

ARROW RESOURCES DEVELOPMENT INC  
Form 10-Q  
August 23, 2010

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

---

FORM 10-Q

---

(Mark One)

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

For the quarterly period ended June 30, 2010

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (No fee required)

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

Commission file number 1-9224

Arrow Resources Development, Inc.  
(Name of Small Business Issuer in Its Charter)

DELAWARE  
(State or Other Jurisdiction of Incorporation or  
Organization)

56-2346563  
(I.R.S. Employer Identification No.)

Carnegie Hall Tower, 152 W. 57 th Street, New York, NY 10019  
(Address of Principal Executive Offices) (Zip Code)

212-262-2300  
(Issuer's Telephone Number, including Area Code)

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

Title of Each Class  
Common stock - par value \$0.00001

Name of Each Exchange on Which Registered  
OTC: Bulletin Board

Securities registered under Section 12(g) of the Exchange Act: None

---

(Title of Class)

---

Edgar Filing: ARROW RESOURCES DEVELOPMENT INC - Form 10-Q

(Title of Class)

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

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

The number of shares outstanding of each of the issuer's classes of common equity, as of August 23, 2010.

Class	Outstanding at August 23, 2010
Common stock - par value \$0.00001	678,452,244

ARROW RESOURCES DEVELOPMENT, INC. AND SUBSIDIARIES  
 (A DEVELOPMENT STAGE COMPANY)  
 FORM 10-Q  
 SIX MONTHS ENDED JUNE 30, 2010

TABLE OF CONTENTS

<b>PART I - FINANCIAL INFORMATION</b>		
<b>Item 1.</b>	<b>Financial Statements:</b>	
	Consolidated Balance Sheets at June 30, 2010 (Unaudited) and December 31, 2009 (Audited)	1
	Consolidated Statement of Operations for the three and six months ended June 30, 2010 and 2009 (Unaudited), and for the periods from inception (November 15, 2005) to December 31, 2009 and from inception (November 15, 2005) to June 30, 2010	2
	Consolidated Statement of Changes in Stockholders' (Deficit) Equity for the six months ended June 30, 2010 (Unaudited) and for the period from inception (November 14, 2005) to December 31, 2005 and the years ended December 31, 2006, 2007, 2008 and 2009 (Audited)	3-4
	Consolidated Statement of Cash Flows for the six months ended June 30, 2010 (Unaudited) and June 30, 2009 (Unaudited) and for the periods from inception (November 15, 2005) to December 31, 2009 and from inception (November 15, 2005) to June 30, 2010	5
	Notes to the Consolidated Financial Statements (Unaudited)	6-28
<b>Item 2.</b>	<b>Management's Discussion and Analysis of Financial Condition and Results of Operations</b>	<b>29-36</b>
<b>Item 3.</b>	<b>Quantitative and Qualitative Disclosures About Market Risk</b>	<b>36</b>
<b>Item 4.</b>	<b>Controls and Procedures</b>	<b>37</b>
<b>PART II - OTHER INFORMATION</b>		
<b>Item 1.</b>	<b>Legal Proceedings</b>	<b>38</b>
<b>Item 1A.</b>	<b>Risk Factors</b>	<b>38</b>

Edgar Filing: ARROW RESOURCES DEVELOPMENT INC - Form 10-Q

Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	38
Item 3.	Defaults Upon Senior Securities	38
Item 4.	Submission of Matters to a Vote of Security Holders	38-39
Item 5.	Other Information	39
Item 6.	Exhibits	40
Signatures		41

---

## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

ARROW RESOURCES DEVELOPMENT, INC. AND SUBSIDIARIES  
(A DEVELOPMENT STAGE COMPANY)

## Consolidated Balance Sheets

	June 30, 2010 Unaudited	December 31, 2009
<b>ASSETS</b>		
Current:		
Cash	\$ 2	\$ 91
Total current assets	2	91
Total assets	\$ 2	\$ 91
<b>LIABILITIES AND STOCKHOLDERS' (DEFICIT)</b>		
Current:		
Accounts and accrued expenses payable, including \$7,247,291 and \$6,446,791 due to Company shareholders and directors, respectively	\$ 9,619,163	\$ 7,765,910
Estimated liability for legal judgment obtained by predecessor entity shareholder	1,298,297	1,266,695
Due to related parties	8,752,482	7,401,519
Notes payable, including accrued interest of \$156,893 and \$152,500 at June 30, 2010 and December 31, 2009, respectively	2,345,393	2,089,000
Total liabilities	22,015,335	18,523,124
Commitments and contingencies	-	-
<b>STOCKHOLDERS' (DEFICIT)</b>		
Preferred stock, \$0.00001 par value, 6 million shares authorized, no shares issued or outstanding at June 30, 2010 and December 31, 2009	-	-
Preferred stock Series A, \$0.00001 par value, 2 million shares authorized, none and none shares to be issued at June 30, 2010 and December 31, 2009, respectively	-	-
Preferred stock Series C, \$0.00001 par value, 2 million shares authorized, none and none shares to be issued at June 30, 2010 and December 31, 2009, respectively	-	-
Common stock, \$0.00001 par value, 1 billion shares authorized, 678,452,244 and 678,452,244 issued and outstanding at June 30, 2010 and December 31, 2009, respectively	6,785	6,785
Common stock to be issued, \$0.00001 par value, 33,179,684 and 32,804,684 shares to be issued at June 30, 2010 and December 31, 2009, respectively	332	328
Additional paid-in capital	128,217,621	128,213,875
Accumulated deficit	(150,240,071)	(146,744,021)
Total stockholders' (deficit)	(22,015,333)	(18,523,033)

Total liabilities and stockholders' (deficit)	\$	2	\$	91
---	----	---	----	----

See accompanying notes to the consolidated financial statements.

1

---

ARROW RESOURCES DEVELOPMENT, INC. AND SUBSIDIARIES  
(A DEVELOPMENT STAGE COMPANY)

Unaudited Consolidated Statement of Operations (During the Development Stage)

	For the Three Months Ended June 30, 2010	For the Three Months Ended June 30, 2009	For the Six Months Ended June 30, 2010	For the Six Months Ended June 30, 2009	Accumulated During the Development Stage for the Period From Inception (November 15, 2005) to December 31, 2009	Accumulated During the Development Stage for the Period From Inception (November 15, 2005) to June 30, 2010
Revenue	\$ -	\$ -	\$ -	\$ -	\$ 52,000	\$ 52,000
Operating expenses:						
Consulting fees and services, including \$1,109,334, \$989,519, \$2,225,798, \$1,979,038, \$15,440,707 and \$17,666,505 incurred to related parties, respectively	1,109,334	1,032,578	2,244,483	2,043,804	16,481,694	18,726,177
General and administrative	125,944	23,129	141,112	42,552	861,275	1,002,387
Directors' compensation	35,625	60,000	78,750	115,000	772,678	851,428
Delaware franchise taxes	105	105	210	210	185,841	186,051
Total operating expenses	1,271,008	1,115,812	2,464,555	2,201,566	18,301,488	20,766,043
Loss from operations during the development stage	(1,271,008)	(1,115,812)	(2,464,555)	(2,201,566)	(18,249,488)	(20,714,043)
Other income (expense):						
Income from spin-off	-	2,491	-	52,491	52,491	52,491

## Edgar Filing: ARROW RESOURCES DEVELOPMENT INC - Form 10-Q

Income from forgiveness of debt	-	-	-	-	5,000	5,000
Gain on write off of liabilities associated with predecessor entity not to be paid	-	-	-	-	395,667	395,667
Loss on legal judgment obtained by predecessor entity shareholder	(15,801)	(15,801)	(31,602)	(31,602)	(1,266,695)	(1,298,297)
Penalty for default of notes payable	(506,000)		(995,500)	-	(578,000)	(1,573,500)
Loss on write-off of marketing agreement	-	-	-	-	(125,000,000)	(125,000,000)
Loss on settlement of predecessor entity stockholder litigation	-	-	-	-	(2,000)	(2,000)
Loss on debt conversion	-	-	-	-	(250,000)	(250,000)
Expenses incurred as part of recapitalization transaction	-	-	-	-	(249,252)	(249,252)
Debt issue costs including interest expense, of which none, none, none, \$150,000, \$1,336,320 and \$1,336,320 is to be satisfied in Company Common Stock and none, none, none, none, \$32,000, and \$32,000 incurred to related parties	(3,549)	(769)	(4,393)	(200,693)	(1,601,744)	(1,606,137)
	(525,350)	(14,079)	(1,031,495)	(179,804)	(128,494,533)	(129,526,028)
Net loss	\$ (1,796,358)	\$ (1,129,891)	\$ (3,496,050)	(2,381,370)	\$ (146,744,021)	\$ (150,240,071)
Basic and diluted net loss per weighted-average shares common stock outstanding	\$ (0.003)	\$ (0.002)	\$ (0.005)	(0.004)	\$ (0.232)	\$ (0.237)



Weighted-average number of shares of common stock outstanding	678,452,244	656,381,335	678,452,244	656,232,322	633,667,055	634,146,361
--	-------------	-------------	-------------	-------------	-------------	-------------

See accompanying notes to the consolidated financial statements.

ARROW RESOURCES DEVELOPMENT, INC. AND SUBSIDIARIES  
(A DEVELOPMENT STAGE COMPANY)

Unaudited Consolidated Statement of Changes in Stockholders' (Deficit) Equity (During the Development Stage)

	Series A Convertible Preferred Stock		Series C Convertible Preferred Stock		Common Stock		Common Stock	
	Shares to be issued	Amount	Shares to be issued	Amount	Shares to be issued	Amount	Shares issued	Amount
Balance, November 14, 2005 pursuant to recapitalization transaction	—	\$ —	—	\$ —	—	\$ —	25,543,240	\$ 255
Common stock conversion and settlement of senior note pursuant to recapitalization transaction	—	—	—	—	—	—	624,000,000	6,240
Net loss for the period from November 15, 2005 to December 31, 2005	—	—	—	—	—	—	—	—
Balance, December 31, 2005	—	\$ —	—	\$ —	—	\$ —	649,543,240	\$ 6,495
Common stock to be issued for cash received by Company	—	—	—	—	985,000	10	—	—
Net loss for the year	—	—	—	—	—	—	—	—
Balance, December 31, 2006	—	\$ —	—	\$ —	985,000	\$ 10	649,543,240	\$ 6,495
Common stock to be issued for cash received by Company	—	—	—	—	500,000	5	—	—
Series A Convertible Preferred Stock to be issued for cash received by Company	280,000	280,000	—	—	—	—	—	—

Common stock issued in settlement of predecessor entity stockholder litigation	—	—	—	—	-	-	200,000	2
Common stock to be issued for directors' compensation	—	—	—	—	1,000,685	10	—	—
Net loss for the year	—	—	—	—	—	—	—	—
Balance, December 31, 2007	280,000	\$ 280,000	-	\$ -	2,485,685	\$ 25	649,743,240	\$ 6,497
Series A Convertible Preferred Stock to be issued for cash received by Company	75,000	75,000	—	—	—	—	—	—
Series C Convertible Preferred Stock to be issued for cash received by Company	—	—	25,000	25,000	—	—	—	—
Common Stock issued and to be issued for cash received by Company	—	—	—	—	305,000	3	250,000	3
Common stock to be issued for directors' compensation	—	—	—	—	1,000,000	10	—	—
Debt issue costs to be satisfied in Company Common Stock	—	—	—	—	4,704,000	47	3,000,000	30
Common stock to be issued for purchase of common stock	—	—	—	—	1,000,000	10	—	—
Common stock to be issued for consulting and marketing services	—	—	—	—	2,700,000	27	—	—
Common stock issued for consulting and	—	—	—	—	—	—	2,250,000	23

marketing services									
Net loss for twelve months ended December 31, 2008	—	—	—	—	—	—	—	—	—
Balance, December 31, 2008	355,000	\$ 355,000	25,000	\$ 25,000	12,194,685	\$ 122	655,243,240	\$ 6,552	
Series A Convertible Preferred Stock converted into common stock	(355,000)	(355,000)	-	-	—	—	7,100,000	71	
Series C Convertible Preferred Stock converted into common stock	-	-	(25,000)	(25,000)	—	—	500,000	5	
Common Stock to be issued for cash received by Company	—	—	—	—	2,500,000	25	—	—	
Common stock to be issued for directors' compensation	—	—	—	—	1,000,000	10	—	—	
Debt issue costs to be satisfied in Company Common Stock	—	—	—	—	16,000,000	160	—	—	
Debt issue costs satisfied in Company Common Stock	—	—	—	—	-	-	1,000,000	10	
Common stock issued for reset of previous subscription agreement	—	—	—	—	—	—	138,095	2	
Common stock to be issued for reset of previous subscription agreement	—	—	—	—	1,109,999	11	-	-	
Common stock issued for debt conversion	—	—	—	—	-	-	14,470,909	145	
Net loss for the year ended December 31, 2009	—	—	—	—	—	—	—	—	

Edgar Filing: ARROW RESOURCES DEVELOPMENT INC - Form 10-Q

Balance, December 31, 2009	0	\$	0	0	\$	0	32,804,684	\$	328	678,452,244	\$	6,785
Common stock to be issued for directors' compensation	—		—	—		—	375,000		4	—		—
Net loss for the period ended June 30, 2010	—		—	—		—	—		—	—		—
Balance, June 30, 2010	0	\$	0	0	\$	0	33,179,684	\$	332	678,452,244	\$	6,785

See accompanying notes to the consolidated financial statements.

ARROW RESOURCES DEVELOPMENT, INC. AND SUBSIDIARIES  
(A DEVELOPMENT STAGE COMPANY)

Unaudited Consolidated Statement of Changes in Stockholders' (Deficit) Equity (During the Development Stage)

	Additional Paid-in Capital	Accumulated Deficit	Total
Balance, November 14, 2005 pursuant to recapitalization transaction	\$ (2,674,761)	\$ —	\$(2,674,506)
Common stock conversion and settlement of senior note pursuant to recapitalization transaction	125,907,967	—	125,914,207
Net loss for the period from November 15, 2005 to December 31, 2005	—	(1,272,258)	(1,272,258)
Balance, December 31, 2005	\$ 123,233,206	\$ (1,272,258)	\$ 121,967,443
Common stock to be issued for cash received by Company	984,990	—	985,000
Net loss for the year	—	(3,514,445)	(3,514,445)
Balance, December 31, 2006	\$ 124,218,196	\$ (4,786,703)	\$ 119,437,998
Common stock to be issued for cash received by Company	499,995	—	500,000
Series A Convertible Preferred Stock to be issued for cash received by Company	—	—	280,000
Common stock issued in settlement of predecessor entity stockholder litigation	11,998	—	12,000
Common stock to be issued for directors' compensation	60,031	—	60,041
Net loss for the year	—	(130,076,689)	(130,076,689)
Balance, December 31, 2007	\$ 124,790,220	\$ (134,863,392)	\$ (9,786,650)
Series A Convertible Preferred Stock to be issued for cash received by Company	—	—	75,000
Series C Convertible Preferred Stock to be issued for cash received by Company	—	—	25,000
Common Stock issued and to be issued for cash received by Company	104,996	—	105,002
Common stock to be issued for directors' compensation	77,490	—	77,500
Debt issue costs to be satisfied in Company Common Stock	536,243	—	536,320
Common stock to be issued for purchase of common stock	49,990	—	50,000
Common stock to be issued for consulting and marketing services	245,969	—	245,996
Common stock issued for consulting and marketing services	122,481	—	122,504
Net loss for twelve months ended December 31, 2008	—	(5,360,576)	(5,360,576)
Balance, December 31, 2008	\$ 125,927,389	\$ (140,223,968)	\$ (13,909,905)
Series A Convertible Preferred Stock converted into common stock	354,929	—	-
Series C Convertible Preferred Stock converted into common stock	24,995	—	-
Common Stock to be issued for cash received by Company	249,975	—	250,000
Common stock to be issued for directors' compensation	34,990	—	35,000
Debt issue costs to be satisfied in Company Common Stock	719,840	—	720,000
Debt issue costs satisfied in Company Common Stock	79,990	—	80,000
Common stock issued for reset of previous subscription agreement	5,523	—	5,525
Common stock to be issued for reset of previous subscription agreement	44,389	—	44,400
Common stock issued for debt conversion	771,855		