ARROW RESOURCES DEVELOPMENT INC
Form 10KSB
March 16, 2006

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-KSB

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2005

¨ **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

(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 ¨

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-KSB or any amendment to this Form 10-KSB ¨

Issuer s revenues for 2005, its most recent fiscal year, were $0 from continuing operations.

The number of freely tradable shares not held by affiliates is 25,003,244.

As of January 31, 2006, the aggregate market value of voting stock held by non-affiliates of the Issuer was approximately $10,501,362.48.

The number of shares outstanding of each of the issuer s classes of common equity, as of February 1, 2006.

Class	Outstanding at February 1, 2006
Common stock - par value $0.00001	649,443,244

DOCUMENTS INCORPORATED BY REFERENCE

None.

PART I

Forward Looking Statements

Certain statements in this Annual Report on Form 10-KSB constitute 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 as the Company), formerly known as CNE Group, Inc. prior to the name change that occurred on or around December 1, 2005.

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

Arrow Pacific Arrow Pacific Resources (S) Pte. Ltd., organized under the laws of Singapore, owns 47.6% of Arrow.

Change in Control Transaction Means the recapitalization that occurred on or around November 14, 2005 whereby 1) the old CNE Board and officers resigned and the new Board was appointed, and 2) Arrow Pacific and its affiliates received 96% of the total equity, and 3) the CNE subsidiaries involved in telecommunications were transferred to their business principals in exchange for the retirement of certain options, warrants stock and debt.

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, 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 on or around December 1, 2005. The

Company elected to shift its business focus from telecommunication and recruiting to the worldwide commercial exploitation of natural resources.

As our initial natural resources deal, on or around August 1, 2005, we acquired all of the stock of Arrow Resources Development, Ltd., a Bermuda company (Arrow Bermuda) in exchange for the Company s Series AAA Preferred stock that was convertible into 96% of the Company s common shares. Arrow Bermuda s principal asset is a Marketing and Distribution Agreement with Arrow Pacific Resources (S) Pte. Ltd (Arrow Pacific or APR).

Arrow Pacific is controlled by Hans Karundeng, an Indonesian industrialist and financier, for the purpose of developing natural resource projects in Southeast Asia to be sold primarily in the Asian market. The Company, through the Marketing and Distribution Agreement, provides marketing/sales/distribution services, corporate and financial consulting services for all of Arrow Pacific s development projects. The Marketing and Distribution Agreement provides for the Company to receive 10% of the gross sales generated by selected business operations, resources and any and all derivative gross revenue of Arrow Pacific.

The first of these Arrow Pacific projects is a eucalyptus plantation in Papua, New Guinea. We are poised to capitalize on the increasing demand for paper and timber products in developing international markets, most notably China, where rising standards of living have created a demand for larger quantities of printed material, packaging, personal care paper products, and industrial paper supplies. The proximity of Arrow Pacific s operations to this principal Asian market enables Arrow Pacific to supply that market in a competitive manner.

CHANGE IN CONTROL TRANSACTION

On August 1, 2005, we acquired 100% of the stock of Arrow Bermuda in exchange for 10,000,000 shares of Series AAA Convertible Preferred Stock, subject to the satisfaction of certain conditions. The Series AAA Convertible Preferred Stock was convertible into common stock representing 96% of the total equity of the Company

On November 2, 2005, the aforementioned conditions were satisfied and the Company issued 10,000,000 shares of Series AAA Convertible Preferred Stock to Empire Advisory LLC (Empire), as agent, in satisfaction of a note in the principal amount of $125,000,000 owed by Arrow Bermuda to Empire, as agent, less transaction costs plus $1,161,000 in repayment of cash advances that Empire made to Arrow Bermuda. In connection therewith, Empire agreed to pay, and has paid, certain of the Company s expenses, aggregating approximately $350,000. On or around December 2005, the 10,000,000 shares of Preferred Stock were converted to 624,000,000 shares of Common Stock, representing 96% of all outstanding shares of the Company. As a result of this transaction, a change of control occurred, and a new Board of Directors and management team was appointed. For accounting purposes, this transaction is treated as a recapitalization.

As part of the change in control transaction, the Company transferred its former operating subsidiaries involved in telecommunications to their principals in exchange for cancellation of inter-company debt, certain preferred stock, and certain options, notes and warrants.

Prior to the change in control transaction:

(1) affiliates and others surrendered for cancellation 1,397,030 shares of outstanding Preferred Stock was exchanged for 2,638,941 common shares;

(2) affiliates and others were issued 10,079,033 common shares in exchange for all outstanding debt, exclusive of accrued but unpaid salaries, directors and professional fees and expenses, and the debt cancelled pursuant to the transactions described relating to the sale of the telecommunications subsidiaries, all outstanding warrants and options to purchase preferred and common stock, and obtained releases from the former directors and certain creditors, in the aggregate amount of approximately $2,385,000.

Questions and Answers Regarding the Change in Control Transaction:

Q: When did the change in control occur?

A: On or around November 15, 2005.

Q: Who is the current CEO of the Company?

A: Peter J. Frugone is our CEO.

Q: Who is now on the Board?

A: Rudy Karundeng (Chairman), Peter Frugone, John McConnaughy, Jr., and John Allen.

Q: What happened to the old Board members?

A: The remaining Board members, Messrs. George Benoit, Anthony Conigliaro, David Dube and Charles Currie all resigned on or around November 14, 2005.

Q: Why did they resign and why was there a change of control transaction?

A: Disputes and litigation had arisen between CNE Group, Inc. and its operating subsidiaries based in Florida and California. After months of searching and analysis, to salvage value for CNE Group Inc. s existing shareholders, CNE Group, Inc. s former Board elected to acquire Arrow Resources Development, Ltd., a Bermuda company.

Q: What is Arrow s business?

A: 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.

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Q: Why did CNE Group, Inc. s Board want to acquire Arrow?

A: An independent valuation firm appraised Arrow Bermuda s 10% gross revenue interest at approximately $125,000,000. The former Board of CNE Group, Inc. believed that the Arrow acquisition would be of significant benefit to the existing shareholders of CNE Group, Inc. and save the Company from going bankrupt.

Q: As a result of the change of control, the existing CNE Group, Inc. s shareholders retained 4% of the common stock of the Company?

A: Correct.

Q: Why only 4%?

A: Four percent of $125,000,000 (the appraised value of the Marketing and Distribution Agreement held by Arrow Resources Development, Ltd.) is $5,000,000, which was the approximate market capitalization of CNE Group, Inc. at the time the former Board made its decision.

Q: Did the old CNE Group, Inc. Board determine that this transaction was fair and equitable to the existing CNE Group, Inc. shareholders?

A: Yes they did, at a CNE Group, Inc. Board meeting held on October 21, 2005.

Q: Why are there now approximately 649,443,244 shares outstanding?

A: The outstanding number of shares at the time the former CNE Group, Inc. Board made its acquisition decision was approximately 25,543,244 shares. In order to give the Arrow Bermuda shareholders 96% of CNE Group, Inc., the Company mathematically had to give these new shareholders 624,000,000 shares.

Q: What is the current float?

A: The current float as of December 31, 2005 is 25,543,244 representing shares that are freely tradable, which included freely tradable shares owned by affiliates.

Q: When did the acquisition occur?

A: The acquisition occurred on or around August 1, 2005. At that time, 10,000,000 shares of Series AAA Preferred stock were given to Empire Advisory, LLC. This Preferred Stock was convertible into 624,000,000 CNE Group, Inc. s unregistered common shares. Pursuant to contract, these Preferred Shares could not be converted into common until the former CNE Group, Inc. Board agreed that the transaction was fair and equitable to all existing CNE Group, Inc. shareholders, which did not occur until October 21, 2005. Empire Advisory, LLC converted the Preferred Shares on or around December 2, 2005.

Q: Who constitutes the management group?

A: Rudolph Karundeng, Chairman; Peter J. Frugone CEO and Director; John E. McConnaughy, Jr., Director; John W. Allen; Hans Karundeng, Senior Advisor; William R. St. George Jr., Secretary and Treasurer.

Q: Who is Empire Advisory, LLC?

A: Empire Advisory, LLC is a New York based management consulting and merchant banking firm. On April 20, 2005 Arrow Pacific Resources (S) Pte. Ltd entered into a consulting agreement with Empire Advisory to act as its investment banker, financial consultant and agent. On August 1, 2005 Empire Advisory, LLC and Arrow Resources Development, Ltd. entered into a Management Agreement whereby Empire Advisory, LLC would provide the services of Peter J. Frugone to be its CEO in addition to other strategic personnel and management services.

Q: What does Empire Advisory, LLC get in return for this Management Agreement?

A: Empire Advisory, LLC receives compensation of $1,000,000 per year, plus expenses.

THE ARROW COMPANIES - GENERAL

Arrow s 100% owned subsidiary, Arrow Bermuda, has entered into a Marketing and Distribution Agreement with Arrow Pacific Resources (S) Pte. Ltd. for the exclusive sales and distribution of the commercial global marketing of natural resource projects, including but not limited to timber resources, derivatives from it and other natural resources for a predetermined fee of 10% of Arrow Pacific s gross sales. As part of the Marketing and Distribution Agreement, Arrow is building and maintaining Arrow Pacific s corporate operating structure, financial operations, sales and marketing activities, corporate governance, and the administration of Arrow Pacific s corporate programs. What follows is a detailed description of the initial timber resource business that the Company will be handling for Arrow Pacific.

Arrow Pacific Resources (S) Pte. Ltd. (Arrow Pacific) owns and operates natural resource companies throughout the Asian Pacific market. Arrow Pacific is led by a team of professionals with experience in the field s agro engineering, material science and analysis, agriculture, and forestry. The team handles 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 for the development. The team has contracted all necessary labor, heavy equipment suppliers, transportation coordinators and shipping equipment. 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.

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 Asia-Pacific region forestry community possesses the advantage of greater periods of harvesting and re-growth in comparison to other countries that experience periods of dormancy caused by adverse weather and seasonal conditions. With this benefit over competition, the Asia-Pacific market is being challenged to cope with constantly shifting goals and expectations as it begins to experience rapid evolution of social, economic and environmental issues that impact policies, legislation, and institutions. The increased demand generated the immediate regulation and monitoring of the industry. And yet, the forestry industry is estimated to be shrinking by 9.4 million ha per annum. This is partly due to conservation pressure from government environmental and consumer advocacy groups on lumbering operations worldwide.

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, 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 90,000 ha became privatized. Privatization typically consists of the management of natural forest in concession 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 of paper has increased at least 25% during the 20th century and by a factor of three in the last three decades alone.

China s demand for 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 materials and boxes. These same factors also drive the increase in demand for eucalyptus oil, which China uses over 70% of the world s production and is projected to increase as well 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 years to come.

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.

OPERATING MODEL

Arrow Pacific has developed a synergy of agro-biotechnology and regular practiced timber exportation in response to the growing demand for timber and timber related goods. When logging and forest management 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, hydrocarbon fuel, recreational areas, animal habitat, and clean air are some of the many benefits of the world s forests.

Arrow Pacific will develop the timber area through implementation of a sound forest management system, promote and/or establish infrastructural development programs and provide provisions for financial, economic and social growth to the people in the timber area. It is essential for the development to take into consideration local bio-physical and bio-diverse environmental conditions as well as the traditional and cultural beliefs of the local villagers. In conjunction with local inhabitants, equipment specialists in Indonesia, Singapore and Papua, New Guinea, Arrow Pacific has developed a plan that will maximize profits to the greatest potential of the area, while minimizing costs that other larger companies typically endure through the examination, administration, and management of concessions. Arrow Pacific will work to achieve superior safety performance, implement reliable harvesting, replanting and manufacturing processes, and will work to become a leader of the industry in sustainable forest management and manufacturing, as well as a leader of the industry in the Asian market.

Arrow Pacific plans to construct a large number of roads to connect the project area with the proposed factory area, harbor, camp site, local inhabitant living area, 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, Arrow Pacific has developed a fully operational on-the-ground team ready to begin the first phase.

The near-equatorial position of Papua, New Guinea 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 within Papua, New Guinea 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 of New Britain and New Ireland, which act as barriers at sea. Thus, the timberland is located in the area most conducive to its growth, maintenance, transportation, and sale.

The exclusive global license (excluding China, Laos, Thailand and the Philippines) for planting of the Agro-Biotechnology engineered tree eucalyptus, granted by Tian Investment Group Ltd., will be one of Arrow Pacific s strongest market advantages. The bio-technology was specifically formulated to eliminate or minimize most of the risk factors associated with plantation. The Chinese scientists who developed the

technology performed extensive studies of soil to produce a tree that will not only grow, but thrive in the particular conditions of Arrow Pacific s plantation area.

The area of Papua, New Guinea allows a eucalyptus tree to thrive due to the steady weather patterns and no real winter season. Arrow Pacific s technology will bring about an engineered tree with increased yields, accelerated growth reducing risks such as the use of powerful pest and weeds control agrochemicals.

Arrow Pacific will build a processing plant near the timber areas to reduce the expense of shipping and handling over large distances. Arrow Pacific will implement the basic operational infrastructure in each area and will also develop certain key industrial processing plants for the overall project. During the second year of operations, Arrow Pacific will begin construction of a pulp-processing mill and in the third year of operation construction of a paper manufacturing plant. The additional manufacturing facilities will decrease cost of shipping to China and other international markets and bring about an increase in available products to the market.

PRODUCTS

The forestland that will be the site of Arrow Pacific s plantation operations is presently comprised of virgin tree growth, which has never been previously harvested. The initial range of trees harvested will include noble species, selected hardwoods, peelable logs, and trees suitable for sawn timber and wood chips. In approximately the fifth year of operations Arrow Pacific will begin the manufacture of a full range of raw paper products.

The general composition of the species included on the initial Arrow Dyke Ackland site (as determined by a physical survey of 50,000 acres) includes the following species in these approximate percentages:

2%, 411,856 m^3 noble species

8%, 1,647,424 m^3 selected hardwood

25%, 5,148,200 m^3 peelable logs

15%, 3,088,920 m^3 sawn timber

50%, 10,296,400 m^3 woodchip

Upon the clearing of the current old-growth noble species forests, Arrow Pacific plans to introduce a plantation of agro-bioengineered eucalyptus trees. These trees will be sold as raw timber at first.

LEGAL

Neither the Company, nor Arrow Bermuda have any legal action of any kind pending against them, nor is either a party to any legal action.

HUMAN RESOURCES

Arrow Pacific has already assembled the necessary senior management and field operations personnel required to initiate the project. The initial senior staff of Arrow Pacific and its supporting clerical personnel is sufficient for operations in the first five years. The initial senior management and field operations personnel of Arrow Pacific is sufficient for operations for at least a three years. During the initial three-year period,

Arrow Pacific will jointly conduct an executive search for additional field operations personnel and eventually the requisite personnel for the operation of the paper mill. Arrow Pacific will be responsible for staffing field and production operations.

Although forest harvesting is machine-intensive, labor quality remains the most critical element if harvesting is to be conducted efficiently and in an environmentally sound way. Only workers who are healthy, qualified, and motivated, can be expected to contribute effectively to achieve the goals of environmentally sound forest harvesting.

THE MARKET

Paper performs a range of core functions in the modern world. For many, it would be hard to imagine daily life without using paper, whether for communication, packaging or for hygienic and household use. The steady growth in paper consumption has confirmed its utility as a low cost, high performance and flexible material. Global consumption has increased twenty-fold during the last century, and by a factor of three in the last three decades alone. During the same period, growth rates in paper use among developing countries have doubled that of the industrialized world. This can be correlated to the overall economic growth in developing countries 5.5% to 6.4% of GDP. As a result, the developing countries share of world paper consumption has climbed from 15% in 1980 to 25% in 1993, with projections of 31% in 2010. Average per capita consumption in the USA alone is 333 kilograms, seven times the figure for the world as a whole and double the average for the developed world.

A new global distribution of paper consumption is emerging, in which Asia is becoming increasingly dominant, driven by growth in Japan and China. In 1980, the region accounted for less than one fifth of the world s consumption of paper, today it accounts for over 30%. Asia s paper consumption is now over 80 million tones, one-fifth higher than Western Europe and soon to surpass the United States. China s per capita consumption levels have risen by a factor of five over the past two decades from approximately 20 kilograms per capita in 1975 to 225 kilograms per head in 1994. A further quintupling of Chinese paper use over the next 20 years would take consumption level over 100 million tones per annum, about a fifth larger than current US levels.

The Food and Agricultural organization of the United Nations expects long-term demand for wood products to grow at 1.2% to 1.5% per annum. Japan is currently the largest importer of hardwood woodchips, buying 18-20mt (million tons) per annum. Korea is emerging as a significant market as its demand outstrips its own domestic supply. Global paper consumption is set to rise from 54kg/capita in 2000 to 63kg/capita in 2015, largely as a result of strong growth in Asia, led by China, and Western Europe. China s consumption of paper products has jumped from 6 kg/capita in 1980 to 30kg kg/capita and is expected to rise by about 50% to 43 kg/capita in 2010. Projections anticipate China will have the capacity to consume 20mt of woodchip per annum by 2010. China s small export of woodchip to Japan is likely to cease as domestic demand increases, turning it into a major importer of woodchip as the decade unfolds. Both consumers and paper makers show a strong preference for plantation fiber which should result in increased demand in Asia, especially China and India. Although paper is traditionally identified with reading and writing; communications have now been replaced by packaging as the single largest category of paper use. Only a small proportion is used for personal care products. Paper usage varies from country to country but overall is

continuously increasing, demonstrating the importance of determining more efficient methods to supply the demand.

The overall return depends on the rate of timber growth, which in turn depends on soil types, rainfall, pest and weed control, fertilization and genetics. The Arrow companies address these factors through the use of agro-biotechnology engineered Eucalyptus trees, which are less vulnerable to adverse conditions. Timber quality is judged based on species of tree, age of the wood and climatic conditions in which the tree is grown. Price achieved will depend on the quality of the product and the relationship between the grower and the customer. For instance, a grower backed by a well capitalized company with a demonstrable ability to fulfill a long term supply agreement would be favored over smaller, less stable grower. Factors affecting costs include distance to export terminal and processing logistics, topography of plantations and expertise of shipping and/or transportation operator. Because of its proximity to the Asian market, Arrow Pacific is able to ship timber to China within 10 to 14 days. Thus, Arrow Pacific can bring timber to the Chinese market faster and at a higher profit than its competitors.

Arrow Pacific has entered into a Marketing and Distribution Agreement with the Company for the exclusive sales and distribution of the commercial global marketing of natural resource projects, including but not limited to timber resources, derivatives from it and other natural resources for a predetermined fee of 10% of Arrow Pacific s gross sales.

COMPETITION

Arrow Pacific principal plantation operations will be located in Papua, New Guinea in close proximity to the Chinese timber auctions, 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. The near-equatorial situation of Papua, New Guinea ensures a good supply of rainwater for the tree crops, which aids in developing a consistent growth cycle of only 3-4 years. Finally, the specific location of the timber concessions within Papua, New Guinea enables the trees to grow with minimal interference from open-ocean earthquakes and large storms; the timber concessions are protected from such conditions by the large islands of New Britain and New Ireland, which act as barriers at sea. 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 ha 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 m3.

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.

All evidence points to a demand for woodchips that growing more rapidly than supply. Quality and environmental issues result in a market preference for plantation timbers. Given these conditions, woodchip prices are likely to rise in real terms over a ten year period. After analyzing the major competitors in the market it can be anticipated that Arrow Pacific will capture a minimum of 5% of the market in the next ten years, making them the largest distributor of woodchips worldwide.

The raw timber, pulp, and paper markets which Arrow Pacific hopes to enter are controlled by several large and medium-sized well-established firms. These are the most dominant international timber and paper companies:

INTERNATIONAL PAPER (www.ipaper.com): International Paper has $25 billion of annual sales, and operates in almost 40 countries. They manage their own forests worldwide, and produce raw timber stock, wood pulp, and finished paper products for sale.

KLABIN (www.klabin.com): Klabin operates primarily in Brazil, and is their leading supplier of paper, pulp and wood products. They specialize in paper packaging materials, including corrugated cardboard boxes and multi-wall stacks. They also sell lumber for construction. Klabin controls 183,000 hectares of land for timber usage, as well as 119,000 hectares in southern Brazil used for medical and wildlife research.

DAISHOWA-MARUBENI INTERNATIONAL (www.dmi.ca): DMI is one of the largest timber distributors in the Asian market, catering primarily to Japan. It controls 2.9 million hectares of land in western Canada, as well as a pulp processing plant. 50% of its sales go to Japan, 25% to North America, and the remainder is split between the rest of Asia and Europe.

GEORGIA-PACIFIC (www.gp.com): GP is one of the largest US based paper corporations. Though they have sold their pulp factory, they still receive pulp and timber materials from over 80 different suppliers for their paper business.

ASIA PULP AND PAPER GROUP (www.asiapulppaper.com): Outside of Japan, they are the largest pulp and paper provider in Asia. Most of their production takes place in Indonesia, where they have the capacity to produce over 6.9 million tons of pulp.

WEYERHAEUSER (www.weyerhaeuser.com): Weyerhaeuser is another large forest product company, producing everything from pulp, paper and packaging to construction-grade lumber for real estate and homes. They have operations in 19 countries, with their timber stock comprised of 15 million hectares of land in 5 countries. They have been a Fortune 200 company since the inception of Fortune s rankings in 1955.

NEENAH PAPER INC. (www.neenah.com): Neenah paper primarily deals in technical paper, fine paper, and pulp, catering to the high end of the paper market. They distribute their products worldwide, and deal in more than 700,000 metric tons of bleached kraft pulp every year.

INTEGRATED TREE CROPPING (www.treecrop.com.au): As the largest timber firm in Australia, ITC controls almost 120,000 hectares of hardwood plantations.

POPE & TALBOT (www.poptal.com): Pope & Talbot principally manufactures wood and pulp products. Wood Products business manufactures and sells standardized and specialty lumber, residual wood chips, and other by-products. Together they operate three pulp mills located in Halsey, Oregon and Nanaimo and Mackenzie in British Columbia. The pulp products are marketed globally through sales offices in Portland, Oregon, Brussels, Belgium and through agency sales offices around the world.

LONGVIEW FIBRE COMPANY (www.longviewfibre.com): Longview s principal activity is to own, manage and operate timberlands, pulp and paper mill and converting plants. It operates in three business segments: timber, paper and paperboard and converted products. The timber segment owns and manages approximately 585,000 acres of timberlands in nine tree farms in Oregon and Washington. The paper and paperboard segment includes the operation of a pulp and paper mill that produces corrugating medium and linerboard. The Converted Products segment includes the operations of 15 converting plants located in 12 states that produce value-added corrugated containers, specialty packaging and creative point-of-purchase displays. The company exports its products to Japan, China, Canada and Southeast Asia.

POTLATCH CORPORATION (www.potlatchcorp.com): Potlatch Corp. s principal activities are to grow and harvest timber, convert wood fiber into commodity and specialized wood products and bleached pulp products. The Group operates through four segments: Resource, Wood Products, Pulp and Paperboard and Consumer Products. The Group has foreign sales in Japan, Australia, Canada, China, Italy, Korea and other countries.

RAYONIER, INC. (www.rayonier.com): Rayonier s principal activities are to manufacture and sell value-added performance cellulose fibers and activities associated with timberland management, including the sale of timber and timberlands and land management. They own and operate two fiber mills the United States. Rayonier operates in three reportable business segments: performance fibers, timber and land, and wood products. Performance fibers include cellulose specialties and absorbent materials. The timber and land segment manages timberlands, sells standing timber to third parties and sells land for both future harvesting and real estate development. The wood products segment manufactures and sells lumber and medium-density-fiberboard.

MERCER INTL. INC. (www.mercerint.com): Mercer s principal activity is to produce and market pulp and paper products. They are based in Zurich, Switzerland and have operations primarily in Germany. Mercer manufactures and markets softwood kraft pulp and two primary classes of paper products. Their products are produced from both virgin fibre and recycled fibre. Their manufacturing plants are located in Germany and Switzerland.

DEMOGRAPHICS

The climate of Papua, New Guinea 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 Papua, New Guinea enables the trees to grow with minimal interference from open-ocean earthquakes and large storms; the timber concessions are protected from such conditions by the large islands of New Britain and New Ireland, which act as barriers at sea.

Soils provide nutrients and water, the essential resources for tree growth. The availability of both nutrients and water to trees is affected by soil properties such as fertility, structure and not surprising, then, that the productivity of tree plantations is closely related to soil properties. The soils surrounding Papua, New Guinea area are Entisols, Inceptisod, Alfisol, Utisols, and Oxisols.

Arrow Pacific will maximize the use of all its soils through implementation of the bio-technology for planting agro-genetically engineered eucalyptus trees that will be able to flourish and reproduce successfully in the various conditions of the surrounding environment.

EMPLOYEES

As of February 1, 2006, 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 a stock option plan whereby key personnel can participate in our success. All of our personnel are eligible to participate in this plan.

RISK FACTORS THAT MAY AFFECT FUTURE RESULTS

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.

The Group began operations in approximately September, 2005, and to date has generated no material 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; NEED FOR ADDITIONAL FINANCING; 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 $3,000,000 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

Our revenues are currently entirely derivative from gross sales of Arrow Pacific s products. Arrow Pacific will not be in a position to generate timber sales until it has completed certain infrastructure improvements in Papua, New Guinea, such as paving roads. These infrastructure requirements will take Arrow Pacific at a maximum of one year to complete. Therefore, Arrow Pacific will probably not generate meaningful sales of its timber products until 2007.

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

Arrow Pacific owns 47.6% of the Company s stock and does and will continue to control the Company. Hans Karundeng is the Chairman of Arrow Pacific. His son, Rudolph, is the Chairman 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.

Our independent auditors report on our consolidated financial statements for the years ended December 31, 2005 and 2004 includes language reflecting that substantial doubt exists as to our ability to continue as a going concern. Our management s notes to these financial statements included a discussion of our ability to continue as a going concern. They describe the reasons why there is substantial doubt about our ability to continue as a going concern. Our financial statements do not include any adjustments that might result from the outcome of this uncertainty. As noted above, we cannot assure you that we will not continue to incur net losses and negative cash flow for the foreseeable future.

RISKS RELATED TO OUR FINANCIAL CONDITION

We have operated on a negative cash flow basis and our business and financial condition will be materially and adversely affected if we are unable to generate a positive cash flow on a continuing basis.

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,

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- 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 $3,342,000 related to merger and acquisition 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.

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 Chief Executive Officer and Rudolph Karundeng, our Chairman and Vice President, 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, if you purchase any shares of our common stock, you may not be able to sell them 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

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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 65% 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. Description of NYC Office.

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

Item 3. Legal Proceedings.

The Company is not a party to any litigation.

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

The Company submitted no matters to a vote of security holders in 2005. The Company intends to hold an annual meeting of shareholders sometime in 2006.

On January 11, 2005, Mr. Michael J. Gutowski and Mr. Larry M. Reid resigned from our board as part of the settlement of litigation with Mr. Gutowski and Larry M. Reid. On June 28, 2005, Anthony S. Conigliaro, our former Vice President and Chief Financial Officer, was appointed to our board. On October 21, 2005, Mr. Joseph G. Anastasi resigned as a director. On November 14, 2005, Mr. Conigliaro resigned as our Vice President and Chief Financial Officer and as a director, Mr. Benoit resigned as a director and Chief Executive Officer and President and Mr. David W. Dube and Mr. Charles W. Currie resigned as directors.

On November 14, 2005, immediately prior to submitting their resignations, our Board, consisting of Mr. Benoit, Mr. Currie and Mr. Dube, appointed Peter J. Frugone, Rudolph Karundeng, John Allen and John E. McConnaughy, Jr. to the Board.

On April 6, 2005, we terminated Rosen Seymour Shapss Martin & Company LLP as our independent auditors and appointed Wheeler, Herman, Hopkins & Lagor, P.A. There was no dispute over any accounting, financial or legal issues with respect to this termination. On November 14, 2005, we appointed KBL Eisner, LLP to conduct the audit for the fiscal year ended December 31, 2005, and retained Wheeler, Herman, Hopkins & Lagor, P.A. as the auditor for our discontinued operations. After this report on Form 10-KSB is filed, we will no longer need the services of Wheeler, Herman, Hopkins & Lagor, P.A. There is no dispute with Wheeler, Herman, Hopkins & Lagor, P.A. over any accounting, financial or legal issues.

PART II

Item 1. Market For Common Equity and Related Stockholder Matters.

Exchange Listing:

Our common stock is listed on the NASD OTC: Bulletin Board (trading symbol ARWD).

The number of record holders of our common stock as of February 1, 2006 was approximately 344.

Equity Sale Prices:

	Common Stock	
	High Sales Price	**Low Sales Price**
2005		
1st Quarter	0.43	0.24
2nd Quarter	0.37	0.09
3rd Quarter	0.45	0.08
4th Quarter	0.62	0.29
2004		
1st Quarter	1.20	0.50
2nd Quarter	1.35	0.37
3rd Quarter	0.40	0.23
4th Quarter	0.50	0.30

The number of freely tradable shares not held by affiliates is 25,003,244.

As of January, 31 2006, the aggregate market value of voting stock held by non-affiliates of the Issuer was approximately $10,501,362.48.

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.

Private Issuance of Company Securities:

During the year ended December 31, 2005, under authorization from the old CNE Board, we issued common stock in private transactions pursuant to the exemption from registration provided by Section 4(2) of the Securities Act of 1933. Our affiliates issued common stock in private transactions pursuant to the exemption from registration provided by Section 4(1/2) of the Securities Act of 1933.

On or around November 1, 2005, and as a requirement to the consummation of the Change in Control Transaction, the former Board of CNE Group, Inc. authorized the issuance of unregistered stock to the following individuals in exchange for stock, options, notes, warrants, debt and services pursuant to the exemption from registration providing Section 3(a)(9) and Section 4(2) of the Securities act of 1933:

Name	Common Stock
Jim Workman	75,000
Christian Boswell	25,000
Guoxiong Yuan	5,000
Susan Forsyth	10,000
Charles Currie	87,733
Kevin Benoit	126,933
Frank Ciolli	371,000
John Koscik	12,693
Capstone Business Credit, LLC	25,000
Micheal O Derrick	37,500
G. Martin Fell	254,240
Frank Ciolli	35,840
David Dube	35,000
John J. Phelan	168,000
Richard Reichler	260,640
George W. Benoit	600,449
Barry Feiner	1,458,720
Sanford Rossen	25,000
Henry F. Malarkey	22,400
Arthur R. Benoit	67,200
Douglas Bergeron	112,000
Saul Jakubowitz	33,600
The Crane Trust, Janet Crane	141,667
Hugh P. Duddy	200,000
Khalid Moore	667
Chick s Nursuries Inc.	20,000
Ronald Iannuzzi	6,667
Marietta Maltese	20,000
Audrey Pilatsky	6,667
Ronald Pilatsky	29,000
RCP Trading Corp	20,000
Robert Pilatsky	6,667
Tobio Milo	3,333
Angelo Bono	36,667
Joseph Bono	3,333
Vincent & Paula Dimino	3,333
Ronald & Cherly Carbone	8,000
Richard Etra	33,333

Lisa Dalissio	33,333
Cella L. Vivola	16,667
Joseph Vivola	13,333
Diane & Allison Pilatsky	1,333
Diane & Lauren Pilatsky	1,333
Diane Pilatsky & Cassidy Polan	1,333
Diane Pilatsky	33,333
Grace C.Lindblom	692,334
Maureen Benoit	2,844,285
Anthony S. Conigliaro	1,963,734
Joseph Anastasi	89,733
Total	10,079,033

In addition, on or around December 2, 2005, Empire Advisory, the management company that provides the services of our CEO, Peter J. Frugone, to the Company, transferred 3,875,000 shares of restricted, unregistered Common Stock to the following individuals and entities in a private placement in exchange for cancellation of debt pursuant to the so-called 4(1 1/2) exemption for affiliate re-sales:

Name	**No. of Shares of Common Stock**
Richard M Burdge Tr	300,000
Keira Heu-Jwyn Chang	250,000
Scott Neff	350,000
John Hayden	80,000
James H. Hodge	100,000
Howard Bagby	100,000
Scott L. Armstrong	100,000
Matthew Steven Delaney	100,000
H. K. Derby	100,000
William R. St George	100,000
Sheerin Alli	50,000
David William Masters, Jr.	100,000
Susannah Murad	25,000
Charles Moskowitz	300,000
Focus Partners	80,000
John Marozzi	1,000,000
George M. Weiss	250,000
Charbel H. Tagher	90,000
Aggie-Titan	100,000
Richard McIntyre	100,000
Robert Wood	100,000
Michael Marolf, Trustee	100,000
Total	**3,875,000**

All shares transferred by Empire are conspicuously marked with a legend prohibiting transfer unless an applicable registration statement is declared effective by the SEC or an exemption permitting transfer is otherwise available.

In addition, on or about January 31, 2006, Arrow Pacific, the Company s 47.6% shareholder, transferred 156,880,000 shares of restricted, unregistered Common Stock to the following individuals and entities in a private placement in exchange for cancellation of debt pursuant to the so-called 4(1 1/2) exemption for affiliate re-sales:

Name	**No. of Shares of Common Stock**
PT KABELINDO MURNI Tbk	1,200,000
Juan Edhy Gandasutisna	5,000,000
Fernando Pengabean	100,000
Du Motier Indonesia	24,000,000
Leong Foo Leng	100,000
Ridho Hasan	5,000,000
Law Leong Kien	400,000
Peter Oei	800,000
Sandra Basri	2,000,000
World Ocean Development Corpn	35,000,000
Golden Summit	5,000,000
Nage Enterprises Ltd.	20,000,000
AIS International Holdings Ltd.	55,000,000
Indra Suryajaya Phoa	2,080,000
Kirschenbaum & Kirschenbaum PC	1,200,000
Total	**156,880,000**

All transferred shares transferred by Arrow Pacific are conspicuously marked with a legend prohibiting transfer unless an applicable registration statement is declared effective by the SEC or an exemption permitting transfer is otherwise available.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

GENERAL

We are a holding company whose only operating subsidiary as of November 15, 2005 is Arrow Bermuda. 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 Bermuda, in which Arrow (formerly CNE) was

required to issue 10 million shares of Series AAA convertible preferred stock (the Preferred Stock) to Arrow Bermuda designees, representing 96% of all outstanding equity of CNE on a fully diluted basis 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 entered into the Marketing Agreement with Arrow Pacific 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), due on or before December 31, 2005. Empire is Arrow Pacific s merchant banker. The Note permitted the Company, as Arrow s sole stockholder, to cause Arrow to repay it in cash or with 10,000,000 shares of the Company s non-voting Series AAA Preferred Stock.

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, 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 collectibility 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 collectibility is reasonably assured.

VALUATION OF PURCHASED INTANGIBLE ASSETS

At each balance sheet date, we evaluate our ending inventories for excess quantities and obsolescence. This evaluation includes analyses of sales levels by product and

projections of future demand. If inventories on hand are in excess of forecasted demand, we provide appropriate reserves for such excess inventory. If we have previously recorded the value of such inventory determined to be in excess of projected demand, or if we determine that inventory is obsolete, we write off these inventories in the period the determination is made. Remaining inventory balances are adjusted to approximate the lower of our cost or market value. If future demand or market conditions are less favorable than our projects, additional inventory write-downs may be required, and would be reflected in cost of revenues in the period the revision is made.

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

We perform goodwill impairment tests on an annual basis and on an interim basis if an event or circumstance indicates that it is more likely than not that impairment has occurred. We assess the impairment of other amortizable intangible assets and long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors we consider important that could trigger an impairment review include significant underperformance to historical or projected operating results, substantial changes in our business strategy and significant negative industry or economic trends. If such indicators are present, we evaluate the fair value of the goodwill. For other intangible assets and long-lived assets we determine whether the sum of the estimated undiscounted cash flows attributable to the assets in question is less than their caring value. If less, we recognize an impairment loss based on the excess of the carrying amount of the assets over their respective fair values. Fair value of goodwill is determined by using a valuation model based on market capitalization. Fair value of other intangible assets and long-lived assets is determined by future cash flows, appraisals or other methods. If the long-lived asset determined to be impaired is to be held and used, we recognize an impairment charge to the extent the anticipated net cash flows attributable to the asset are less than the asset s carrying value. The fair value of the long-lived asset then becomes the asset s new carrying value, which we depreciate over the remaining estimated useful life of the asset.

RECENT ACCOUNTING PRONOUNCEMENTS

In November 2004, the FASB issued SFAS No. 151, Inventory Costs, an amendment of APB No. 43, Chapter 4. SFAS No. 151 retains the general principle of APB No. 43, Chapter 4, Inventory Pricing (AC Section I78), that inventories are presumed to be stated at cost; however, it amends APB No. 43 to clarify that abnormal amounts of idle facility expense, freight, handling costs, and wasted materials (spoilage) should be recognized as current-period charges and requires the allocation of fixed production overheads to inventories based on the normal capacity of the production facilities. The guidance is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. Earlier application is permitted for inventory costs incurred during fiscal years beginning after November 23, 2004. We have evaluated SFAS No. 151 and do not anticipate that the adoption of SFAS No. 151 will have a significant impact on our overall results of operations or financial position.

In December 2004, the FASB issued SFAS No. 123(R), Share-Based Payment , which establishes standards for transactions in which an entity exchanges its equity instruments for goods or services. This standard requires a public entity to measure the

cost of employee services received in exchange for an award of equity instruments based on the grant date fair value of the award. This eliminates the exception to account for such awards using the intrinsic method previously allowable under APB Opinion No. 25. SFAS No. 123 (R) became effective for the interim period beginning July 1, 2005. The Company does not anticipate that the adoption of SFAS No. 123(R) will have a significant impact on the Company s overall results of operations or financial position.

In December 2004, the FASB issued SFAS No. 153, Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 20, Accounting for Nonmonetary Transactions. The amendments made by SFAS No. 153 are based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. Further, the amendments eliminate the narrow exception for nonmonetary exchanges of similar productive assets and replace it with a broader exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. This statement shall be applied prospectively and is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Earlier application is permitted for nonmonetary asset exchanges occurring in fiscal periods beginning after the date of issuance. The Company does not anticipate that the adoption of SFAS No. 153 will have a significant impact on the Company s overall results of operations or financial position.

In May 2005, the FASB issued SFAS 154, Accounting Changes and Error Corrections, that applies to all voluntary changes in accounting principle. This Statement requires retrospective application to prior periods financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. When it is impracticable to determine the period-specific effects of an accounting change on one or more individual prior periods presented, this Statement requires that the new accounting principle be applied to the balances of assets and liabilities as of the beginning of the earliest period for which retrospective application is practicable and that a corresponding adjustment be made to the opening balance of retained earnings (or other appropriate components of equity or net assets in the statement of financial position) for that period rather than being reported in an income statement. When it is impracticable to determine the cumulative effect of applying a change in accounting principle to all prior periods, this Statement requires that the new accounting principle be applied as if it were adopted prospectively from the earliest date practicable. SFAS 154 will be effective for the Company for fiscal year ended December 31, 2007. The Company does not anticipate that the adoption of SFAS No. 154 will have an impact on the Company s overall results of operations or financial position.

RESULTS OF OPERATIONS FROM NOVEMBER 15, 2005 TO DECEMBER 31, 2005

In November 2005, we discontinued and disposed of our subsidiaries except for Arrow Bermuda in conjunction with the recapitalized of the Company. The Company had no revenue during this period as Arrow Bermuda is still in the developmental stage. For the period ended December 31, 2005 we incurred consulting fees of $1,141,531 of which, $1,058,845 was related to services provided by the Management Agreement with Empire Advisory, LLC (Empire) under which Empire provides Chief Executive Officer and administrative services to the Company and consulting services provided by Hans Karundeng and Rudolph Karundeng under Engagement and Consulting Agreements.

Results of Operations: From January 1, 2005 to November 14, 2005 compared to the twelve months ended December 31, 2004.

REVENUES

Total revenues from continuing operations was $2,675,986 for the year ended December 31, 2004 as compared to no revenues 2005 as the Company discontinued all of its operation business.

COST OF GOODS SOLD

Costs of goods sold, which relates to product sales and related service fee income was $1,553,749 for the year ended December 31, 2004 as compared to no cost of goods sold in 2005 as the company discontinued all of its operating businesses.

OTHER EXPENSES

Total other expenses from continuing operations increased to $6,202,320 for the period ended November 14, 2005 as compared to $2,943,177 for the year ended December 31, 2004.

Advertising expenses decreased to $0 for the period ended November 14, 2005 as compared to $35,522 for the year ended December 31, 2004. The decrease was due to the Company discontinuing its telecom and internet recruiting businesses.

Compensation and related costs increased to $3,897,791 for the period ended November 14, 2005 as compared to $1,081,175 for the year ended December 31, 2004. The increase was due primarily to stock issued for consulting expense.

General and administrative expenses increased $2,304,529 for the period ended November 14, 2005 as compared to $1,446,671 for the year ended December 31, 2004 primarily due to an increase in legal and audit related services.

DISCONTINUED OPERATIONS

For the period ended November 14, 2005, the Company loss from the discontinuation of its telecom and internet recruiting business was $7,087,645. The loss was primarily made up of the write off of goodwill related to the internet recruiting business.

B. LIQUIDITY AND CAPITAL RESOURCES

In November 2005 we discontinued and disposed of our subsidiaries except for Arrow Bermuda in conjunction with the recapitalization of the Company. The Company was recapitalized by the conversion of $125 million preferred convertible note related to the purchase of the Marketing Agreement. As part of the recapitalization plan the Company settled all outstanding debt except for $220,000. As of December 31, 2005 the Company had $3,084 of cash. We had loss of approximately $1.3 million for the period ended December 31, 2005 and do not currently generate any revenues. In order for us to survive the next twelve months we will need to secure approximately $3 million of debt or equity financing. As of March 15, 2006 we have secured $300,000 of equity financing.

We expect the raise the additional financing in the future but there can be no guarantee that we will be successful.

Off-Balance Sheet Arrangements

At December 31, 2005, we had no off-balance sheet arrangements.

From January 1, 2005 to November 14, 2005 compared to the twelve months ended December 31, 2004.

Operating Activities

We used $1,369,113 of cash in our operating activities during the period ended November 14, 2005. We had a net loss of $13,263,383 of which $8,529,185 was a non cash expense related to our write off of assets related to our discontinued operations of our online recruiting and telecom businesses. We had other non cash charges totaling $3,806,538 related to depreciation and amortization, common stock issued for services, gain on debt settlement and allowance for doubtful accounts. In addition, we used $238,972 for working capital during the period ended November 14, 2005.

We utilized $1,220,212 of cash in operating activities during the year ended December 31, 2004. We had a net loss from continuing operations of $2,333,695 during this period, which included an aggregate of $445,701 of non-cash items, including depreciation and amortization, amortization of debt discount, allowance for doubtful accounts and common stock issued in lieu of cash for professional fees. In addition to the net impact of non-cash items, our operating activities for the year ended December 31, 2004 also reflected an increase in inventory, accounts payable, accrued expenses and other liabilities. These were offset in part by decreases in accounts receivable, other current and non-current assets and deferred income.

On January 21, 2004, we took several initiatives to address our operating cash deficiency, which included, but were not limited to, the reduction and/or elimination of certain executive salaries, waiving of certain interest payments due officers and/or directors, waiving of certain accounts receivable due an officer and employee, and the reduction of certain administrative costs. In addition, we raised gross proceeds of $700,000 in February 2004 from the sale of our common stock (see Financing Activities below), and restructured certain short-term credit arrangements into a $300,000 note payable due in February 2005. Furthermore, in July through December 2004 we restructured and issued approximately $450,000 of our debt securities.

Pre-Recapitalization Financing Activities

We raised $1,359,687 of financing for the period ended November 14, 2005. This was made up of $1,281,083 owed to Empire, proceeds from the sale of preferred and common stock totaling $270,000. This was offset by the repayment under our short term credit agreement.

On February 10, 2004, the Company sold 1,750,000 shares of its Common Stock at $0.40 per share. The net proceeds of the transaction amounted to $571,000. The Company used the funds obtained from this financing primarily for working capital purposes.

On June 24, 2004 the Company repaid, in full, one of its outstanding lines of credit amounting to approximately $146,000. On the same date the Company issued a secured note payable to an employee of a subsidiary of the Company in the amount of $150,000. This employee was also a director of the Company. The note is secured by the furniture and equipment of a subsidiary of the Company. The note bears interest at 10% per annum and the principal and all interest thereon was due on September 24, 2004. In consideration of extending the maturity date of the note to April 30, 2005 and deferring the payment of all accrued interest for the period June 24, 2004 through April 30, 2005, the individual was issued Warrants to purchase 101,000 shares of the Company s common stock at $0.28 per share.

In July and August 2004, the Company issued $150,000 of its 24% Secured Notes due April 30, 2005 to the wife of the Chief Executive Officer and an existing 10% subordinated noteholder of the Company. Interest on the notes is payable quarterly in arrears. The notes are secured by (i) all the stock of SRC and USCL, and (ii) the pledge of Patent Nos. 6,060,979, 6,047,173 and 5,701,338 - all owned by the Company. On October 1, 2004, the holders of 100% of the Company s 24% Secured Notes agreed to defer $5,867 of interest due on such date to January 1, 2005 in consideration of the Company issuing to them 53,333 Class B Warrants of the Company, each to give the holder thereof the right to purchase a share of common stock at $0.33 per share. On January 1, 2005, the holders of 100% of the Company s 24% Secured Notes agreed to defer $9,200 of interest due on such date and further defer the interest that was due and deferred on October 1, 2004 ($5,867) to April 1, 2005 in consideration of the Company issuing to them 113,000 Class B Warrants of the Company, each to give the holder thereof the right to purchase a share of common stock at $0.40 per share.

In October 2004, the Company and USCL entered into a two-year Project Financing Agreement with an institutional lender relating to USCL s anticipated participation in the Cellular Call Box Upgrade and Maintenance Service projects for numerous Service Authority for Freeway Emergencies (SAFE) programs within the state of California. These call box programs operate over 17,000 motorist aid analog call boxes that will require upgrades to digital cellular technology available through USCL. We cannot assure you that we will participate in these projects or, if we do, to what extent such participation will be. This agreement provides the Company with finished goods and accounts receivable financing of up to $2,000,000 relating to these potential aforementioned projects. The effective interest rate is approximately 3% per month on the outstanding balance of the amount receivables financed. The finished goods and accounts receivable to be financed, as well as all the other assets of the Company not previously pledged, will secure the borrowings under this agreement.

In October, November and December 2004, the Company issued (i) $150,000 of its 10% Convertible Subordinated Notes due June 30, 2005 and (ii) 945,000 Class C Cashless Warrants of the Company, each to give the holder thereof the right to purchase a share of common stock at $0.50 per share. The notes were sold to the wife of the Chief Executive Officer of the Company and other accredited investors and are convertible by the holder, at any time, into common stock of the Company at $0.50 per share. The warrants expire on April 30, 2013. Interest on the notes is due at maturity.

On or about April 1, 2005, two individuals, both of whom are adult children of the Company s Chief Executive Officer, purchased 545,000 shares of the Company s Series G Preferred Stock at a price of $0.20 per share. The Series G Preferred Stock is non voting, has no liquidating preference over the common stock and each share is automatically convertible into two shares of common stock when such conversion has been approved by the Company s common stockholders. This transaction was exempt from the registration provisions of the Securities Act of 1933 pursuant to Section 4(2) thereof.

On or about April 12, 2005, four individuals, three of whom are adult children or related thereto of the Company s Chief Executive Officer, purchased 500,000 shares of the Company s Series G Preferred Stock at a price of $0.20 per share. This transaction was exempt from the registration provisions of the Securities Act of 1933 pursuant to Section 4(2) thereof.

On or about March 15, 2005, the Company borrowed $25,000 from a lender evidenced by a secured convertible subordinated note due on September 15, 2005 and bearing interest at the annual rate of 20% payable at maturity.

The note is (i) secured by approximately $42,000 in one of the Company s bank accounts; (ii) convertible into the Company s common stock at the rate of $0.24 per share, subject to certain anti-dilution provisions; and (iii) subordinated to the Company s Senior Indebtedness as that term is defined therein. At April 15, 2005 the outstanding principal balance of the note was $15,000. In addition, on or about April 11, 2005, the Company sold to this lender, for an aggregate purchase price of $100,000, 333,333 shares of restricted common stock and three-year warrants to purchase an aggregate of 100,000 shares at $0.50 per share, subject to appropriate anti-dilution provisions. The sale of the restricted stock and warrants was exempt from the registration provisions of the Securities Act of 1933 pursuant to Section 4(2) thereof.

We did not have any material commitments for capital expenditures as of December 31, 2005.

INFLATION

We believe that inflation does not significantly impact our current operations.

RECENT TRANSACTIONS

On or around August 1, 2005 we acquired all of the stock of Arrow Bermuda in exchange for Series AAA Preferred stock that was convertible into 96% of the Company s common shares, subject to the satisfaction of certain conditions precedent. On November 2, 2005, the aforementioned conditions were satisfied and the Company issued 10,000,000 shares of Series AAA Convertible Preferred Stock to Empire Advisory, LLC (Empire), as agent, in payment of a note in the principal amount of $125,000,000 issued by Arrow Bermuda to Empire less transaction costs plus $1,161,000 in repayment of cash advances made to Arrow Bermuda. Arrow Bermuda s principal asset is a Marketing and Distribution Agreement with Arrow Pacific for the world-wide commercial exploitation of natural resources in Papua, New Guinea. In connection therewith, Empire agreed to pay, and has paid, certain of our expenses, aggregating $350,000. Empire was founded

and is managed by Peter J. Frugone, who, is our Chief Executive Officer as well as one of our directors

On May 28, 2005, the Company entered into five-year Engagement Agreement with Hans Karundeng, the controlling shareholder of Arrow Pacific. Pursuant to this agreement, Mr. Karundeng will provide the Company with business and financial consulting services for which he will be paid $1,000,000 annually. On August 1, 2005, the Company entered into a five-year Employment Agreement with Rudolph Karundeng, Hans Karundeng s son, pursuant to which Rudolph Karundeng will be employed as our Chairman of the Board and be responsible for executive oversight, strategic planning and direction of field operations. He will be paid $1,000,000 annually for these services.

On August 1, 2005, the Company also entered into a five-year Management Agreement with Empire. Pursuant to this agreement Empire will manage the Company s business and financial affairs and, in connection therewith, provide the Company with Mr. Frugone s services as Chief Executive Officer. The Company will pay Empire a management fee of $1 million during the first year of the agreement, which will increase annually by 125% and $600,000 each year for expenses.

The former CNE Directors held a Board meeting on October 21, 2005, at which they agreed to cause the Company to satisfy its $125,000,000 note plus $1,161,000 to Empire by issuing the 10,000,000 shares of voting Series AAA Preferred Stock to Empire on the condition that we receive (i) an independent valuation of Arrow Bermuda s Marketing and Distribution agreement with Arrow Pacific acceptable to us and (ii) Arrow Bermuda s financial statements, independently audited, that would reflect a stockholders equity of approximately $124,000,000. after repayment of the $125,000,000 note to Empire without incurring debt to effect that repayment. Our former Board believed that, in reliance upon the independent valuation, the effectiveness of Arrow Pacific s license with the government of Papua, New Guinea and the land leases in accordance with their terms, and upon the accuracy of Arrow Bermuda s audited financial statements and the information provided to us by Arrow Pacific about its business, our issuance of the 10,000,000 shares of voting Series AAA Preferred stock to Empire in payment for Arrow Bermuda s $125,000,000 note to Empire would be fair to our existing stockholders from a financial and equitable point of view. The former Board received and reviewed the independent valuation and the audited financial statements. Based on the foregoing, our Board effected the issuance of the Series AAA Preferred and all related transactions and the change in control.

At the October 21, 2005 meeting, our Board also approved that, as part of our agreement with Empire, we would change our name to Arrow Resources Development, Inc., change our jurisdiction of organization from Delaware to Bermuda, and amend our Certificate of Incorporation to increase the number of shares we are authorized to issue to 1 billion. The former Board also agreed that upon repayment of the $125,000,000 Note plus cash, we would cancel all of our preferred stock other than the Series AAA Preferred Stock to be issued to Empire, all of our material debt obligations and all of our outstanding warrants and options. In furtherance thereof, we:

(i) exchanged all of our 1,392,630 shares of Series A Preferred Stock for our common stock at the rate of one share of Preferred Stock for one share of common stock and thereafter retired this Preferred Stock;

(ii) purchased all of our 4,400 shares of Series B Preferred Stock for an aggregate price of $20,000 and thereafter retired this Preferred Stock;

(iii) exchanged all of our 1,145,000 Series G Preferred Stock at the rate of one share of Preferred Stock for two shares of common stock and thereafter retired this Preferred Stock

(iv) exchanged all of our outstanding debt, exclusive of accrued but unpaid salaries, directors and professional fees and expenses, and exclusive of the debt cancelled pursuant to a transaction described below under Related Transactions relating to the sale of one of our subsidiaries, in the aggregate amount of approximately $1,370,000 for an aggregate of 2,837,533 shares of common stock;

(v) issued 373,277 shares of common stock to independent contractors for services they rendered to us;

(vi) except for the warrants and options referred to in the transaction relating to the sale of our subsidiary, exchanged all of our warrants and options for an aggregate of 6,275,772 shares of common stock; and

(vii) executed mutual general releases with certain of our creditors including, among others, our officers and directors, pursuant to which all of our accrued but unpaid salaries, directors and professional fees and expenses in the aggregate amount of approximately $1,350,000 were released.

We issued all of our common stock in the foregoing transactions pursuant to the exemptions from the registration provisions of the securities Act of 1933 provided by Sections 3(a)(9) and 4(2) thereof.

Subsequent to satisfying the Company s note to Empire by issuing Empire the 10,000,000 shares of Series AAA Preferred Stock, on November 3, 2005, we entered into an agreement with Messrs. Eichsteadt and Sullivan and David B. Batzer pursuant to which we sold SRC Technologies, Inc. our wholly-owned subsidiary, and SRC-ECI, Inc., SRC s wholly-owned subsidiary, and a patent associated with these businesses, to Messrs. Eichsteadt and Sullivan in consideration for (1) the cancellation of debt in the aggregate amount of $50,000 we owed to Messrs. Eichsteadt and Sullivan, (2) the cancellation of debt in the aggregate amount of approximately $150,000 SRC owed to Mr. Eichstead, (3) the cancellation of debt in the aggregate amount of approximately $300,000 SRC owed to Mr. Batzer, (4) the return to us by Messrs. Eichsteadt and Sullivan of an aggregate of 1,000,000 shares of our Series AA Preferred Stock and 4,867,938 shares of our Series C Preferred Stock and (5) the return by Messrs. Eichsteadt, Sullivan and Batcher of options and warrants to purchase an aggregate of 486,000 shares of our common stock between the company and SRC Technologies, Inc. and SRC ECI, Inc. We have since retired and/or canceled all of the securities returned to us pursuant to this agreement. As part of this transaction Mr. Eichsteadt resigned as a director. All intercompany debt was eliminated prior to closing.

We have obtained releases from Messrs. Anastasi, Benoit, Conigliaro, Currie and Dube, our former directors, pursuant to which, for nominal consideration, they have each released us from our obligation to pay them any accrued but unpaid compensation, directors fees and/or advances, as the case may be, that we may owe them. We have

also released them from all actions we may have against them except for those prohibited by applicable law. The following table sets forth the amounts that they have released:

Name	Amount Released
Joseph G. Anastasi	$ 30,000
George W. Benoit	$ 1,307,050
Anthony S. Conigliaro	$ 223,333
Charles W. Currie	$ 28,000
David W. Dube	$ 35,000

We have also entered into agreements with Messrs. Anastasi, Benoit, Conigliaro, Currie and Dube, members of Mr. Benoit s family, and Grace C. Lindblom and Frank Ciolli, each a beneficial owner of more than 10% of our outstanding common stock at the time of the agreements, pursuant to which we issued them our common stock in exchange for debt owed by us, Series G Preferred Stock and/or options or warrants, each to purchase one share of our common stock at various prices. We were paid $1.00 per share for the Series G Preferred Stock. The following table sets forth certain information relating to these transactions:

Name	Consideration Exchanged	Number of Common Shares Issued
Joseph G. Anastasi	25,000 options and $26,667 debt	116,894
George W. Benoit (1)(2)(4)	600,000 options	479,887
Maureen Benoit (1)	3,007,903 options and $515,000 debt	2,656,326
George W. Benoit, Jr. (2)	49,600 shares of preferred stock	496,000
Kevin J. Benoit (2)(3)	59,400 shares of preferred stock, 514,277 options and $56,667 debt	712,750
Frank Ciolli (3)	1,542,833 options and $181,625 debt	377,324
Anthony S. Conigliaro	1,314,277 warrants and options and $56,667 debt	1,857,538
Charles W. Currie	25,000 options and $26,667 debt	112,639
David W. Dube	100,000 options	72,117
Grace C. Linblom (3)	2,081,550 options and $250,000 debt	545,167
Anne B. Mullen (2)	22,913 shares of preferred stock	228,930
Michael Mullen (4)	8,000 shares of preferred stock	80,000
Nancy C. Zucco (2)	43,003 shares of preferred stock	430,230
Total		8,165,802(5)

(1) Maureen Benoit is George W. Benoit s wife.

(2) This person is an adult child of George W. Benoit.

(3) This person was a holder of 10% or more of our common stock at the time of the agreement.

(4) Mr. Mullen is George W. Benoit s son-in-law.

(5) Barry Feiner, CNE Group, Inc. s corporate council at the time of the transaction, received 1,041,807 shares for consideration of deferred payment. Including Mr. Feiner s share, the total amount of shares issued is 9,207,609.

We issued all of our common stock in the transactions referred to in the foregoing table pursuant to the exemptions from the registration provisions of the securities Act of 1933 provided by Sections 3(a)(9) and 4(2) thereof.

DISCONTINUED OPERATIONS

CNE used to hold SRC and US Commlink as operating subsidiaries. As part of the change in control transaction described above, we sold these operating subsidiaries and related patents to the Company s former principals in exchange for a cancellation of debt, options, warrants and stock. SRC, also a holding company, is the parent of Connectivity and ECI. These companies, which we acquired on April 23, 2003, market, manufacture, repair and maintain remote radio and cellular-based emergency response products to a variety of federal, state and local government agencies as well as other vertical markets located throughout the United States. Upon completion of the recapitalization transaction, we discontinued the operations of our wholly owned subsidiary CareerEngine, Inc. due to the fact that it had no revenue and required ongoing operating expenses.

2003 ACQUISITION OF ALL OF THE OUTSTANDING STOCK OF SRC AND ECI DESCRIPTIVE HISTORY

On April 23, 2003 we issued (i) 899,971 shares of our common stock, (ii) 1,697,966 shares of our non-voting Series A Preferred Stock and an equal number of ten year Class A Warrants, (iii) 4,400 shares of our Series B Preferred Stock, and (iv) 9,735,875 shares of our non-voting Series C Preferred Stock and a like number of ten year Class C Warrants, for 100% ownership of SRC, US Commlink and ECI. In addition, ECI s sellers retained certain of ECI s trade receivables aggregating approximately $100,000. We also acquired a patent related to the operation of ECI s business in exchange for notes aggregating $2,000,000 bearing 8% interest. The consolidated financial statements include the operating results of US Commlink, and those of SRC and ECI from the date of their acquisition. The details of such transactions are set forth below.

SRC

On April 23, 2003, we issued to Mr. and Mrs. Gutowski, the former principal common stockholders of SRC, an aggregate of 4,867,937 shares of our non-voting Series C Preferred Stock and a like number of ten year Class C Warrants, each to purchase one share of our Common Stock at $1.00 per share. The Class C Warrants are not exercisable or detachable from the Series C Preferred Stock prior to 66 months after their issuance.

We issued to the other former common stockholders of SRC, including Mr. Reid, an aggregate of 899,976 shares of its Common Stock, 1,697,966 shares of our non-voting Series A Preferred Stock and a like number of ten year non-detachable Class A Warrants, each to purchase one share of our Common Stock at $1.00 per share. The Class A Warrants is not exercisable or detachable from the Series A Preferred Stock prior to 66 months after their issuance.

On January 10, 2006, as part of the a litigation settlement with Messrs. Reid and Gutowski and Mrs. Gutowski, they agreed to exchange all of their Class AA, Class A and Class C Preferred Stock, and all of their 1,550,000 incentive stock options for 850,000 shares of our common stock if the exchange is made on or prior to May 9, 2006, 950,000 shares if the exchange is made on or prior to June 9, 2006, or 1,050,000 shares if the exchange is made on or prior to July 9, 2006.

We issued an aggregate of 4,400 shares of our Series B Preferred Stock to the former holders of the SRC Series B Preferred Stock.

ECI

On April 23, 2003, the Company issued to Gary L. Eichsteadt and Thomas Sullivan, the former stockholders of ECI, an aggregate of 4,867,938 shares of its Series C Preferred Stock and a like number of Class C Warrants. In addition, Messrs. Eichsteadt and Sullivan retained certain of ECI s trade receivables aggregating approximately $100,000. We also acquired a patent (ECI Patent) related to the operation of ECI s business from Mr. Eichsteadt for notes in the aggregate principal amount of $2,000,000, bearing interest at the annual rate of 8%, payable quarterly, and due on October 31, 2008. Mr. Sullivan remained an executive officer ECI. On July 31, 2003, we transferred all the stock of ECI to SRC and ECI became a wholly-owned subsidiary of SRC. In addition, in 2003 we transferred our title to the ECI Patent to SRC. In 2004 we transferred title back to us as collateral for certain or our 24% secured notes.

On May 19, 2003, Mr. Eichsteadt assigned $1,500,000 of the aforementioned 8% notes equally to Mr. Sullivan, Mr. Gutowski and Mrs. Gutowski. On August 31, 2003, Mr. and Mrs. Gutowski converted their notes aggregating $1,000,000 into 1,000,000 shares of the Company s Series AA Preferred Stock and on June 18, 2004 Messrs, Eichsteadt and Sullivan also converted their note into 1,000,000 shares of the Company s Series AA Preferred Stock. As noted above, Mr. Gutowski and Mrs. Gutowski s Series AA Preferred Stock are subject to an exchange agreement for common stock.

The Series AA Preferred Stock has an 8% cumulative dividend, payable in common stock or cash, and a liquidating preference over all other CNE equity of $1,000,000. The Series A Preferred Stock has a liquidating preference over all other CNE equity except the Series AA of $1,697,961. The Series B Preferred Stock has a liquidating preference over all other CNE equity except the Series AA and A Preferred Stock of $440,000. The Series C Preferred Stock has no liquidating preference.

The total consideration, including acquisition costs, was allocated based on the estimated fair values of the net assets acquired on the acquisition date.

	ECI	SRC	Total
Tangible assets	$ 588,492	$ 292,979	$ 857,593
Patents	1,379,789	170,820	1,550,609
Goodwill	2,766,233	4,519,661	7,285,894
Liabilities	(2,144,771)	(857,033)	(3,001,804)
Net asset value	$ 2,589,743	$ 4,126,427	$ 6,692,292

There were no relationships between us or any of our affiliates and any of the sellers of the assets we acquired prior to the acquisition transactions.

MANAGEMENT

The Company has brought together a team of management and professionals with a balance of experience in the fields plantation management, corporate finance, corporate management and governance, marketing and sales, law, accounting and international marketing. The team includes directors and advisors (Hans Karundeng and Rudolph Karundeng) who are both members of the Company team and senior management of Arrow Pacific.

Chairman - Rudolph Karundeng

Mr. Karundeng, 26, has assisted Hans Karundeng, helping start, maintain and oversee the operations at a senior level of numerous projects throughout the world since 2000. His primary role in most of these projects was the acquisition of capital through banking means as well as financial analysis of projects and transforming their structure in order to be viable for funding by banks.

Since receiving his degree in Economics from UCLA, Rudolph Karundeng has been Director in numerous corporations throughout the world including Golden Summit Inc. a small-cap company lender and loan facilitator, Du is Motier International Corporation, a Note Structure Developer as well as a bank loan facilitation consultant. During his tenure as a Director for these companies he has been involved in facilitating the loans for 25 Clients, which had a loan range from $100 Million to $1.8 Billion for various projects including mining, manufacturing, and marketing.

Mr. Karundeng is intimately involved with all the processes, equipment, and day to day operations of each project in order to better help in cost and budget analysis for each project. Through his family s earlier background of mining and forestry he has developed a strong base of knowledge for the day-to-day operations as well as development, marketing and all forms of operations for coal mining, oil refining, gas mining, and forestry. Another product of his tenure as Director of these companies is Mr. Karundeng s has developed his knowledge in Note Structures as well as the laws that pertain to them in many areas of the world including but not limited to United States, Europe, China, Singapore, and Indonesia. He has facilitated the sale, usage, and the acquisition of Notes throughout the world utilizing his many banking relationships throughout the world to assist companies in moving a project forward.

CEO-President and Director - Peter J. Frugone

In addition to the traditional investment banking skills related to sourcing, valuation and negotiation, Mr. Frugone, 56, has significant experience in hands-on operating roles at the senior levels, as well as strategic and advisory roles as director of and consultant to small-cap and mid-cap companies. He has overseen the processes of strategic planning and oversight, recruitment of management executives, assisting with follow-on

capital requirements, arranging follow-on acquisitions, and assisting with realization of value through IPO, public sale or sale or merger of the company. Mr. Frugone is experienced in all phases of financial analysis, corporate re-engineering and restructuring, information technology and Internet marketing, real estate financing and development, and commercial/residential general construction/management.

In 1991, Mr. Frugone founded, and has since acted as the Managing Director of, Empire Advisory LLC (formerly Electra Capital Corporation), and a boutique consulting and investment bank specializing in small and medium sized transactions ($1 million to $10 million). Empire has provided financial consulting and investing banking services to over 300 clients, which has resulted in the completion of more than 100 debt and equity placements with a total value of $250 million.

From 1972 until 1989 Mr. Frugone was the CEO of Citadel Construction and Financial Corporations. He started Citadel as a small home improvement company and expanded to all phases of general construction, project management, and real estate development with 1988 annual sales of $25 million. During that period Citadel completed development projects of $105 million and construction projects of over $400 million. Mr. Frugone started his career as an executive trainee with Marine Midland Bank in 1967, rising to the position of Corporate Trust Officer in charge of bond and coupon auditing. From 1969 to 1971 Mr. Frugone was a baby bond trader for Merrill Lynch Pierce Fenner and Smith, then with Loeb Rhodes and Company and with Pershing and Company.

Director - John E. McConnaughy, Jr.

John E. McConnaughy, Jr., 76, is Chairman and Chief Executive Officer of JEMC Corporation, a personal holding company he founded in 1985. He was Chairman and CEO of Peabody International Corp. from 1969 and in addition Chairman and CEO of GEO International Corp. when it was spun off in 1981. He retired from the former in February 1986 and the latter in October 1992.

At the start of his tenure with Peabody International Corp., the Company had sales of $23 million. During the next 11 years, he built sales to $85 million and ranked 8th of the Fortune 500 Companies in growth of earnings per share. He was named outstanding Chief Executive Officer for the Environmental Control industry for the years 1975, 1976 and 1978 by Financial World magazine.

Prior to joining Peabody in 1969, Mr. McConnaughy served as Vice President of European Consumer Products with the Singer Company. He was responsible for operations in 16 countries and sales of $400 million. He had previously been President of the Singer Company of Canada, Limited. Earlier, he held management positions at Westinghouse Electric Corp. in its consumer group and portable appliance divisions.

Mr. McConnaughy served on the board of Fortune Natural Resources Corporation from 2000 through January 30, 2004. On June 1, 2004, Fortune filed from protection under Chapter 11 of the Federal Bankruptcy law in the United States Bankruptcy Court for the Eastern District of Louisiana, Case No. 04-14112. The case is still pending.

A graduate of Denison University with a B.A. in Economics, Mr. McConnaughy earned his M.B.A. in Marketing and Finance at Harvard s Graduate School of Business Administration.

Mr. McConnaughy has been a Director of Oxigene, Inc., Varsity Brands, Inc., Texstar Corporation, MAI Corporation, Pets Choice Ltd., Akzona Corp., First Bank Corp. (New Haven), Beringer Co., Inc., the Pullman Co., Moore McCormack Resources, Peabody International Corp., DeVlieg Bullard, Inc., Mego Financial Corp., Trasact International, Inc. and RateXchange, who changed their name to MCF Corporation. Mr. McConnaughy currently serves on the boards of five other public companies (Wave Systems, Inc., Allis-Chalmers Energy Inc., Overhill Farms inc., Consumer Portfolio Services, Inc., Levcor International, Inc.)

He is Chairman of the Board of Trustees and Executive Comm