

ARROW RESOURCES DEVELOPMENT INC
Form 10-Q
May 20, 2008
8

**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2008

**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. 57th 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:

| <u>Title of Each Class</u> | <u>Name of Each Exchange on Which Registered</u> |
|------------------------------------|--|
| Common stock - par value \$0.00001 | OTC: Bulletin Board |

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

(Title of Class)

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(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 May 16, 2008.

| <u>Class</u> | <u>Outstanding at May 16, 2008</u> |
|------------------------------------|------------------------------------|
| Common stock - par value \$0.00001 | 650,993,240 |

ARROW RESOURCES DEVELOPMENT, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)
FORM 10-Q
THREE MONTHS ENDED MARCH 31, 2008

TABLE OF CONTENTS

| | | Page |
|---------------------------------------|---|-------------|
| PART I - FINANCIAL INFORMATION | | |
| Item 1. | Financial Statements: | |
| | Unaudited Consolidated Balance Sheets at March 31, 2008 and December 31, 2007 | 1 |
| | Unaudited Consolidated Statement of Operations for the three months ended March 31, 2008 and 2007, and for the periods from inception (November 15, 2005) to December 31, 2007 and from inception (November 15, 2005) to March 31, 2008 | 2 |
| | Unaudited Consolidated Statement of Changes in Stockholders' (Deficit) Equity for the three months ended March 31, 2008 and for the period from inception (November 14, 2005) to March 31, 2008 | 3 |
| | Unaudited Consolidated Statement of Cash Flows for the three months ended March 31, 2008 and for the periods from inception (November 15, 2005) to December 31, 2007 and from inception (November 15, 2005) to March 31, 2008 | 4 |
| | Notes to the Consolidated Financial Statements (Unaudited) | 5 |
| Item 2. | Management's Discussion and Analysis of Financial Condition and Results of Operations | 16-20 |
| Item 3. | Quantitative and Qualitative Disclosures About Market Risk | 21 |
| Item 4. | Controls and Procedures | 21 |
| PART II - OTHER INFORMATION | | |
| Item 1. | Legal Proceedings | 21 |
| Item 1A. | Risk Factors | 22 |
| Item 2. | Unregistered Sales of Equity Securities and Use of Proceeds | 22 |
| Item 3. | Defaults Upon Senior Securities | 22 |
| Item 4. | Submission of Matters to a Vote of Security Holders | 22 |
| Item 5. | Other Information | 22 |

| | | |
|------------|----------|----|
| Item 6. | Exhibits | 23 |
| Signatures | | 24 |

PART I - FINANCIAL INFORMATION**Item 1. Financial Statements**ARROW RESOURCES DEVELOPMENT, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)

Unaudited Consolidated Balance Sheets

| | March 31, 2008 | December 31, 2007 (As Restated - Note 2) |
|---|-----------------------|--|
| ASSETS | | |
| Current: | | |
| Cash | \$ 1,040 | \$ 1,040 |
| Total current assets | 1,040 | 1,040 |
| Total assets | \$ 1,040 | \$ 1,040 |
| LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY | | |
| Current: | | |
| Accounts and accrued expenses payable, including \$4,089,628 and \$4,112,203 due to Company shareholders and directors, respectively | \$ 4,464,019 | \$ 4,085,122 |
| Estimated liability for legal judgement obtained by predecessor entity shareholder | 1,053,385 | 1,053,385 |
| Due to related parties | 4,808,057 | 4,404,183 |
| Notes payable, including accrued interest of \$20,000 and 20,000 at March 31, 2008 and December 31, 2007, respectively | 395,000 | 245,000 |
| Total liabilities | 10,720,461 | 9,787,690 |
| Commitments and contingencies | - | - |
| STOCKHOLDERS' (DEFICIT) EQUITY | | |
| Preferred stock, \$0.10 par value, 10 million shares authorized, 355,000 and 280,000 shares to be issued at March 31, 2008 and December 31, 2007 | 355,000 | 280,000 |
| Common stock, \$0.00001 par value, 1 billion shares authorized, 649,743,240 and 649,743,240 issued and outstanding, respectively | 6,497 | 6,497 |
| Common stock to be issued, \$0.00001 par value, 4,776,458 and 2,485,685 shares to be issued at March 31, 2008 and December 31, 2007, respectively | 48 | 25 |
| Additional paid-in capital | 124,926,093 | 124,790,220 |
| Accumulated deficit | (136,007,059) | (134,863,392) |
| Total stockholders' (deficit) equity | (10,719,421) | (9,786,650) |
| Total liabilities and stockholders' (deficit) equity | \$ 1,040 | \$ 1,040 |

See accompanying notes to the consolidated financial statements.

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

Unaudited Consolidated Statement of Operations (During the Development Stage)

| | For the Three Months Ended March 31, 2008 | For the Three Months Ended March 31, 2007 | For the Period From 15, 2005) to December 31, 2007 (As Restated (Note 2) | Accumulated During the Development Stage for the Period From Inception (November 15, 2005) to March 31, 2008 |
|--|---|---|---|---|
| Revenue | \$ - | \$ - | \$ - | \$ - |
| Operating expenses: | | | | |
| Consulting fees and services, including \$888,613, \$810,379, \$7,555,470 and \$8,444,083 incurred to related parties, respectively | 1,001,059 | 860,442 | 7,955,066 | 8,956,125 |
| General and administrative | 42,503 | 31,772 | 554,177 | 596,680 |
| Directors' compensation | 60,000 | - | 260,178 | 320,178 |
| Delaware franchise taxes | 105 | 14,413 | 185,001 | 185,106 |
| Total operating expenses | 1,103,667 | 906,627 | 8,954,422 | 10,058,089 |
| Loss from operations during the development stage | (1,103,667) | (906,627) | (8,954,422) | (10,058,089) |
| Other income (expense): | | | | |
| Gain on write off of liabilities associated with predecessor entity not to be paid | - | - | 395,667 | 395,667 |
| Loss on legal judgement obtained by predecessor entity shareholder | - | - | (1,053,385) | (1,053,385) |
| Loss on write off of marketing agreement | - | - | (125,000,000) | (125,000,000) |
| Loss on settlement of predecesoor entity stockholder litigation | - | - | (2,000) | (2,000) |
| Expenses incurred as part of recapitalization transaction | - | - | (249,252) | (249,252) |
| Debt issue costs to be satisfied in Company Common Stock | (40,000) | - | - | (40,000) |
| | (40,000) | - | (125,908,970) | (125,948,970) |
| Net loss | \$ (1,143,667) | \$ (906,627) | \$ (134,863,392) | \$ (136,007,059) |
| Basic and diluted net loss per weighted-average shares common stock outstanding | \$ (0.002) | \$ (0.001) | \$ (0.214) | \$ (0.216) |
| | 649,743,240 | 649,543,240 | 631,654,538 | 629,662,310 |

Weighted-average number of shares
of common stock outstanding

See accompanying notes to the consolidated financial statements.

2

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 | Common Stock | Common Stock | Common Stock | Additional | Accumulated | | | |
|--|--------------------------------------|---------------------|--------------|---------------|-----------------|----------------|----------------|----------------|----------------|
| | Shares to be issued | Shares to be issued | Amount | Shares issued | Paid-in Capital | Deficit | | Total | |
| Balance, November 14, 2005 pursuant to recapitalization transaction | — | — | — | 25,543,240 | \$ 255 | \$ (2,674,761) | — | \$ (2,674,761) | |
| Common stock conversion and settlement of senior note pursuant to recapitalization transaction | — | — | — | 624,000,000 | 6,240 | 125,907,967 | — | 125,907,967 | |
| Net loss for the period from November 15, 2005 to December 31, 2005 | — | — | — | — | — | — | (1,272,258) | (1,272,258) | |
| Balance, December 31, 2005 | - | - | - | 649,543,240 | \$ 6,495 | \$ 123,233,206 | \$ (1,272,258) | \$ 121,967,948 | |
| Common stock to be issued for cash received by Company | — | — | 985,000 | 10 | — | — | 984,990 | 984,990 | |
| Net loss for the year | — | — | — | — | — | — | (3,514,445) | (3,514,445) | |
| Balance, December 31, 2006 | - | - | 985,000 | \$ 10 | 649,543,240 | \$ 6,495 | \$ 124,218,196 | \$ (4,786,703) | \$ 119,487,138 |
| Common stock to be issued for cash received by Company | — | — | 500,000 | 5 | — | — | 499,995 | 499,995 | |
| Series A Convertible Preferred Stock to be issued for cash received by Company | 280,000 | 280,000 | — | — | — | — | — | 280,000 | |
| Common stock issued in settlement of predecessor entity stockholder litigation | — | — | - | - | 200,000 | 2 | 11,998 | 11,998 | |
| Common stock to be issued for directors' | — | — | 1,000,685 | 10 | — | — | 60,031 | 60,031 | |

| | | | | | | | | | | |
|--|---------|------------|-----------|-------|-------------|----------|----------------|------------------|-----------------|---------------|
| compensation | | | | | | | | | | |
| Net loss for the year (As Restated - See Note 2) | — | — | — | — | — | — | — | — | (130,076,689) | (130,076,689) |
| Balance, December 31, 2007 (As Restated - See Note 2) | 280,000 | \$ 280,000 | 2,485,685 | \$ 25 | 649,743,240 | \$ 6,497 | \$ 124,790,220 | \$ (134,863,392) | \$ (9,743,240) | (9,743,240) |
| Series A Convertible Preferred Stock to be issued for cash received by Company | 75,000 | 75,000 | — | — | — | — | — | — | — | — |
| Common stock to be issued for directors' compensation | — | — | 250,000 | 3 | — | — | 9,997 | — | — | — |
| Debt issue costs to be satisfied in Company Common Stock | — | — | 1,000,000 | 10 | — | — | 39,990 | — | — | — |
| Common stock to be issued for consulting and marketing services | — | — | 1,040,773 | 10 | — | — | 85,886 | — | — | — |
| Net loss for the three months ended March 31, 2008 | — | — | — | — | — | — | — | — | (1,143,667) | (1,143,667) |
| Balance, March 31, 2008 | 355,000 | \$ 355,000 | 4,776,458 | \$ 48 | 649,743,240 | \$ 6,497 | \$ 124,926,093 | \$ (136,007,059) | \$ (10,743,240) | (10,743,240) |

See accompanying notes to the consolidated financial statements.

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

Unaudited Consolidated Statement of Cash Flows (During the Development Stage)

| | For the Three Months Ended March 31, 2008 | For the Three Months Ended March 31, 2007 | For the Period From Development Stage for Inception (November 15, 2005) to December 31, 2007 (As Restated See Note 2) | Accumulated During the Period From Inception (November 15, 2005) to March 31, 2008 |
|---|---|--|---|--|
| Net loss | \$ (1,143,667) | \$ (906,627) | \$ (134,863,392) | \$ (136,007,059) |
| Adjustments to reconcile net loss to net cash (used in) operating activities: | | | | |
| Net non-cash change in stockholders' equity due to recapitalization transaction | - | - | 1,264,217 | 1,264,217 |
| Loss on write-off of marketing and distribution agreement | - | - | 125,000,000 | 125,000,000 |
| Debt issue costs to be satisfied in Company Common Stock | 40,000 | - | - | 40,000 |
| Common stock to be issued for consulting and marketing services | 85,896 | - | - | 85,896 |
| Increase in prepaid expenses | - | (5,868) | - | - |
| Stock-based directors' compensation to be issued | 10,000 | - | - | - |