ARROW RESOURCES DEVELOPMENT INC
Form 10QSB
May 15, 2006

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

(Mark One)

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

For the quarterly period ended March 31, 2006

¨ **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 ¨

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

The number of shares outstanding of each of the issuer's classes of common equity, as of May 5, 2006.

Class	**Outstanding at May 5, 2006**
Common stock - par value $0.00001	649,543,240

ARROW RESOURCES DEVELOPMENT, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)
FORM 10-QSB
THREE MONTHS ENDED MARCH 31, 2006

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

Consolidated Balance Sheets
March 31, 2006 and December 31, 2005

		March 31, 2006		December 31, 2005
ASSETS				
Current:				
Cash	$	3,852	$	3,084
Prepaid expenses		4,405		—
Total current assets		8,257		3,084
Amortizable intangible asset				
Marketing and distribution agreement		125,000,000		125,000,000
Total assets	$	125,008,257	$	125,003,084
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current:				
Accounts and accrued expenses payable (including $1,292,821 and $844,212 due to shareholders, respectively)	$	1,855,124	$	1,482,877
Due to related parties		2,060,970		1,332,764
Note payable, including accrued interest of $20,000		245,000		220,000
Total liabilities		4,161,094		3,035,641
Commitments and contingencies		—		—
STOCKHOLDERS' EQUITY				
Common stock, $0.00001 par value, 1 billion shares authorized, 649,543,240 issued and outstanding		6,495		6,495
Preferred stock, $0.10 par value, 10 million shares authorized, none issued and outstanding		—		—
Additional paid-in capital		123,233,206		123,233,206
Accumulated deficit		(2,392,538)		(1,272,258)
Total stockholders' equity		120,847,163		121,967,443

Total liabilities and stockholders’ equity	$ 125,008,257	$ 125,003,084

See accompanying notes to the consolidated financial statements.

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

Consolidated Statement of Operations (during the development stage)

	For the Three Months Ended March 31, 2006	For the Period From Inception (November 15, 2005) to December 31, 2005	Accumulated during the development stage Period From Inception (November 15, 2005) to March 31, 2006
Revenue	$ --	$ --	$ --
Operating expenses:			
Consulting fees and services, including $864,676 and $939,401 incurred to related parties, respectively	936,614	1,022,087	1,958,701
General and administrative	183,666	919	184,585
Total operating expenses	1,120,280	1,023,006	2,143,286
Loss from operations during the development stage	(1,120,280)	(1,023,006)	(2,143,286)
Other Expense:			
Expenses incurred as part of recapitalization transaction	--	249,252	249,252
Net loss	$ (1,120,280)	$ (1,272,258)	$ (2,392,538)
Basic and diluted net loss per weighted-average shares common stock outstanding	$ (0.001)	$ (0.003)	$ (0.004)
Weighted-average number of shares of common stock outstanding	649,543,240	423,841,112	572,112,583

See accompanying notes to the consolidated financial statements.

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

Consolidated Statement of Changes in Stockholders' Equity (during the development stage)

	Common Stock								
	Shares		**Amount**		**Additional Paid-in Capital**		**Accumulated Deficit**		**Total**
Balance, November 14, 2005 pursuant to recapitalization transaction	25,543,240	$	255		(2,674,761)	$	--	$	(2,674,506)
Common stock conversion and settlement of senior note pursuant to recapitalization transaction	624,000,000		6,240		125,907,967				125,914,207
Net loss for the period from November 15, 2005 to December 31, 2005							(1,272,258)		(1,272,258)
Balance, December 31, 2005	649,543,240	$	6,495	$	123,233,206	$	(1,272,258)	$	121,967,443
Net loss							(1,120,280)		(1,120,280)
Balance at March 31, 2006	649,543,240	$	6,495	$	123,233,206	$	(2,392,538)	$	120,847,163

See accompanying notes to the consolidated financial statements.

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

Consolidated Statement of Cash Flows (during the development stage)

	For the Three Months Ended March 31, 2006	For the Period From Inception (November 15, 2005) to December 31, 2005	For the Period From Inception (November 15, 2005) to March 31, 2006
Net loss	$ (1,120,280)	$ (1,272,258)	$ (2,392,538)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Net non-cash change in stockholders' equity due to recapitalization transaction	--	1,264,217	1,264,217
Changes in operating asset and liabilities:			
Increase in accounts and accrued expenses payable	372,247	246,316	618,563
Increase in prepaid expenses	(4,405)	--	(4,405)
Net cash used in operating activities	(752,438)	238,275	(514,163)
Cash flows from financing activities:			
Cash acquired as part of merger transaction	--	39,576	39,576
Proceeds of issuance of note payable	25,000	--	25,000
Net increase in due to related parties attributed to operating expenses paid on the Company's behalf by the related party	728,206	(324,767)	403,439
Advances from senior advisor	--	50,000	50,000
Net cash provided by financing activities	753,206	(235,191)	518,015
Net change in cash	768	3,084	3,852
Cash balance at beginning of period	3,084	--	--
Cash balance at end of period	$ 3,852	$ 3,084	$ 3,852
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Income taxes	$ --	$ --	$ --
Interest expense	$ --	$ --	$ --
Non-cash investing and financing activities:			
Non-cash purchase of marketing and distribution agreement	$ --	$ 125,000,000	$ 125,000,000
Settlement of senior note payable through issuance of convertible preferred stock	$ --	$ 125,000,000	$ 125,000,000
Non-cash acquisition of accrued expenses in recapitalization	$ --	$ 421,041	$ 421,041
Non-cash acquisition of notes payable in recapitalization	$ --	$ 220,000	$ 220,000

See accompanying notes to the consolidated financial statements.

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

NOTE 1 - NATURE OF BUSINESS / ORGANIZATION

Business Description

Arrow Resources Development, Inc. and Subsidiaries ("the Company"), is a development stage company. The Company was subject to a change of control transaction that was accounted for as a recapitalization of CNE Group, Inc. ("CNE") in November 2005. Arrow Resources Development, Ltd., ("Arrow Ltd.") the Company's wholly-owned subsidiary, was incorporated in Bermuda in May 2005. Arrow Ltd. provides marketing and distribution services for natural resource products and currently has an exclusive marketing and distribution agreement with Arrow Pacific Resources (s) Pte. Ltd. ("Arrow PNG") to market lumber and related products from land leased by Arrow PNG's timber subsidiaries in Papua, New Guinea. Under the agreement Arrow Ltd. will receive a commission of 10% of gross sales derived from lumber and related products.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation:

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

Income taxes:

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

Fair value of financial instruments:

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

Use of estimates:

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loss per share:

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

Net loss per diluted common share does not include potential common shares derived from stock options and warrants because they are anti-dilutive for the period ended March 31, 2006. As of March 31, 2006, there are no dilutive equity instruments outstanding.

Acquired intangibles:

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

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

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

3. Significant negative industry or economic trends.

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements:

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 adopted SFAS No. 123(R) on January 1, 2006. It had no 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.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (continued):

In February 2006, the FASB issued SFAS 155, "Accounting for Certain Hybrid Financial Instruments—an amendment of FASB Statements No. 133 and 140," that allows a preparer to elect fair value measurement at acquisition, at issuance, or when a previously recognized financial instrument is subject to a remeasurement (new basis) event, on an instrument-by-instrument basis, in cases in which a derivative would otherwise have to be bifurcated. It also eliminates the exemption from applying Statement 133 to interests in securitized financial assets so that similar instruments are accounted for similarly regardless of the form of the instruments. This Statement is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. The Company does not anticipate that the adoption of SFAS No. 155 will have an impact on the Company's overall results of operations or financial position.

In March 2006, the FASB issued SFAS 156, "Accounting for Servicing of Financial Assets—an amendment of FASB Statement No. 140," that applies to the accounting for separately recognized servicing assets and servicing liabilities. This Statement requires that all separately recognized servicing assets and servicing liabilities be initially measured at fair value, if practicable. An entity should adopt this Statement as of the beginning of its first fiscal year that begins after September 15, 2006. The Company does not anticipate that the adoption of SFAS No. 156 will have an impact on the Company's overall results of operations or financial position.

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

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

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

ARROW RESOURCES DEVELOPMENT, INC. AND SUBSIDIARIES
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - INCOME TAXES

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

Net operating loss carryforward	$	1,517,175
Total deferred tax assets		1,517,175
Less valuation allowance		(1,517,175)
Net deferred tax assets	$	—

As of March 31, 2006, the Company has a net operating loss carryforwards of approximately $4,462,000 that expire through 2026. The Company has provided a valuation allowance against the full amount of the deferred tax asset due to management's uncertainty about its realization. During the three months ended March 31, 2006, the increase in the valuation allowance was $380,895.

Net operating losses carried forward from the period prior to the recapitalization generated from discontinued operations of CNE are not available to the Company, as the Company has exited the relevant business activities.

NOTE 5 - NOTES PAYABLE

As of March 31, 2006 and December 31, 2005, the Company had notes payable outstanding as follows:

Holder	Terms		March 31, 2006		December 31, 2005
Barry Blank (1)	Due on demand, 10% interest	$	200,000	$	200,000
H. Lawrence Logan	Due on demand, non-interest bearing		25,000		--
Accrued interest (1)			20,000		20,000
Total		$	245,000	$	220,000

(1) The Company has a note payable outstanding for $200,000, plus $20,000 in accrued interest. Although the predecessor company (CNE) reserved 456,740 shares of its common stock to retire this debt pursuant to a settlement agreement, the stock cannot be issued until the party to whom the note was assigned by its original holder emerges from bankruptcy or reorganization. During the three months ended March 31, 2006, no interest expense was recorded on the note as the number of shares to be issued was determined in the settlement agreement, executed prior to the recapitalization.

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

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

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

The marketing and distribution agreement will be amortized over the remainder of 99 years (the life of the agreement) once the Company commences sales. As of December 31, 2005, the Company had recorded a $125,000,000 amortizable intangible asset for this agreement and corresponding credits to common stock and additional paid-in capital in conjunction with the stock settlement of the senior secured note payable to Empire and related cash advances in the same aggregate amount. The senior secured note payable was non-interest bearing and was repaid in the form of the preferred stock, which was subsequently converted to common stock (See Note 3). Any preferred stock issued under the senior secured note payable is considered restricted as to the sale thereof under SEC Rule 144 as unregistered securities. No amortization of the agreement was taken during the three months ended March 31, 2006, as the relevant operations had not yet commenced. Operations are expected to commence during the 2006 fiscal year.

NOTE 7 - RELATED PARTY TRANSACTIONS

[1] Management Agreement with Empire Advisory, LLC:

Effective August 1, 2005, Arrow Ltd. entered into a Management Agreement with Empire, under which Empire provides chief executive officer and administrative services to the Company in exchange for a) an annual fee of $300,000 for overhead expenses, b) $25,000 per month for rent, c) $1,000,000 per annum (subject to increases in subsequent years) for executive services, and d) a one-time fee of $150,000 for execution of the proposed transaction. In addition, the Board authorized a one-time payment of $500,000 to Empire upon closing the transaction.

As of March 31, 2006 and December 31, 2005, the Company had short-term borrowings of $1,674,545 and $1,282,764, respectively, due to Empire, consisting of cash advances to the Company and working capital raised by Empire, as agent, on behalf of the Company. In addition the Company received advances of $336,425 and $50,000, respectively, from Hans Karundeng. These amounts are non-interest bearing and due on demand.

Peter Frugone is a member of the Board of Directors of the Company and is the owner of Empire. Empire, as agent, was the holder of the $125 million senior secured note payable settled in December 2005.

Consulting fees and services charged in the Statement of Operations for the three months ended March 31, 2006 incurred to Empire totaled $364,676.

During the three months ended March 31, 2006, the Company received additional advances of $27,105 from Empire under the agreement.

[2] Engagement and Consulting Agreements entered into with individuals affiliated with Arrow PNG:

Consulting fees and services charged in the Statement of Operations for the three months ended March 31, 2006 incurred to Hans Karundeng and Rudolph Karundeng under Engagement and Consulting Agreements totaled $500,000. In addition, as of March 31, 2006 and December 31, 2005, the Company owed them a $1,292,821 and $844,212, respectively, under these agreements. These agreements are discussed in detail in Note 10.

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

NOTE 8 - STOCKHOLDER'S EQUITY

Arrow Resources Development, Ltd. was incorporated in May 2005 as a Bermuda corporation. Upon incorporation, 1,200,000 shares of $.01 par value common stock were authorized and issued to CNE.

On November 14, 2005, the Company increased its authorized shares to 1 billion and reduced the par value of its common stock to $0.00001 per share, resulting in a common stock conversion rate of 1 to 62.4.

On November 14, 2005, the Company completed a reverse merger with CNE Group, Inc. by acquiring 96% of the outstanding shares of CNE's common stock in the form of convertible preferred stock issued in settlement of the senior note payable.

During 2005, CNE divested or discontinued all of its subsidiaries in preparation for the reverse merger transaction. Accordingly, the results of operations for the divested or discontinued subsidiaries are not included in the consolidated results presented herein. In conjunction with the divestitures, CNE repurchased and retired all preferred stock and made certain payments to related parties.

In conjunction with the reverse merger transaction, the Company retired 1,238,656 shares of Treasury Stock.

NOTE 9 - GOING CONCERN

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

As shown in the accompanying consolidated financial statements, the Company incurred a net loss of $1,120,280 for the three months ended March 31, 2006, and a net loss during the development stage from inception in November 15, 2005 through March 31, 2006 of $2,392,538. The Company's operations are in the development stage, and the Company has not generated any revenue since inception. The Company's existence in the current period has been dependent upon advances from related parties and other individuals, and the sale of senior notes payable.

The consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

NOTE 10 - COMMITMENTS AND OTHER MATTERS

[1] Engagement and Consulting Agreements entered into with individuals affiliated with Arrow Pacific Resources (s) Pte. Ltd. ("Arrow PNG")

Effective May 20, 2005, the Company entered into an Engagement Agreement with Hans Karundeng for business and financial consulting services for fees of $1,000,000 per annum. The term of the agreement is five years. Payments under the agreement are subject to the Company's cash flow.

Effective August 1, 2005, the Company entered into a Consulting Agreement with Rudolph Karundeng for his services as Chairman of the Board of the Company for fees of $1,000,000 per annum. The term of the agreement is five years. Rudolph Karundeng is a son of Hans Karundeng.

During the three months ended March 31, 2006, the Company made cash payments of $45,296 to Hans Karundeng and $6,093 to Rudolph Karundeng under the agreements.

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

NOTE 10 - COMMITMENTS AND OTHER MATTERS (CONTINUED)

[2] Management Agreement with Empire Advisory, LLC

Effective August 1, 2005, the Company entered into a Management Agreement with Empire Advisory, LLC ("Empire") under which Empire provides chief executive officer and administrative services to the Company in exchange for a) an annual fee of $300,000 for overhead expenses, b) $25,000 per month for reimbursable expenses, c) $1,000,000 per annum (subject to increases in subsequent years) for executive services, and d) a one-time fee of $150,000 for execution of the proposed transaction.

[3] Litigation

The Company has no current pending litigation.

The minimum future obligations for consulting fees and services are as follows:

Years Ending March 31,		Amounts
2007	$	3,766,667
2008		4,058,333
2009		4,422,917
2010		4,878,646
2011		1,486,052
	$	18,612,614

The Company also engages certain consultants to provide services including management of the corporate citizenship program and investor relation services. These agreements contain cancellation clauses with notice periods ranging from zero to sixty days.

NOTE 11 - SUBSEQUENT EVENTS

On April 4, 2006, the Company entered into a consulting agreement with Dekornas GMPLH ("Dekornas") (a non-profit organization in Indonesia responsible for reforestation in areas that were destroyed by illegal logging) in which the Company will provide financial consultancy services to Dekornas for an annual fee of $1.00 for the duration of the agreement. The term of the agreement is effective upon execution, shall remain in effect for ten (10) years and shall not be terminated until the expiration of at least one (1) year.

On April 14, 2006, the Company entered into a consulting agreement with P.T. Eucalyptus Alam Lestari ("Lestari") in which the Company will provide financial consultancy services to Lestari for fees equal to 10% of Lestari's gross revenue payable, commencing upon execution. The term of the agreement is effective upon execution, shall remain in effect for ninety-nine (99) years and shall not be terminated until the expiration of at least ten (10) years.

On April 9, 2006, the Company entered into a marketing and distribution agreement with Shanghai Heyang Bio-Technology Development Co., Ltd. ("Shanghai"), a China limited company, in which Shanghai will supply and sell all of its timber resource products through the Company. The Company will market, promote, distribute and sell those timber resource products worldwide. The Company will be entitled to ten percent (10%) of the gross revenue earned by the Company from the sale of the products. The term of the agreement is effective upon execution and shall remain in effect for ninety-nine (99) years.

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.

FORWARD-LOOKING STATEMENTS

This report on Form 10-Q contains forward-looking statements relating to such matters as anticipated financial performance and business prospects. When used in this report, the words, "anticipates," "expects," "believes," "may," "intends," and similar expressions are intended to be among the statements that identify forward-looking statements. From time to time, the Company may also publish forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. Forward-looking statements involve risks and uncertainties, including, but not
limited to, the consummation of certain events referred to in this report, technological changes, competitive factors, maintaining customer and vendor relationships, inventory obsolescence and availability, and other risks detailed in the Company's periodic filings with the Securities and Exchange Commission, which could cause the Company's actual results and experience to differ materially from the anticipated results or other expectations expressed in the Company's forward-looking statements.

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's designees, representing 96% of all outstanding equity of CNE on a fully diluted basis in exchange for the Marketing and Distribution Agreement provided to the Company by Arrow. Under the Agreement, the Company discontinued all former operations (CareerEngine, Inc., SRC and US Commlink.) and changed its name to Arrow Resources Development, Inc.

On August 1, 2005, Arrow Ltd. entered into the Marketing Agreement with Arrow 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"), acting as agent, 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 the Note 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.

VALUATION OF PURCHASED INTANGIBLE 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 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 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.

In February 2006, the FASB issued SFAS 155, "Accounting for Certain Hybrid Financial Instruments—an amendment of FASB Statements No. 133 and 140," that allows a preparer to elect fair value measurement at acquisition, at issuance, or when a previously recognized financial instrument is subject to a remeasurement (new basis) event, on an instrument-by-instrument basis, in cases in which a derivative would otherwise have to be bifurcated. It also eliminates the exemption from applying Statement 133 to interests in securitized financial assets so that similar instruments are accounted for similarly regardless of the form of the instruments. This Statement is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. The Company does not anticipate that the adoption of SFAS No. 155 will have an impact on the Company's overall results of operations or financial position.

In March 2006, the FASB issued SFAS 156, "Accounting for Servicing of Financial Assets—an amendment of FASB Statement No. 140," that applies to the accounting for separately recognized servicing assets and servicing liabilities. This Statement requires that all separately recognized servicing assets and servicing liabilities be initially measured at fair value, if practicable. An entity should adopt this Statement as of the beginning of its first fiscal year that begins after September 15, 2006. The Company does not anticipate that the adoption of SFAS No. 156 will have an impact on the Company's overall results of operations or financial position.

RESULTS OF OPERATIONS - FOR THE THREE MONTHS ENDED MARCH 31, 2006

In November 2005, we discontinued and disposed of our subsidiaries except for Arrow Bermuda in conjunction with the recapitalization of the Company. The Company had no revenue during this period as Arrow Bermuda is still in the development stage. For the three months ended March 31, 2006 we incurred consulting fees of $936,614 of which, $864,676 was related to services provided by the Management Agreement with Empire under which Empire provides the services of Chief Executive Officer and administrative services to the Company and consulting services provided by Hans Karundeng and Rudolph Karundeng under Engagement and Consulting Agreements.

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 March 31, 2006 and December 31, 2005 the Company had $3,852 and $3,084 of cash, respectively. We had losses of approximately $1.1 million for the three months ended March 31, 2006, and do not currently generate any revenue. In order for us to survive during the next twelve months we will need to secure approximately $3 million of debt or equity financing. As of March 31, 2006 we have secured approximately $411,000 of equity financing through non-interest bearing notes for future sales of shares of $25,000 by investors and $386,000 by a shareholder.

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

OFF-BALANCE SHEET ARRANGEMENTS

At March 31, 2006 and December 31, 2005, we had no off-balance sheet arrangements.

INFLATION

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

RECENT TRANSACTIONS

None

Item 3. Controls and Procedures

Management, including the Company's Chief Executive Officer and Principle Accounting Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and Principal Accounting Officer concluded that the disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports the Company files and submits under the Exchange Act is (i) recorded, processed, summarized and reported as and when required and (ii) accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding disclosure.

There have been no changes in the Company's internal control over financial reporting identified in connection with the evaluation that occurred during the Company's last fiscal quarter that has materially affected, or that is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company is not a party to any litigation.

Item 5. Other Information

None

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Item 6. Exhibits

Exhibit Index

31.1 Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer

31.2 Rule 13a-14(a)/15d-14(a) Certification of the Principal Accounting Officer

32.1 Certification Pursuant to 18 U.S.C. §1350 of Chief Executive Officer

32.2 Certification Pursuant to 18 U.S.C. §1350 of the Principal Accounting Officer

SIGNATURES

In accordance with Section 13(a) or 15(d) of the Exchange Act, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

		ARROW RESOURCES DEVELOPMENT, INC.	
Dated:	May 15, 2006	By:	/S/ PETER J. FRUGONE Peter J. Frugone President and Chief Executive Officer
Dated:	May 15, 2006	By:	/S/ PETER J. FRUGONE Peter J. Frugone Principal Accounting Officer