

RETAIL VENTURES INC

Form S-3

May 18, 2005

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As filed with the Securities and Exchange Commission on May 18, 2005

Registration No. 333-

**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form S-3
REGISTRATION STATEMENT
Under
THE SECURITIES ACT OF 1933**

RETAIL VENTURES, INC.

(Exact name of Registrant as specified in its charter)

Ohio (State or other jurisdiction of incorporation or organization)	20-0090238 (I.R.S. Employer Identification Number)
3241 Westerville Road, Columbus, Ohio 43224, (614) 471-4722	

(Address, including zip code, and telephone number,
including area code, of Registrant's principal executive offices)

James A. McGrady
Executive Vice President, Chief Financial Officer, Treasurer and Secretary
Retail Ventures, Inc.
Columbus, Ohio 43224
(614) 471-4722

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:
Susan E. Brown, Esq.
Vorys, Sater, Seymour and Pease LLP
52 East Gay Street
Columbus, Ohio 43215
(614) 464-6400

Approximate date of commencement of proposed sale to the public: From time to time after this Registration Statement becomes effective as determined by the Registrant.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

CALCULATION OF REGISTRATION FEE

Title of Securities to be Registered	Amount to be Registered	Proposed Maximum Aggregate Price Per Share ⁽¹⁾	Proposed Maximum Aggregate Offering Price ⁽²⁾	Amount of Registration Fee ⁽³⁾
Common Shares, without par value	700,000	\$9.70	\$6,790,000	\$799.18

- (1) Highest price, excluding interest, to be payable per common share in connection with the rescission offer covered by this registration statement. The price per share will range from \$1.90 to \$9.70, depending on the price originally paid by the offeree.
- (2) Aggregate purchase price, excluding interest, estimated to be payable if the rescission offer covered by this registration statement is accepted in full.
- (3) Calculated pursuant to Rule 457(j) on the basis of the amount at which such securities were sold.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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PROSPECTUS

RETAIL VENTURES, INC.

700,000 COMMON SHARES, WITHOUT PAR VALUE

RESCISSION OFFER

Retail Ventures, Inc. (Retail Ventures) offers, under the terms and conditions described in this prospectus, to rescind (the Rescission Offer) the previous purchase of a total of 700,000 common shares, without par value, of Retail Ventures by Reliance Trust Co. as custodian (the Custodian) on behalf of MFS Heritage Trust Company, as trustee (the Trustee) of The Profit Sharing and 401(k) Plan, as amended and restated effective January 1, 2000 (the Retirement Plan). The common shares were purchased by the Custodian on behalf of the Trustee for inclusion in the Retail Ventures, Inc. Common Stock Fund (the Retail Ventures Fund) in which some participants in the Retirement Plan hold interests in the form of units (Units). Eligible participants who accept this Rescission Offer in accordance with the terms set forth in this prospectus will receive (i) in the event the participant has caused the sale of such Units and therefore Retail Ventures common shares underlying the Units, the consideration paid for the Units, less the proceeds from the sale of the Units, plus applicable interest, or (ii) in the event the participant still holds the Units, the consideration paid for such Units, plus interest from the date of purchase. The interest rate will be the weekly average 1-year constant maturity Treasury yield, as published by the Board of Governors of the Federal Reserve System, for the calendar week which includes the Expiration Date (as defined below). The Rescission Offer applies to the purchases of Retail Ventures common shares included in Units purchased by participants during the period from July 12, 2003 through December 22, 2004 (the Rescission Period), at prices ranging from \$1.90 per common share to \$9.70 per common share.

On October 8, 2003, Retail Ventures reorganized its corporate structure into a holding company form whereby Retail Ventures became the successor issuer to Value City Department Stores, Inc. At such time, as a result of the reorganization, each outstanding share of Value City Department Stores, Inc. was converted into one common share of Retail Ventures.

Retail Ventures common shares are listed on The New York Stock Exchange under the trading symbol RVI.

ELIGIBLE PARTICIPANTS MAY ELECT TO ACCEPT OR REJECT THE RESCISSION OFFER ONLY WITH RESPECT TO ALL OF THEIR PURCHASES. YOU NEED TO DO NOTHING TO REJECT THIS RESCISSION OFFER. ELIGIBLE PARTICIPANTS WHO FAIL TO RESPOND TO THIS RESCISSION OFFER BY THE EXPIRATION DATE WILL BE DEEMED BY RETAIL VENTURES TO HAVE REJECTED THE RESCISSION OFFER. NONE OF THE PROCEEDS RESULTING FROM ACCEPTANCE OF THE RESCISSION OFFER WILL BE PAID DIRECTLY TO THE PARTICIPANT, BUT WILL BE PAID, UPON ACCEPTANCE OF THE RESCISSION OFFER, TO THE TRUSTEE OF THE RETIREMENT PLAN FOR THE PARTICIPANT S INDIVIDUAL ACCOUNT AND REINVESTED BY THE TRUSTEE IN ACCORDANCE WITH THE PARTICIPANT S EXISTING INVESTMENT ELECTION(S) IN THE RETIREMENT PLAN. IF THE PARTICIPANT NO LONGER HAS AN INDIVIDUAL RETIREMENT PLAN ACCOUNT AND ACCEPTS THE RESCISSION OFFER, THE TRUSTEE WILL CONTACT THE PARTICIPANT DIRECTLY FOR INSTRUCTIONS ON THE DISPOSITION OF THE PROCEEDS OF THE RESCISSION OFFER.

Investing in Retail Ventures common shares involves risks. See Risk Factors beginning on page 7.

The Rescission Offer will expire at 11:59 p.m., Eastern Daylight Savings Time, on _____, 2005 (the Expiration Date).

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR

PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is ____, 2005.

The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission (the SEC) is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state in which such offer or sale is not permitted.

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You should rely only on the information contained or incorporated by reference in this prospectus and any accompanying prospectus supplement. Retail Ventures has not authorized anyone to provide you with additional or different information. If anyone has provided you with additional or different information, you should not rely on it. This prospectus is not an offer to sell or soliciting an offer to buy these securities in any jurisdiction where such offer, solicitation or sale is not permitted. You should assume that the information contained in this prospectus and any accompanying prospectus supplement is accurate only as of their respective dates and that any information incorporated by reference is accurate only as of the date of the document incorporated by reference. Our business, financial condition, results of operations and prospects may have changed since those dates.

Unless otherwise stated or the context otherwise requires, references in this prospectus to Retail Ventures, we, us, and our refer to Retail Ventures, Inc. and its wholly owned subsidiaries.

AVAILABLE INFORMATION

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Retail Ventures is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act), and in accordance therewith, files reports, proxy and information statements and other information with the SEC. Such reports, proxy and information statements and other information can be inspected and copied at the Public Reference Room maintained by the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC, including Retail Ventures. Retail Ventures common shares are listed and traded on The New York Stock Exchange. These

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reports, proxy and information statements and other information can also be inspected at the offices of The New York Stock Exchange, 20 Broad Street, New York, New York 10005.

Retail Ventures has filed with the SEC a registration statement on Form S-3 (referred to herein, together with all amendments and exhibits, as the Registration Statement) under the Securities Act of 1933, as amended (the Securities Act). This prospectus does not contain all the information set forth in the Registration Statement, some parts of which are omitted in accordance with the rules and regulations of the SEC. For further information, reference is hereby made to the Registration Statement.

DOCUMENTS INCORPORATED BY REFERENCE

The SEC allows incorporation by reference into this prospectus of information that Retail Ventures files with the SEC. This permits Retail Ventures to disclose important information to you by referencing these filed documents. Any information referenced in this way is considered part of this prospectus, and any information filed with the SEC subsequent to the date of this prospectus and prior to the termination of the Rescission Offer will automatically be deemed to update and supersede this information. We incorporate by reference the following documents that have been filed with the SEC:

1. The description of the common shares of Retail Ventures set forth in the Registration Statement on Form S-8, filed on July 13, 2004;
2. Annual Report on Form 10-K, as amended by Amendment No. 1 and Amendment No. 2 on Form 10-K/A, for the fiscal year ended January 29, 2005;
3. Current Reports on Form 8-K filed on May 4, 2005, April 18, 2005, April 15, 2005, April 5, 2005, March 15, 2005, March 14, 2005 and March 9, 2005; and
4. Proxy Statement for the Annual Meeting of Shareholders held on June 9, 2004.

We will provide without charge to each person to whom a copy of this prospectus has been delivered, upon the written or oral request of such person, a copy of any or all of the documents referred to above which have been or may be incorporated by reference herein (other than exhibits to such documents unless such exhibits are specifically incorporated by reference in such documents). Requests for such copies should be directed to: Retail Ventures, Inc., 3241 Westerville Road, Columbus, Ohio 43224, (614) 471-4722, Attn: Julia A. Davis.

QUESTIONS AND ANSWERS ABOUT THE RESCISSION OFFER

Q:

Why are you making the Rescission Offer?

A:

Under the Securities Act, Retail Ventures is required to register the common shares purchased by the Custodian on behalf of the Trustee for inclusion in the Retail Ventures Fund. Although all purchases by the Custodian during the Rescission Period were made in the open market and in a manner consistent with the Retirement Plan and the investment elections of the Retirement Plan participants, Retail Ventures has determined that some of its common shares purchased by the Custodian on behalf of the Trustee and allocated to the Retail Ventures Fund may not have been properly registered in accordance with the Securities Act.

In addition, Retail Ventures is required under applicable securities laws to deliver a prospectus to Retirement Plan participants who purchase Units in the Retail Ventures Fund. Retail Ventures has determined that certain participants in the Retirement Plan may not have received the required prospectus.

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In accordance with applicable law, Retail Ventures is making this Rescission Offer with regard to all of its common shares purchased by the Custodian on behalf of the Trustee and included in Units purchased by Retirement Plan participants between July 12, 2003 and December 22, 2004, the date upon which Retail Ventures was able to determine that all participants had received the required prospectus. This Rescission Offer is being made to ensure compliance with both the registration requirements and the prospectus delivery requirements set forth in the Securities Act.

Q:

What will I receive if I accept the Rescission Offer?

A:

The answer to this question depends on whether you still hold the Units purchased on your behalf during the Rescission Period:

If you have sold the Units at a loss, we will pay damages to you for the Units you sold in an amount equal to the price per Unit you paid less the proceeds of such sale plus applicable interest. Interest will be paid on the amount of the price originally paid for the Units during the period from the date of purchase of the Units until the date of the sale of the Units and on the loss realized from the sale of the Units from the date of sale through (but not including) the date the damages are paid (the Payment Date).

If you continue to hold the Units and the market price of Retail Ventures common shares as of the Expiration Date is less than the price you paid for the Units plus applicable interest, we will repurchase Units that are subject to the Rescission Offer at the price per Unit you paid plus interest from the date of purchase of the Units through (but not including) the Payment Date. The Trustee has been instructed not to effect those repurchases of Units where the price that you paid for the Unit plus applicable interest is less than the current market value of a Unit as of the Expiration Date, as it is not economically beneficial to you.

In either case, however, Retail Ventures will pay all proceeds resulting from acceptance of this Rescission Offer to the Trustee of the Retirement Plan for the participant's individual account. Such proceeds will be reinvested by the Trustee in accordance with the participant's existing investment election(s) in the Retirement Plan. If you are no longer a participant in the Retirement Plan and you accept the Rescission Offer, the Trustee will contact you for directions on the disposition of the proceeds received from the Rescission Offer.

Q:

Am I legally required to accept the Rescission Offer?

A:

No. A participant is not legally required to accept the Rescission Offer.

Q:

What considerations should I take into account if I no longer hold the Units I purchased during the Rescission Period?

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A:

If you no longer hold the Units you purchased during the Rescission Period, you should determine whether any of the Units were sold for less than what you paid for them. You are not entitled to damages for any Units you sold at a price equal to or higher than the price you paid for them. If any of the Units you purchased during the Rescission Period were sold at a loss, acceptance of the Rescission Offer with regard to those Units is economically beneficial to you. The extent to which acceptance of the Rescission Offer is beneficial depends on the amount of the loss and the amount of interest to which you are entitled.

Q:

What considerations should I take into account if I continue to hold the Units purchased on my behalf during the Rescission Period?

A:

Acceptance of the Rescission Offer by participants who continue to hold Units purchased during the Rescission Period is not economically beneficial unless the market value of the Unit, as of the Expiration Date, is less than the price paid by the participant during the Rescission Period plus interest.

Q:

What will happen if I elect to accept the Rescission Offer for Units purchased during the Rescission Period that I continue to hold in my account but the market value of the common shares increases so that, as of the Expiration Date, the price per unit that I paid plus applicable interest is less than the market value of a Unit?

If you submit a Participant's Acceptance of the Rescission Offer form, the Trustee has been instructed not to effect a repurchase for those Units that the price per Unit that you paid plus applicable interest is less than the market value of a Unit as of the Expiration Date.

Q:

What will happen if I do not elect to accept the Rescission Offer and then the market value of the common shares decreases so that, as of the Expiration Date, the price per Unit that I paid plus applicable interest is greater than the market value of a Unit?

A:

If you do not submit a Participant's Acceptance of the Rescission Offer form, we will not repurchase your Units even if the price of our common shares were to decline sufficiently as of the Expiration Date such that acceptance of the Rescission Offer would be economically beneficial to you.

Q:

May I accept the Rescission Offer only with regard to a portion of the Units which I still hold or were sold at a loss?

A:

No. If you accept the Rescission Offer, then you must accept it for all Units that were purchased during the Rescission Period that you still hold, as well as all Units which you purchased during the Rescission Period that were sold at a loss. As described above, however, if you accept the Rescission Offer, the Trustee will only effect a repurchase for those Units that, as of the Expiration Date, have a market value less than the price paid you paid for the Unit plus interest.

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Q:

I understand that acceptance of the Rescission Offer for my Units is not economically beneficial under current market conditions if the amount I would receive is less than what I would receive if I directed the Trustee to sell those Units. What should I do if I want to sell?

A:

Participants may direct the Trustee to sell their Units and reallocate the proceeds from the sale into another fund under the Retirement Plan at any time. Such exchanges in participant's accounts can be made on line at www.mfs.com or by calling 1-800-854-0647. As of _____, 2005, the closing sale price of the common shares, as reported on The New York Stock Exchange, was \$ _____ per share.

Q:

When does the Rescission Offer expire?

A:

The Rescission Offer expires at 11:59 p.m. Eastern Daylight Savings Time on _____, 2005.

Q:

What do I need to do now to accept the Rescission Offer?

A:

You should complete, sign and date the accompanying Participant's Acceptance of the Rescission Offer form, included as Appendix I, and return the completed, signed and dated Participant's Acceptance of the Rescission Offer form to _____ (the Rescission Administrator).

Q:

What do I need to do now to reject the Rescission Offer?

A:

You do not need to take any action to reject the Rescission Offer.

Q:

What happens if I do not return my Participant's Acceptance of the Rescission Offer form?

A:

If you do not return your Participant's Acceptance of the Rescission Offer form before the Expiration Date, you will be deemed to have rejected the Rescission Offer. If you reject the Rescission Offer, you will retain ownership of the Units (including the common shares which, along with the short-term investments, comprise the Units) and will not receive any payment.

Q:

Can I change my mind after I have mailed my signed Participant s Acceptance of the Rescission Offer form?

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A:

Yes. You can change your decision about accepting or rejecting our Rescission Offer at any time before the Expiration Date. If you change your decision and want to accept the Rescission Offer, you can do this by completing and submitting the Participant's Acceptance of the Rescission Offer form. If you change your decision and want to reject the Rescission Offer after having submitted the Participant's Acceptance of the Rescission Offer form, then you may reject the Rescission Offer by sending a notice to the Rescission Administrator, _____, Attention: _____. Your rejection notice must include your name, address, social security number or taxpayer identification number and a clear indication that you are rejecting the Rescission Offer and must be received no later than the Expiration Date.

Q:

Who can help answer my questions?

A:

You may call the Rescission Administrator, _____ Monday to Friday between 9:00 a.m. and 5:00 p.m., Eastern Daylight Savings Time at any time prior to the Expiration Date.

THE COMPANY

On October 8, 2003, the Company reorganized its corporate structure into a holding company form whereby Retail Ventures became the successor issuer to Value City Department Stores, Inc. As a result of the reorganization, Value City Department Stores, Inc. became a wholly-owned subsidiary of Retail Ventures. In connection with the reorganization, holders of common shares of Value City became holders of an identical number of common shares of Retail Ventures.

We are currently managed in three operating segments: Value City Department Stores LLC (Value City), DSW, Inc. (DSW) and Filene's Basement, Inc. (Filene's Basement).

VALUE CITY. We operate a chain of 114 off-price department stores located in the Midwestern, Eastern and Southern United States, principally under the name Value City. For over 80 years, our strategy has been to provide exceptional value by offering a broad selection of brand name merchandise at prices substantially below conventional retail prices.

DSW. We also operate a chain of 175 DSW stores located throughout the United States. The DSW stores are upscale shoe stores offering a wide selection of branded dress and casual footwear below traditional retail prices. On March 14, 2005, DSW filed a registration statement on Form S-1 registering for sale approximately \$185,000,000 of its common shares (the DSW IPO).

FILENE'S BASEMENT. Finally, we operate 27 Filene's Basement stores located primarily in major metropolitan areas such as Boston, New York City, Atlanta, Chicago and Washington, D.C. Filene's Basement focuses on providing the top tier brand names at everyday low prices for men's and women's apparel, jewelry, shoes, accessories and home goods.

RISK FACTORS

Any investment in our common shares involves a high degree of risk. In deciding whether you should keep your Units of the Retail Ventures Fund or accept our offer to repurchase them for cash plus interest, you should consider carefully the following information, together with the other information contained in this prospectus. If any of the following events actually occurs, our business, financial condition or results of operations would likely suffer. In this case, the market price of our common shares could decline, and you could lose all or part of your investment in our common shares.

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If we are unable to retain current and attract new customers to our Value City business segment, our results of operations, financial condition and business could be adversely affected.

Our ability to execute to our new management's strategy for the Value City segment is necessary to reverse the downward sales trend we have experienced. This strategy includes acquiring the right mix of merchandise in our key fashion areas of ladies and mens, acquiring in season merchandise sooner in the season in complete runs (size and color) in recognizable brands and identifying the prevailing fashion trend. Our advertising and marketing efforts to retain and draw new customers will need to be focused on this strategy. The failure to impact the customers we have and draw in new customers may result in stores being unprofitable, which could, in turn, have an adverse impact on our business, financial condition and results of operations.

We may be unable to open all the DSW and Filene's Basement stores contemplated by our growth strategy on a timely basis, and new stores we open may not be profitable or may have an adverse impact on the profitability of existing stores, any of which could have a material adverse effect on our business, financial condition and results of operations.

We intend to open approximately 4 and 30 stores per year in the four years from 2005 through 2008 for Filene's Basement and DSW, respectively. However, we may not achieve our planned expansion on a timely and profitable basis or achieve results in new locations similar to those achieved in existing locations in prior periods. Our ability to open and operate new DSW and Filene's Basement stores successfully on a timely and profitable basis depends on many factors, including, among others, our ability to:

- identify suitable markets and sites for new store locations;
- negotiate favorable lease terms;
- build-out or refurbish sites on a timely and effective basis;
- obtain sufficient levels of inventory to meet the needs of new stores;
- obtain sufficient financing and capital resources or generate sufficient cash flows from operations to fund growth;
- successfully open new DSW and Filene's Basement stores in regions of the United States in which we currently have few or no stores;
- open new stores at costs not significantly greater than those anticipated;
- control the costs of other capital investments associated with store openings, including, for example, those related to the expansion of distribution facilities;
- hire, train and retain qualified managers and store personnel; and
- successfully integrate new stores into our existing infrastructure, operations and management and distribution systems or adapt such infrastructure, operations and systems to accommodate our growth.

As a result, we may be unable to open new stores at the rates expected or at all. If we fail to successfully implement our growth strategy, the opening of new stores could be delayed or prevented, could cost more than anticipated and could divert resources from other areas of our business, any of which could have a material adverse effect on our business, financial condition and results of operations.

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To the extent that we open new stores in our existing markets, we may experience reduced net sales in existing stores in those markets. As the number of our stores increases, our stores will become more concentrated in the markets we serve. As a result, the number of customers and financial performance of individual stores may decline and the average sales per square foot at our stores may be reduced. This could have a material adverse effect on our business, financial condition and results of operations.

We rely on our good relationships with vendors to purchase brand name and designer merchandise at favorable prices. If these relationships were to be impaired, we may not be able to obtain a sufficient selection of merchandise at attractive prices, and we may not be able to respond promptly to changing fashion trends, either of which could have a negative impact on our competitive position, our business and financial performance.

We do not have long-term supply agreements or exclusive arrangements with any vendors (except for greeting cards and bottled drinks) and, therefore, our success depends on maintaining good relations with our vendors in all business segments. Since our business is fundamentally dependent on selling brand name and designer merchandise at attractive prices, we must continue to obtain from our vendors a wide selection of this merchandise at favorable wholesale prices. Our growth strategy depends to a significant extent on the willingness and ability of our vendors to supply us with sufficient inventory to stock our new stores. If we fail to strengthen our relations with our existing vendors, or to enhance the quality of merchandise they supply us, and if we cannot maintain or acquire new vendors of in-season brand name and designer merchandise, our ability to obtain a sufficient amount and variety of merchandise at favorable prices may be limited, which could have a negative impact on our competitive position.

We may be unable to anticipate and respond to fashion trends and consumer preferences in the markets in which we operate, which could adversely affect our business, financial condition and results of operations.

Our merchandising strategy is based on identifying each region's customer base and having the proper mix of products in each store to attract our target customers in that region. This requires us to anticipate and respond to numerous and fluctuating variables in fashion trends and other conditions in the markets in which our stores are situated. A variety of factors will affect our ability to maintain the proper mix of products in each store, including:

variations in local economic conditions, which could affect our customers' discretionary spending;

unanticipated fashion trends;

our success in developing and maintaining vendor relationships that provide us access to in-season merchandise at attractive prices;

our success in distributing merchandise to our stores in an efficient manner; and

changes in weather patterns, which in turn affect consumer preferences.

If we are unable to anticipate and fulfill the merchandise needs of each region, we may experience decreases in our net sales and may be forced to increase markdowns in relation to slow-moving merchandise, either of which could have an adverse effect on our business, financial condition and results of operations.

Seasonal variability of operations.

Our operations have been historically seasonal, with a disproportionate amount of sales and a majority of net income occurring in the fall and Christmas selling seasons for Value City and Filene's Basement. DSW net sales have typically been higher in spring and early fall. As a result of seasonality, any

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factors negatively affecting us during these periods, including adverse weather, the timing and level of markdowns or unfavorable economic conditions, could have a material adverse effect on our financial condition and results of operations for the entire year.

Our comparable store sales and quarterly financial performance may fluctuate for a variety of reasons in addition to seasonal factors, which could result in a decline in the price of our common shares.

Our business is sensitive to customers' spending patterns, which in turn are subject to prevailing regional and national economic conditions and the general level of economic activity. Our comparable store sales and quarterly results of operations have fluctuated in the past, and we expect them to continue to fluctuate in the future. In addition to seasonal fluctuations, including weather patterns, a variety of other factors affect our comparable store sales and quarterly financial performance, including:

- changes in our merchandising strategy;
- timing and concentration of new store openings and related pre-opening and other start-up costs;
- levels of pre-opening expenses associated with new stores;
- changes in our merchandise mix;
- changes in and regional variations in demographic and population characteristics;
- timing of promotional events;
- actions by our competitors; and

general United States economic conditions and, in particular, the retail sales environment.

Accordingly, our results for any one fiscal quarter are not necessarily indicative of the results to be expected for any other quarter, and comparable store sales for any particular future period may decrease. In the future, our financial performance may fall below the expectations of securities analysts and investors. In that event, the price of our common shares could decline.

Our stock price may fluctuate significantly, which could negatively affect the trading of our common shares.

The market price of our common shares has fluctuated significantly in the past and may likely continue to fluctuate in the future. Various factors and events have caused this fluctuation and are likely to cause the fluctuations to continue. These factors include, among others:

- developments related to the proposed DSW IPO;
- quarterly variations in actual or anticipated operating results;
- changes by securities analysts in estimates regarding Retail Ventures;
- conditions in the retail industry;
- the condition of the stock market; and

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general economic conditions.

Our failure to retain our existing senior management team and to continue to attract qualified new personnel could adversely affect our business.

Our business requires disciplined execution at all levels of our organization to ensure that we continually have sufficient inventories of assorted brand name merchandise at below traditional retail prices. This execution requires an experienced and talented management team. If we were to lose the benefit of the experience, efforts and abilities of any of our key executive and buying personnel, our business could be adversely affected. We have entered into employment agreements with certain of these officers. Furthermore, our ability to manage our retail expansion will require us to continue to train, motivate and manage our employees and to attract, motivate and retain additional qualified managerial and merchandising personnel. Competition for these personnel is intense, and we may not be successful in attracting, assimilating and retaining the personnel required to grow and operate profitably.

We may be unable to compete favorably in our highly competitive markets.

The off-price retail, department store and retail footwear markets are highly competitive with few barriers to entry. We compete against a diverse group of retailers, both small and large, including locally owned, regional and national department stores, specialty retailers, discount chains and off-price retailers. Some of our competitors are larger and have substantially greater resources than we do. Our success depends on our ability to remain competitive with respect to style, price, brand availability and customer service. The performance of our competitors, as well as a change in their pricing policies, marketing activities and other business strategies, could have an adverse effect on our business, financial condition, results of operations and our market share.

A decline in general economic conditions, or the outbreak or escalation of war or terrorist acts, could lead to reduced consumer demand for our merchandise.

Consumer spending habits, including spending for the merchandise that we sell, are affected by, among other things, prevailing economic conditions, levels of employment, salaries and wage rates, prevailing interest rates, income tax rates and policies, consumer confidence and consumer perception of economic conditions. In addition, consumer purchasing patterns may be influenced by consumers' disposable income. A general slowdown in the U.S. economy or an uncertain economic outlook could adversely affect consumer spending habits.

Consumer confidence is also affected by the domestic and international political situation. The outbreak or escalation of war, or the occurrence of terrorist acts or other hostilities in or affecting the United States, could lead to a decrease in spending by consumers. In the event of an economic slowdown, we could experience lower net sales than expected on a quarterly or annual basis and be forced to delay or slow our retail expansion plans.

We rely on foreign sources for our merchandise, and our business is therefore subject to risks associated with international trade.

We purchase merchandise from domestic and foreign vendors. In addition, many of our domestic vendors import a large portion of their merchandise from abroad. For this reason, we face risks inherent in purchasing from foreign suppliers, such as:

economic and political instability in countries where these suppliers are located;

international hostilities or acts of war or terrorism affecting the United States or foreign countries from which our merchandise is sourced;

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increases in shipping costs;

transportation delays and interruptions, including as a result of increased inspections of import shipments by domestic authorities;

work stoppages;

adverse fluctuations in currency exchange rates;

laws of the United States affecting the importation of goods, including duties, tariffs and quotas and other non-tariff barriers;

expropriation or nationalization;

changes in local government administration and governmental policies;

changes in import duties or quotas;

compliance with trade and foreign tax laws; and

local business practices, including compliance with local laws and with domestic and international labor standards.

We require our vendors to operate in compliance with applicable laws and regulations and our internal requirements. However, we do not control our vendors or their labor and business practices. The violation of labor or other laws by one of our vendors could have an adverse effect on our business.

We face significant security risks related to our electronic processing and transmission of confidential customer information. On March 8, 2005, we announced the theft of credit card and other purchase information relating to DSW customers. This data theft could adversely affect our reputation and business and subject us to liability.

We rely on commercially available encryption software and other technologies to provide security for processing and transmission of confidential customer information, such as credit card numbers. Advances in computer capabilities, new discoveries in the field of cryptography, or other events or developments, including improper acts by third parties, may result in a compromise or breach of the security measures we use to protect customer transaction data. Compromises of these security systems could have a material adverse effect on our reputation and business, and may subject us to significant liabilities and reporting obligations. A party who is able to circumvent our security measures could misappropriate our information, cause interruptions in our operations, damage our reputation and customers' willingness to shop in our stores and subject us to possible liability. We may be required to expend significant capital and other resources to protect against these security breaches or to alleviate problems caused by these breaches.

On March 8, 2005, we announced that we had learned of the theft of credit card and other purchase information. On April 18, 2005, we issued the findings from our investigation into the theft. The theft covered all customers who made purchases at 108 DSW stores during a three-month period from mid-November 2004 to mid-February 2005. Transaction information involving approximately 1.4 million credit cards was obtained. For each card, the stolen information included credit card or debit card numbers, name and transaction amount. In addition, data from transactions involving approximately 96,000 checks was stolen. In these cases, checking account numbers and driver's license numbers were obtained. We cannot yet reasonably estimate what the potential liability to us will be in

connection with these events, and we do not yet know what effect this incident may have on DSW customers perception of us.

The proposed DSW IPO may not be completed. If the DSW IPO is not completed, net proceeds which we would have received from the DSW IPO will not be available to repay indebtedness, including indebtedness to related parties. Additionally, we will have incurred expenses to date in connection with the IPO for which we will not receive any benefits.

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We have anticipated that a portion of the net proceeds of the DSW IPO will be used to repay \$165 million of intercompany indebtedness owed by DSW to Retail Ventures. It is anticipated that Retail Ventures will then apply the amount received from DSW to the partial payment of obligations evidenced by a \$240 million promissory note made by Retail Ventures payable to its subsidiary, Value City, issued in December 2004. It is anticipated that Value City will then apply a portion of the amount received from Retail Ventures to the payment in full of all outstanding indebtedness and obligations owed by Value City (and other affiliates of Retail Ventures) under a \$100 million term loan agreement with related parties. This \$100 million term loan has an annual effective rate of interest of 15%-15 1/2%, and matures in June 2006. The remaining portion of the proceeds of any such \$165 million repayment is to be used (i) first, to repay (subject to the ability to reborrow) a portion of the obligations outstanding under our revolving credit facility, and (ii) second, to the extent of any excess, for working capital and general corporate purposes. If the DSW IPO is not completed, we may be unable to prepay our obligations under the term loan agreement, and a significant portion of our cash flow from operations will continue to be dedicated to the payment of interest on the term loan, and will not be available for other purposes. In addition, if the DSW IPO is not completed, we will have incurred significant expenses in connection with the DSW IPO which we will be unable to recoup, and for which we will not receive any benefits.

USE OF PROCEEDS

Retail Ventures will not receive any proceeds from the Rescission Offer. The common shares were originally purchased by the Custodian on behalf of the Trustee in brokerage transactions in the open market for which Retail Ventures did not receive any proceeds.

THE RESCISSION OFFER**Background and Reason for Rescission Offer**

Participation in the Retirement Plan is offered to eligible employees of Schottenstein Stores Corporation (SSC), Retail Ventures and their respective affiliated entities. The Retirement Plan is a multiple employer qualified profit sharing plan with a cash or deferred arrangement commonly referred to as a 401(k) plan. The Retirement Plan was adopted by SSC effective August 1, 1989 for the profit sharing provisions of the Plan and effective October 1, 1989, for the 401(k) provisions of the Retirement Plan. The Retirement Plan is qualified under Section 401(a) of the Internal Revenue Code of 1986, as amended (the Code), and satisfies the requirements for a qualified cash or deferred arrangement under Section 401(k) of the Code.

The Retirement Plan allows eligible full and part-time employees, through automatic payroll deductions and on a pretax basis, to contribute up to 30% of their cash compensation (up to the to the annual Internal Revenue Service dollar limit) rather than receiving that amount as taxable income. During the Rescission Period, participants' employers made contributions (Matching Contributions) at the following rates for employees who had completed at least one year of service:

Percent of Pay Deferred by Participant	Employer Contribution Equal to the Following Percentage of Participant's Pay
1.0%	1.0%
2.0	2.0

3.0	3.0
4.0	3.5
5.0	4.0
6.0	4.5*

* Beginning January 1, 2004, employees of Retail Ventures and its subsidiaries no longer received a Matching Contribution on any deferrals in excess of 5% of their compensation; employees of SSC and its subsidiaries were not affected by this change.

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In addition to Matching Contributions, an employer may make an employer profit sharing contribution to the Retirement Plan or an employer nonelective contribution to the Plan (collectively, with the Matching Contributions, the Employer Contributions). Except as noted below, Employer Contributions vest 25% every year starting with the second year of continuous service and fully vest after the fifth year of service. Beginning January 1, 2004, Employer Contributions to employees of Retail Ventures made in a year designated by Retail Ventures as a safe harbor match year are immediately vested. The 2004 and 2005 plan years were designated safe harbor match years by Retail Ventures.

A participant has the right to decide how all contributions, including vested and unvested Employer Contributions, are invested under the Retirement Plan. There are currently 15 different investment choices under the Retirement Plan. A participant must indicate the percentage of his or her contribution to be allocated to each investment choice. All contributions to a participant's account are invested in accordance with the participant's investment election unless no election is made, in which case contributions are invested in the Conservative Portfolio option. Amounts in participants' accounts are held in a trust fund maintained for the benefit of participants in the Retirement Plan. Certain assets of the Retirement Plan, including the Retail Ventures common shares underlying the Units, however, are held by the Custodian on behalf of the Trustee.

Among the 15 different investment choices in the Retirement Plan, participants are given the option to invest their contributions in the Retail Ventures Fund. The Retail Ventures Fund is comprised of short term investments and common shares of Retail Ventures which are purchased on the open market at the current market value of the common shares by the Custodian on behalf of the Trustee. A participant's ownership in the Retail Ventures Fund is measured in Units rather than in common shares as accounted for by the Custodian. As necessary, common shares are sold on the open market by the Custodian, at their current market value, when participants elect to receive distributions from the Retirement Plan or to reflect transfers by participants out of the Retail Ventures Fund. All distributions from the Retirement Plan are and will be in the form of cash. SSC, as the primary sponsor of the Retirement Plan, and Retail Ventures, as an additional sponsor of the Retirement Plan, have elected to close the Retail Ventures Fund to additional investments effective July 1, 2005. Participants who own Units on July 1, 2005 will continue to own those Units unless and until the participant directs the Trustee to sell the Units. No new contributions or exchanges into the Retail Ventures Fund will be permitted on or after July 1, 2005.

Under the Securities Act, Retail Ventures is required to register the common shares purchased by the Custodian on behalf of the Trustee for inclusion in the Retail Ventures Fund. Although all the purchases by the Custodian during the Rescission Period were made in the open market and in a manner consistent with the Retirement Plan and the investment elections of the Retirement Plan participants, Retail Ventures has determined that some of its common shares purchased by the Custodian and allocated to the Retail Ventures Fund may not have been properly registered in accordance with the Securities Act. In addition, Retail Ventures is required to distribute a prospectus to participants who purchase Units in the Retail Ventures Fund. Retail Ventures has determined that some participants may not have received the required prospectus during the Rescission Period. Retail Ventures is making this Rescission Offer with regard to all of its common shares purchased by the Custodian and included in Units purchased by Retirement Plan participants between July 12, 2003 and December 22, 2004. This offer is being made to ensure compliance with the Securities Act. Our directors did not participate in the Retirement Plan and therefore are not eligible to participate in this Rescission Offer. Our current executive officers who have participated in the Retail Ventures Fund, if any, do not intend to participate in the Rescission Offer.

Retail Ventures' Board of Directors has approved the Rescission Offer in order to limit any contingent liability Retail Ventures may have as a result of possible noncompliance with applicable federal registration and prospectus delivery requirements in connection with the purchase of the common shares that comprise the Units.

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If you affirmatively reject or fail to accept the Rescission Offer before the Expiration Date, you will retain ownership of the Units (including the common shares which comprise the Units) you received and will not receive any payment for those Units.

Retail Ventures believes that all the sales of its common shares which are the subject of the Rescission Offer were exempt from registration under the laws of the states of residence of participants in the Retirement Plan and that no violation of state securities laws occurred in connection with such sales. Furthermore, Retail Ventures believes that this Rescission Offer is exempt from registration under the laws of such states and thus need not comply with the laws of such states regulating such offers. Thus, Retail Ventures does not make any representation as to the compliance of this Rescission Offer with state laws which might be applicable to rescission offers.

Terms of the Rescission Offer

A participant who elected to allocate some of his or her contributions in the Retirement Plan to the purchase of Units in the Retail Ventures Fund at any time between July 12, 2003 and December 22, 2004, and who has already sold the Units at a loss, may direct the Trustee to receive (and re-invest) for the participant's account the price paid for the Units less the proceeds of such sale, plus interest. Interest will be paid on the amount of the price originally paid for the Units during the period from the date of purchase of the Units until the date of sale of such Units. Interest will also be paid on the loss realized from the date of sale of the Units through (but not including) the Payment Date.

The interest rate will be determined according to federal law since Retail Ventures believes that no violation of state securities laws occurred in connection with the purchases and sales of either the Units or its common shares subject to this Rescission Offer. The interest rate will be the weekly average 1-year constant maturity Treasury yield, as published by the Board of Governors of the Federal Reserve System, for the calendar week which includes the Expiration Date. For the week ending April 22, 2005, the applicable interest rate would have been 3.28%.

A participant who elects to accept the Rescission Offer and continues to hold the Units may direct that a sale of the Units purchased during the Rescission Period be made by the Trustee to Retail Ventures at the price the participant paid for the Units plus interest for the period from the date of purchase of the Unit by the participant through (but not including) the Payment Date. The Trustee has been instructed, however, not to effectuate the repurchase of those Units where the price that such participant paid for the Unit plus applicable interest is less than the market value of a Unit as of the Expiration Date. If a participant continues to hold the Units and the market price of our common shares is such that it would be economically beneficial to accept the Rescission Offer as of the Expiration Date, the number of Units in the Retail Ventures Fund owned by a participant who accepting the Rescission Offer will be reduced by the number of Units which Retail Ventures purchases from the Trustee. The proceeds payable to the participant under the Rescission Offer will be reinvested by the Trustee for the participant's account in accordance with the participant's existing investment options in the Retirement Plan.

If a participant no longer holds in its account all the Units acquired during the Rescission Period, we will only repurchase those Units that are not deemed sold, but, as noted above, the Trustee has been instructed not to effect the repurchase of any of the Units if such purchase would not be economically beneficial to you as of the Expiration Date. Units are deemed sold in the order in which a participant purchased them. In order to determine which Units are eligible for repurchase, all Units acquired on a participant's behalf during the Rescission Period will be matched against all sales of Units during or following such period, by matching the first Unit acquired with the first Unit sold. Only those purchases that do not have matching sales are eligible for repurchase as part of the Rescission Offer. Participants are entitled to damages for those Units that are deemed sold at a loss. In order to determine the amount of damages payable, the Rescission Administrator will use the same procedure as is used to determine which Units are eligible for repurchase.

If the participant has directed and caused a full distribution from the Retirement Plan and no longer has an individual account in the Retirement Plan, the participant is entitled to obtain relief on the

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above terms, except any amounts paid in respect of the Rescission Offer will be paid by Retail Ventures to the Retirement Plan for distribution by the Retirement Plan directly to the participant or his or her beneficiary or, at such participant's direction, to an individual retirement account or other qualified retirement plan in a direct rollover, within 30 days of the Trustee's receipt of such participant's instructions. If you are a former participant in the Retirement Plan and you accept the Rescission Offer, the Trustee will contact you directly for instructions on the disposition of the proceeds you will receive from the Rescission Offer.

The Rescission Offer will expire on _____, 2005 (the Expiration Date).

As of December 22, 2004, the end of the Rescission Period, the closing sale price of the common shares (as reported on The New York Stock Exchange) was \$6.96 per share. During the Rescission Period, the per share sales price of the common shares ranged from a low of \$1.90 to a high of \$9.70.

How to Accept or Decline this Rescission Offer

A PARTICIPANT IS NOT LEGALLY REQUIRED TO ACCEPT THE RESCISSION OFFER. Acceptance of the Rescission Offer is optional for each participant who purchased Units in the Retail Ventures Fund representing interests in common shares of Retail Ventures covered by the Rescission Offer. The Trustee has been instructed not to effect any repurchases pursuant to the Rescission Offer unless such repurchases are economically beneficial to the participants as of the Expiration Date. A repurchase is not economically beneficial unless the market value of the common shares is less than the price paid by the participant during the Rescission Period plus interest. If a participant elects to reject the Rescission Offer, the participant will continue to hold the same number of Units in the Retail Ventures Fund. In the event the participant elects to accept the Rescission Offer, the participant must detach and complete the form Participant's Acceptance of Rescission Offer, and mail or return it to the Rescission Administrator, as soon as practicable after the date of receipt of this prospectus but in no event having a postmark later than the Expiration Date.

ANY PARTICIPANT WHO FAILS TO NOTIFY RETAIL VENTURES IN WRITING OF HIS OR HER ACCEPTANCE OF THE RESCISSION OFFER ON OR PRIOR TO THE EXPIRATION DATE WILL BE DEEMED TO HAVE REJECTED THE RESCISSION OFFER.

Questions about the Rescission Offer

Participants who have questions about the Rescission Offer may call the Rescission Administrator, _____, Monday to Friday between 9:00 a.m. and 5:00 p.m., Eastern Daylight Savings Time at any time prior to the Expiration Date.

Use of Common Shares Repurchased by Retail Ventures in Rescission Offer

The common shares which are included in the Units repurchased by Retail Ventures pursuant to the Rescission Offer, if any, will become treasury shares. Retail Ventures has no present plans to sell such treasury shares.

Tax Effects of Rescission Offer

A participant's acceptance or rejection of this Rescission Offer, or the sale of the Units comprised of Retail Ventures' common shares and short-term investments to Retail Ventures pursuant to this Rescission Offer, is not considered to be a taxable event before withdrawal or distribution of funds from such participant's Retirement Plan account to the participant or his or her beneficiary. All funds paid by Retail Ventures for interests in common shares of a participant as a result of this Rescission Offer will be paid to the Trustee, remain in the Retirement Plan trust and be invested in accordance with the participant's existing investment option(s) in the Retirement Plan. Upon any later withdrawal or distribution, any gain resulting from this Rescission Offer will generally be taxable as ordinary income to the participant or his or

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her beneficiary. An additional 10 percent income tax may be imposed in cases of early withdrawal. Special tax advantages for some lump-sum distributions and rollovers are allowed.

If the participant has directed and caused a full distribution from the Retirement Plan and no longer has an individual account in the Retirement Plan, any amounts paid in respect of the Rescission Offer will be paid by Retail Ventures to the Retirement Plan for distribution directly to the participant or his or her beneficiary or at such participant's direction, into an individual retirement account or other qualified retirement plan in a direct rollover. A direct rollover into an individual retirement account or other qualified retirement plan is not considered to be a taxable event. If the proceeds from the Rescission Offer are not rolled over, however, and the participant receives a distribution from the Retirement Plan, such distribution will generally be taxable as ordinary income to the participant or his or her beneficiary. An additional 10 percent income tax may be imposed in cases of withdrawal before age 55.

EACH PARTICIPANT SHOULD CONSULT WITH HIS OR HER OWN TAX ADVISOR WITH REGARD TO THE PROPER TAX TREATMENT FOR HIM OR HER IN CONNECTION WITH THE RESCISSION OFFER.

Funding the Rescission Offer

Retail Ventures has sufficient funds available to pay for any damage claims and the purchase of any Units which may be tendered to it as a result of the Rescission Offer.

INTERESTS OF NAMED EXPERTS AND COUNSEL

Julia A. Davis, who is giving an opinion regarding the legality of the securities registered hereby, is Executive Vice President, General Counsel of Retail Ventures. As of May 18, 2005, Ms. Davis does not own any common shares but does hold options to acquire 16,000 common shares.

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APPENDIX I

PARTICIPANT'S ACCEPTANCE OF THE RESCISSION OFFER

YOU MAY ELECT TO ACCEPT OR REJECT THE RESCISSION OFFER. IF YOU WISH TO REJECT THE RESCISSION OFFER, DO NOT EXECUTE AND RETURN THE FORM. YOU NEED TO DO NOTHING TO REJECT THIS RESCISSION OFFER.

IF YOU WISH TO ACCEPT THE RESCISSION OFFER, PLEASE EXECUTE AND RETURN THIS FORM, PURSUANT TO THE INSTRUCTIONS BELOW.

Ladies and Gentlemen:

The undersigned acknowledges receipt of a prospectus dated ____, 2005 of Retail Ventures, Inc. (Retail Ventures), together with Appendix I thereto, pursuant to which Retail Ventures offers to rescind purchases of Retail Ventures common shares by Reliance Trust Co., as custodian (the Custodian) on behalf of MFS Heritage Trust Company, as trustee (the Trustee) of The Profit Sharing and 401(k) Plan, as amended and restated effective January 1, 2000 (the Retirement Plan), on the undersigned's behalf between July 12, 2003 and December 22, 2004 and included in units of the Retail Ventures, Inc. Common Stock Fund. The undersigned further acknowledges that if the Rescission Offer is accepted by the undersigned by _____, 2005, (the Expiration Date), upon verification by _____, the Rescission Administrator, Retail Ventures (i) in the case of units purchased during the Rescission Period but disposed of by the undersigned at a loss, will pay to the Trustee the original purchase price paid to purchase the units less the amount received on the sale of such units plus applicable interest. Interest, in the case of units purchased during the relevant period but disposed of by the undersigned at a loss, will be calculated on the amount of the price originally paid for the units during the period from the date of purchase of the units until the date of sale of such units and on the loss realized from the date of sale of the units through (but not including) the date of payment of the damages, (the Payment Date), and (ii) in the case of units purchased during the relevant period and still held in the undersigned's account, (a) Retail Ventures will pay to the Trustee the original purchase price paid to purchase the units plus interest from the date of purchase through (but not including) the Payment Date, except that the Trustee has been instructed not to effect any repurchase of those units that, as of the Expiration Date, have a market value greater than the price you paid during the Rescission Period plus interest. The interest rate to be paid per annum will be the weekly average 1-year constant maturity Treasury yield, as published by the Board of Governors of the Federal Reserve System, for the calendar week which includes the Expiration Date. For the week ending April 22, 2005, the applicable interest rate would have been 3.28%.

If the undersigned accepts this Rescission Offer for any units purchased during the relevant period and still held in the undersigned's Retirement Plan account, the undersigned understands that the number of units held by the undersigned in the Retail Ventures, Inc. Common Stock Fund will be reduced by the number of units which Retail Ventures repurchases, and that the proceeds received from this Rescission Offer will be paid to the Trustee for the undersigned's account for investment in accordance with the participant's existing investment option(s) in the Retirement Plan. If the undersigned accepts the Rescission Offer, but, as set forth above, the Trustee does not effect the repurchase of any units held for the

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undersigned's account because it is not beneficial to the undersigned to do so, then the undersigned will receive damages only for those units, if any, which were purchased during the relevant period but sold at a loss prior to the date hereof. In such a case, the number of units still held in the Retail Ventures, Inc. Common Stock Fund, if any, will be otherwise unaffected and any proceeds received from the Rescission Offer will be paid to the Trustee for the undersigned's account for investment in accordance with the participant's existing investment option(s) in the Retirement Plan.

If the undersigned has previously directed and caused the Trustee to distribute all of the undersigned's investment in the Retirement Plan and no longer holds an individual account in the Retirement Plan, the proceeds will be paid to the Retirement Plan for distribution directly to the undersigned or the undersigned's beneficiary or, at the undersigned's direction, to an individual retirement account or qualified retirement plan in a direct rollover. If you no longer have an account and accept the Rescission Offer, the Trustee will contact you directly for instructions on how to dispose of the proceeds from the Rescission Offer.

Therefore, the undersigned hereby accepts the Rescission Offer for all of the undersigned's units, including interests in the common shares included therein, on the terms set forth in this letter. The undersigned directs the Trustee to tender, subject to the conditions of the Rescission Offer, the common shares represented by the undersigned's units to Retail Ventures on the undersigned's behalf. Furthermore, the undersigned directs that all payments be made to the Trustee for the undersigned's Retirement Plan account. If the undersigned has previously directed and caused a prior distribution of all of the undersigned's investment in the Retirement Plan, the Trustee will contact the participant directly for instructions on how to dispose of the proceeds from the Rescission Offer.

Participation Election

By signing and completing the information below, I hereby accept the Rescission Offer.

Name (please print)

Signature

Street Address

Date

City, State and Zip Code of Residence

Social Security Number or Taxpayer Identification Number

Instructions: In order to indicate your acceptance of the Rescission Offer, you must:

(1) Complete the Participation Election,

(2) Sign the form and provide your complete address, date, and Social Security or Taxpayer Identification Number, and

(3) Mail the form to the Rescission Administrator, ____.

Delivery Instructions: This form should be mailed to ____ as soon as practicable, but in no event having a postmark later than the Expiration Date of this Rescission Offer, 11:59 p.m., Eastern Daylight Savings Time, ____, 2005.

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 15. Indemnification of Directors and Officers.

Article SEVENTH of Retail Ventures First Amended and Restated Articles of Incorporation provides as follows:

SEVENTH: Indemnification and Insurance

The Corporation shall indemnify any director, officer, incorporator, or any former director or officer of the Corporation or any person who is or has served at the request of the Corporation as a director, officer or trustee of another corporation, partnership, joint venture, trust or other enterprise (and his heirs, executors and administrators) against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement, actually and reasonably incurred by him by reason of the fact that he is or was such director, officer, incorporator or trustee in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, to the full extent and according to the procedures and requirements set forth in the Ohio General Corporation Law as the same may be in effect from time to time, provided that he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interest of the Corporation, and with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The indemnification provided for herein shall not be deemed to restrict the right of the Corporation to (i) indemnify employees, agents and others as permitted by such Law, (ii) purchase and maintain insurance or provide similar protection on behalf of the directors, officers, or such other persons against liabilities asserted against them or expenses incurred by them arising out of their service to the Corporation as contemplated herein, and (iii) enter into agreements with such directors, officers, incorporators, employees, agents or others indemnifying them against any and all liabilities (or such lesser indemnification as may be provided in such agreements) asserted against them or incurred by them arising out of their service to the Corporation as contemplated herein.

Division (E) of Section 1701.13 of the Ohio Revised Code governs indemnification by an Ohio corporation and provides as follows:

(E)(1) A corporation may indemnify or agree to indemnify any person who was or is a party, or is threatened to be made a party, to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative, other than an action by or in the right of the corporation, by reason of the fact that he is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, trustee, officer, employee, member, manager, or agent of another corporation, domestic or foreign, nonprofit or for profit, a limited liability company, or a partnership, joint venture, trust, or other enterprise, against expenses, including attorney's fees, judgments, fines, and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit, or proceeding, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, if he had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit, or proceeding by judgment, order, settlement, or conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, he had reasonable cause to believe that his conduct was unlawful.

(2) A corporation may indemnify or agree to indemnify any person who was or is a party, or is threatened to be made a party, to any threatened, pending, or completed action or suit by or in the right of the corporation to procure a judgment in its favor, by reason of the fact that he is or was a director, officer,

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employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, trustee, officer, employee, member, manager, or agent of another corporation, domestic or foreign, nonprofit or for profit, a limited liability company, or a partnership, joint venture, trust, or other enterprise, against expenses, including attorney's fees, actually and reasonably incurred by him in connection with the defense or settlement of such action or suit, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification shall be made in respect of any of the following:

(a) Any claim, issue, or matter as to which such person is adjudged to be liable for negligence or misconduct in the performance of his duty to the corporation unless, and only to the extent that, the court of common pleas or the court in which such action or suit was brought determines, upon application, that, despite the adjudication of liability, but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses as the court of common pleas or such other court shall deem proper;

(b) Any action or suit in which the only liability asserted against a director is pursuant to section 1701.95 of the Revised Code.

(3) To the extent that a director, trustee, officer, employee, member, manager, or agent has been successful on the merits or otherwise in defense of any action, suit, or proceeding referred to in division (E)(1) or (2) of this section, or in defense of any claim, issue, or matter therein, he shall be indemnified against expenses, including attorney's fees, actually and reasonably incurred by him in connection with the action, suit, or proceeding.

(4) Any indemnification under division (E)(1) or (2) of this section, unless ordered by a court, shall be made by the corporation only as authorized in the specific case, upon a determination that indemnification of the director, trustee, officer, employee, member, manager, or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in division (E)(1) or (2) of this section. Such determination shall be made as follows:

(a) By a majority vote of a quorum consisting of directors of the indemnifying corporation who were not and are not parties to or threatened with the action, suit, or proceeding referred to in division (E)(1) or (2) of this section;

(b) If the quorum described in division (E)(4)(a) of this section is not obtainable or if a majority vote of a quorum of disinterested directors so directs, in a written opinion by independent legal counsel other than an attorney, or a firm having associated with it an attorney, who has been retained by or who has performed services for the corporation or any person to be indemnified within the past five years;

(c) By the shareholders;

(d) By the court of common pleas or the court in which the action, suit, or proceeding referred to in division (E)(1) or (2) of this section was brought.

Any determination made by the disinterested directors under division (E)(4)(a) or by independent legal counsel under division (E)(4)(b) of this section shall be promptly communicated to the person who threatened or brought the action or suit by or in the right of the corporation under division (E)(2) of this section, and, within ten days after receipt of such notification, such person shall have the right to petition the court of common pleas or the court in which such action or suit was brought to review the reasonableness of such determination.

(5)(a) Unless at the time of a director's act or omission that is the subject of an action, suit, or proceeding referred to in division (E)(1) or (2) of this section, the articles or the regulations of a corporation state, by specific reference to this division, that the provisions of this division do not apply to the

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corporation and unless the only liability asserted against a director in an action, suit, or proceeding referred to in division (E)(1) or (2) of this section is pursuant to section 1701.95 of the Revised Code, expenses, including attorney s fees, incurred by a director in defending the action, suit, or proceeding shall be paid by the corporation as they are incurred, in advance of the final disposition of the action, suit, or proceeding, upon receipt of an undertaking by or on behalf of the director in which he agrees to do both of the following:

(i) Repay such amount if it is proved by clear and convincing evidence in a court of competent jurisdiction that his action or failure to act involved an act or omission undertaken with deliberate intent to cause injury to the Roman, Times, Serif"> Cash paid for purchase of fixed assets0 (3,290) Cash flows from financing activities: Proceeds from notes payable 25,320 0 Payments on notes payable, net (105,202) (100,466) Net cash used in financing activities (79,882) (100,466) Net increase (decrease) in cash 20,314 (9,072) Cash, beginning of period 1,519 10,833 Cash, end of period 21,833 1,761 Supplemental cash flow information: Cash paid for interest 0 8,238 Cash paid for income taxes 0 0 Noncash Transaction: Payment of bank note by related party in exchange for note payable with the company 0 161,602 Conversion of accrued interest to notes payable0 36,607 Conversion of preferred stock 610 220 The accompanying notes are an integral part of these consolidated financial statements

ARRAYIT CORPORATION

NOTES TO CONSOLIDATED UNAUDITED STATEMENTS

June 30, 2012

NOTE 1 – ORGANIZATION AND BUSINESS OPERATIONS

Arrayit Corporation (the “Company” or “Arrayit”) is a Nevada “C” Corporation that entered into the life sciences in 1996. Arrayit is a leading edge developer, manufacturer and marketer of next-generation life science tools and integrated systems for the large scale analysis of genetic variation, biological function and diagnostics. Using Arrayit’s proprietary 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 nine employees.

Interim financial statements

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

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

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

The following includes a description of subsidiaries and percentage ownership at June 30, 2012:

Subsidiary	Date of Incorporation	Business of Entity	Ownership
TeleChem International, Inc.	November 1, 1993	Import, export and distribution of wholesale industrial chemicals	100% owned by Arrayit Corporation
Arrayit Diagnostics, Inc.	June 2, 1009	Markets a test for Ovarian Cancer incorporating the technology and equipment developed by Arrayit Corporation	61% owned by Arrayit Corporation
Arrayit Scientific Solutions, Inc.	October 15, 2009	Markets a test for Parkinson's Disease incorporating the technology and equipment developed by Arrayit Corporation	98% owned by Arrayit Corporation (2% owned by the President of Arrayit Scientific Solutions, Inc.)

On December 12, 2011, Arrayit Corporation signed an Agreement and Plan of Distribution with its subsidiary, Arrayit Diagnostics, Inc., whereby 19,350,000 shares of common stock of Arrayit Diagnostics (61% of the total outstanding) owned by Arrayit Corporation will be distributed ratably to the shareholders of Arrayit Corporation on the record date which will occur upon approval by the SEC of the Form S-1 registration statement to be submitted by Arrayit Diagnostics, Inc. The Company expects Arrayit Diagnostics to submit the Form S-1 registration statement to the SEC during the third quarter of 2012.

*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:

Arrayit Corporation is the controlling interest of an affiliated group, since it maintains investments in each of its operating entities. Effective December 12, 2011, Arrayit Corporation, signed an Agreement and Plan of Distribution with its subsidiary, Arrayit Diagnostics, Inc., whereby 19,350,000 shares of common stock of Arrayit Diagnostics (61% of the total outstanding) owned by Arrayit Corporation will be distributed ratably to the shareholders of Arrayit Corporation on the record date which occur upon approval by the SEC of the Form S-1 registration statement to be submitted by Arrayit Diagnostics, Inc. The shares of Arrayit Corporation entitled to participate in the "spin-off" shares will include shares of Arrayit Corporation issuable on the record date upon conversion of outstanding securities and exercise of outstanding warrants and options.

The Company accounts for the non-controlling interest in two of 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.

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

Recent Accounting Pronouncements

ASU 2011-5, Statement of Comprehensive Income, was effective for the first quarter of 2012, but the guidance, which required companies to present net income and comprehensive income in one continuous statement or two consecutive statements had no impact on the Company's financial statements.

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

Loss per Common and Common Equivalent Share

The computation of basic loss per common share is computed using the weighted average number of common shares outstanding during the year. The computation of diluted earnings per common share is based on the weighted average number of shares outstanding during the year plus common stock equivalents which would arise from their exercise using the treasury stock method and the average market price per share during the year. The Company determined that the effect of common stock equivalents (Stock Options, Stock Warrants and convertible Series "C" Preferred Shares) outstanding at June 30, 2012 and at December 31, 2011 were anti dilutive.

NOTE 3 – GOING CONCERN

The accompanying consolidated financial statements of the Company were prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has incurred significant net losses and negative cash from operations. At June 30, 2012, Arrayit had a working capital deficit of \$8,239,187, an accumulated deficit of \$25,442,014, and recurring net losses. Management believes that current available resources will not be sufficient to fund the Company's planned expenditures over the next 12 months. The Company's ability to continue to meet its obligations and to achieve its business objectives is dependent upon, among other things, raising additional capital or generating sufficient revenue in excess of costs. At such time as the Company requires additional funding, the Company will seek to raise such additional funding from various possible sources, including its parent company, the public equity market, private financings, sales of assets, collaborative arrangements and debt. If the Company raises additional capital through the issuance of equity securities or securities convertible into equity, stockholders will experience dilution, and such securities may have rights, preferences or privileges senior to those of the holders of common stock or convertible senior notes. If the Company raises additional funds by issuing debt, the Company may be subject to limitations on its operations, through debt covenants or other restrictions. If the Company obtains additional funds through arrangements with collaborators or strategic partners, the Company may be required to relinquish its rights to certain technologies or products that it might otherwise seek to retain. There can be no assurance that the Company will be able to raise additional funds, or raise them on acceptable terms. If the Company is unable to obtain financing on acceptable terms, it may be unable to execute its business plan, the Company could be required to delay or reduce the scope of its operations, and the Company may not be able to pay off its obligations, if and when they come due.

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

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

NOTE 4 – ACCOUNTS RECEIVABLE

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

	June 30, 2012	December 31, 2011
Gross accounts receivable	\$534,419	\$652,504
Less:		
Allowance for doubtful accounts	(133,000)	(133,000)
Loan value of receivables sold with recourse (see note 5)	(218,522)	(242,550)
Total	\$182,897	\$276,954

NOTE 5 – ACCOUNTS RECEIVABLE SOLD WITH RECOURSE

Pursuant to an agreement dated July 5, 2007, the Company has sold some of its Accounts Receivable to a financial institution with full recourse. The financial institution retains a 15% portion of the proceeds from the receivable sales as reserves, which are released to the Company as the Receivables are collected. The maximum commitment under this facility is \$450,000, and is limited to receivables that are less than 31 days outstanding. The facility bears interest at 16% at June 30, 2012, and is secured by an unconditional guarantee of the Company and a first charge against the Accounts Receivable. At June 30, 2012, the balance outstanding under the recourse contracts was \$218,522 net of a hold back reserve of \$55,999 (December 31, 2011, \$242,550 net of a hold back reserve of \$59,405). Because of the Company's credit policies, repossession losses and refunds in the event of default have not been significant and losses under the present recourse obligations are not expected to be significant, it is at least reasonably possible that the Company's estimate will change within the near term.

NOTE 6 – FIXED ASSETS

Property and equipment consisted of the following:

	June 30, 2012	December 31, 2011
Fixed Assets – Cost	\$350,429	\$350,429
Less:		
Accumulated Depreciation	(340,665)	(334,119)
Total	\$9,764	\$16,310

Depreciation expense totalled \$6,546 and \$15,077, respectively, for the six months ended June 30, 2012 and 2011.

NOTE 7 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities, consisted of the following:

	June 30, 2012	December 31, 2011
ACCOUNTS PAYABLE		
Trade Vendors	\$1,656,257	\$1,179,108
Professional Advisors	2,840,761	3,110,669
Total Accounts Payable	4,497,018	4,289,777
ACCRUED LIABILITIES		
Accrued salaries and wages	1,826,112	1,443,574
Judgment Interest	407,885	391,982
Other	183,897	439,252
Total Accrued Liabilities	2,417,894	2,274,808
TOTAL	\$6,914,912	\$6,564,585

NOTE 8 – DEBT

	June 30, 2012	December 31,2011
NOTES PAYABLE - ARRAYIT DIAGNOSTICS, INC.		
Notes payable, interest at 10%, which was due January 22, 2011 and is now past due, secured by 1,000,000 shares out of the Company's common stock, pledged to the private lender without compensation by the Company's Chairman. The terms also called for the issuance of 300,000 warrants issuable for shares of common stock at \$0.22 per share. The annual effective interest rate for this loan is estimated to be 243.8%	\$76,640	\$66,371
Notes payable, interest at 10%, which was due August 10, 2010 and is now past due, secured by 200,000 shares of the Company's common stock, pledged to the private lender without compensation as follows: 100,000 common shares provided by the Company's chief financial officer; 50,000 common shares provided without compensation by a minority shareholder in Arrayit Diagnostics; and a call option call to acquire an additional 50,000 common shares currently held by a minority shareholder in Arrayit Diagnostics.	61,939	53,640
Notes payable, interest at 10%, payable on demand with no current payments due, loan from the Company's Chairman	25,000	0
	\$163,579	\$120,011
NOTES PAYABLE - ARRAYIT CORP.		
Notes payable, interest at 10%, which was due August 10, 2010 and is now past due, secured by 1,000,000 shares out of the Company's common stock, pledged to the private lender without compensation by the Company's Chairman. The terms also called for the lender to withhold proceeds of \$20,000 as a debt origination fee and the issuance of 200,000 warrants issuable for shares of common stock at \$1.00 per share. The annual effective interest rate for this loan is estimated to be 239.2%	262,500	250,000
Notes payable, interest at 8%, unsecured due on demand from Arrayit creditors	34,166	34,509
Notes payable, interest at rates varying from 8% to 10%, unsecured due on demand from the former TeleChem shareholders and their families.	654,834	741,372
	951,500	1,025,881
Notes payable including related parties	\$1,115,078	\$1,145,892
Short Term Debt	\$1,115,078	\$1,145,892
Long Term Debt	0	0

Notes payable including related parties

\$1,115,078 \$1,145,892

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NOTE 9 – WARRANTS AND OPTIONS

The following table summarizes options and warrants outstanding at June 30, 2012:

	Number of Options and Warrants	Weighted Average Exercise Price Per Share
Outstanding at December 31, 2011	2,190,000	\$0.23
Granted	—	—
Cancelled/forfeited	—	—
Expired	—	—
Exercised	—	—
Outstanding at June 30, 2012	2,190,000	\$0.23

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NOTE 10 – ROYALTY OBLIGATIONS

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

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

There were no revenues generated during the fiscal period ended June 30, 2012, and hence no obligation to pay any amounts to Wayne State University.

(b) 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 periods ended June 30, 2012 and hence no obligation to pay any amounts to the Parkinson's Institute.

NOTE 11 – STOCK-BASED COMPENSATION

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

Operations for the periods ended June 30, 2012 and December 31, 2011 include \$36,150 and \$149,200 of stock-based compensation, arising from the granting of 106,325 and 656,000 unregistered common shares, respectively. Restricted shares were issued in exchange for services related to website consulting and investor relations. The Company relied upon the exemption under Section 4(2) of the Securities Act.

NOTE 12 – CONVERTIBLE PREFERRED STOCK*Convertible Preferred Stock*

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

The Series C Preferred Stock has no stated dividend rate. The Series C Preferred Stock also has voting rights that entitle the preferred shareholders to vote with the common shareholders as if the preferred stock had converted to common. The conversion ratio of the preferred into common is not subject to revision upon reverse stock dividends or splits that reduce the total shares outstanding. The 103,143 Series C Preferred Stock was issued on February 21, 2008. 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 June 30, 2012, 1,539 Series C Preferred Stock shares were converted into 610,015 shares of common stock.

NOTE 13- STOCKHOLDERS' EQUITY

The following table summarizes changes in stockholders' equity during the quarter ended June 30, 2012:

TOTAL ARRAYIT CORPORATION STOCKHOLDERS' EQUITY (DEFICIENCY)

Description	Preferred Series A Number	Preferred Series C Dollar	Common Stock Number	Paid In Dollar	Retained Number	Additional		Earnings	Total
						Dollar	Non Capital		
Balance, December 31, 2011	22,034	\$22	90,934	\$92	26,978,501	\$26,788	\$16,546,092	\$(24,544,723)	\$(7,971,
Convert Preferred C to			(1,853)	0	720,020	720	(720)		0

Common

Issuance of
shares for
services

106,325 106 36,044 0 36,150

Increase in
non-controlling
interest

Net Loss for the
six months
ended

June 30, 2012

(897,291) (897,291

Balance, June
30, 2012

22,034 \$22 89,081 \$92 27,804,846 \$27,614 \$16,581,416 \$(25,442,014) \$(8,832,

NOTE 14 – INCOME TAXES

At June 30, 2012 and December 31, 2011, the Company had net operating loss (NOL) carry-forwards available to offset future taxable income of approximately \$25 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 \$10 million has been recorded against the deferred tax asset for as of June 30, 2012 and December 31, 2011 due to the uncertainty surrounding its realization caused by the Company's recurring losses. There was no change in the valuation allowance during the quarter ended June 30, 2012. The NOL carry-forwards will fully expire in 2031.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Long Term Lease Commitments

The Company leases its office facility in Sunnyvale, California under operating leases that expire November 30, 2012. Future minimum lease payments as of June 30, 2012 are as follows:

YEAR ENDING

2012 \$ 77,418

Rent expense was \$78,966 and \$89,920 for the six months ended June 30, 2012 and 2011, respectively.

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

For a description of our significant accounting policies and an understanding of the significant factors that influenced our performance during the six months ended June 30, 2012, this "Management's Discussion and Analysis" should be read in conjunction with the Consolidated Unaudited Financial Statements, including the related notes, appearing in Item 1 of this Quarterly Report, as well as the Company's Annual Report on Form 10-KA for the year ended December 31, 2011. The preparation of this Quarterly Report on Form 10-Q requires us to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of our financial statements, and the reported amounts of revenue and expenses during the reporting period. There can be no assurance that actual results reported in the future will not differ from those estimates or that revisions of these estimates may not become necessary in the future.

Forward-Looking Statements

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

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

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

Results of Operations

Comparison of Operating Results –Six Months Ended June 30, 2012 and 2011

Gross revenues for the three months ended June 30, 2012 and 2011 were \$735,427 and \$804,125, respectively, representing an 8.5% decrease in gross revenues for the period. Gross revenues for the six months ended June 30, 2012 and 2011 were \$1,303,702 and \$1,781,392, respectively, representing a 27% decrease in gross revenues for the period. The Company has an increasing backlog of orders to fulfill, and attributes the decrease in gross revenues to a shortage of working capital to fulfill orders more timely. The backlog of orders for the period ending June 30, 2012 is approximately \$688,000 and the backlog of orders was approximately \$350,000 for the period ending June 30, 2011.

The cost of sales for the three months ended June 30, 2012 and 2011 were \$361,859 and \$519,391, respectively resulting in gross profit for the period of \$373,568 and \$284,734, respectively. The cost of sales for the six months ended June 30, 2012 and 2011 amounted to \$714,182 and \$1,071,942, respectively, resulting in gross profit for the six months ended June 30, 2012 and 2011 of \$589,520 and \$709,450, respectively. The Company's cost of sales is dependent upon product mix. During the second quarter of 2012, the gross margin was 51% versus 40% for the second quarter of 2011. The Company sold more microarray manufacturing services in the second quarter of 2012, which has a higher gross margin percentage than the instruments and consumables that were sold in the quarter ended June 30, 2011.

Selling, general and administrative expenses for the three months ended June 30, 2012 and 2011 were \$395,029 and \$333,278, respectively. The increase of \$61,751 is attributable to the cost of issuing stock in Arrayit Diagnostics in exchange for a 20% royalty on sales previously owned by consultants and investors, which is now cancelled. No further royalties are due and payable by Arrayit Diagnostics to consultants and investors going forward. The royalty agreement between Wayne State University and Arrayit Diagnostics is not affected, and remains in place.

Net loss from operations was \$62,620 for the three months ended June 30, 2012, compared with a net loss from operations of \$92,225 for the three months ended June 30, 2011. Net loss from operations was \$1,219,196, compared with a net loss from operations of \$62,354 for the six months ended June 30, 2011. The increase in net loss is the result of the one-time charge to settle the royalty agreement with consultants and investors in Arrayit Diagnostics.

Legal expenses of \$16,159 and \$43,586 for the three months and six months ended June 30, 2012 were attributable to the cost of preparing the Form S-1 for Arrayit Diagnostics and maintenance fees on the patents of TeleChem International, Inc. and Arrayit Corporation. Legal expenses of \$35,529 and \$50,920 for the three months and six months ended June 30, 2011 were related to settling the lawsuit between Pediatrix and Arrayit's wholly owned subsidiary, TeleChem International, Inc.

Interest expense was \$52,096 and \$94,499 for the three months and six months ended June 30, 2012, compared to \$53,031 and \$100,462 for the three months and six months ended June 30, 2011. The interest costs for 2012 and 2011 include the amortized cost of debt arrangement fees and warrants issued in connection with financing. The decrease in interest costs was the result of negotiating lower interest rates on past due balances with creditors.

Net loss attributable to the non-controlling interest in our Arrayit Diagnostics, Inc. subsidiary amounted to \$55,552 and \$15,089 for the three months ended June 30, 2012 and 2011, respectively, and \$416,404 and \$27,755 for the six months ended June 30, 2012 and 2011, respectively. The increase is due to the issuance of stock for consulting by Arrayit Diagnostics, Inc. On December 12, 2011, Arrayit Corporation signed an Agreement and Plan of Distribution with its subsidiary, Arrayit Diagnostics, Inc., whereby 19,350,000 shares of common stock of Arrayit Diagnostics (61% of the total outstanding) owned by Arrayit Corporation will be distributed ratably to the shareholders of Arrayit Corporation on the record date which will become effective date of the Form S-1 registration statement to be submitted to the SEC by Arrayit Diagnostics, Inc.

Liquidity and Capital Resources

Cash flows used in operations were \$100,196 for the six months ended June 30, 2012, and cash flows provided by operations were \$94,664 for the six months ended June 30, 2011. The increase in cash used in operations is largely the result of a one-time charge to settle the royalty agreement with investors in Arrayit Diagnostics for stock in Arrayit Diagnostics. As of June, 2012, we had had a working capital deficiency of \$8,239,187 and an accumulated deficit of \$25,442,014. 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 judgement interest.

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

We estimate that we may require approximately \$1,200,000 over the next twelve (12) months to meet our expenses and to continue to perfect our proprietary microarray technology. We may require additional funds over the next eighteen (18) months to assist in realizing our business objectives. The amount 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 six months ended June 30, 2012, the Company relied upon short term loans and extended terms from its creditors to finance its loss from operations.

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.

(b) Changes in internal control over financial reporting

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

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PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A – RISKS FACTORS

Not required for smaller reporting companies.

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

On April 2, 2012, we issued for \$10,000 cash, 50,000 shares of Arrayit Diagnostics, Inc. common stock to Craig Musick in reliance upon the exemption from registration in Rule 506 of Regulation D under the Securities Act. These proceeds were used to pay operating expenses for Arrayit Diagnostics, Inc.

On April 17, 2012, we issued for \$5,000 cash, 25,000 shares of Arrayit Diagnostics, Inc. common stock to Bettina Mackenbach in reliance upon the exemption from registration in Rule 506 of Regulation D under the Securities Act. These proceeds were used to pay operating expenses for Arrayit Diagnostics, Inc.

On May 1, 2012, we issued for \$10,000 cash, 50,000 shares of Arrayit Diagnostics, Inc. common stock to Craig Musick in reliance upon the exemption from registration in Rule 506 of Regulation D under the Securities Act. These proceeds were used to pay operating expenses for Arrayit Diagnostics, Inc.

On May 15, 2012 we issued 1,484,800 shares of Arrayit Diagnostics, Inc. common stock to Recap Marketing and Consulting, LLP, in compliance with the anti-dilution clause contained in the original consulting agreement with that entity, as a result of the issuance of shares to investors and consultants. These shares were issued in reliance upon the exemption from registration in Regulation S and Rule 506 of Regulation D under the Securities Act.

On June 25, 2012, we issued for \$5,000 cash, 25,000 shares of Arrayit Diagnostics, Inc. common stock to Gerald Bridge in reliance upon the exemption from registration in Rule 506 of Regulation D under the Securities Act. These proceeds were used to pay operating expenses for Arrayit Diagnostics, Inc.

ITEM 3 – DEFAULTS UPON SENIOR SECURITIES

NONE

ITEM 4 – REMOVED AND RESERVED

NONE

ITEM 5 – OTHER INFORMATION

NONE

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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: October 22, 2012

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

