

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) August 25, 2009

ARABIAN AMERICAN DEVELOPMENT COMPANY

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

0-6247
(Commission
File Number)

75-1256622
(IRS Employer
Identification No.)

P. O. Box 1636, 7752 FM 418, Silsbee, Texas 77656
(Address of principal executive offices) (Zip Code)

(Registrant's Telephone Number, Including Area Code): **(409) 385-8300**

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01 Entry into a Material Definitive Agreement.

In late 2007 the Company and eight Saudi investors formed a Saudi Arabian joint stock company under the name Al Masane Al Kobra Mining Company (AMAK) and received a commercial license from the Saudi Arabian Ministry of Commerce in January 2008. The basic terms of agreement forming AMAK as initially recognized by the Company are as follows: (1) the total authorized and subscribed capital was \$120 million, (2) the Company subscribed to 50% of AMAK's stock and the Saudi investors subscribed to the other 50%, (3) the Company contributed its mining assets and leasehold rights and the Saudi investors contributed \$60 million in cash, (4) 45 million authorized shares were issued to the two groups, half to each, (5) the Company was obligated to contribute an additional \$30 million, but the original agreement suggested that such obligation could be satisfied by the Company being a party to AMAK's borrowing from a Saudi bank or similar source, (6) it became clear by Spring 2009 that there were few realistic alternatives for the Company, as such a capital call could not be achieved, and (7) the settlement agreement between the parties was proposed in May 2009 and after extensive consultation with legal advisors and others, it was finalized in August 2009.

Effective as of August 25, 2009, the Company entered into a letter agreement ("Agreement") with all AMAK shareholders resolving various matters, including, but not limited to, the additional \$30 million capital call. The principal terms of the Agreement are:

- The Company will convey nine percent or 4,050,000 shares of AMAK stock to the other AMAK shareholders pro rata;
- The Articles of Association and By-Laws of AMAK will be amended to reflect that: (i) the Company has fully and completely paid the subscription price for 18,450,000 shares of AMAK stock (or 41% of the issued and outstanding shares), (ii) neither AMAK nor the other AMAK shareholders may require the Company to make an additional capital contribution without the Company's written consent, and (iii) the Company shall retain seats on the AMAK Board equal in number to that of the Saudi Arabian shareholders for a three year period beginning August 25, 2009;
- AMAK will assume an \$11 million Promissory Note from the Saudi Arabian Ministry of Finance & National Economy Loan to the Company, dated January 24, 1979, and will indemnify and defend the Company against any and all claims related to said Promissory Note;
- For a three year period commencing August 25, 2009, the Company has the option to repurchase from the Saudi Arabian shareholders 4,050,000 shares of AMAK stock at a price equal to the then fair market value of said shares less ten percent; and
- The two Memorandums of Understanding dated 21/05/2006G and 10/06/2006G respectively, as well as the Partnership Agreement dated 06/08/2006G, are terminated for all purposes.

The terms of the Agreement, a copy of which is filed as Exhibit 10.1 to this report, are hereby incorporated by reference into this Item 1.01.

Item 9.01 Financial Statements and Exhibits.

(c) Exhibits

<u>Exhibit No.</u>	<u>Exhibit</u>
10.1	Letter Agreement dated August 5, 2009, but effective August 25, 2009, among Arabian American Development Company and the other Al Masane Al Kobra Company shareholders named therein.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ARABIAN AMERICAN DEVELOPMENT COMPANY

Date: August 27, 2009
Connie Cook, Secretary

By: /s/ Connie Cook _____

Exhibit 10.1

Arabian American Development Company

P. O. Box 1636
Silsbee, TX 77656
(409) 385-8300

August 5, 2009

Re: Al Masane Al Kobra Company

Dear Partners,

Please accept this letter as Arabian American Development Company's, a Delaware corporation ("ARSD") response to the offer conveyed in Dr. Talal Al-Shair's letter of June 15, 2009. ARSD has a strong desire to amicably resolve the issue regarding the \$30,000,000 capital contribution and to move the Al Masane mining project forward to completion and profitability for all partners. The ARSD Board has spent significant time analyzing and discussing the various Al Masane Al Kobra Company, a Saudi Arabian closed joint stock company ("AMAK") formation documents, and has reached the conclusion that the documentation leading up to and including the formation of AMAK is ambiguous. ARSD does not interpret the AMAK formation documents to have the same meaning as that suggested by various AMAK partners and makes this final offer in a good faith attempt to settle the issue permanently.

1. ARSD to convey nine percent (9%) or 4,050,000 shares of AMAK stock to the other AMAK shareholders pro rata as reflected in the table below. AMAK's Articles of Association and Bylaws will be amended by a Saudi Arabian law firm selected by ARSD within thirty (30) business days after acceptance of this letter agreement by all AMAK shareholders to reflect that ARSD has fully and completely paid the subscription price for 18,450,000 shares of AMAK stock (or 41% of the issued and outstanding shares), and that neither AMAK nor the other AMAK partners may require ARSD to make an additional capital contribution now or in the future, without ARSD's written consent.

Founder Shareholders	Initial Total Shares	Initial %	Revised Shares	Revised %
Arabian American Development Company	22,500,000	50.00	18,450,000	41.00
Mr. Mohammed Mane'a Sultan Aba Al-Ola, owner of Dorrat Al Masane'e Trading Establishment	7,200,000	16.00	8,496,000	18.88
Al-Sha'er Trading, Manufacturing and Contracting Company	4,500,000	10.00	5,310,000	11.80
His Royal Highness Prince Nawaf bin Mishel bin Saud Al Saud, owner of Qasser Al Ma'aden Trading Establishment	3,600,000	8.00	4,248,000	9.44
Mr. Ibraheem Ali Hussain Moslem	2,250,000	5.00	2,655,000	5.90
Mr. Majed Ali Hussain Moslem	2,250,000	5.00	2,655,000	5.90
Thamarat Najran Co. Ltd.	1,800,000	4.00	2,124,000	4.72
Omar bin Ali bin Omar Babtain, owner of the Saudi Establishment for Trading & Construction	900,000	2.00	1,062,000	2.36
Total	45,000,000	100.00	45,000,000	100.00

2. Within thirty (30) business days after acceptance of this letter agreement by all AMAK partners, AMAK's Bylaws will be amended to provide that:

a. ARSD representatives shall retain an equivalent number of Board seats on AMAK as the current Saudi investors. Any changes due to new equity partners will affect the Board representation equally for both parties, regardless of ARSD's ownership percentage. The restriction on Board makeup shall remain in effect for a three year period beginning on the date of the final signature on this agreement.

3. AMAK will assume that certain \$11,000,000 Promissory Note from the Saudi Arabian Ministry of Finance & National Economy Loan to ARSD, dated January 24, 1979 (the "Note") and agrees to indemnify and defend ARSD against any and all claims related to said Note. In addition, AMAK will use best efforts to obtain a release of said Note from the Ministry of Finance & National Economy Loan in favor of ARSD within thirty (30) business days after acceptance of this letter agreement by all AMAK shareholders.

4. AMAK shareholders will work diligently to document AMAK's paid up capital from US\$60,000,000 to US\$120,000,000 (as mandated by the AMAK Board to Al-Kharashi Consulting Firm).

5. Some or all AMAK shareholders (excluding ARSD) will use best efforts to provide interim financing to AMAK upon reasonable terms and conditions pending approval and disbursement of SIDF loan or other long term funding to prevent NESMA and the Chinese contractor from prematurely terminating work on the AMAK Al Masane mining project due to non-payment and/or concerns regarding non-payment, and to adhere to the construction schedule as initially proposed by NESMA.

6. AMAK and all of its current shareholders agree that ARSD shall have the option to re-purchase from the Saudi shareholders as listed above, the exact amount of shares transferred under this Agreement at a price equal to the then fair market value less ten percent (10%). The purpose of this provision is to allow ARSD to regain its ownership in AMAK on an equal basis with the amount owned by the current Saudi shareholders as listed. The term of said option shall be for three (3) years commencing on the date of this letter agreement.

7. The AMAK shareholders agree and acknowledge that the two Memorandums of Understanding dated 23/04/1427H (21/05/2006G) and 14/05/1427H (10/06/2006G) respectively, as well as the Partnership Agreement, dated 12/07/1427H (06/08/2006G), are hereby terminated for all purposes.

If the above meets with your approval, please sign below and return to our attention at your earliest convenience.

Sincerely yours,

Arabian American Development Company

By: /s/ Nicholas N. Carter
Nicholas N. Carter,
its Chief Executive Officer

AGREED AND ACCEPTED:

Dorrat Al Masane's Trading Establishment

By: /s/Mohammed Mane'a Sultan Aba Al-Ola
Mohammed Mane'a Sultan Aba Al-Ola,
owner of Dorrat Al Masane'e Trading Establishment
**Al-Sha'er Trading, Manufacturing and
Contracting Company**

Dated: 08/08/09

By: /s/ Talal Al-Shair
Name: Talal Al-Shair
Its: _____

Dated: 08/25/09

Qasser Al Ma'aden Trading Establishment

By: /s/ Prince Nawaf bin Mishel bin Saud Al Saud
His Royal Highness Prince Nawaf bin
Mishel bin Saud Al Saud, owner of Qasser
Al Ma'aden Trading Establishment

Dated: _____

/s/ Ibraheem Ali Hussain Moslem
Ibraheem Ali Hussain Moslem

Dated: _____

/s/ Maje Ali Hussain Musallam
Maje Ali Hussain Moslem

Dated: _____

Thamarat Najran Co. Ltd.

By: /s/ Ayman A. Alshibl
Name: Ayman A. Alshibl
Its: _____

Dated: 08/17/09

**Saudi Establishment for Trading &
Construction**

By: /s/ Omar bin Ali bin Omar Babtain
Omar bin Ali bin Omar Babtain, owner of
the Saudi Establishment for Trading &
Construction

Dated: _____

Al Masane Al Kobra Company

By: /s/ Dr. Talal Al-Shair
Dr. Talal Al-Shair,
its Chairman

Dated: 08/25/09

