ARROW RESOURCES DEVELOPMENT INC
Form 10-Q
November 17, 2008

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 September 30, 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 l-9224

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

DELAWARE	**56-2346563**
(State or Other Jurisdiction of Incorporation or Organization)	**(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:

Title of Each Class	**Name of Each Exchange on Which Registered**
Common stock - par value $0.00001	OTC: Bulletin Board

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

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(Title of Class)

____

(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 x No ¨

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

The number of shares outstanding of each of the issuer's classes of common equity, as of November 10, 2008.

Class	Outstanding at November 10, 2008
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 SEPTEMBER 30, 2008

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

Unaudited Consolidated Balance Sheets

		September 30, 2008		December 31, 2007 (As restated - Note 2)
ASSETS				
Current:				
Cash	$	16	$	1,040
Other current asset:				
Prepaid expenses		-		-
Total current assets		16		1,040
Total assets	$	16	$	1,040
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY				
Current:				
Accounts and accrued expenses payable, including $4,764,628 and $3,592,491 due to Company shareholders and directors, respectively	$	5,169,464	$	4,085,122
Estimated liability for legal judgment obtained by predecessor entity shareholder		1,053,385		1,053,385
Due to related parties		5,477,221		4,404,183
Notes payable, including accrued interest of $20,000 and $20,000 at September 30, 2008 and December 31, 2007, respectively		1,108,000		245,000
Total liabilities		12,808,070		9,787,690
Commitments and contingencies		-		-
STOCKHOLDERS' (DEFICIT) EQUITY				
Preferred stock, $0.00001 par value, 10 million shares authorized, no shares issued or outstanding at September 30, 2008 and December 31, 2007		-		-
Preferred stock Series A, $0.00001 par value, 2 million shares authorized, 355,000 and 280,000 shares to be issued at September 30, 2008 and December 31, 2007		355,000		280,000
Preferred stock Series C, $0.00001 par value, 2 million shares authorized, 25,000 and 0 shares to be issued at September 30, 2008 and December 31, 2007		25,000		-
Common stock, $0.00001 par value, 1 billion shares authorized, 650,993,240 and 649,743,240 issued and outstanding, respectively		6,509		6,497
		113		25

Common stock to be issued, $0.00001 par value, 11,056,350 and 2,485,685 shares to be issued at September 30, 2008 and December 31, 2007, respectively				
Additional paid-in capital		125,444,941		124,790,220
Accumulated deficit		(138,639,617)		(134,863,392)
Total stockholders' (deficit) equity		(12,808,054)		(9,786,650)
Total liabilities and stockholders' (deficit) equity	$	16	$	1,040

See accompanying notes to the consolidated financial statements.

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

Unaudited Consolidated Statement of Operations (During the Development Stage)

	For the Three Months Ended September 30, 2008	For the Three Months Ended September 30, 2007	For the Nine Months Ended September 30, 2008	For the Nine Months Ended September 30, 2007	For the Period From Inception (November 15, 2005) to December 31, 2007 (As Restated - Note 2)	Accumulated During the Development Stage for the Period From Inception (November 15, 2005) to September 30, 2008
Revenue	$ -	$ -	$ -	$ -	$ -	$ -
Operating expenses:						
Consulting fees and services, including $956,967, $858,508, $2,734,192, $2,473,835, $7,555,470 and $10,289,662 incurred to related parties, respectively	1,031,772	899,311	3,124,065	2,611,020	7,955,066	11,079,131
General and administrative	29,022	44,356	180,525	98,761	554,177	734,702
Directors' compensation	65,000	-	205,000	-	260,178	465,178
Delaware franchise taxes	105	14,413	315	43,239	185,001	185,316
Total operating expenses	1,125,899	958,080	3,509,905	2,753,020	8,954,422	12,464,327
Loss from operations during the development stage	(1,125,899)	(958,080)	(3,509,905)	(2,753,020)	(8,954,422)	(12,464,327)
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					(1,053,385)	(1,053,385)

by predecessor entity shareholder						
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)
Expenses incurred as part of recapitalization transaction	-	-	-	-	(249,252)	(249,252)
Debt issue costs to be satisfied of $216,320 in Company Common Stock	-	-	(266,320)	-	-	(266,320)
-		-	(266,320)	-	(125,908,970)	(126,175,290)
Net loss	$ (1,125,899)	$ (958,080)	$ (3,776,225)	$ (2,753,020)	$ (134,863,392)	$ (138,639,617)
Basic and diluted net loss per weighted-average shares common stock outstanding	$ (0.002)	$ (0.001)	$ (0.006)	$ (0.004)	$ (0.214)	$ (0.220)
Weighted-average number of shares of common stock outstanding	651,835,631	649,543,240	650,445,795	649,543,240	631,654,538	629,282,647

See accompanying notes to the consolidated financial statements.

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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 predecesor entity stockholder	--		--	--		--	-		-	200,000		2

litigation								
Common stock to be issued for directors' compensation	--	--	--	--	1,000,685	10	--	--
Net loss for the year (As Restated - See Note 2)	--	--	--	--	--	--	--	--
Balance, December 31, 2007 (As Restated - See Note 2)	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 to be issued for directors' compensation	--	--	--	--	750,000	9	--	--
Debt issue costs to be satisfied in Company Common Stock	--	--	--	--	3,704,000	38	--	--
Common stock to be issued for purchase of common stock	--	--	--	--	1,000,000	10	--	--
Common stock to be issued for consulting and marketing services	--	--	--	--	3,116,665	31	--	--
Common stock issued for consulting and marketing services	--	--	--	--	--	--	1,250,000	12
Net loss for the nine months ended September 30, 2008	--	--	--	--	--	--	--	--
Balance, September 30, 2008	355,000	$ 355,000	25,000	$ 25,000	11,056,350	$ 113	650,993,240	$ 6,509

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 predecesor entity stockholder litigation	11,998	--	12,000
Common stock to be issued for directors' compensation	60,031	--	60,041
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)	$ 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 to be issued for directors' compensation	54,991	--	55,000
Debt issue costs to be satisfied in Company Common Stock	216,283	--	216,321
Common stock to be issued for purchase of common stock	49,990	--	50,000
Common stock to be issued for consulting and marketing services	245,968	--	245,999
Common stock issued for consulting and marketing services	87,489	--	87,501
Net loss for the nine months ended September 30, 2008	--	(3,776,225)	(3,776,225)
Balance, September 30, 2008	$ 125,444,941	$ (138,639,617)	$ (12,808,054)

See accompanying notes to the consolidated financial statements.

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

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

	For the Nine Months Ended September 30, 2008	For the Nine Months Ended September 30, 2007	For the Period From Inception (November 15, 2005) to December 31, 2007 (As Restated - See Note 2)	Accumulated During the Development Stage for the Period From Inception (November 15, 2005) to September 30, 2008
Net loss	$ (3,776,225)	$ (2,753,020)	$ (134,863,392)	$ (138,639,617)
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	216,321	-	-	216,321
Debt issue costs to be satisfied in Company Common Stock	50,000	-	-	50,000
Common stock issued for consulting and marketing services	87,501	-	-	87,501
Common stock to be issued for consulting and marketing services	245,999		-	245,999
Increase in prepaid expenses	-	(1,861)	-	-
Stock-based directors' compensation to be issued	55,000		60,041	115,041
Changes in operating asset and liabilities:				
Increase in accounts and accrued expenses payable	1,334,342	940,840	2,848,562	4,182,904
Estimated liability for legal judgement obtained by predecessor entity shareholder	-	-	1,053,385	1,053,385
Net cash (used in) operating activities	(1,787,062)	(1,814,041)	(4,637,187)	(6,424,249)
Cash flows from investing activities:				
Cash acquired as part of merger transaction	-	-	39,576	39,576
Advances to related party	(250,000)	(244,575)	(369,575)	(619,575)
Net cash (used in) investing activities	(250,000)	(244,575)	(329,999)	(579,999)
Cash flows from financing activities:				

Proceeds of issuance of note payable	863,000	-	25,000	888,000
Proceeds of loans received from related parties	605,000	725,000	1,175,000	1,780,000
Repayment towards loan from related party	(88,000)	(86,425)	(86,425)	(174,425)
Net increase in due to related parties attributed to operating expenses paid on the Company's behalf by the related party	556,038	970,041	2,027,653	2,583,691
Net increase in investments/capital contributed	100,000	450,000	1,776,998	1,876,998
Advances from senior advisor	-	-	50,000	50,000
Net cash provided by financing activities	2,036,038	2,058,616	4,968,226	7,004,264
Net change in cash	(1,024)	-	1,040	16
Cash balance at beginning of period	1,040	-	-	-
Cash balance at end of period	$ 16	$ -	$ 1,040	$ 16
Supplemental disclosures of cash flow information:				
Cash paid during the period for:				
Income taxes	$ -	$ -	$ -	$ -
Interest expense	$ -	$ -	$ -	$ -
Non-cash investing and financing activities:				
Non-cash purchase of marketing and distribution agreement	$ -	$ -	$ 125,000,000	$ 125,000,000
Settlement of senior note payable through issuance of convertible preferred stock	$ -	$ -	$ 125,000,000	$ 125,000,000
Non-cash acquisition of accrued expenses in recapitalization	$ -	$ -	$ 421,041	$ 421,041
Non-cash acquisition of notes payable in recapitalization	$ -	$ -	$ 220,000	$ 220,000

See accompanying notes to the consolidated financial statements.

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ARROW RESOURCES DEVELOPMENT, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - NATURE OF BUSINESS / ORGANIZATION

Business Description

Arrow Resources Development, Inc. and Subsidiaries ("the Company"), was subject to a change of control transaction that was accounted for as a recapitalization of CNE Group, Inc. ("CNE") in November 2005. Arrow Resources Development, Ltd., ("Arrow Ltd.") the Company's wholly-owned subsidiary, was incorporated in Bermuda in May 2005. Arrow Ltd. provides marketing and distribution services for the development of natural resources.

In April of 2006, Arrow Ltd. entered into an agency agreement with Arrow Pacific Resources Group Limited ("APR") that provides marketing and distribution services for timber resource products and currently has an exclusive marketing and sales agreement with APR to market lumber, com and related products from land leased by GMPLH which is operated by APR and it's subsidiaries, located in Indonesia. Under the agreement Arrow Ltd. will receive a commission of 10% of gross sales derived from lumber, com and related products. The consideration to be paid to APR will be in the form of a to-be-determined amount of the Company's common stock, subject to the approval of the Board of Directors.

As of December 31, 2005, the Company also had a wholly-owned subsidiary, Career Engine, Inc. ("Career Engine") for which operations were discontinued prior to the recapitalization transaction. The net assets of Career Engine had no value as of December 31, 2005.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

Interim Financial Statements

In the opinion of management, the accompanying consolidated financial statements reflect all adjustments (consisting of normal recurring accruals) necessary to present fairly the Company's financial position as of September 30, 2008 and the results of its operations, changes in stockholders' (deficit) equity, and cash flows for the three and nine months periods ended September 30, 2008 and 2007, respectively, for the period from the commencement of the development stage (November 15, 2005) to September 30, 2008, and for the period from the commencement of the development stage (November 15, 2005) to December 31, 2007. Although management believes that the disclosures in these consolidated financial statements are adequate to make the information presented not misleading, certain information and footnote disclosures normally included in financial statements that have been prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to the rules and regulations of the Securities Exchange Commission.

The results of operations for the three and nine months ended September 30, 2008 and for the period from the commencement of the development stage (November 15, 2005) to September 30, 2008, are not necessarily indicative of the results that may be expected for the full year ending December 31, 2008, and for the period from the commencement of the development stage (November 15, 2005) to December 31, 2008. The accompanying consolidated financial statements should be read in conjunction with the more detailed "restated" consolidated financial statements, and the related footnotes thereto, filed with the Company's amended Annual Report on Form 10KSB/A for the year ended December 31, 2007 filed on June 26, 2008.

Going-Concern Status

These consolidated financial statements are presented on the basis that the Company is a going concern. Going concern contemplates the realization of assets and the satisfaction of liabilities in the normal course of business over a reasonable period of time.

As shown in the accompanying consolidated financial statements, the Company incurred a net loss of $1,125,899 and $3,776,225 for the three and nine months ended September 30, 2008, and a net loss during the development stage from inception in November 15, 2005 through September 30, 2008 of $138,639,617. The Company’s operations are in the development stage, and the Company has not generated any revenue since inception. The Company’s existence in the current period has been dependent upon advances from related parties and other individuals, and the sale of senior notes payable.

One of the principal reasons for the Company’s substantial doubt regarding its ability to continue as a going concern involves the fact that as of December 31, 2007, the Company’s principal asset, a marketing and distribution intangible asset in the amount of $125,000,000 was written off as impaired as discussed in Note 6 due to the fact that environment laws affecting timber harvesting have become more restrictive in Papua New Guinea.

The condensed consolidated financial statements do not include any adjustments relating to the carrying amounts of recorded assets or the carrying amounts and classification of recorded liabilities that may be required should the Company be unable to continue as a going concern.

Principles of consolidation:

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Arrow Ltd. All significant inter-company balances and transactions have been eliminated.

Development Stage Company:

The accompanying financial statements have been prepared in accordance with the Statement of Financial Accounting Standards No. 7 “Accounting and Reporting by Development-Stage Enterprises”. A development state enterprise is one in which planned and principal operations have not commenced or if its operations have commenced, there has been no significant revenue there from. Development-stage companies report cumulative costs from the enterprise’s inception.

Income taxes:

The Company follows SFAS No. 109, “Accounting for Income Taxes.” Under the asset and liability method of SFAS No. 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. A valuation allowance has been provided for the Company's net deferred tax asset, due to uncertainty of realization.

Effective January 1, 2007, the Company adopted Financial Accounting Standard Board Interpretation No. 48 Accounting for Uncertainty in Income Taxes (“FIN 48”). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements in accordance with SFAS Statement No. 109 Accounting for Income Taxes. FIN 48 prescribes a recognition threshold and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting interim period, disclosure and transition. There were no adjustments required upon adoption of FIN 48.

Fair value of financial instruments:

For financial statement purposes, financial instruments include cash, accounts and accrued expenses payable, and amounts due to Empire Advisory, LLC (“Empire”) (as discussed in Notes 6 and 7) for which the carrying amounts approximated fair value because of their short maturity.

Use of estimates:

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

ARROW RESOURCES DEVELOPMENT, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loss per share:

The Company complies with the requirements of the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, “Earning per share” (“SFAS No. 128”). SFAS No. 128 specifies the compilation, presentation and disclosure requirements for earning per share for entities with publicly held common stock or potentially common stock. Net loss per common share, basic and diluted, is determined by dividing the net loss by the weighted average number of common shares outstanding.

Net loss per diluted common share does not include potential common shares derived from stock options and warrants because they are anti-dilutive for the period from November 15, 2005 to December 31, 2007 and for the period from November 15, 2005 to September 30, 2008. As of September 30, 2008, there are no dilutive equity instruments outstanding. However, the Company has 355,000 and 0 shares of Series A Convertible Preferred Stock and 25,000 and 0 shares of Series C Convertible Preferred Stock that are issuable as of September 30, 2008 and 2007, respectively.

Acquired intangibles:

Intangible assets were comprised of an exclusive sales and marketing agreement. In accordance with SFAS 142, “Goodwill and Other Intangible Assets” the Company assesses the impairment of identifiable intangibles whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors the Company considers to be important which could trigger an impairment review include the following:

1. Significant underperformance relative to expected historical or projected future operating results;

2. Significant changes in the manner of use of the acquired assets or the strategy for the overall business; and

3. Significant negative industry or economic trends.

When the Company determines that the carrying value of intangibles may not be recoverable based upon the existence of one or more of the above indicators of impairment and the carrying value of the asset cannot be recovered from projected undiscounted cash flows, the Company records an impairment charge. The Company measures any impairment based on a projected discounted cash flow method using a discount rate determined by management to be commensurate with the risk inherent in the current business model. Significant management judgment is required in determining whether an indicator of impairment exists and in projecting cash flows.

The sales and marketing agreement was to be amortized over 99 years, utilizing the straight-line method. Amortization expense had not been recorded since the acquisition occurred as the company had not yet made any sales.

The value of the agreement was assessed to be fully impaired by the Company and it recorded a loss on the write off of the Marketing and Distribution agreement of $125,000,000 at December 31, 2007 (See Note 6).

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ARROW RESOURCES DEVELOPMENT, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consideration of Other Comprehensive Income Items:

SFAS 130 - Reporting Comprehensive Income, requires companies to present comprehensive income (consisting primarily of net income plus other direct equity changes and credits) and its components as part of the basic financial statements. For the period from inception (November 15, 2005) to September 30, 2008, the Company's consolidated financial statements do not contain any changes in equity that are required to be reported separately in comprehensive income.

Recent Accounting Pronouncements:

In May 2008, the FASB issued SFAS No. 163, "Accounting for Financial Guarantee Insurance Contracts-an interpretation of FASB Statement No. 60." Diversity exists in practice in accounting for financial guarantee insurance contracts by insurance enterprises under FASB Statement No. 60, Accounting and Reporting by Insurance Enterprises. This results in inconsistencies in the recognition and measurement of claim liabilities. This Statement requires that an insurance enterprise recognize a claim liability prior to an event of default (insured event) when there is evidence that credit deterioration has occurred in an insured financial obligation. This Statement requires expanded disclosures about financial guarantee insurance contracts. The accounting and disclosure requirements of the Statement will improve the quality of information provided to users of financial statements. The adoption of FASB 163 is not expected to have a material impact on the Company's financial position.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles." The current GAAP hierarchy, as set forth in the American Institute of Certified Public Accountants (AICPA) Statement on Auditing Standards No. 69, The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles, has been criticized because (1) it is directed to the auditor rather than the entity, (2) it is complex, and (3) it ranks FASB Statements of Financial Accounting Concepts. The FASB believes that the GAAP hierarchy should be directed to entities because it is the entity (not its auditor) that is responsible for selecting accounting principles for financial statements that are presented in conformity with GAAP. Accordingly, the FASB concluded that the GAAP hierarchy should reside in the accounting literature established by the FASB and is issuing this Statement to achieve that result. This Statement is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles. The adoption of FASB 162 is not expected to have a material impact on the Company's financial position.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133." Constituents have expressed concerns that the existing disclosure requirements in FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, do not provide adequate information about how derivative and hedging activities affect an entity's financial position, financial performance, and cash flows. SFAS No. 161 requires enhanced disclosures about an entity's derivative and hedging activities and thereby improves the transparency of financial reporting. This Statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. This Statement encourages, but does not require, comparative disclosures for earlier periods at initial adoption. The adoption of FASB 161 is not expected to have a material impact on the Company's financial position.

In December 2007, the FASB issued SFAS No.160, “Noncontrolling Interests in Consolidated Financial Statements - an amendment of ARB No. 51”. SFAS No.160 requires that the ownership interests in subsidiaries held by parties other than the parent be clearly identified, labeled, and presented in the consolidated statement of financial position within equity, in the amount of consolidated net income attributable to the parent and to the noncontrolling interest on the face of the consolidated statement of income, and that entities provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS No.160 is effective for fiscal years, beginning on or after December 15, 2008 and cannot be applied earlier.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141(revised 2007), “Business Combinations,” (“FASB 141R”). This standard requires that entities recognize the assets acquired, liabilities assumed, contractual contingencies and contingent consideration measured at their fair value at the acquisition date for any business combination consummated after the effective date. It further requires that acquisition-related costs are to be recognized separately from the acquisition and expensed as incurred. FASB 141R is effective for fiscal years beginning after December 15, 2008.

The Company does not anticipate that the adoption of SFAS No. 141R and No. 160 will have an impact on the Company's overall results of operations or financial position, unless the Company makes a business acquisition in which there is a non-controlling interest.

In December 2007, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 110, “Use of a Simplified Method in Developing Expected Term of Share Options” (“SAB 110”). SAB 110 expresses the current view of the staff that it will accept a company’s election to use the simplified method discussed in Staff Accounting Bulletin 107, *Share Based Payment* , (“SAB 107”), for estimating the expected term of “plain vanilla” share options regardless of whether the company has sufficient information to make more refined estimates. SAB 110 became effective for the Company on January 1, 2008. The adoption of SAB 110 is not expected to have a material impact on the Company’s financial position.

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NOTE 3 - AGREEMENT AND PLAN OF MERGER BETWEEN ARROW RESOURCES DEVELOPMENT, LTD. AND CNE GROUP, INC.

In August 2005, the Company entered into an Agreement and Plan of Merger ("the Agreement") with CNE Group, Inc. ("CNE") under which, CNE was required to issue 10 million shares of Series AAA convertible preferred stock ("the Preferred Stock") to the Company, representing 96% of all outstanding equity of CNE on a fully diluted basis for the Marketing and Distribution Agreement provided to the Company, Empire, as agent. Under the Agreement, the Company changed its name to Arrow Resources Development, Inc. and divested all operations not related to Arrow Ltd. The Preferred Stock contained certain liquidation preferences and each share of the Preferred Stock was convertible to 62.4 shares of common stock.

The transaction was consummated upon the issuance of the Preferred Stock on November 14, 2005, which was used to settle the senior secured note payable for $125,000,000 and $1,161,000 of cash advances from Empire. The Preferred Stock was subsequently converted to common stock on December 2, 2005, for a total of approximately 649 million shares of common stock outstanding. This was recorded as a change of control transaction that was accounted for as a recapitalization of CNE.

The operations of the Company's wholly-owned subsidiary, Career Engine, Inc. were discontinued prior to the recapitalization transaction. The net assets of Career Engine had no value as of December 31, 2005.

During the period from November 15, 2005 to December 31, 2005, the Company incurred $249,252 of expenses incurred as part of recapitalization transaction.

NOTE 4 - INCOME TAXES

In August 2005, the Company entered into an Agreement and Plan of Merger ("the Agreement") with CNE Group, Inc. ("CNE"). Under the Agreement, the Company changed its name to Arrow Resources Development, Inc. and divested all operations not related to Arrow Ltd. The transaction was consummated upon the issuance of the Preferred Stock on November 14, 2005. (See Note 3 for a detailed description of the transaction.)

Consequently, as of November 14, 2005 the predecessor CNE entity had a net operating loss carryforward available to reduce future taxable income for federal and state income tax purposes of the successor entity of approximately zero, because those losses arose from the predecessor CNE exiting previous business lines that had generated operating losses.

For tax purposes, all expenses incurred by the re-named entity now known as Arrow Resources Development, Inc. after November 14, 2005 have been capitalized as start up costs in accordance with Internal Revenue Code Section ("IRC") No. 195. Pursuant to IRC 195, the Company will be able to deduct these costs by amortizing them over a period of 15 years for tax purposes once the Company commences operations. Accordingly for tax purposes, except for Delaware franchise taxes, none of the Company's post November 14, 2005 losses are as yet reportable in Company income tax returns to be filed for the years ended December 31, 2005, 2006 or 2007.

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NOTE 4 - INCOME TAXES (Continued)

The significant components of the Company's deferred tax assets are as follows:

Net operating loss carryforward	$	63,007
Differences resulting from use of cash basis for tax purposes		-
Total deferred tax assets		63,007
Less valuation allowance		(63,007)
Net deferred tax assets	$	—

The net operating losses expire as follows:

December 31, 2026	$	127,349
December 31, 2027		57,967
Net Operating Loss Carryover	$	185,316

Reconciliation of net loss for income tax purposes to net loss per financial statement purposes:

Costs capitalized under IRC Section 195 which will be amortizable over 15 years for tax purposes once the Company commences operations	$ 138,454,301
Delaware franchise taxes deductible on Company's tax return	185,316
Net loss for the period from inception (November 15, 2005) to September 30, 2008	$ 138,639,617

NOTE 5 - NOTES PAYABLE

As of September 30, 2008 and December 31, 2007, the Company had notes payable outstanding as follows:

Holder	**Terms**	**September 30, 2008**	**December 31, 2007**
Barry Blank (1)	Due on demand, 10% interest	$ 200,000	$ 200,000
Accrued interest (1)		20,000	20,000
H. Lawrence Logan	Due on demand, non-interest bearing	25,000	25,000
John Marozzi (2)	Due on demand, non-interest bearing	100,000	-
James R. McConnaughy (3)	Due on demand, non-interest bearing	38,000	-
Christopher T. Joffe (4)	Due on demand, non-interest bearing	63,000	-
John E. McConnaughy III (5)	Due on demand, non-interest bearing	12,000	-

Frank Ciolli (6)	Due on demand, non-interest bearing	550,000	-
Barry Weintraub (7)	Due on demand, non-interest bearing	-	-
John Frugone (8)	Due on demand, non-interest bearing	100,000	-
Total		$ 1,108,000	$ 245,000

(1) The Company has a note payable outstanding for $200,000, plus $20,000 in accrued interest. Although the predecessor company (CNE) reserved 456,740 shares of its common stock to retire this debt pursuant to a settlement agreement, the stock cannot be issued until the party to whom the note was assigned by its original holder emerges from bankruptcy or reorganization. During the nine months ended September 30, 2008, no interest expense was recorded on the note as the number of shares to be issued was determined in the settlement agreement, executed prior to the recapitalization.

(2) On March 31, 2008, the Company received a $150,000 non-interest bearing advance from John Marozzi, which is due on demand. In repayment, the Company will repay the full amount of the note plus 1,000,000 shares of unregistered restricted common stock. The Company recorded $40,000 in debt issue costs related to the 1,000,000 shares of common stock that were issuable to John Marozzi as of March 31, 2008. As of September 30, 2008, these shares have not yet been issued. On May 5, 2008, John Marozzi received repayment of $50,000 from the Company leaving a balance of $100,000 unpaid principal as of September 30, 2008.

(3) On April 24, 2008, the Company received another $38,000 non-interest bearing advance from James R. McConnaughy, which is due on demand. In repayment, the Company will repay the full amount of the note plus 304,000 shares of the Company's unregistered restricted common stock. The Company recorded $24,320 in debt issue costs related to the 304,000 shares of common stock that are issuable to James R. McConnaughy as of September 30, 2008. James McConnaughy is a relative of John E. McConnaughy Jr., a Company Director discussed in Note 7 [3].

(4) On April 24, 2008, the Company received a $38,000 non-interest bearing advance from Christopher T. Joffe, which is due on demand. In repayment, the Company will repay the full amount of the note plus 304,000 shares of the Company's unregistered restricted common stock. The Company recorded $24,320 in debt issue costs related to the 304,000 shares of common stock that are issuable to Christopher T. Joffe as of September 30, 2008. On June 13, 2008, the Company received another $25,000 non-interest bearing advance from Christopher T. Joffe, which is due on demand. In repayment, the Company will repay the full amount of the note.

(5) On April 25, 2008, the Company received $12,000 non-interest bearing advance from John E. McConnaughy III, which is due on demand. In repayment, the Company will repay the full amount of the note plus 96,000 shares of the Company's unregistered restricted common stock. The Company recorded $7,680 in debt issue costs related to the 96,000 shares of common stock that are issuable to John E. McConnaughy III as of September 30, 2008.

(6) On April 30, 2008, the Company received a $500,000 non-interest bearing advance from Frank Ciolli. In repayment, the Company promises to pay Frank Ciolli the principal sum of $550,000 on or before October 31, 2008.

(7) April 8, 2008, the Company received a $50,000 non-interest bearing advance from Barry Weintraub, which was due on demand and was repaid by the Company on April 30, 2008.. In repayment, the Company was to repay the full amount of the note plus 2,000,000 shares of the Company's unregistered restricted common stock. The Company recorded $120,000 in debt issue costs related to the 2,000,000 shares of common stock that are issuable to Barry Weintraub as of September 30, 2008.

(8) On September 10, 2008, the Company received a $100,000 non-interest bearing advance from John Frugone, which is due on demand. In repayment, the Company will repay the full amount of the note in cash over two years from the date the note is executed. John Frugone is a relative of Peter Frugone, the Company's CEO and also a Company Director.

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NOTE 6 - IMPAIRMENT OF MARKETING AND DISTRIBUTION AGREEMENT AND RELATED SENIOR NOTE PAYABLE DUE TO EMPIRE ADVISORY, LLC

As discussed in Note 1, in August 2005, the Company executed a marketing and distribution agreement with Arrow Pte. This agreement was valued at fair value as determined based on an independent appraisal, which approximates the market value of 96% of the CNE public stock issued in settlement of the note.