

ARROW RESOURCES DEVELOPMENT INC
Form 10-K
April 15, 2010

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2009

- 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, 27th Floor, 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

(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 No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K

Issuer's revenues for 2009, its most recent fiscal year, were \$0 from continuing operations.

The number of freely tradable shares not held by affiliates is 98,818,007.

As of April 13, 2010, the aggregate market value of voting stock held by non-affiliates of the Issuer was approximately \$1,976,360.

The number of shares outstanding of each of the issuer's classes of common equity, as of April 13, 2010 are as follows:

Class	Outstanding at April 13, 2010
Common stock - par value \$0.00001	678,452,244

DOCUMENTS INCORPORATED BY REFERENCE

None.

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PART I

Forward Looking Statements

Certain statements in this Annual Report on Form 10-K constitutes “forward-looking statements” relating to the Company within the meaning of the Private Securities Litigation Reform Act of 1995. All statements regarding future events, our financial performance and operating results, our business strategy and our financing plans are forward-looking statements. In some cases, you can identify forward-looking statements by terminology, such as

- “may,”
- “will,”
- “would,”
- “should,”
- “could,”
- “expect,”
- “intend,”
- “plan,”
- “anticipate,”
- “believe,”
- “estimate,”
- “predict,”
- “potential” or
- “continue,”

the negative of such terms or other comparable terminology. These statements are only predictions. Known and unknown risks, uncertainties and other factors could cause actual results to differ materially from those contemplated by the statements. In evaluating these statements, you should specifically consider various factors, including the risks outlined under the Risk Factors set forth herein. These factors may cause our actual results to differ materially from any forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. We are under no duty to update any of the forward-looking statements after the date of this report to conform those statements to actual results or to changes in our expectations.

Glossary

“Arrow” - Arrow Resources Development, Inc. (also referred to as the “Company”), formerly known as CNE Group, Inc. prior to the name change that occurred on or around December 1, 2005.

“Arrow Ltd.” - Arrow Resources Development, Ltd., a company organized under the laws of Bermuda and a 100% owned subsidiary of Arrow. Arrow Ltd. was acquired by Arrow on or around August 1, 2005.

“APR” - Arrow Pacific Resources Group Limited, a British Virgin Islands company, is currently the principal shareholder of the Company, owning 352,422,778 shares or 52%.

“GMPLH” - Gerakan Masyarakat Pelestari Lingkungan Hidup, is a non-profit organization in Indonesia founded by A. H. Moerdani and Hans Karundeng. GMPLH is an educational organization that acts as project developer, fundraiser, and project expeditor for agricultural and environmental projects throughout Indonesia.

“P.T. Eucalyptus” - P.T. Eucalyptus Alam Lestari is an Indonesian registered company owned by Hans Karundeng and is a wholly owned subsidiary of Arrow Pacific Resources Group Limited (“APR”). This company is the Indonesian operating company that is the interface between GMPLH and all of the operating units and joint venture partners. P.T. Eucalyptus is responsible for the supervision of the planning of all harvesting, land preparation, and the planning of both the eucalyptus tree plantation and a large-scale agricultural operation.

“Arrow Pte.” - Arrow Pacific Resources (s) Pte. Ltd. is organized under the laws of Singapore and is a wholly owned subsidiary of Arrow Pacific Resources Group Limited (“APR”).

Item 1. Description of Business.

Arrow Resources Development, Inc. (“Arrow”) was incorporated under the laws of the State of Delaware in 1968. Unless the context requires otherwise, the term “Company,” “our,” or “we” refers to Arrow Resources Development, Inc.

GENERAL

The principal business of Arrow is to provide marketing, sales, distribution, corporate operations and corporate finance services for the commercial exploitation of natural resources around the world.

Our temporary corporate executive offices are located at Carnegie Hall Tower, 152 W. 57th Street, 27th Floor, New York, NY 10019 (212-262-2300) and our web site is www.arrowrd.com.

INTRODUCTION

We used to be a telecommunications and recruiting company formally known as CNE Group, Inc. We changed our name to Arrow Resources Development, Inc. on or around December 1, 2005. The Company elected to shift its business focus from telecommunications and recruiting to the worldwide commercial exploitation of natural resources.

Arrow Resources Development Inc. (herein “ARD,” “Arrow Inc.” or “the Company”) was established in 2005, to serve as the corporate finance and management infrastructure developer for large scale plantation/farming operations and ethanol plants in Indonesia. These projects are first and foremost environmental restorations and social engineering projects, being done in cooperation with the central and local governments of Indonesia, in partnership with Gerakan Masyarakat Pelestari Lingkungan Hidup (GMPLH), the largest nonprofit organization in Indonesia, as well a group of Indonesian joint venture partners that includes Arrow Pacific Resources Group Limited; a British Virgin Islands registered company, PT Wika Realty Inc. an Indonesian publicly traded construction and land development company and PT Mitrasarana Infracomindo, a public pension manager and natural resource development company. The government of Indonesia has declared that 55,000,000 hectares (approximately 6% of the country) to be “critical land”. Critical land is classified as land that has been illegally harvested over last 50 years by approximately 25 million local “farmers” who earn their living by cutting old-growth trees for their own use or for sale, at a fraction of its value to local lumber companies. The goal of the Arrow development team is to restore 3,000,000 hectares of this critical land in Indonesia through the creation of eucalyptus/corn plantations, ethanol plants, several large-scale farming (eucalyptus, corn, soy, rice, fish and chickens) operations, and possibly several ethanol blending plants. It is anticipated that these development will require approximately 6 - 8 years and when completed, will create approximately 200,000 local jobs, along with many small local business opportunities. Arrow has developed and maintains the corporate operating structure, financial operations, sales and marketing infrastructure and the administrative group to oversee its’ corporate citizenship programs. Arrow has outlined the necessary public relations and communications programs to sustain these rapidly growing operations. Arrow Resources, along with all of its joint venture partners, are collectively referred to in this document as "the Companies".

Arrow Pacific Resources Group Limited (herein “Arrow Pacific” or “APR”), a British Virgin Islands registered company, was founded by Hans Karundeng, an Indonesian industrialist and financier, for the purpose of developing natural resource assets controlled by his group of local Indonesian Companies that are developing plantation/farming operations and ethanol production plants in Indonesia. Mr. Karundeng is the principal stockholder of Arrow Inc., a member of the advisory board of GMPLH and a board member of several prominent Indonesian Companies. Arrow Pacific, through its local subsidiary Companies, has developed and will manage these opportunities in Indonesia.

Arrow Inc., along with its partners GMPLH and PT Eucalyptus Alam, an Indonesian registered wholly owned subsidiary of Arrow Pacific Resources Group Limited, have developed a synergy of agro-biotechnology and cutting edge forestry/agricultural practices in response to the growing demand for timber and farming products. When these practices are performed in a conscientious manner, it provides humankind with one of the greatest sources for renewable and ecologically sustainable resources. Paper, dimensional lumber, fiberboard, particleboard, furniture, utensils, recreational areas, animal habitat, and clean air are some of the many benefits that will be realized through the implementation of these programs in Indonesia.

The Companies are executing their plantation/farming operating plan through the implementation of a sound land management system, promote and/or establish infrastructural development programs and provide provisions for financial, economic and social growth to the people in the development areas. It is essential for these developments to take into consideration local bio-physical environment conditions as well as the traditional and cultural beliefs of the local villagers. In conjunction with local inhabitants, the Companies have developed a plan that will maximize profits to the greatest potential of the area, while increasing employment and constantly re-evaluating their administrative and management programs. The Companies are working to achieve superior safety performance, implement reliable harvesting, replanting and farming processes, and become a leader in the industries of sustainable forestry and farming as well as leaders in the development of socially conscious and environmentally sensitive land development throughout the world.

Arrow Pacific has entered into Marketing and Distribution Agreement with Arrow Resources Development Ltd. (a Bermuda Limited Company), which is a wholly-owned subsidiary of Arrow Resources Development Inc., that provides for Arrow to receive 10% of the gross sales generated by all plantation operations from any and all derivative products (e.g. corn, paper, pulp, chips), 5% of gross sales generated from all ethanol plants and a 50% ownership interest in all ethanol plants. Under this agreement, Arrow acts as collection and disbursement consultant and agent for all operations. In the case of each plantation, Arrow retains 10% and disburses the remaining 90% to Arrow Pacific's various business units which becomes their gross revenues. In the case of the ethanol plants, Arrow retains 5%, disburses all expensive tool suppliers and labor and develops audited accounting to determine operating income for distribution on a 50-50 basis. The Companies' Asian offices are in Singapore, Jakarta and Kendari Indonesia and satellite offices at each plantation or plant location. The following is a brief description of these transactions and relationships.

THE COMPANIES

Arrow Pacific, through its Indonesian operating division, PT Tiga Daun Nusantara (a locally registered Sulawesi company) is the principal operating company for the initial plantation and ethanol plant location in Tenggara, Sulawesi. Gerakan Masyarakat Pelestari Lingkungan Hidup (GMPLH), a large nonprofit organization based in Indonesia, for the development of a plantation/farming operation that will include 3 million hectares (ha) on the islands of Kalimantan and Sulawesi in Indonesia. PT Wika Realty Inc. and Indonesian publicly traded construction and land development company and PT Mitrasarana Infracomindo, a public pension manager and natural resource development company.

This program of reforestation is built around the development of eucalyptus and corn plantations, the development of ethanol plants as well as farming operations designed to create a sustainable forestry and agricultural program. This

program will include local subsistence farming operations at each plantation for the purpose of increasing and sustaining the income for local farmers. Through the development these subsistence farms, which will be funded by revenue from the programs, thousands of local farmers will plant and manage corn, rice and soybean crops for local consumption and national distribution as well as fish farms and chicken farms for local consumption and sale throughout the country.

Arrow Pacific and all its subsidiary Companies in Indonesia, along with GMPLH, have executed Agency Agreements in August 2006 with Arrow Resources Development Ltd. (the Bermuda registered wholly-owned subsidiary of our Resource Development Inc. herein referred to as "Arrow Ltd.") providing that the Company will advise the Companies on matters related to structured corporate finance, financial administration, corporate management practice, marketing and distribution and infrastructure. The Agency Agreements are for a term of 99 years while granting the Company 10% of gross revenue.

PT Tiga Daun Nusantara, a wholly owned subsidiary of Arrow Pacific Resources Group Limited, has opened its research and development office in Ujung Pandang for the purpose of developing genetically engineered eucalyptus tree saplings and corn seedlings to be used at the initial plantation/farming sites. By synthesizing aspects of American-style forestry and agricultural practices with these new advances in bio-engineering, the Company's methodology produces a significant increase in both quantity and quality of tree and corn, production. The accelerated growth cycle for the eucalyptus trees produced by these processes yield a continually renewable timber resource. Makassar, formerly known as Ujung Pandang, is the provincial capital of South Sulawesi, Indonesia. It is anticipated that this facility will be fully operational no later than the fourth quarter of 2010.

The Companies are poised to capitalize on the increasing demand of the raw materials for the manufacturing of paper, timber products, and agricultural products as well as the demand for ethanol in the local market and all the regional developing international markets, most notably China. The region's rising standards of living have created a demand for larger quantities of printed material, packaging, personal care paper products, industrial paper supplies, corn, rice, soy and the production of energy such as ethanol. The proximity of the Companies' operations to these local and principal markets enables them to supply these markets in a highly competitive manner due to significantly reduce transportation costs.

The Companies have two significant timing factors that enhance their competitive advantage for the production of eucalyptus. The first of these factors is the application of newly developed agro-biotechnology. The growth cycle of the eucalyptus trees in the Companies plantation areas is significantly faster than those of its competitors; 3 to 4 years, as opposed to a typical 10 to 12 years on average. The technology also offers several other biological advantages. The bio-engineered trees are more resistant to adverse weather and infestation, more successful at growing in poor soil and are able to sustain growth without the use of any toxic agro-chemicals. Several other lumbering operations in the Pacific have been heavily scrutinized in the past for their heavy use of such environmentally-degrading chemicals. The second factor is the proximity of the operations to the equator. This unique geographical position provides a growing season that lasts a full 12 months of each year, in comparison to the 7 to 8 month seasons of many of its competitors.

These significant advantages are also applicable to the production of the company's agricultural products, most notably corn. The climate and rainfall enable the growth of approximately 2-3 crops of corn annually. This significant increase in land usage lowers cost of the raw material and increases productivity while reducing storage requirements and the amortization of fixed expenses associated with a single crop.

The Companies understand that any large-scale timber and agricultural operation faces environmental and wildlife conservation concerns. In the interest of good corporate citizenship, a plan has been developed to ensure that all operations are sensitive to the environmental and ecological importance of transforming the critical land into a sustainable and renewable timber resource in a responsible manner. The Companies have consulted with their joint-venture partners GMPLH, to develop socially sensitive and environmentally friendly programs for developing these sustainable resources and large-scale farming operations. The Companies have also assembled its own local team of highly qualified scientists, bio-engineers and environmentalists for the development of its technology Center. This team has also examined methods proposed to establish a preserve for the relocation of wildlife, the preservation of biodiversity, the investigation of potential medical benefit and the replanting of several noble species.

On or around August 1, 2005, Arrow Pacific Resources (s) Pte. Ltd. ("Arrow Pte.") entered into a Marketing and Distribution Agreement with Arrow Resources Development Ltd. ("Arrow Ltd.") (a Bermuda Limited Company), which is a wholly-owned subsidiary of Arrow, that provided for both Companies to receive 10% of the gross sales generated by all plantation and mining operations and any and all derivative products (e.g. corn, paper, pulp, chips). Under this agreement, Arrow was to act as a consultant and agent for all operations. Arrow was to retain 10% of their gross revenues.

The World Bank and World Wildlife Federation have adopted forest management guidelines to ensure economic, social and environmental benefits from timber and non-timber products and the environmental services provided by forests. Most countries, including Indonesia as of 2007, have adopted these guidelines as law in order to promote economical development while combating the ongoing crisis of worldwide deforestation.

It has always been the policy of Arrow Pte to follow the international guidelines for the harvesting of timber in virgin forests. In December 2007, Arrow Pte. assessed that it would be unable to harvest the timber products in Papua, New Guinea due to the fact that the widely accepted international guidelines of the World Wildlife Federation had not been adopted by Papua, New Guinea. This fact is adverse to the economic, social and environmental goals of Arrow Pte.

because with the amount of land that the project was allotted combined with the agreed upon previous guidelines of the marketing and distribution agreement, yields would be significantly reduced. Given the significant change in the economics of the harvesting of the timber in Papua, New Guinea, Arrow Pte. has decided not to pursue any further operations in Papua, New Guinea given that the above restrictions cause a significant reduction in the volume of harvesting, which results in a disproportionate cost to yield ration at the Papua, New Guinea site which makes the project not economically feasible in the foreseeable future.

Based on the fact that Arrow Pte. is unable to fulfill their part of the agreement, the Company has reached the conclusion that the marketing and distribution agreement has no value. Therefore, the Company has fully impaired the value of the agreement and recorded a loss on write-off of the marketing and distribution agreement of \$125,000,000 at December 31, 2007.

In April of 2006, Arrow Ltd. entered into an agency agreement with APR to provide marketing and distribution services for natural resource products. Arrow Ltd. currently has an exclusive marketing and sales agreement with APR to market corn, lumber and related products from land leased by GMPLH located in Indonesia which is operated by APR and its subsidiaries. Under the agreement Arrow Ltd. will receive a commission of 10% of gross sales derived from corn, lumber and related products.

The companies' Asian offices are in Singapore, Jakarta and Kendari Indonesia and their plantation/farming activities are in Indonesia. Hans Karundeng is a director of the nonprofit organization GMPLH and is the principal stockholder of Arrow, the principal stockholder on APR and principal stockholder of all the Indonesian registered companies.

THE ARROW COMPANIES - GENERAL

Arrow, as part of the Management Agreement, has built and maintains all of the companies' corporate finance activities, corporate operations structure, financial management activities, international banking activities, supervision of all accounting and auditing activities, corporate research and development activities, maintenance of the companies' global MIS, direction of all marketing and sales activities and all the general administrative functions. Arrow has also developed and maintained the companies' scientific advisory team and corporate citizenship programs. Additionally, the Company supervises all legal and accounting activities necessary to retain its public listing.

Arrow Pacific Resources Group Limited, a British Virgin Islands registered company, was founded by Hans Karundeng in 2002, an Indonesian industrialist and financier, for the purpose of developing natural resource assets controlled by a non-profit organization through a group of Companies that are developing plantation/farming operations in Indonesia.

Arrow Pacific has, through their wholly-owned subsidiaries PT Tiga Daun Nusantara (local operating company in Kendari), PT Eucalyptus Alam Lestari, PT Nusa Alam Sejahtera, PT Sumbur Utama Alam, and PT Tunas Hampanan Hijau, (all Indonesian registered Companies) have entered into agency agreements with Arrow Resources Development Ltd. (a Bermuda Ltd. Company and wholly-owned subsidiary of Arrow Resources Development, Inc.) to act as its corporate finance, financial administration, corporate management practice, marketing and distribution and infrastructure agent in Indonesia. These agreements provide for the Company to receive 10% of the gross sales generated by all plantation/farming operations and by any and all derivative products (e.g. paper, pulp, chips). Under this agreement, ARD acts as the collection and disbursement agent for all operations. ARD retains 10% of gross revenues and disburses the remaining 90% to Arrow Pacific's various business units which becomes their gross revenue. In the case of the ethanol plants, Arrow collects all gross revenue from operations, retains 5% of the gross revenue as part of its fee, then covers expenses to all suppliers through an audited accounting system to determine net revenue for distribution on a 50-50 basis.

Arrow Pacific Resources Group Limited operates, with its joint-venture partners, all of the on-the-ground, day-to-day plantation operations, all infrastructural development operations and all shipping operations as they relate to the overall plan. Arrow Pacific is led by a team of highly qualified professionals with experience in the fields of plantation management, material science and analysis, agriculture, forestry and agro-law. The team has contracted all labor, heavy equipment, transportation and shipping. Several members of the team hold close affiliations with organizations such as the Timber Association of Sabah, the National Sub-committee on Fiscal Incentives of Forest Plantations in Malaysia and the Scientific and Technical Committee of The Association Technique Internationale des Bois Tepicaux.

PT Tiga Daun Nusantara is an Indonesian registered company owned by Hans Karundeng that is registered and licensed to operate in Kendari, Sulawesi. This company is the Indonesian operating company acting as the local interface between all of the operating units and joint venture partners. Tiga Daun is responsible for the supervision and planning of all harvesting, land preparation, and planning for both the eucalyptus tree plantation and a large-scale agricultural operation. The Ministry Of Forestry in Indonesia requires that local Companies receive operating licenses on each island. The local Companies that will hold the licenses are P.T. Eucalyptus Alam Lestari, which has formed PT Nusa Alam Sejahtera, PT Sumbur Utama Alam, PT Tiga Daun Nusantara and PT Tunas Hampanan Hijau.

GMPLH is one of the largest non-profit organizations in Indonesia. Founded by A. H. Moerdani and Hans Karundeng being a director, GMPLH is an educational organization that acts as a project developer, fundraiser, and project expeditor for agricultural and environmental projects throughout Indonesia. Since its inception in 1993, GMPLH has sponsored and completed more than 25 large-scale agricultural and educational projects resulting in the planting of more than 600 million trees throughout Indonesia. GMPLH has been initially granted land licenses by the Indonesian

government for more than 1.8 million hectares (ha) (3.75 million acres) for a program that will include 3 million ha as part of large-scale reforestation and farming efforts.

INDUSTRY

The planet's consumption of forestry products has more than doubled over the last 30 years as global population continues to grow. The increased demand for forestry products has also led to the need for increased protection of forests and wildlife, and a more public participation in forestry management. The demand for imported raw material for China's low-cost timber manufacturing industries is increasing sharply and establishing a more expansive market for international suppliers. The forestry community in the Asia-Pacific region, where the Companies' plantation will be located, possesses an advantage in the industry of greater periods of harvesting and re-growth in comparison to other countries that experience periods of dormancy. This is primarily caused by adverse weather and seasonal conditions. This enables growers in the region to cope with the ever shifting goals and expectations associated with the rapid evolution of social, economic and environmental issues that impact policies, legislation, and institutions. The increase in demand was rapidly exploited in many areas by timbering operations that stripped forests bare with no regard for their environmental damage, or replenishing the timber resources being consumed. This mercenary behavior was responded to with strict and immediate regulation and monitoring of the industry by government environmental agencies and consumer advocacy groups on lumbering operations worldwide. Despite the increase in demand, the shortage of suppliers who are able to meet environmental standards has caused the forestry industry to shrink by an estimated 9.4 million ha per annum.

The forestry industry involves harvesting, silviculture (the growing and cultivation of trees), milling, value-added processing and manufacturing. Globally, the industry is being pressured from many directions. Governments have attempted to improve the forestry industry with privatizing measures, which transfer the property rights through the sale of natural forests or planned forests. Only a limited number of countries were involved in this practice in the 1970s and 1980s, and among them were Chile and China. In New Zealand, privatization began in the late 1980s with the sale of 550,000 ha and in 2000, was shown to have 94% of planted forests owned privately. Between 2000 and 2002, South Africa saw the benefits of this system and estimated that 90,000 has become privatized. Privatization typically consists of the management of natural forest concessions or leases, volume permits or standing timber sales, outsourcing and community-based approaches. Global paper consumption trends continue to edge higher, confirming its utility as a low cost, high- performance and flexible material. Paper has been labeled by many as “essential” for development and modern living. Global consumption has increased by at least 25% during the 20th century and by a factor of three in the last three decades alone.

The Asian demand for timber and pulp supply has increased due to the rapid expansion of its economy and one of the largest population densities. These increases have led also to the increase in usage of computers requiring more printing paper, higher living standards, and the usage of more books, magazines and packing boxes. These same factors also drive the increased demand for Eucalyptus Oil, which China uses over 70% of the world’s production, and is projected to increase as well as the demand for the wood chips, which is one of the principal ingredients for manufacturing chipboard. Many experts believe China’s demand for such material will continue for the next 30 years.

The international market’s demand for timber derivative products continues to rise as economic factors drive the consumption of such goods forward. Household production levels directly impact the consumption levels of chipboards. A nationwide study in China determined 80% of the finished products available to the market are developed in household processing level mills which cannot meet the market demand. The insufficient rate in correlation with the high demand for timber raw material is so great that outside sources need to be employed. Aside from the growing demand for corn products in the Asian market, Indonesia is currently importing 1.5 million metric tons of corn annually to sustain its ever-growing production of ethanol and demand for animal feed products.

OPERATING MODEL

The Companies have developed a synergy of agro-biotechnology and cutting edge forestry/agricultural practices in response to the growing demand for timber and farming products. When these practices are performed in a conscientious manner, it provides humankind with one of the greatest sources for renewable and ecologically sustainable energy. Paper, dimensional lumber, fiberboard, particleboard, furniture, utensils, hydrocarbon fuel, recreational areas, animal habitat, and clean air are some of the many benefits resulting from bio-diverse forests.

The Companies will execute their plantation/farming operating plan through the implementation of a sound land management system, promote and/or establish infrastructural development programs and provide provisions for financial, economic and social growth to the people in the development areas. It is essential for the development to take into consideration local bio-physical environment conditions as well as the traditional and cultural beliefs of the local villagers. In conjunction with local inhabitants, the Companies have developed a plan that will maximize profits to the greatest potential of the area, while increasing employment and constantly re-examining their administrative and management programs. The Companies will work to achieve superior safety performance, implement reliable harvesting, replanting and farming processes, and become a leader of the industries of sustainable forestry and farming as well as leaders in the development of socially conscious and environmentally sensitive land development throughout the world.

The Companies believe the effectiveness of any forest management system hinges on the accuracy of obtaining pre-development information. They have commissioned qualified and highly experienced foresters, surveyors and enumerators to conduct surveys that will map out the harvestable area before the commencement of development

activities. The data obtained from these surveys will provide a framework for the development of the infrastructure of the plantations. Local inhabitants will be employed to operate the plantation/farming operations as laborers and managers. There will also be teams of trainee plantation employees, field doctors, security personnel, cooks and other basic labor to support the large scale of operations being undertaken.

Possessing a strong commitment to responsible environmental management practices, the Companies will continuously monitor and improve the environmental outcomes of its operations. In the interest of good corporate citizenship, a plan has been developed to ensure that all operations are sensitive to the environmental and ecological importance of transforming the virgin forests territories into a sustainable and renewable timber resource in a responsible manner. The Companies have consulted with the scientific and environmental communities regarding the establishment of a preserve for the relocation of wildlife, the preservation of biodiversity, the investigation of potential medical benefits and the replanting of several noble species.

APR plans to construct a large number of roads to connect the project areas with the proposed factory area, harbor, camp site, local inhabitant living areas, and other major sites that require transportation to and from on a frequent basis. Throughout this phase, inventory and tree marking will take place. The data obtained from these surveys will provide a framework for the development of the infrastructure of the plantations. Local inhabitants will be employed to participate in the operations of the plantation and, in some cases as specialized loggers. There will also be teams of back-up plantation employees, field doctors, security personnel, cooks and other basic labor to support the large scale of operations being undertaken. In conjunction with the local inhabitants, equipment specialists, as well as labor force specialist from Indonesia and Singapore, APR has developed a fully operational on-the-ground team ready to begin the first phase.

The near-equatorial position of Indonesia ensures a good supply of rainwater for the tree crops year-round with little or no seasonal change, aiding in maintaining the consistent growth cycle of only 3-4 years. The specific location of the government granted timberland concessions in Indonesia enables the trees to grow with minimal interference from open-ocean earthquakes and large storms. The concessions are protected from such conditions by the large islands, which act as barriers at sea. Thus, the timberlands are all located in the areas most conducive to growth, maintenance, transportation, and sale. The areas of Southeast Asia allow eucalyptus tree and farming production to thrive due to the steady weather patterns and no real winter season.

PRODUCTS

The forestland that will be the site of APR's plantation in Indonesia are lands that have been classified by the government as "critical land" meaning land that has been partially harvested illegally during the past 50 years and the Companies have commissioned physical surveys on the target sites. The majority of the noble species and selected hardwoods have been removed by illegal logging during the past half-century. The general composition of the remaining species included on the development sites are primarily whole new growth bushes, heavy brush and some small little grove saplings which all are somewhat suitable for the manufacture of paper and paper products.

Due to the fact that all of the plantation and plant sites are considered "critical land," the Companies have commissioned physical surveys on the target sites. The majority of the noble species and selected hardwoods have been removed by illegal logging during the past half-century. The general composition of the remaining species included on the development sites are primarily whole new growth bushes, heavy brush and some small little grove saplings which all are somewhat suitable for the manufacture of paper and paper products.

LEGAL

The Company was a party to a lawsuit where the plaintiff is alleged that he was entitled to \$60,000 and 1,300,000 of common stock based upon CNE's failure to compensate him for services related to identifying financing for CNE, based upon an agreement that was entered into between CNE and the plaintiff in April 2005. On November 28, 2007, the Company settled the lawsuit with the plaintiff. In full and final settlement of the claims asserted in the action, the Company has paid the plaintiff \$10,000 in cash and issued the plaintiff 200,000 shares of the Company's common stock on December 21, 2007. The settlement resulted in a loss on debt conversion of \$2,000 during the year ended December 31, 2008 because an estimated liability had been recognized prior to 2007.

In May 2006, the Company was advised that it was alleged to be in default of a settlement agreement entered into in January of 2005 by CNE, its predecessor company, related to the release of unrestricted, freely-tradable, non-legend shares of stock. In August 2006, the plaintiffs, alleging the default, obtained a judgment in the 17th Judicial Circuit Court Broward County, Florida for approximately \$1,000,000. On November 13, 2007, legal counsel engaged by Management commenced an action on the Company's behalf in the above Circuit Court seeking to vacate and set aside the 2006 judgment asserting claims under Rule 1.540(b) of the Florida Rules of Civil Procedure. Our counsel's evaluation is that the Company has only a limited chance of having the 2006 judgment opened by the Court because Florida law provides very narrow grounds for opening a judgment once a year has passed from its entry. The Courts are generally reluctant to disturb final judgments and the Company's grounds for opening the judgment depend on the Court's adopting a somewhat novel argument regarding such matters. If, however, the Court does open the default judgment, the Company will then have the opportunity to defend the 2006 action and, in such event, our counsel believes that the Company has a reasonable chance of succeeding in defending that claim, at least in part, based on the documents he has reviewed. As of December 31, 2008, the Company has accrued \$1,203,492 related to this matter. As of December 31, 2009, the Company has accrued \$1,266,695, including accrued interest of \$213,310, related to this matter.

HUMAN RESOURCES

As of December 31, 2009, our workforce consists of consultants. The majority of our consultants are professional, technical or administrative personnel who possess training and experience in finance, information management, and business management. We have no union contracts. We believe that our relations with our consultants are satisfactory. In addition we rely on the personnel of APR, described below.

APR has already assembled the necessary senior management and field operations personnel required to initiate the project. The initial senior staff of APR and its supporting clerical personnel are sufficient for operations in the first five years. The initial senior management and field operations personnel of APR is sufficient for operations for at least three years. During the initial three-year period, APR will conduct an executive search for additional field operations personnel and eventually the requisite personnel for the operation of the paper mill. APR will be responsible for staffing field and production operations.

Since the projects in Indonesia are first and foremost an environmental restorations and social engineering projects, the emphasis is on maximizing the use of local labor and job creation. APR is developing its technical/agricultural production center on Sulawesi Island which is staffed by highly qualified Indonesian based professionals. All manual operations will employ local resident farmers and their families and all hiring will be coordinated by GMPLH. This approach is designed to reengineer large-scale farming communities and redeveloped long-term farming infrastructure.

The companies have assembled, through their joint venture partners, the necessary senior management and field operations personnel required to initiate the project. The initial senior staff and its supporting clerical personnel are sufficient for operations in the first five years. The initial senior management and field operations personnel are sufficient for operations for approximately two years. During the initial two-year period, a human resource acquisition and benefits program will be completed and structured to grow as the projects grow.

Since the health of the workers is not only based on physical conditions, special attention also must be paid to safety, adequate standards of comfort, sanitation, nutrition and general welfare. Adequate training, which is appropriate for job requirements and satisfactory working conditions, is viewed by the companies as a primary and effective motivator since these considerations not only contribute to improved safety, but they also contribute to improved efficiency. Plantation/farming projects normally place a high priority on landowners' participation in resource development and give employment preference to landowners whose dedication reflects the investment they have in the success of their local economies.

Training personnel will be required to maintain the highest level of safety for the workers and the environment. The workers will receive training to identify various tree species, measurement of trees, quality criteria for harvestable trees and field organization for the pre-harvesting inventory. Training programs for harvesting crews will consist of harvesting safety, proper cutting and directional felling techniques, maintenance of chainsaw and chain sharpening, field organization of harvesting activity, use of tree location maps and criteria for deciding whether or not to fell a marked tree. Practical training for extraction crews will consist of field considerations for reducing the damage to the remaining forest stand, field organization of the extraction activities, and use of tree location/extraction maps. Training programs for farm workers will include proper soil tilling methods, proper seeding techniques, fertilizer techniques and management, irrigation techniques, testing and allocations, harvesting techniques and proper use of crop rotation.

COMPETITION

APR principal plantation operations will be located in Indonesia in close proximity to the Asian Pacific market enabling timber to be delivered with lower shipping costs, and at higher profit. The distance for competitors to ship their products includes a much greater cost and longer shipping period. These near-equatorial locations ensures a good supply of rainwater for the tree crops, which aids in developing a consistent growth cycle of only 3-4 years. The specific location of the government granted timberland concessions, in Indonesia, enables the trees to grow with minimal interference from open-ocean earthquakes and large storms. Thus, the location of this timberland makes easier to transport and sell, and easier to maintain.

The existing forest industry is dominated by large foreign logging companies, or landowning companies.

Australia currently exports approximately 6.5 million tons of woodchips annually from ports in Tasmania, Victoria and Western Australia. Australia's stock in plantations has risen rapidly over the past decade. Estimates show 455,000 hectares of new eucalyptus plantations have been established over the past 7 years. The Australian market competitors have relatively high entrance costs and higher service fees with lower potential return. Their harvesting cycles typically take 6 years or longer and environmental risks weigh heavily on the yield.

Brazil has 400 million hectares of tropical forests, and 7 million hectares of exotic plantations comprised mainly of fast growing eucalyptus. The timber from these plantations provides raw material for charcoal, and pulp and paper production. Brazil accounts for 60% of total charcoal production although native woods are mostly used for timber production; with an annual consumption rate around 250 million cubic meters.

Chile has around 5.5 million hectares of productive native forest, mainly *Nothofagus* hardwood species. Timber production from native hardwood amounts to 0.35 million m³ /year, and nearly 75% is used to produce chips for

exports to Asian countries. Pine and eucalyptus plantations cover 1.8 million hectares, with an annual expansion rate of 7-10%. Pinewood accounts for 78% of total plantations; eucalyptus is growing faster and a big surplus is expected within the next decade.

DEMOGRAPHICS

The climate of Indonesia is reported to be monsoonal in nature, characterized by high temperatures and humidity throughout the year. However, the specific location of the timber concessions within these countries enables the trees to grow with minimal interference from open-ocean earthquakes and large storms. Operations in Indonesia are located inland, not on annual flood plains, not on islands with historically high earthquake activity and where there are active volcanoes present.

EMPLOYEES

As of December 31, 2009, our workforce consists of consultants. The majority of our consultants are professional, technical or administrative personnel who possess training and experience in finance, information management, and business management. We have no union contracts. We believe that our relations with our consultants are satisfactory.

Our future success depends in large part on our ability to retain key technical, marketing, and management personnel, and to attract and retain qualified employees and consultants. Competition for such personnel is intense, and the loss of key consultants, as well as the failure to recruit and train additional technical personnel in a timely manner, could have a material and adverse effect on our operating results.

Our success also depends, to a significant extent, upon the contribution of our executive officers and other key consultants. We have agreements with our chief executive officer, and maintain an informal stock plan whereby key personnel can participate in our success. All of our personnel are eligible to participate in this plan.

Item 1A. Risk Factors.

The following discussion highlights certain of the risks we currently face.

The following factors, in addition to those discussed elsewhere in this document, should be carefully considered. Securities of the Company involve a high degree of risk and should be regarded as speculative. In addition to matters set forth elsewhere in this Annual Report, potential investors should carefully consider the risk factors described below relating to the business of the Company.

LIMITED OPERATING HISTORY

The success of the Company cannot be guaranteed or accurately predicted. There is no assurance that the Company will be able to operate profitably. Such prospects must be considered in light of the risks, expenses and difficulties frequently encountered in the establishment of a product and service.

Arrow began operations in approximately September, 2005, and to date has generated \$52,000 in revenues. The Company has no significant operating history. There is no assurance that the Company will be able to operate and manage on a profitable basis or that cash flow from operations will be sufficient to pay the operating costs of the Company. The Company may need to raise additional capital to finance its continued operations. The Company may seek additional financing through debt or equity financings. There is no assurance that additional financing will be available to the Company, or if available, that the financing will be on terms acceptable to the Company. There is no assurance that the Company's estimate of its reasonably anticipated liquidity needs is accurate or that new business developments or other unforeseen events will not occur that will result in the need to raise additional funds. In the event that the Company cannot raise needed capital, it will have a material adverse affect on the Company. There is no assurance that the Company will achieve or sustain profitability or positive cash flow from operating activities in the future or that it will generate sufficient cash flow to service any debt requirements.

SIGNIFICANT CAPITAL REQUIREMENTS & DILUTION

The Company's capital requirements are and will continue to be significant. The Company anticipates, based on management's internal forecasts and assumptions relating to its operations (including the costs associated with marketing), that unless at least \$1,500,000 is raised for working capital purposes, the Company's cash resources will not be sufficient to satisfy the Company's contemplated cash requirements and that additional financing may be needed to support the Company. There can be no assurance that the Company will be able to obtain additional financing on terms acceptable to the Company. To the extent that any financing involves the sale of the Company's equity securities, the interests of the Company's then existing shareholders could be substantially diluted. Dilution will also occur when and if options to be granted to employees, consultants and other third parties are exercised.

DEPENDENCE ON ARROW PACIFIC RESOURCES GROUP LIMITED AND ITS OPERATING SUBSIDIARIES

Our revenues are currently entirely derived from sales of APR and its operating subsidiaries products sales. APR will not be in a position to generate sustainable timber sales until it has completed certain infrastructure improvements in Indonesia. The infrastructure requirements will take APR a maximum of one year to complete. Therefore, APR may not generate sustainable sales of its products until the third quarter of 2010.

COMPETITION

The Company anticipates competition on numerous fronts. Increased competition could require the Company to respond to competitive pressures by establishing pricing, marketing and other programs, or seeking out additional strategic alliances or acquisitions, any of which could have a material adverse effect on the business, prospects, financial condition and results of operations of the Company. The Company could potentially have competitors with longer operating histories, larger customer bases, greater brand recognition, and significantly greater financial, marketing and other resources than the Company. Increased competition may result in reduced operating margins, loss of market share, and a diminished brand franchise, any of which would have a material adverse effect on the Company. There is no assurance that the Company will be able to compete successfully.

ABSENCE OF DIVIDENDS & DIVIDEND POLICY

The Company has never paid dividends on its Common Stock, but does anticipate paying dividends on its Common Stock in the foreseeable future. The declaration and payment of dividends by the Company are subject to the discretion of the Company's Board of Directors. Any determination as to the payment of dividends in the future will depend upon results of operations, capital requirements, restrictions in loan agreements, if any, and such other factors as the Board of Directors may deem relevant.

OWNERSHIP OF THE COMPANY

APR owns 52% of the Company's stock. Hans Karundeng is the Chairman of APR. His son, Rudolph, is a Director of the Company and is an 8% owner of the Company's stock.

DEPENDENCE ON MANAGEMENT

The success of the Company will largely be dependent upon the active participation of its management. The Company does not currently have "Key Man" life insurance on any of its current officers or employees, although the Company intends to provide such insurance, based on availability of funds in the future. The Company would pay all premiums for such "Key Man" life insurance. The time that the officers and directors devote to the business affairs of the Company, and the skill with which they discharge their responsibilities, will substantially impact the Company's success. Loss of the services of certain executive officers of the Company could be expected to have a material adverse effect upon the Company.

POSSIBLE LOSS OF OR INABILITY TO ATTRACT KEY PERSONNEL

The Company's success depends largely on its ability to attract and retain highly qualified managerial and industry personnel. There can be no assurance that the Company will be successful in attracting or retaining these key personnel. The loss of the services of key personnel could have a material adverse effect on the Company.

GENERAL ECONOMIC AND OTHER CONDITIONS

The Company's business may be adversely affected from time to time by such matters as changes in economic, industrial and international conditions, changes in taxes, changes in government regulations, prices and costs and other factors of a general nature and in particular those changes which have an adverse material effect on the natural resources industry or other industries in which the Company becomes engaged to provide marketing, sales, distribution, corporate operations and corporate finance services for the commercial exploitation of natural resources around the world.

WE MAY BE UNABLE TO CONTINUE AS A GOING CONCERN

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 \$6,520,053 for the year ended December 31, 2009 and a net loss during the development stage from inception in November 15, 2005 through December 31, 2009 of \$146,744,021. The Company's operations are in the development stage, and the Company had generated revenue of \$52,000 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.

We cannot assure you when or if we will ever be able to operate on a positive cash flow basis. If we are unable to achieve the level of revenues needed to attain a positive cash flow, we may be required to take actions, including but not limited to reducing our operations, seeking an acquisition and/or merging with another entity, that could materially change and/or adversely affect our business.

We have a history of losses and we cannot assure you that we will be able to operate profitably in the foreseeable future, if at all.

Our inability to achieve or maintain profitability or positive cash flow could:

- result in disappointing financial results,
- impede implementation of our growth strategy,
- cause the market price of our common stock to decrease,
- impede our ability to procure financing on acceptable terms or at all, and
- otherwise adversely affect our business and financial condition.

Under certain circumstances we could incur an impairment loss that could adversely affect our stockholders' equity.

We will require financing if our revenues do not meet our projections or our expenses are greater than we anticipate, or to finance the further development of our business. Our inability to obtain financing, if required, would have an adverse effect on our business.

We may need to obtain financing if our actual costs are higher than projected or our contemplated future revenues fall below our current expectations, in order to

- finance more rapid expansion,
- increase marketing and sales,
- develop new or enhanced technology,
- respond to competitive pressures,
- establish strategic relationships, and/or
- provide for working capital.

If we raise such financing by issuing equity or convertible debt securities, the percentage ownership of our stockholders will be diluted. Any new debt or equity securities could have rights, preferences and privileges senior to rights of our common stock holders. We currently have no commitments for any such financing and, accordingly, cannot assure you that such financing will be available when and to the extent required or that, if available, it will be on terms acceptable to us. If adequate financing is not available on acceptable terms, we may be unable to finance the activities referred to above. In such event, our business may be adversely affected.

Recently enacted and proposed changes in securities laws and regulations will increase our costs. The Sarbanes-Oxley Act of 2002 that became law in July 2002 has required and will continue to require changes in some of our corporate governance practices. We expect that the Sarbanes-Oxley Act will increase our legal and financial compliance costs, and make some activities more difficult, time consuming and/or more costly. We also expect that the Sarbanes-Oxley Act will make it more costly to obtain director and officer liability insurance coverage, and we may be required to accept reduced coverage or incur substantially higher costs to obtain it. We currently do not have this coverage. These new rules and regulations could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee, and qualified executive officers. In accordance with the Sarbanes-Oxley Act, we have instituted a number of changes relating to corporate governance practices including the certification of our consolidated financial statements pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act and adoption of certain internal controls. The Sarbanes-Oxley Act has provisions that have implementation deadlines, including those related to Section 404 concerning internal control procedures. Implementation of those procedures will require resources and a portion of our management's time and efforts.

Our reported financial results may be adversely affected by changes in accounting principles generally accepted in the United States.

We prepare our financial statements in conformity with accounting principles generally accepted in the United States. These accounting principles are subject to interpretation by the Financial Accounting Standards Board, the American Institute of Certified Public Accountants, the SEC and various bodies formed to interpret and create appropriate accounting policies. A change in these policies or interpretations could have a significant effect on our reported financial results, and could affect the reporting of transactions completed before the announcement of a change. For

example, while current accounting rules allow us to exclude the expense of employee stock options from our financial statements, influential business policy groups, including the Financial Accounting Standards Board, have suggested that the rules be changed to require these options to be expensed.

Due to the change in business activities of the Company in conjunction with the change in control, we are no longer able to realize any benefit from net operating losses carried forward of CNE Group, Inc. of approximately \$30,000,000. The Company currently has net operating losses of approximately \$186,000 related to development stage activity, which may be carried forward to future periods.

Companies generally, and our Company, specifically, rely heavily on stock options as a major component of our employee compensation packages. If we are required to expense options granted to our officers and employees, although our cash position would not be affected, our income from continuing operations and our stockholders' equity would decrease and our stock price could be adversely affected. In such event, we may have to decrease or eliminate option grants to our officers and employees, which could negatively impact our ability to attract and retain qualified employees and executive personnel. While the Company does not currently have a stock option plan, such a plan may be established in the future.

In general, for purposes of the Code, an ownership change occurs when 5% or more owners increase their ownership percentage by more than 50% over the lowest percentage owned by those owners at any time during a testing period, which is generally the three years prior to the increase in ownership by 5% or more owners. The IRS has authority to treat warrants, options, contracts to acquire stock, convertible debt interests and other similar interests as if they are stock and stock as if it is not stock. In any event, it is possible that past and/or future transactions affecting our equity could create an ownership change and trigger this limitation on the use of our net operating loss.

RISKS RELATED TO OUR BUSINESS

Our business faces intense competition. If we fail to adequately meet this competition, our business could be adversely affected.

Most of our competitors have substantially greater financial, technical and marketing resources; longer operating histories and greater name recognition to apply to each of these factors, and in some cases have built significant reputations with the customer base in the markets in which we compete. If we are unable to successfully compete, our business, financial condition, and operating results could be materially and adversely affected.

Because we have fixed costs, any decline in our revenues could disproportionately and adversely affect our financial condition and operating results.

Significant portions of our costs are fixed, due in part to our fixed sales, engineering and product support, and manufacturing facilities. As a result, relatively small declines in revenue could disproportionately affect our operating results. Changes in product demand, among other things, could adversely affect our manufacturing capacity, which would adversely affect our business.

Our business may suffer if we lose the services of our executive officers, or if we cannot recruit and retain additional skilled personnel.

We depend on the continued services and performance of Peter Frugone, our Chairman and Chief Executive Officer, Rudolph Karundeng, one of our Directors, as well as Senior Advisor, Hans Karundeng and his subsidiary operations for our future success. If either Mr. Frugone or Mr. Rudolph Karundeng becomes unable or unwilling to continue in his current position, our business and financial conditions could be damaged. We are not the beneficiaries of any key person life insurance covering them or any other executive.

RISKS RELATED TO THE OWNERSHIP OF OUR COMMON STOCK

Your ability to sell any common stock may be restricted, because there is a limited trading market for these securities.

Although our common stock is currently traded on the NASD OTC Bulletin Board, a liquid market in our stock has been sporadic. Accordingly, you may not be able to sell shares of our common stock when you want or at the price you want, if at all.

In addition, depending on several factors including, among others, the future market price of our common stock, these securities are subject to the so-called “penny stock” rules that impose additional sales practice and market making requirements on broker-dealers who sell and/or make a market in such securities. These factors could affect the ability or willingness of broker-dealers to sell and/or make a market in our common stock and the ability of purchasers of our common stock to sell their shares in the secondary market. A delisting could also negatively affect our ability to raise capital in the future.

The market price of our common stock may be volatile, which could adversely affect the value of any common stock that you may own.

The market price of our common stock may fluctuate significantly in response to the following factors:

- variations in our quarterly operating results;
- our announcements of significant contracts, milestones or acquisitions;
- our relationships with other companies;
- our ability to obtain capital commitments;
- additions or departures of our key personnel;
- sales of our common stock by others or termination of stock transfer restrictions;
- changes in estimates of our financial condition by securities analysts; and

- fluctuations in stock market price and volume.

The last three factors are beyond our control.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation often has been instituted against that company. Such litigation is expensive and diverts management's attention and resources. Any one of the factors noted above could have an adverse affect on the value of our common stock.

Anti-takeover provisions of the Delaware General Corporation Law and in our Certificate of Incorporation could discourage a merger or other type of corporate reorganization or a change in control, even if it could be favorable to the interests of our stockholders.

The Delaware General Corporation Law and our Certificate of Incorporation contain provisions that may enable our management to retain control and resist a takeover of our Company. These provisions generally prevent us from engaging in a broad range of business combinations with an owner of 15%, 20% in the case of our Certificate of Incorporation, or more of our outstanding voting stock for a period of three years from the date that this person acquires his stock. Our Certificate of Incorporation and our By Laws also require the affirmative vote of at least 60% or our voting stockholders to effect certain actions, including, under certain circumstances, the removal of directors, and provide for the election of different classes of directors with the term of each class ending at different times. Accordingly, these provisions could discourage or make more difficult a change in control or a merger or other type of corporate reorganization even if it could be favorable to the interests of our stockholders.

Our officers and directors exercise significant control over our affairs, which could result in their taking actions that other stockholders do not approve of.

Our executive officers and directors, and persons or entities affiliated with them, currently control approximately 17% of our outstanding common stock. These stockholders, if they act together, may be able to exercise substantial influence over all matters requiring approval by our stockholders, including the election of directors and approval of significant corporate transactions. This concentration of ownership may also delay or prevent a change in control of our Company and might affect the market price of our common stock.

We have never paid any cash dividends on our common stock and currently intend to retain all future earnings, if any, to invest in our business.

If our Board issues common stock, which it can do without stockholder approval, a purchaser of our common stock could experience substantial dilution.

Our Board of Directors has the authority to issue up to 1 billion shares of common stock and 10,000,000 shares of preferred stock and to issue options and warrants to purchase shares of our common stock without stockholder approval. In the future, we could issue additional shares of our common stock at values substantially below the current market price for our common stock, which could substantially dilute the equity ownership of holders of our common stock. In addition, our Board could issue large blocks of our common stock to prevent unwanted tender offers or hostile takeovers without any stockholder approval. Our ability to issue preferred stock may adversely affect the rights of common stockholders and be used as an anti-takeover device.

Our Certificate of Incorporation authorizes our Board of Directors to issue up to 10 million shares of preferred stock without approval from our stockholders. Accordingly, all of our common stock will be junior to any preferred stock issued by us, and our Board has the right, without the approval of common stockholders, to fix the relative rights and preferences of such preferred stock. This could affect the rights of common stockholders regarding, among other

things, voting, dividends and liquidation. We could also use an issuance of preferred stock to deter or delay a change in control that may be opposed by our management, even if the transaction might be favorable to the common stockholders.

The Company might issue options and warrants in the future. The exercise of all of the outstanding options and warrants would dilute the then-existing stockholders' percentage ownership of our common stock. Any sales resulting from the exercise of options and warrants in the public market, such as sales by the selling stockholders pursuant to this prospectus, could adversely affect prevailing market prices for our common stock. Moreover, our ability to obtain additional equity capital could be adversely affected since the holders of outstanding options and warrants may exercise them at a time when we would also wish to enter the market to obtain capital on terms more favorable than those provided by such options and warrants. We lack control over the timing of any exercise or the number of shares issued or sold if exercises occur.

Item 2. Properties

Our executive offices are located at Carnegie Hall Tower, 152 W. 57th Street, 27th Floor, New York, NY 10019 where we use office space, on a temporary basis, under a management agreement with Empire Advisory, LLC.

Item 3. Legal Proceedings

The Company was a party to a lawsuit where the plaintiff alleged that he was entitled to \$60,000 and 1,300,000 of common stock based upon CNE's failure to compensate him for services related to identifying financing for CNE, based upon an agreement that was entered into between CNE and the plaintiff in April 2005. On November 28, 2007, the Company settled the lawsuit with the plaintiff. In full and final settlement of the claims asserted in the action, the Company has paid the plaintiff \$10,000 in cash and issued the plaintiff 200,000 shares of the Company's common stock having a fair value of \$12,000, based on the public traded share price on December 21, 2007. The settlement resulted in a loss on debt conversion of \$2,000 during the year ended December 31, 2007 because an estimated liability had been recognized prior to 2007.

In May 2006, the Company was advised that it was alleged to be in default of a settlement agreement entered into in January of 2005 by CNE, its predecessor company, related to the release of unrestricted, freely-tradable, non-legend shares of stock. In August 2006, the plaintiffs, alleging the default, obtained a judgment in the 17th Judicial Circuit Court Broward County, Florida for approximately \$1,000,000. On November 13, 2007, legal counsel engaged by Management commenced an action on the Company's behalf in the above Circuit Court seeking to vacate and set aside the 2006 judgment asserting claims under Rule 1.540(b) of the Florida Rules of Civil Procedure. Our counsel's evaluation is that the Company has only a limited chance of having the 2006 judgment opened by the Court because Florida law provides very narrow grounds for opening a judgment once a year has passed from its entry. The Courts are generally reluctant to disturb final judgments and the Company's grounds for opening the judgment depend on the Court's adopting a somewhat novel argument regarding such matters. If, however, the Court does open the default judgment, the Company will then have the opportunity to defend the 2006 action and, in such event, our counsel believes that the Company has a reasonable chance of succeeding in defending that claim, at least in part, based on the documents he has reviewed. As of December 31, 2008, the Company has accrued \$1,203,492 related to this matter. As of December 31, 2009, the Company has accrued \$1,266,695, including accrued interest of \$213,310, related to this matter.

Item 4. Submission of Matters to a Vote of Security Holders.

On November 20, 2007, the Board of Directors approved a private placement offering (the "Offering") approximating \$2,000,000 to accredited investors at \$1.00 per share of Series A Convertible Preferred Stock. The Offering consisted of the Company's Series A Convertible Preferred Stock that will be convertible into our common stock. These securities were not required to be and will not be registered under the Securities Act of 1933. Shares issued under this placement were not sold in the United States, absent registration or an applicable exemption from registration. As of September 30, 2009, the Company received \$355,000 from investors towards 355,000 Series A Convertible Preferred Stock shares issuable under subscription agreements covering the placement offering. Each Series A Convertible Preferred Stock was convertible into 20 shares of the Company's Common Stock. The holders of the preferred stock had no voting rights except as was required by Delaware law, no redemption rights, and no liquidation preferences over the Common Stock holders. On November 3, 2009, the 355,000 Series A Convertible Preferred Stock were converted into 7,100,000 Common shares. As of December 31, 2009, there were no Series A Convertible Preferred Stock outstanding.

On April 20, 2008, the Board of Directors approved a private placement offering (the "Offering") approximating \$2,000,000 to accredited investors at \$1.00 per share of Series C Convertible Preferred Stock. The Offering consisted of the Company's Series C Convertible Preferred Stock that were convertible into our common stock. These securities

were not required to be and were not registered under the Securities Act of 1933. Shares issued under this placement were not sold in the United States, absent registration or an applicable exemption from registration. As of September 30, 2009, the Company received \$25,000 from investors towards 25,000 Series C Convertible Preferred Stock shares issuable under subscription agreements covering the placement offering. Each Series C Convertible Preferred Stock is convertible into 20 shares of the Company's Common Stock. The holders of the preferred stock have no voting rights except as may be required by Delaware law, no redemption rights, and no liquidation preferences over the Common Stock holders. On November 3, 2009, the 25,000 Series C Convertible Preferred Stock were converted into 500,000 Common shares. As of December 31, 2009, there was no Series C Convertible Preferred Stock outstanding.

On December 3, 2007, the Board of Directors approved a plan to compensate all members of the Board of Directors at a rate of \$50,000 per year and 250,000 shares of Company common stock effective January 1, 2007. This compensation plan applies to any board member that belonged to the Board as of and subsequent to January 1, 2007. Those board members that were only on the Board for part of the year will received pro-rata compensation based on length of service. As of December 31, 2009, none of the shares under this plan have been issued and the Company has accrued \$600,137 of cash and recorded additional paid-in capital of \$172,541 for stock compensation based on the fair value of 3,000,685 shares to be issued to the members of the Board.

PART II

Item 5. Market For Common Equity and Related Stockholder Matters.

Exchange Listing:

Our common stock is listed on the NASD OTC: Bulletin Board (trading symbol ARWD.OB). The number of record holders of our common stock as of April 13, 2010 was approximately 321.

Equity Sale Prices:

	Common Stock	
	High Sales Price	Low Sales Price
2009		
1st Quarter	\$ 0.10	\$ 0.02
2nd Quarter	0.08	0.02
3rd Quarter	0.09	0.04
4th Quarter	0.05	0.02
2008		
1st Quarter	\$ 0.08	\$ 0.03
2nd Quarter	0.16	0.04
3rd Quarter	0.13	0.04
4th Quarter	0.11	0.04

The number of freely tradable shares not held by affiliates is 98,818,007.

As of April 13, 2010, the aggregate market value of voting stock held by non-affiliates of the Issuer was approximately \$1,976,360.

Dividends:

We have not previously paid cash dividends on our common stock. The payments of future dividends and the amount thereof will depend upon our earnings, financial condition, capital requirements and such other factors as our Board of Directors may consider relevant.

Item 6. Selected Financial Data.

Not applicable.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

GENERAL

We are a holding company whose only operating subsidiary as of December 31, 2009 is Arrow Ltd. The principal business of Arrow is to provide marketing, sales, distribution, corporate operations and corporate finance services for the commercial exploitation of natural resources around the world. Prior to November 2005, we used to be a telecommunications and recruiting company formally known as CNE Group, Inc. The company elected to shift its business focus to the worldwide commercial exploitation of natural resources.

ARROW RESOURCES DEVELOPMENT, LTD.

In August 2005, Arrow entered into an Agreement and Plan of Merger (“the Agreement”) with its wholly-owned subsidiary, Arrow Ltd., in which Arrow (formerly CNE) was required to issue 10 million shares of Series AAA convertible preferred stock (“the Preferred Stock”) to Arrow Ltd.'s designees, representing 96% of all outstanding equity of CNE on a fully diluted basis in exchange for the Marketing and Distribution Agreement provided to the Company by Arrow. Under the Agreement, the Company discontinued all former operations (CareerEngine, Inc., SRC and US Commlink.) and changed its name to Arrow Resources Development, Inc.

On August 1, 2005, Arrow Ltd. entered into the Marketing Agreement with Arrow Pte. and its subsidiaries in consideration for Arrow issuing a non-interest bearing note (the “Note”) in the principal amount of \$125,000,000 to Empire Advisory, LLC, (“Empire”), acting as agent, due on or before December 31, 2005. Empire is Arrow Pte.'s merchant banker. The Note permitted the Company, as Arrow's sole stockholder, to cause Arrow to repay the Note in cash or with 10,000,000 shares of the Company's non-voting Series AAA Preferred Stock. However, in December 2008, Arrow Pte. assessed that it would be unable to harvest the timber products in Papua, New Guinea due to the fact that the widely accepted international guidelines of the World Wildlife Federation had not been adopted by Papua, New Guinea.

This fact is adverse to the economic, social and environmental goals of Arrow Pte. because with the amount of land that the project was allotted combined with the agreed upon previous guidelines of the marketing and distribution agreement, yields would be significantly reduced. Given the significant change in the economics of the harvesting of the timber in Papua, New Guinea, Arrow Pte. has decided not to pursue any further operations in Papua, New Guinea given that the above restrictions cause a significant reduction in the volume of harvesting, which results in a disproportionate cost to yield ration at the Papua, New Guinea site which makes the project not economically feasible in the foreseeable future.

Based on the fact that Arrow Pte. is unable to fulfill their part of the agreement, the Company has reached the conclusion that the marketing and distribution agreement has no value. Therefore, the Company has fully impaired the value of the agreement and recorded a loss on write-off of the marketing and distribution agreement of \$125,000,000 at December 31, 2007. (See Note 6.)

On April 4, 2006 Arrow Resource Development Ltd. (the Company's Bermuda subsidiary) entered into an agency agreement with APR in which the Company will provide financial consultancy services to APR for an annual fee, payable as collected, equal to 10% of APR's gross revenue payable commencing upon execution. The term of the agreement is effective upon execution, shall remain in effect for ninety-nine (99) years and shall not be terminated until the expiration of at least ten (10) years. As of December 31, 2009, the Company has generated \$52,000 under this agreement.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of net revenue and expenses during the reporting period. On an ongoing basis, we evaluate our estimates, including those related to our allowance for doubtful accounts, inventory reserves, and goodwill and purchased intangible asset valuations, and asset impairments. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions. We believe the following critical accounting policies, among others, affect the significant judgments and estimates we use in the preparation of our consolidated financial statements.

ALLOWANCE FOR DOUBTFUL ACCOUNTS, REVENUE RECOGNITION

We evaluate the collectability of our accounts receivable based on a combination of factors. In circumstances where we are aware of a specific customer's inability to meet its financial obligations to us, we record a specific allowance to reduce the net receivable to the amount we reasonably believe will be collected. For all other customers, we record allowances for doubtful accounts based on the length of time the receivables are past due, the prevailing business environment and our historical experience. If the financial condition of our customers were to deteriorate or if economic conditions were to worsen, additional allowances may be required in the future.

We recognize product revenue when persuasive evidence of an arrangement exists, the sales price is fixed, the service is performed or products are shipped to customers, which is when title and risk of loss transfers to the customers, and collectability is reasonably assured.

VALUATION OF GOODWILL, PURCHASED INTANGIBLE ASSETS AND LONG-LIVED ASSETS

The Company's only intangible asset was comprised of a marketing and distribution agreement with Arrow Pte. In accordance with SFAS 142, "Goodwill and Other Intangible Assets" this intangible agreement is no longer amortized; instead the intangible is tested for impairment on an annual basis. The Company assesses the impairment of identifiable intangibles and goodwill 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: