulated deficit of \$29,486,399. 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, including required past due payroll and income tax payments, over the next 12 months. The Company's ability to continue to meet its obligations and to achieve its business objectives is dependent upon, among other things, raising additional capital or generating sufficient revenue in excess of costs. At such time as the Company requires additional funding, the Company will seek to raise such additional funding from various possible sources, including its parent company, the public equity market, private financings, sales of assets, collaborative arrangements and debt. If the Company raises additional capital through the issuance of equity securities or securities convertible into equity, stockholders will experience dilution, and such securities may have rights, preferences or privileges senior to those of the holders of common stock or convertible senior notes. If the Company raises additional funds by issuing debt, the Company may be subject to limitations on its operations, through debt covenants or other restrictions. If the Company obtains additional funds through arrangements with collaborators or strategic partners, the Company may be required to relinquish its rights to certain technologies or products that it might otherwise seek to retain. There can be no assurance that the Company will be able to raise additional funds, or raise them on acceptable terms. If the Company is unable to obtain financing on acceptable terms, it may be unable to execute its business plan, the Company could be required to delay or reduce the scope of its operations, and the Company may not be able to pay off its obligations, if and when they come due.

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

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

NOTE 4 – ACCOUNTS RECEIVABLE

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

	March 31, 2015	December 31, 2014
Gross accounts receivable	\$ 704,903	\$ 570,720
Less		
Allowance for doubtful accounts	(127,001)	(127,001)
Loan value of receivables sold with recourse (see Note 5)	(390,550)	(245,524)
Total	\$ 187,352	\$ 198,195

NOTE 5 – ACCOUNTS RECEIVABLE SOLD WITH RECOURSE

Pursuant to an agreement dated July 5, 2007 and renewed on September 10, 2013, the Company has sold some of its Accounts Receivable to a financial institution with full recourse. The financial institution retains a 15% portion of the proceeds from the receivable sales as reserves, which are released to the Company as the Receivables are collected. The maximum commitment under this facility is \$450,000, and is limited to receivables that are less than 31 days outstanding. The facility bears interest at 16% at March 31, 2015, and is secured by an unconditional guarantee of the Company and a first charge against the Accounts Receivable. At March 31, 2015, the balance outstanding under the recourse contracts was \$390,550 net of a hold back reserve of \$170,136 (December 31, 2014, \$245,524 net of a hold back reserve of \$120,117). 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

	March 31, 2015	December 31, 2014
Fixed Assets – Cost	\$464,225	\$464,225
Less		
Accumulated Depreciation	(299,501)	(289,560)
Total	\$164,724	\$174,665

Depreciation expense totalled \$9,941 and \$10,017, respectively for the three months ended March 31, 2015 and 2014

NOTE 7 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities, consisted of the following:

	March 31, 2015	December 31, 2014
ACCOUNTS PAYABLE		
Trade Vendors	\$1,010,523	\$1,059,752
Professional Advisors	2,759,747	2,759,747
Total Accounts Payable	3,770,270	3,819,499
ACCRUED LIABILITIES		
Payroll and applicable taxes	1,874,355	1,881,649
Judgment interest	12,981	51,981
Other	236,675	240,392
Total Accrued Liabilities	2,124,011	2,174,023
TOTAL	\$5,894,281	\$5,993,522

NOTE 8 – DEBT

	March 31, 2015	December 31, 2014
Convertible note payable, due September 24, 2015 including accrued interest of \$3,290	\$22,052	\$80,432
Convertible note payable, due October 14, 2015 including accrued interest of \$5,062, net of unamortized OID of \$10,028	129,034	121,604
Convertible note payable, due October 23, 2015 including accrued interest of \$2,429, net of unamortized debt discount and OID of \$61,031	51,398	22,695
Convertible note payable, due November 12, 2015 including accrued interest of \$3,942, net of unamortized debt discount and OID of \$57,455	56,487	26,407
Convertible note payable, due December 01, 2015 including accrued interest of \$2,917, net of unamortized debt discount and OID of \$58,333	32,083	8,021
Convertible note payable, due December 08, 2015 including accrued interest of \$1,582, net of unamortized OID of \$8,919	55,663	51,153
Convertible note payable, due March 24, 2016 including accrued interest of \$115	75,115	-
Convertible note payable, due October 08, 2016, net of unamortized debt discount and OID of \$69,667	53,533	12,833
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.	250,000	250,000
Notes payable, interest at rates varying from 8% to 10%, unsecured due on demand from Officers and Directors, their families and other shareholders	510,069	505,022
Total notes payable, including related parties	\$1,235,434	\$1,078,167
Long term debt	-	-
Short term debt	\$1,235,434	\$1,078,167

LG Capital Funding, LLC

On September 24, 2014, the Company entered into a Securities Purchase Agreement with LG Capital Funding, LLC ("LG"), for the sale of an 8% convertible note in the principal amount of \$78,500 (the "Note"). The financing closed on September 24, 2014. The total net proceeds the Company received from this Offering was \$78,500.

The Note bears interest at the rate of 8% per annum. All interest and principal must be repaid on September 24, 2015. Until March 24, 2015 the note is redeemable at between 125% and 142% of the face value plus accrued interest. After March 24, 2015 the note is convertible into common shares of the Company at 60% of the lowest OTCQB quoted trading price for the twenty (20) trading days prior to the notice of exercise. There are additional discounts of up to 25% if certain conditions are not met.

On March 24, 2015, the Company entered into a Securities Purchase Agreement with LG Capital Funding, LLC ("LG"), for the sale of an 8% convertible note in the principal amount of \$75,000 (the "Note"). The financing closed on March 24, 2015. The total net proceeds the Company received from this Offering was \$75,000.

The Note bears interest at the rate of 8% per annum. All interest and principal must be repaid on September 24, 2015. Until March 24, 2015 the note is redeemable at between 125% and 142% of the face value plus accrued interest. After March 24, 2015 the note is convertible into common shares of the Company at 60% of the lowest OTCQB quoted trading price for the twenty (20) trading days prior to the notice of exercise. There are additional discounts of up to 25% if certain conditions are not met.

KBM Worldwide, Inc.

On October 14, 2014, the Company entered into a Securities Purchase Agreement with KBM Worldwide, Inc. ("KBM"), for the sale of an 8% convertible note in the principal amount of \$134,000 (the "Note"). The financing closed on October 14, 2014. The total net proceeds the Company received from this Offering was \$115,000.

The Note bears interest at the rate of 8% per annum. All interest and principal must be repaid on October 14, 2015. Until April 14, 2015 the note is redeemable at between 110% and 135% of the face value plus accrued interest. After April 14, 2015 the Note is convertible into common stock, at KBM's option, at a 30% discount to the average of the three lowest OTCQB closing bid prices of the common stock during the 10 trading day period prior to conversion.

On December 8, 2014, the Company entered into a Securities Purchase Agreement with KBM Worldwide, Inc. ("KBM"), for the sale of an 8% convertible note in the principal amount of \$63,000 (the "Note"). The financing closed on December 8, 2014. The total net proceeds the Company received from this Offering was \$50,000.

The Note bears interest at the rate of 8% per annum. All interest and principal must be repaid on December 8, 2015. Until June 8, 2015 the note is redeemable at between 110% and 135% of the face value plus accrued interest. After June 8, 2015 the Note is convertible into common stock, at KBM's option, at a 30% discount to the average of the three lowest OTCQB closing bid prices of the common stock during the 10 trading day period prior to conversion.

Macallan Partners, LLC

On October 23, 2014, the Company entered into a Securities Purchase Agreement with Macallan Partners, LLC ("Macallan"), for the sale of a 5% convertible note in the principal amount of \$110,000 (the "Note"). The financing closed on October 23, 2014. The total net proceeds the Company received from this Offering was \$100,000.

The Note bears interest at the rate of 5% per annum. All interest and principal must be repaid on October 23, 2015. Until April 23, 2015 the note is redeemable at between 130% and 150% of the face value plus accrued interest. The Note is convertible into common stock, at Macallan's option, at a 40% discount to the lowest OTCQB trading price of the common stock during the 20 trading day period prior to conversion.

Should the shares not be eligible for DWAC, there is a conversion premium of 5%; should the shares not be eligible for DTC, there is a conversion premium of 10%; and if the bid price is below \$0.01 there is an addition conversion premium of 15%

The Company has identified the embedded derivatives related to the above described Notes. These embedded derivatives included certain conversion features and reset provisions. The accounting treatment of derivative financial instruments requires that the Company record fair value of the derivatives as of the date when the conversion feature first became applicable, and to fair value as of each subsequent reporting date.

The determined fair value of the debt derivatives of \$99,310 was charged as a debt discount.

At March 31, 2015, the Company marked to market the fair value of the debt derivatives and determined a fair value of \$162,106. The Company recorded a loss from change in fair value of debt derivatives of \$105,126 for the period ended March 31, 2015

Tangiers Investment Corp., LLC

On November 12, 2014, the Company entered into a Securities Purchase Agreement with Tangiers Investment Corp., LLC ("Tangiers"), for the sale of a 10% convertible note in the principal amount of \$220,000 (the "Note"). The financing closed on November 12, 2014. The total net proceeds the Company received from this Offering was \$200,000.

The Note bears interest at the rate of 10% per annum. All interest and principal must be repaid on November 12, 2015. Until May 12, 2015 the note is redeemable at 35% of the face value plus accrued interest. The Note is convertible into common stock, at Tangiers's option, at a 40% discount to the lowest OTCQB trading price of the common stock during the 20 trading day period prior to conversion.

Should the shares not be eligible for DWAC, there is a conversion premium of 5%; and should the shares not be eligible for DTC, there is a conversion premium of 10%.

The Company has identified the embedded derivatives related to the above described Notes. These embedded derivatives included certain conversion features and reset provisions. The accounting treatment of derivative financial instruments requires that the Company record fair value of the derivatives as of the date when the conversion feature first became applicable, and to fair value as of each subsequent reporting

date.

The determined fair value of the debt derivatives of \$99,321 was charged as a debt discount.

14

At March 31, 2015, the Company marked to market the fair value of the debt derivatives and determined a fair value of \$164,187. The Company recorded a loss from change in fair value of debt derivatives of \$107,237 for the period ended March 31, 2015;

Typenex Co-Investment, LLC

On December 1, 2014, the Company entered into a Securities Purchase Agreement with Typenex Co-Investment, LLC ("Typenex"), for the sale of a 10% convertible note in the principal amount of \$87,500 (the "Note"). The financing closed on December 1, 2014. The total net proceeds the Company received from this Offering was \$75,000.

The Note bears interest at the rate of 10% per annum. All interest and principal must be repaid on December 1, 2015. Until June 1, 2015 the note is redeemable at 35% of the face value plus accrued interest. The Note is convertible into common stock, at Typenex's option, at a 40% discount to the lowest OTCQB trading price of the common stock during the 20 trading day period prior to conversion.

Should the shares not be eligible for DWAC, there is a conversion premium of 5%; and should the shares not be eligible for DTC, there is a conversion premium of 5%.

The Company has identified the embedded derivatives related to the above described Notes. These embedded derivatives included certain conversion features and reset provisions. The accounting treatment of derivative financial instruments requires that the Company record fair value of the derivatives as of the date when the conversion feature first became applicable, and to fair value as of each subsequent reporting date.

The determined fair value of the debt derivatives of \$79,006 was charged as a debt discount up to the net proceeds of the note with the remainder of \$4,006 charged to current period operations as non-cash interest expense.

At March 31, 2015, the Company marked to market the fair value of the debt derivatives and determined a fair value of \$152,505. The Company recorded a loss from change in fair value of debt derivatives of \$107,237 for the period ended March 31, 2015.

JMJ Financial

On October 8, 2014, the Company issued a Convertible Promissory Note to MJM Financial ("MJM") providing MJM with the ability to invest up to \$350,000 which contains a 10% original issue discount (the "MJM Note"). The transaction closed on October 8, 2014.

The first tranche of the Note has been funded to the Company by the Purchaser upon execution of the Purchase Agreement, for the sale of a 12% convertible note in the principal amount of \$110,000 (the "Note"). The financing closed on October 8, 2014, with a maturity date of October 8, 2016. The total net proceeds the Company

received from this Offering was \$100,000.

The JMJ Notes bear interest at 0% for the first 90 days and a one-time interest charge of 12% will be applied to the Principal Sum thereafter.

All interest and principal must be repaid on October 8, 2016. The Note is convertible into common stock, at JMJ's option, at the lesser of: (1) \$0.18, or (2) 60% of the lowest trade price in the 25 trading day period prior to conversion.

Should the shares not be eligible for DWAC, there is a conversion premium of 10%; and should the shares not be eligible for DTC, there is a conversion premium of 5%.

The Company has identified the embedded derivatives related to the above described Notes. These embedded derivatives included certain conversion features and reset provisions. The accounting treatment of derivative financial instruments requires that the Company record fair value of the derivatives as of the date when the conversion feature first became applicable, and to fair value as of each subsequent reporting date.

The determined fair value of the debt derivatives of \$117,545 was charged as a debt discount up to the net proceeds of the note with the remainder of \$17,545 charged to current period operations as non-cash interest expense.

At March 31, 2015, the Company marked to market the fair value of the debt derivatives and determined a fair value of \$200,359. The Company recorded a loss from change in fair value of debt derivatives of \$86,420 for the period ended March 31, 2015.

As of March 31, 2015, the fair value of the Company's derivative liabilities was \$753,555, and \$422,323 was recognized as a loss on derivatives due to change in fair value of the liability during the year ended March 31, 2015.

The following table summarizes the derivative liabilities included in the balance sheet:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
Derivative Liabilities:	
Balance at December 31, 2014	\$ 273,239
ASC 815-15 additions	57,993
Change in fair value	422,323
ASC 815-15 deletions	
Balance at March 31, 2015	\$ 753,555

The following table summarizes the derivative gain or loss recorded as a result of the derivative liabilities above:

	Included in Other Income(Expense) on Statement of Operations
Gain/(Loss) on Derivative Liability:	
Change in fair value of derivatives	\$ (422,323)
Derivative expense	-
Loss for period ended March 31, 2015	\$ (422,323)

The fair values of derivative instruments were estimated using the Black-Scholes Option Pricing model based on the following weighted-average assumptions:

	Convertible Debt Instruments
Risk-free rate	0.11% - 0.46 %
Expected volatility	100 %
Expected life	6 - 18 months

NOTE 9 – WARRANTS AND OPTIONS

The following table summarizes options and warrants outstanding at March 31, 2015:

	Number of Options and Warrants	Weighted Average Exercise Price Per Share
Outstanding at December 31, 2014	17,397,308	\$0.18
Granted	1,600,000	0.10
Cancelled/forfeited	-	-
Expired	-	-
Exercised	250,000	0.10
Outstanding at March 31, 2015	19,247,308	\$0.17

On January 7, 2015 the Company issued 1,600,000 share purchase warrants exercisable at \$0.10 expiring on January 7, 2018

On January 7, 2015 the 250,000 warrants were exercised at \$0.10

NOTE 10 – ROYALTY OBLIGATIONS

The Parkinson's Institute – ARRAYIT SCIENTIFIC SOLUTIONS, 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 period ended March 31, 2015 and hence no obligation to pay any royalties to the Parkinson's Institute.

NOTE 11 – STOCK-BASED COMPENSATION

The Company adopted ASC 718 and ASC 505, "Share-Based Payment", to account for its stock options and similar equity instruments issued. Accordingly, compensation costs attributable to stock options or similar equity instruments granted are measured at the fair value at the grant date, and expensed over the expected vesting period. ASC 718 and ASC 505 requires excess tax benefits be reported as a financing cash inflow rather than as a reduction of taxes paid.

Operations for the periods ended March 31, 2014 and 2013 include \$Nil and \$Nil of stock-based compensation, arising from the granting of no 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 (9.6:1) 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. These Series C Preferred shares are convertible into 36,100,000 common shares at the rate of 350:1. On August 15, 2008 the articles of designation for the Series C Preferred Stock were amended to limit the conversion to common shares to 10% of the holders' original holdings in any quarter. During the three months ended March 31, 2014 and 2013 there were no conversions.

NOTE 13 – STOCKHOLDERS' EQUITY

TOTAL ARRAYIT CORPORATION STOCKHOLDERS' EQUITY (DEFICIENCY)
Additional

Description	Preferred Series A Number	Preferred Series A Dollar	Preferred Series C Number	Preferred Series C Dollar	Common Stock Number	Common Stock Dollar	Paid In Capital	Accumulated Deficit	Reciprocal	Total
Balance, December 31, 2014	22,034	\$22	87,145	\$87	54,691,581	\$54,500	\$23,012,266	\$(28,013,077)	\$(1,550,001)	\$(6,496,200)
Issuance of shares for cash on warrant exercise	-	-	-	-	250,000	250	24,750	-	-	25,000
Issuance of shares for cash	-	-	-	-	983,333	983	72,767	-	-	73,750
Issuance of shares for services	-	-	-	-	125,250	125	15,900	-	-	16,025
Issuance of shares for unpaid compensation	-	-	-	-	352,779	353	26,106	-	-	26,458
Issuance of shares for debt conversion	-	-	-	-	376,346	376	23,509	-	-	23,885
Issuance of warrants for services	-	-	-	-	-	-	768,338	-	-	768,338
Net Income (Loss) for the period ended March 31, 2015	-	-	-	-	-	-	-	(1,473,322)	-	(1,473,322)
Balance, March 31, 2015	22,034	\$22	87,145	\$87	56,779,289	\$56,588	\$23,943,635	\$(29,486,399)	\$(1,550,001)	\$(7,036,070)

As more fully described in Notes 5 and 7 the Company has entered into a number of convertible notes. Amongst other terms, these convertible notes require the Company's Transfer Agent to reserve 257,000,000 shares for the note holders. Accordingly the Company is restricted in the number of unissued shares it has available to issue.

NOTE 14 – RECIPROCAL SHAREHOLDINGS

At March 31, 2015, Arrayit owned an equity interest in Avant Diagnostics, Inc. (“Avant”) through ownership of 41.7% (December 31, 2014 – 54.92%) of its common shares. The change in equity interest compared with the prior year reflects the issuance of ten million shares (10,000,000) by Avant as full settlement for the \$1,550,000 invoice issued by Arrayit Corporation to Avant Diagnostics on September 20, 2014; an additional issuance of ten million shares (10,000,000) as part of a share swap between Avant and Arrayit; as well as the issuance of shares by Avant to parties other than Arrayit.

At March 31, 2015, Avant owned an approximate 7.12% (December 31, 2014 – 7.12%) reciprocal shareholding in common shares, issued and outstanding of Arrayit. The change in reciprocal shareholding compared with the prior year reflects the issuance of ten million shares (10,000,000) as part of a share swap between Avant and Arrayit; as well as the issuance of shares by Avant to parties other than Arrayit.

As a result of Avant’s reciprocal shareholding in Arrayit common shares, the Company has an indirect pro-rata interest of 7.66% (December 31, 2014 – 7.66%) in its own shares. Both the equity investment in Avant and stockholders’ equity have been reduced by the reciprocal shareholdings of \$1,550,000 at March 31, 2015 (December 31, 2014 - \$1,550,000). Currently as Avant is a development stage company, the Company did not record any pro-rata share of earnings in Avant, nor adjust its equity investment in Avant for the period ended March 31, 2015.

The Company also recorded revenues of \$1,550,000 and bad debt expense of \$1,550,000 related to the Avant transactions during 2014. The bad debt expense is included in selling, general and administration expenses in the statement of operations.

NOTE 14 – INCOME TAXES

At March 31, 2015 and December 31, 2014, the Company had net operating loss (NOL) carry-forwards available to offset future taxable income of approximately \$28 million. 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 likely that utilization of the NOL carry-forwards are limited based on changes in control. A valuation allowance of approximately \$11.0 million has been recorded against the deferred tax asset as of March 31, 2015 and December 31, 2014, respectively. The NOL carry-forwards will fully expire in 2034.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Long Term Lease Commitments

The Company leases its office facility in Sunnyvale, California under operating leases that expire December 31, 2020.

Future minimum lease payments are as follows:

2015	\$ 180,765
2016	227,568
2017	234,388
2018	263,364
2019	271,272
2020	279,408
	\$1,456,765

Rent expense was \$88,945 and \$77,230 for the three months ended December 31, 2015 and 2014, respectively.

NOTE 16 – SUBSEQUENT EVENTS

On April 8, 2015 the Company issued 250,000 shares, at \$0.0378 on conversion of debt of \$9,450.

On April 16, 2015 the Company issued 351,288 shares, at \$0.0427 on conversion of debt of \$15,000.

On April 23, 2015 the Company issued 468,750 shares, at \$0.032 on conversion of debt of \$15,000.

On April 24, 2015 the Company issued 425,000 shares, at \$0.05 for services of \$21,250.

On April 24, 2015 the Company issued 400,000 shares, at \$0.05 for services of \$20,000.

On May 1, 2015 the Company issued 500,000 shares, at \$0.0108 on conversion of debt of \$20,000.

On May 1, 2015 the Company issued 2,525,253 shares, at \$0.0099 on conversion of debt of \$25,000.

On May 4, 2015 the Company issued 961,538 shares, at \$0.0208 on conversion of debt of \$20,000.

On May 4, 2015 the Company issued 887,534 shares, at \$0.0108 on conversion of debt of \$9,500 and accrued interest of \$85.

On May 11, 2015 the Company issued 3,000,000 shares, at \$0.0085 on conversion of debt of \$15,000.

On May 11, 2015 the Company issued 2,823,529 shares, at \$0.0085 on conversion of debt of \$24,000.

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

For a description of our significant accounting policies and an understanding of the significant factors that influenced our performance during the three months ended March 31, 2015, this "Management's Discussion and Analysis" should be read in conjunction with the Consolidated Unaudited Financial Statements, including the related notes, appearing in Item 1 of this Quarterly Report, as well as the Company's Annual Report on Form 10-K for the year ended December 31, 2014. The preparation of this Quarterly Report on Form 10-Q requires us to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of our financial statements, and the reported amounts of revenue and expenses during the reporting period. There can be no assurance that actual results reported in the future will not differ from those estimates or that revisions of these estimates may not become necessary in the future.

Forward-Looking Statements

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

Forward-looking statements involve risks, uncertainties and other factors, which may cause our actual results, performance or achievements to be materially different from those expressed or implied by such forward-looking statements. Factors and risks that could affect our results and achievements and cause them to materially differ from those contained in the forward-looking statements include those to be identified in our Annual Report on Form 10-K for the year ended December 31, 2014 in the section titled "Risk Factors," as well as other factors that we are currently unable to identify or quantify, but may exist in the future.

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

Results of Operations

Comparison of Operating Results –Three Months Ended March 31, 2015 and 2014

Gross revenues for the three months ended March 31, 2015 and 2014 were \$787,038 and 1,090,704, respectively, representing a 28% decrease in gross revenues for the period. The Company shipped one TissueMax Tissue Microarray, fifteen microarray scanners, and five SpotBot Microarray Printers during the three months ended March 31, 2015. The Company shipped three NanoPrint Microarray Printers, five SpotBot Microarray Printers and a Colorimetric Microarray Platform during the three months ended March 31, 2014.

The cost of sales for the three months ended March 31, 2015 and 2014 were \$402,915 and \$708,832, respectively resulting in gross profit for the period of \$384,123 and \$381,872, respectively. The Company's cost of sales is dependent upon product mix. During the first quarter of 2015, the gross margin was 48.8% versus 35% for the first

quarter of 2014. The Company sold more substrates and microarray manufacturing and processing services in the first quarter of 2015, which have a higher gross margin percentage than the high throughput microarray manufacturing instruments that were sold in the first quarter ended March 31, 2014.

Selling, general and administrative expenses for the three months ended March 31, 2015 and 2014 were \$1,152,381 and \$653,876, respectively. The increase of \$498,505 is mostly attributable to an increase in derivative liabilities during the three months ended March 31, 2015 versus the cost of adding staff, new advertising and trade show promotions, increases in rent and utilities, and consulting and other fees associated with the FDA approval process for OvaDx® during the three months ended March 31, 2014.

Legal expenses of \$41,054 for the three months ended March 31, 2015 were mostly attributable to litigation with Reuben Taub. Legal expenses of \$47,188 for the three months ended March 31, 2014 were mostly attributable to litigation with Avant and general corporate matters.

Net loss from operations was \$1,473,322 for the three months ended March 31, 2015, compared with a net income from operations of \$37,620 for the three months ended March 31, 2014. The increase in net loss from operations is mostly attributable to an increase in interest expenses and derivative liabilities during the three months ended March 31, 2015 versus the three months ended March 31, 2014.

Interest expense was \$169,169 for the three months ended March 31, 2015, compared to \$27,545 for the three months ended March 31, 2014. The increase in interest costs was the result of accrued interest on convertible notes during the period ending March 31, 2015.

Liquidity and Capital Resources

Cash flows used in operations were \$138,371 for the three months ended March 31, 2015. Cash flows provided by operations were \$491 for the three months ended March 31, 2015. As of March 31, 2014, we had a working capital deficiency of \$7,300,794 and an accumulated deficit of \$29,486,399. The working capital deficiency, in addition to amounts payable in the normal course of business, is primarily attributable to accrued legal expenses, deferred compensation, and judgment interest.

At March 31, 2014, the Company had no commitments, understandings or arrangements for additional working capital. We estimate that we may require approximately \$2 million over the next twelve (12) months to meet our expenses and to expand current operations to meet customer demands for our products and services. We may require additional funds over the next eighteen (18) months to assist in realizing our business objectives and for continuing research and development. The amount and 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 officers and third parties. We cannot be certain that we will be able to raise any additional capital to fund our ongoing operations.

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

Source of Liquidity

During the third quarter of 2013, Arrayit Corporation raised \$1 million of working capital from a group of accredited investors. The sale and issuance of the securities discussed above were determined to be exempt from registration in reliance on Rule 506(b) of Regulation D.

During the fourth quarter of 2013, Arrayit Corporation raised \$1,146,000 of working capital from a group of accredited investors. The sale and issuance of the securities discussed above were determined to be exempt from registration in reliance on Rule 506(b) of Regulation D.

We are not aware of any other events or uncertainties that have a material impact upon our short-term or long-term liquidity.

Off-Balance Sheet Arrangements

We currently have no off-balance sheet arrangements.

Forward-Looking Statements

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required for smaller reporting companies.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures

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

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

Based on this review and evaluation as of the end of the period covered by this Form 10-Q, and subject to the inherent limitations all as described above, our chief executive officer, who is also our acting chief financial officer, has

concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) contain material weaknesses and are not effective.

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

The material weaknesses we have identified are the direct result of a lack of adequate staffing in our accounting department. Currently, our chief executive officer and a controller have sole responsibility for receipts and disbursements. We do not employ any other parties to prepare the periodic financial statements and public filings. Reliance on these limited resources impairs our ability to provide for a proper segregation of duties and the ability to ensure consistently complete and accurate financial reporting, as well as disclosure controls and procedures. As we grow, and as resources permit, we project that we will hire such additional competent financial personnel to assist in the segregation of duties with respect to financial reporting, and Sarbanes-Oxley Section 404 compliance. Notwithstanding these material weaknesses, management believes that the financial statements included in this Quarterly Report on Form 10-Q fairly present, in all material respects, our financial condition, result of operations and cash flows for the periods presented

(b) Changes in internal control over financial reporting

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

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On March 13, 2013, Plaintiffs Recap Marketing and Consulting LLP sued Defendants Arrayit Corporation in Fort Bend County Texas Case No. 13-DCV-204747 for breach of contract with regard to warrants to purchase common stock. Recap sought damages or specific performance, exemplary damages, costs of court and reasonable attorney's fees. On April 16, 2013, the Company's counsel submitted an unopposed motion to transfer venue to Harris County Texas and, subject to the motion to transfer venue, original answer denying the allegations and offered the affirmative defenses of failure of condition precedent and expiration of contract, estoppel, failure of consideration and waiver, and in the alternative that the number of shares is incorrect. The parties attended a voluntary mediation conference on September 18, 2013, but were unable to reach a settlement agreement. Trial was scheduled for May 18, 2015, and the parties reached a confidential settlement agreement on May 18, 2015.

On March 31, 2015, Plaintiffs Reuben Taub, Irwin L Zalberg and Irwin Zalberg Profit Sharing Plan sued Defendants Arrayit Corporation, Rene Schena, Mark Schena and Todd Martinsky in the United States District Court Southern District of New York case number 15 Civ 01366 (ALC). This action was commenced in the Supreme Court of the State of New York, County of New York, and was removed by Defendants to this Court pursuant to 28 U.S.C. 1322(a) on the grounds that the matter in controversy exceeds the sum or value of \$75,000, exclusive of interest and costs, and is between citizens of different states. Plaintiffs allege gross mismanagement, tax fraud and misfeasance in connection with the operation of Arrayit and breach of a Contribution Agreement. Plaintiffs seek monetary damages not less than \$252,835,000, appointment of a receiver and/or granting a temporary, preliminary and/or permanent injunction enjoining and restraining Arrayit from issuing a ten million share dividend of Avant shares, pledging Avant shares as collateral and/or issuing common stock to any person exercising debentures rights issued in violation of the Contribution Agreement, punitive damages, costs and disbursements including reasonable attorney's fees and for such other and further relief that the Court may seem just and proper. On April 23, 2015, Plaintiffs moved for a preliminary injunction against Defendants, restraining them from issuing shares of common stock pursuant to the provision of convertible promissory notes. For the reasons stated on the record at the hearing held on April 29, 2015,

Plaintiffs' application was denied. A mediation between the parties is scheduled for May 26, 2015.

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

NONE

ITEM 3 – DEFAULTS UPON SENIOR SECURITIES

NONE

ITEM 4 – REMOVED AND RESERVED

NONE

ITEM 5 – OTHER INFORMATION

NONE

26

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)

27

SIGNATURES

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

Arrayit Corporation

Dated: May 20, 2015

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