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

FORM 10-QSB

x QUARTERLY REPORT UNDER SECTION 13 OR 15 (D) OF THE SECURITES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED September 30, 2007

COMMISSION FILE NUMBER: 0-21419

NETFABRIC HOLDINGS, INC.
(Exact Name of Small Business Issuer as Specified in Its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	76-0307819 (I.R.S Employer Identification No.)

(Address of Principal Executive Offices)
299 Cherry Hill Road,
Parsippany, New Jersey 07054

(973)-537-0077
(Issuer's Telephone Number, Including Area Code)

(Former address, if changed since last report)

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 o

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of November 9, 2007, 96,0053,044 shares of common stock, $.001 par value per share, of the issuer were outstanding.

Transitional Small Business Disclosure Format (check one): Yes o No x

NETFABRIC HOLDINGS, INC.

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NETFABRIC HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS	SEPTEMBER 30, 2007 (UNAUDITED)	DECEMBER 31, 2006 (NOTE 1)
CURRENT ASSETS:		
Cash	$ 8,869	$ 13,437
Trade accounts receivable, net	2,163,699	2,149,680
Prepaid expenses and other current assets	22,183	5,110
Total current assets	2,194,751	2,168,227
Property and equipment, net	217,958	197,215
Goodwill	10,585,000	13,982,451
Other intangibles, net	714,691	879,702
Other assets	22,924	55,028
TOTAL ASSETS	$ 13,735,324	$ 17,282,623
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Convertible debentures, net of unamortized discounts	$ 150,000	$ 685,168
Notes payable to officer, net of unamortized discounts		150,000
Short term borrowings	470,000	
Accounts payable and accrued liabilities	4,100,338	3,747,809
Accrued compensation	382,936	338,283
Deferred revenues and customer advances	689,821	-
Revolving note, net of unamortized discount	973,556	1,014,249
Total current liabilities	6,766,651	5,935,509
Convertible note, net of unamortized discount	817,060	443,430
Total liabilities	7,583,711	6,378,939
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY :		
Common Stock, $.001 par value, authorized shares 200,000,000, 96,053,044 and 75,023,883 shares issued and outstanding, respectively	96,053	75,024
Additional paid-in capital	37,797,055	36,201,479
Accumulated deficit	(31,741,495)	(25,372,819)
Total stockholders' equity	6,151,613	10,903,684
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 13,735,324	$ 17,282,623

The accompanying notes should be read in conjunction with the condensed consolidated financial statements.

NETFABRIC HOLDINGS, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

	THREE MONTHS ENDED September 30, 2007	THREE MONTHS ENDED September 30, 2006	NINE MONTHS ENDED September 30, 2007	NINE MONTHS ENDED September 30, 2006
Revenues	$ 3,636,721	$ 4,553,403	$ 12,016,185	$ 12,951,807
OPERATING EXPENSES:				
Direct employee compensation and consultant expenses (includes share based compensation of $11,396, $11,396, $34,188 and $11,396)	2,788,865	3,500,839	9,272,344	9,695,997
Selling, general and administrative expenses (includes share based compensation of $83,237 and $190,778, $337,076 and $432,796)	1,070,006	1,438,123	3,978,922	4,513,821
Non-cash charge for dispute settlements				9,492,070
Non-cash goodwill impairment	-		3,397,451	
In process research and development		1,200,000		1,200,000
Depreciation and amortization	153,466	81,367	351,229	223,794
Total operating expenses	4,012,337	6,220,329	16,999,946	25,125,682
Loss from operations	(375,616)	(1,666,926)	(4,983,761)	(12,173,875)
OTHER INCOME / (EXPENSE):				
Amortization of debt discounts and debt issuance costs	(182,799)	(364,144)	(552,272)	(2,600,572)
Interest and bank charges	(78,359)	(60,901)	(240,202)	(228,809)
Gain/(charge) on derivative financial instruments				336,352
Debt extinguishment costs	(539,043)	(27,104)	(539,043)	(1,773,181)
Total other income / (expense)	(800,201)	(452,149)	(1,331,517)	(4,266,210)
Loss before provision for income taxes	(1,175,817)	(2,119,075)	(6,315,278)	(16,440,085)
Provision for income taxes	-	-	-	-
LOSS FROM CONTINUING OPERATIONS	(1,175,817)	(2,119,075)	(6,315,278)	(16,440,085)
DISCONTINUED OPERATIONS:				
Loss from operations of discontinued operations			(53,398)	(474,411)
NET LOSS	$ (1,175,817)	$ (2,119,075)	$ (6,368,676)	$ (16,914,496)
Net loss from continuing operations per common share, basic and diluted	$ (0.01)	$ (0.03)	(0.08)	$ (0.25)
Net loss from discontinued operations per common share, basic and diluted	-	-	-	$ (0.01)
Net loss per common share, basic and diluted	$ (0.01)	$ (0.03)	(0.08)	$ (0.26)
Weighted average number of shares outstanding, basic and diluted	91,148,533	70,601,600	80,763,179	65,749,547

The accompanying notes should be read in conjunction with the condensed consolidated financial statements.

NETFABRIC HOLDINGS, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED
STATEMENT OF CASH FLOWS

OPERATING ACTIVITIES	NINE MONTHS ENDED September 30, 2007	NINE MONTHS ENDED September 30, 2006
Net loss	(6,368,676)	(16,914,496)
Loss from discontinued operations	53,398	474,411
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Non-cash charge for interest expense		22,500
Non-cash charge for settlement of disputes		9,492,070
Non-cash charge for reissuance of warrants in connection with debt extinguishment		372,353
Common stock, options and warrants issued for services	77,600	105,503
Non-cash charge for employee share based compensation	293,664	338,689
Non-cash charge on debt extinguishment	539,043	1,152,104
Non-cash gain on derivative financial instrument		(336,352)
Non-cash charge for in process research and development		1,200,000
Amortization of debt discounts	552,272	2,600,572
Non-cash goodwill impairment	3,397,451	
Depreciation and amortization	351,229	223,794
Changes in operating assets and liabilities:		
Trade accounts receivable	(14,019)	(239,518)
Prepaid expenses and other current assets	(17,073)	(84,046)
Other assets	31,502	
Accounts payable and accrued liabilities	372,062	424,761
Accrued compensation	44,653	(8,353)
Deferred revenues and advances	689,821	563,838
Net cash provided by continuing operations	2,927	(612,170)
Net cash used in discontinued operations	(53,398)	(454,344)
Net cash used in operating activities	(50,471)	(1,066,514)
INVESTING ACTIVITIES		
Net cash acquired in technology licensing transaction		450,000
Purchases of property and equipment	(95,010)	(98,471)
Net cash (used in) provided by investing activities	(95,010)	351,529
FINANCING ACTIVITIES		
Proceed from a private sale of common stock	450,000	
Proceeds from sale of debentures	200,000	
Repayment of debentures	(200,000)	
Short term borrowings	570,000	
Repayment of short term borrowings	(100,000)	
Repayment of loans from officer and director		(170,000)
Repayment of note to officer		(200,000)
Proceeds of convertible debentures		650,000
Repayment of convertible debentures	(500,000)	(100,000)
Repayment of bridge loans		(500,000)
Proceeds from issuance (repayment) of revolving note, net	(167,087)	1,336,407
Proceeds from issuance of convertible note, net		1,430,500
Debt issuance costs	(112,000)	(20,697)
Repayment of convertible debenture		(1,658,160)
Net cash (used in) provided by financing activities	140,913	768,050
Net increase in cash	(4,568)	53,065
Cash at beginning of period	13,437	9,540
Cash at end of period	$ 8,869	$ 62,605
Supplemental cash flow information:		
Cash paid for interest expense	$ 252,000	$ 182,000
	$ -	$ -

Cash paid for income taxes		

The accompanying notes should be read in conjunction with the condensed consolidated financial statements.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. NATURE OF BUSINESS AND MANAGEMENT'S PLANS

NetFabric Holdings, Inc. ("Holdings" or the "Company") (formerly known as Houston Operating Company) was incorporated under the laws of the State of Delaware on August 31, 1989. On December 9, 2004, Holdings entered into an exchange agreement (the "Acquisition Agreement" or "Share Exchange") with all of the stockholders of NetFabric Corporation, a Delaware corporation ("NetFabric") whereby Holdings acquired all of the issued and outstanding capital stock of NetFabric and NetFabric became a wholly-owned subsidiary of Holdings. Upon completion of the merger, the NetFabric stockholders controlled approximately 95% of the then issued and outstanding stock. NetFabric's business activities were the activities of the merged company and Holdings was a shell corporation without any operations. As a result of these factors, this transaction was treated as a reverse merger for financial reporting purposes.

NetFabric was incorporated on December 17, 2002 and began operations in July 2003. NetFabric developed and marketed Voice over Internet Protocol ("VoIP") appliances that simplified the integration of standard telephone systems with an IP infrastructure. On May 5, 2006, the Company announced its decision to exit from the hardware-based VoIP communications product line (including resale of transport services) that is targeted at small to mid-sized businesses ("SMBs"). In accordance with Statement of Financial Accounting Standards No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets", ("SFAS No. 144"), the Company has presented the results of operations from its VoIP business segment as “discontinued operations” in the accompanying consolidated balance sheets, statements of operations and statements of cash flows (Note 3).

On May 20, 2005, Holdings entered into and closed on a share exchange agreement ("Exchange Agreement"), whereby Holdings acquired all of the issued and outstanding shares of UCA Services, Inc., a New Jersey company ("UCA Services") , from its shareholders in exchange for the issuance of 24,096,154 shares of common stock of Holdings (see Note 8). Holdings emerged from the development stage upon the acquisition of UCA Services. In May 2007, UCA Services changed its legal name to NetFabric Technologies, Inc.

UCA Services is an information technology ("IT") services company that serves the information and communications needs of a wide range of Fortune 500 and SMB clients in the financial markets industry as well as the pharmaceutical, health care and hospitality sectors. UCA Services delivers a broad range of IT services in the practice areas of infrastructure builds and maintenance, application development and maintenance, managed services and professional services.

Management's plans

The accompanying unaudited condensed consolidated financial statements have been prepared on a going concern basis. As shown in the accompanying unaudited condensed consolidated financial statements, the Company has incurred accumulated losses totaling $31,741,495 and has a working capital deficit of $4,571,900 at September 30, 2007. These factors, among others, indicate that the Company may be unable to continue as a going concern. The unaudited condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Management recognizes that the Company's continuation as a going concern is dependent upon its ability to generate sufficient cash flow to allow the Company to continue the development of its business plans and satisfy its current and long-term obligations on a timely basis. The Company believes that it will be able to complete the necessary steps in order to meet its cash requirements throughout fiscal year 2007 and continue its business development efforts.

Management's plans in this regard include, but are not limited to current discussions and negotiations with a number of additional financing alternatives, one or more of which it believes will be able to successfully close to provide the necessary working capital. There is no assurance that the Company will be successful in completing the financing. To fund the Company's operations for fiscal year 2007, the Company needs to raise additional financing and generate cash flows from its operations. Should additional cash flows not be available, the Company believes that it will have the ability to restructure its operations, and if necessary, initiate significant expense reductions. In addition, the Company will have to negotiate with its lenders to extend the repayment dates of its indebtedness. There can be no assurance, however, that the Company will be able to successfully restructure its operations or debt obligations in the event that it fails to obtain additional financing.

BASIS OF PRESENTATION / INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"), except for the condensed consolidated balance sheet as of December 31, 2006, which was derived from audited financial statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States of America have been omitted pursuant to such rules and regulations. However the Company believes that the disclosures are adequate to make the information presented not misleading. The financial statements reflect all adjustments (consisting only of normal recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of the Company's financial position and results of operations. The operating results for the three months ended September 30, 2007 and September 30, 2006 are not necessarily indicative of the results to be expected for any other interim period or any future year. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the Company's December 31, 2006 consolidated financial statements, including the notes thereto, which are included in the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2006 filed on April 16, 2007.

RECLASSIFICATIONS

Certain reclassifications have been made in the prior periods consolidated financial statements to conform to the current period’s presentation.

As a result of the Company's decision to exit the VoIP hardware business, previously reported financial statements have been reclassified as discontinued operations to conform to the current period presentation.

ESTIMATES

The preparation of the condensed 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 as of the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The accounting estimates that require management's most difficult and subjective judgments include provisions for bad debts, depreciable/amortizable lives, impairment of long-lived assets, accounting for goodwill and other intangible assets, the fair value of the Company's common stock, the fair value of options and warrants issued for services, the allocation of proceeds from certain financings to equity instruments and the computation of other reserves. Because of the uncertainty inherent in such estimates, actual results may differ from these estimates.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company reduces its credit risk by placing its cash and cash equivalents with major financial institutions with high credit ratings. At times, such amounts may exceed Federally insured limits. The Company reduces its credit risk related to accounts receivable by routinely assessing the financial strength of its customers and maintaining an appropriate allowance for doubtful accounts.

The Company's services have been provided primarily to a limited number of clients located in a variety of industries. The Company had revenues from four clients representing a total of 66% (40%, 9% , 9% and 8%, respectively) of revenues during the three months ended September 2007. The Company had revenues from four clients representing a total of 63% (37%, 9%, 9% and 8%, respectively) of revenues during the nine months ended September 30, 2007.

The Company generally does not require its clients to provide collateral. Additionally, the Company is subject to a concentration of credit risk with respect to its accounts receivable. The Company had one client that accounted for 38% of total gross accounts receivable as of September 30, 2007.

Income Taxes

Effective January 1, 2007, the Company adopted FIN No. 48 (“FIN 48”), Accounting for Uncertainty in Income Taxes. FIN48 prescribes a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on derecognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods and income tax disclosures.

As a result of the implementation of FIN 48, the Company performed a review of its portfolio of uncertain tax positions in accordance with recognition standards established by FIN 48. In this regard, an uncertain tax position represents the Company’s expected treatment of a tax position taken in a filed tax return, or planned to be taken in a future tax return, that has not been reflected in measuring income tax expense for financial reporting purposes. Based on its review, the Company concluded that there are no significant unrecognized tax positions requiring recognition in the Company’s financial statements. The Company does not believe there will be any material changes in our unrecognized tax positions over the next 12 months.

The Company files federal income tax returns, as well as multiple state, local and foreign jurisdiction tax returns. The income tax returns are subject to examinations by tax authorities. A number of years may elapse before our tax positions are audited and finally resolved. While it is often difficult to predict the final outcome or the timing of resolution of any particular uncertain tax position, the Company believes its reserves for income taxes reflect the most probable outcome. The Company adjusts these reserves, as well as the related interest, in light of changing facts and circumstances. The resolution of a matter would be recognized as an adjustment to its provision for income taxes in the period of resolution.

The Company’s policy is to recognize interest and penalties accrued as a component of income tax expense. As of the date of adoption of FIN 48, the Company did not have any penalties or tax-related interest, and there was no tax- related interest or penalties recognized during the three month and nine months ended September 30, 2007.

Earnings (Loss) Per Share

The Company calculates earnings (loss) per share in accordance with SFAS No. 128, "Earnings per Share" (“SFAS No. 128”). SFAS No. 128 computes basic earnings (loss) per share by dividing the net income (loss) by the weighted average number of shares of common stock outstanding during the period. Diluted earnings (loss) per share is computed by dividing the net income (loss) by the weighted average number of shares of common stock outstanding during the period plus the effects of any dilutive securities.

Diluted earnings (loss) per share considers the impact of potentially dilutive securities except in periods in which there is a loss because the inclusion of the potential common shares would have an anti-dilutive effect. The Company's potentially dilutive securities include common shares which may be issued upon exercise of its stock options, exercise of warrants or conversion of convertible debt.

Diluted loss per share for the three and nine months ended September 30, 2007 and 2006 exclude potentially issuable common shares of approximately 14,353,856 and 20,431,124, respectively, primarily related to the Company's outstanding stock options, warrants and convertible debt, because the assumed issuance of such potential common shares is antidilutive.

Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," (“SFAS No. 157”), which defines fair value, establishes a framework for using fair value to measure assets and liabilities, and expands disclosures about fair value measurements. SFAS No. 157 applies whenever other statements require or permit assets or liabilities to be measured at fair value. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. We are currently evaluating the impact SFAS No. 157 will have on our consolidated financial statements.

In February 2007, FASB issued FASB Statement No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. (“FAS 159”) is effective for fiscal years beginning after November 15, 2007. Early adoption is permitted subject to specific requirements outlined in FAS 159. Therefore, calendar-year companies may be able to adopt FAS 159 for their first quarter 2007 financial statements.

FAS 159 allows entities to choose, at specified election dates, to measure eligible financial assets and liabilities at fair value that are not otherwise required to be measured at fair value. If a company elects the fair value option for an eligible item, changes in that item's fair value in subsequent reporting periods must be recognized in current earnings. FAS 159 also establishes presentation and disclosure requirements designed to draw comparisons between entities that elect different measurement attributes for similar assets and liabilities. Management is currently evaluating the effect of this pronouncement on financial statements.

NOTE 2. DISCONTINUED OPERATIONS

On May 5, 2006, the Company announced its decision to exit from the hardware-based VoIP communications product line (including resale of transport services) that is targeted at SMBs. In accordance with SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets", ("SFAS No. 144"), the Company recorded loss from discontinued operations of $0 and $53,398, respectively, for the three and nine months ended September 30, 2007. The Company has reclassified prior period results to conform with the current period presentation. Accordingly, $ 0 and $474,411 for the three and nine months ended September 30, 2006, have been classified as loss from discontinued operations. Revenues from VoIP operations have been nominal in all periods presented and operating expenses are the losses reported.

NOTE 3. IMPAIRMENT OF GOODWILL

Goodwill represents the Company’s allocation of the cost to acquire UCA Services in excess of the fair value of net assets acquired. The purchase price and its allocation, to reflect the fair values of identifiable assets acquired and liabilities assumed, have been based on management’s evaluation and an independent valuation.

Pursuant to SFAS No. 142 “Goodwill and Other Intangibles Assets,” (“SFAS No. 142”), the Company performed its annual testing of goodwill impairment in the second quarter of 2007. As a part of goodwill impairment testing, management reviewed various factors, such as the market price of the Company’s common stock, discounted cash flows from projected earnings and values of comparable companies to determine whether impairment exists. Based on this evaluation it was determined that the goodwill was impaired. The impairment was due to a continued decline in the Company’s market capitalization during the past year, and due to lower future cash flows expected to be generated by the business due to working capital constraints. The implied value of the goodwill was $10,585,000 compared to a carrying value of $13,982,451, indicating an impairment of $3,397,451. The impairment loss was charged to operations during the nine months ended September 30, 2007.

NETFABRIC HOLDINGS INC. AND SUBSIDIARIES

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4. DEBT FINANCINGS

Debt Financings consist of the following as of September 30, 2007 and December 31, 2006:

	2007				
		Principal	Unamortized debt Discount		Net
2006 Convertible Debenture, due in December 2007	$	150,000		$	150,000
Short term borrowing, due at various dates between October 2007 and December 2007		470,000			470,000
Laurus Revolving Note Due in February 2009		1,320,265	(346,709)		973,556
Laurus Convertible Note Due in February 2009		1,500,000	(682,940)		817,060
	$	3,440,265	($1,029,649)	$	2,410,616

	2006					
		Principal		Unamortized debt Discount		Net
2006 Convertible Debentures, due at various dates between December 2006 and April 2007	$	700,000	$	(14,832)	$	685,168
Convertible Debenture payable to stockholder due in April 2007		150,000				150,000
Laurus Revolving Note Due in February 2009		1,487,353		(473,104)		1,014,249
Laurus Convertible Note Due in February 2009		1,500,000		(1,056,570)		443,430
	$	3,837,353	$	(1,544,506)	$	2,292,847

In January and February of 2007, the Company repaid five of the seven 2006 Convertible Debentures in the aggregate face amount of $500,000. In December 2006, the Company and the holders of the Convertible Debentures agreed to extend the term of two of 2006 Convertible Debentures in the face amount of $200,000 to April 30, 2007. In April 2007, the Company and the holders of the Convertible Debentures agreed to extend the term of two of 2006 Convertible Debentures in the face amount of $200,000 to August 31, 2007. In August 2007, the Company and the officer who is the holder of the 2006 Convertible Debentures in the amount of $150,000 agreed to extend the term to December 2007 and $50,000 of the 2006 Convertible Debentures was converted as fully explained later in this note .

In April 2007, the Company sold Debentures (the "Debentures") in the face amount of $200,000 to an individual. The Debentures bear interest at 8% and is due on July 12, 2007. In connection with the sale, the Company issued warrants to acquire an aggregate of 500,000 shares of its common stock with a nominal exercise price. The warrants expire in three years from the date of issuance. The Company allocated the $200,000 of proceeds received based on the computed relative fair value of debt and warrants. The warrants were valued using a Black-Scholes option-pricing model, which resulted in a fair value of $46,026 and a relative fair value of $37,415. The relative fair value of the warrants of $37,415 was recorded to additional paid in capital and the resulting debt discount was amortized over the term of the Debentures. The Company paid financing costs of $20,000 to third parties and this amount was included as debt issuance costs in other assets and amortized over the term of the Debentures. In July 2007, the Company repaid the Debentures.

In August 2007, the Company entered into an Agreement to Convert (the “Agreement”) with Fred Nazem, a stockholder. Pursuant to this Agreement, the stockholder agreed to convert $218,882 due to him in outstanding convertible debentures and accrued interest of $18,882 into 5,472,050 shares of common stock, which includes 4,900,394 shares as an inducement for conversion. The fair value of the inducement to convert approximated $539,000 and was charged to operations in the three months ended September 30, 2007 as debt extinguishment costs.

During the nine months ended September 30, 2007, the Company borrowed an aggregate o f $570,000 from three individuals and repaid $100,000 of that prior to September 30, 2007. The amount outstanding as of September 30, 2007 is $470,000 and is due at various dates between October 2007 and December 2007. In October 2007, the Company repaid $200,000. The borrowings are unsecured and bear nominal interest. The Company paid financing costs of $92,000 to third parties and this amount is being amortized over the term of the borrowings.

NOTE 5. STOCKHOLDERS' EQUITY
COMMON STOCK

During the nine months ended September 30, 2007, the Company entered into a placement agency agreement with an unaffiliated entity and a consulting agreement with an unaffiliated individual. Pursuant to the agreements, the Company issued an aggregate of 640,000 shares of its common stock. The fair value of the shares was $77,600 and was charged to operations as a consulting expense during the nine months ended September 30, 2007.

In July 2007, the Company sold an aggregate of 11,250,000 shares of the Company’s common stock, par value $0.01 (the “Common Stock”) to four investors, for an aggregate purchase price of $450,000, including $100,000 from Fred Nazem, a stockholder of the Company.

In July and August 2007, Laurus Master Fund, Ltd. (“Laurus”) exercised 3,702,268 of its warrants on a cashless basis, and Laurus was issued 3,667,111 shares of the Company’s common stock.

Warrants

Outstanding warrant securities consist of the following at September 30, 2007:

	Warrants		Exercise Price	Expiration
Laurus	554,282	$	0.001	See note (1)
Macrocom	1,000,000	$	1.50	July 2008
Cornell Warrants	560,000	$	0.40	October 2008
2006 Convertible Debenture and 2007 Debenture Financing	1,850,000	$	0.01	April 2009 to April 2010
Others including officer, director and stockholder	1,966,137	$	0.15 to $0.82	December 2008 to June 2011
	5,930,419			

(1) No expiration.

NOTE 6. STOCK-BASED COMPENSATION

Share-based compensation expense recognized under SFAS 123(R) for the three months and nine months ended September 30, 2007 was $94,633 and $293,664, respectively. Share-based compensation expense recognized under SFAS 123(R) for the three months and nine months ended September 30, 2006 was $157,008 and $338,689, respectively. Share-based compensation expense recognized in the Company's condensed consolidated statements of operations includes compensation expense for share-based payment awards granted prior to, but not yet vested as of December 31, 2005, based on the grant-date fair value estimated in accordance with the provisions of SFAS 123.

NOTE 7. RELATED PARTY TRANSACTIONS

As of September 30, 2007, the Company had Convertible Debentures payable to an officer and director in the aggregate face amount of $150,000.

The Company subleased certain office space and incurred occupancy related costs under an agreement with UCA Global, Inc. ("Global"), an entity affiliated with a shareholder of the Company, whereby the Company paid rent and other occupancy costs based on the proportion of square footage occupied by the Company in Global's office facility. Rent and occupancy expenses incurred by the Company under this agreement, which commenced on May 20, 2005, during the nine months ended September 30, 2007 was $63,750, ($95,625 for the nine months ended September 30, 2006) and is included in selling, general and administrative expense on the accompanying statements of operations. The Company terminated the sublease arrangement effective June 2007 and has moved into a new office location.

In the normal course of business, the Company performed services for an entity affiliated with the Company' stockholders, in the amount of $ 0 and $71,000 , respectively during the nine months ended September 30, 2007 and 2006. As of September 30, 2007 approximately $235,000 was owed to the Company, including amounts owed to UCA Services prior to the acquisition and a full allowance is provided due to uncertainty of the recovery of the amount.

NOTE 8. TECHNOLOGY LICENSE ACQUISITION

On August 11, 2006, the Company entered into an agreement with Utek Corporation ("Utek"), an unaffiliated specialty finance company focused on technology transfers, to acquire a technology license for intrusion detection software developed by a university. To facilitate the transfer of technology; Utek formed a subsidiary, Intrusion Detection Technologies, Inc. ("IDTI"). IDTI did not have any business operations and its assets consisted of cash and a license agreement with a university for intrusion detection software by the university. The Company acquired all of the outstanding shares of IDTI from Utek for consideration of 7,500,000 shares of the Company's common stock, including 375,000 shares assigned by Utek to its consultant. In addition, the Company had a consultant for the transaction to whom it paid $50,000 in cash and issued 750,000 shares of its common stock. The term of the license agreement is until the later of 15 years from the date of filing of the licensed patents or the expiration of the last patent.

The university requires a royalty in the amount of five percent of net sales of the licensed products. In the university requires certain minimum royalty payments from 2009 onwards.

On September 30, 2006, the Company determined the purchase price at $1,200,000 based on the estimated fair value of common stock issued of $1,650,00, net of cash acquired was allocated to the license agreement . Subsequently at December 31, 2006, the Company revised the purchase price. Pursuant to accepted valuation methodologies, the Company valued the transaction at $660,000, including related expense. Net of cash acquired ($500,000 prior to related expense); $160,000 was allocated to the licensing agreement. The cash paid to the consultant and the fair value of the shares issued to the consultant approximated $200,000, and was charged to selling general and administrative expenses during the year ended December 31, 2006. The Company anticipates further development and testing of the technology. Because of the uncertainties surrounding the ultimate commercial deployment of the technology and due to the technology not having alternative use, the Company charged the cost of the license agreement as in process research and development costs during the year ended December 31, 2006.

NOTE 9. SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES

	For the Nine Months ended September 30,	
	2007	2006
Discount on revolving note relating to warrants		$ 513,820
Discount on convertible note relating to warrants		$ 918,923
Discount on convertible debt relating to beneficial conversion feature		$ 511,577
Issuance of common shares in connection with settlement of payables		35,000
Discount on April 2006 Convertible debentures related to common stock		$ 251,379
Discount on April 2006 Convertible Debentures related to beneficial conversion feature		$ 322,755
Discount on April 2006 Convertible Debentures related to warrants		$ 206,647
Discount on April 2007 Debenture related to warrants	$ 37,519	
Amortization of debt discounts	$ 552,272	$ 2,600,572
Settlement on bridge loan with common stock		$ 500,000
Common stock issued for technology licensing acquisition		$ 1,650,000
Conversion on Convertible debenture issued to stockholder with common stock	$ 200,000	$ 130,000

NOTE 10. SUBSEQUENT EVENTS

In October 2007, the Company sold Debentures (the "Debentures") in the face amount of $200,000 to an individual. The Debentures bear interest at 8% and is due on January 18, 2008. In connection with the sale, the Company issued warrants to acquire an aggregate of 300,000 shares of its common stock with a nominal exercise price. The warrants expire in three years from the date of issuance.

The Company’s agreement with Laurus Master Fund, Ltd. (“Laurus”) had an over advance feature for $1,000,000 that expired on July 31, 2007. On October the Company and Laurus entered into an extensions agreement (the “Extension Agreement’). The Extension Agreement provides for the extension of the over advance feature until February 2009 .However, the over advance amount will reduce by $5,000 each month from November 2007 to February 2008 and by $50,000 each month from March of 2008.

ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis and results of operations should be read in conjunction with the unaudited condensed consolidated financial statements and accompanying notes and the other financial information appearing elsewhere in this report and reports included herein by reference. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements.

Our independent registered public accounting firm has indicated in their report, dated April 13, 2007, on our December 31, 2006 financial statements since we have experienced net losses since inception and have a working capital deficiency their report indicates that these matters raise substantial doubt about our ability to continue as a going concern. Our plan with regard to this matter is discussed elsewhere in this document. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

CORPORATE HISTORY

We were formerly known as Houston Operating Company and were incorporated in Delaware on August 31, 1989. On December 9, 2004, we entered into an Acquisition Agreement with all of the stockholders of NetFabric Corp., a Delaware corporation. NetFabric Corp. was incorporated in Delaware on December 17, 2002 and began operations in July 2003. At the closing, which occurred simultaneously with the execution of the Acquisition Agreement, we acquired all of the issued and outstanding capital stock of NetFabric Corp. from the stockholders in exchange for an aggregate of 32,137,032 newly-issued shares of our common stock. The acquisition was accounted for as a reverse merger whereby NetFabric Corp. was treated as the acquirer. On April 19, 2005, our name was changed from Houston Operating Company to NetFabric Holdings, Inc. and our stock symbol was changed from "HOOC" to "NFBH."

UCA SERVICES, INC. ACQUISITION

On May 20, 2005, we entered into and closed on a share exchange agreement, whereby we purchased all of the issued and outstanding shares of UCA Services, Inc., a New Jersey company (“UCA Services”) from its shareholders in exchange for the issuance of 24,096,154 shares of our common stock. UCA Services is an IT services and solutions company that serves the information needs of a wide range of Fortune 500 clients in the financial markets industry and the pharmaceutical, health care and hospitality sectors. UCA Services delivers a broad range of IT services in managed services, professional services, infrastructure building and maintenance, application development and maintenance areas. The acquisition was accounted for using the purchase method of accounting with UCA Service’s results of operations included in our consolidated financial statements from the date of acquisition.

DISCONTINUED OPERATIONS

Prior to acquiring NetFabric Corp., Houston Operating Company did not have any operations, and we were a shell company whose primary business objective was to merge and become public.

NetFabric Corp. was a provider of hardware and services to small to mid-sized businesses ("SMBs") that utilized the Internet for telephone communications or Voice over Internet Protocol ("VoIP"). It developed and marketed appliances or Customer Premises Equipment ("CPE") that simplified the integration of standard telephone systems with an IP infrastructure. In addition, NetFabric Corp resold transport services of a third party VoIP transport provider.

Our operations, prior to the UCA Services acquisition, consisted of developing VoIP appliances, including research and product development activities. We also hired additional personnel for sales and marketing and developed our sales and marketing programs.

With minimal revenues from VoIP operations, we concluded that we could not implement our original business plan for VoIP operations within our resources or with the additional capital we could raise in the near term. On May 5, 2006, our Board of Directors decided that the Company should exit the hardware-based VoIP communications product line (including resale of transport services) that is targeted to SMBs. In accordance with Statement of Financial Accounting Standards (‘SFAS’) No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets", ("SFAS No. 144"), the results of operations from the VoIP business segment has been reclassified as discontinued operations for all periods presented. After the discontinuation of VoIP operations, our only operations are that of UCA Services.

OVERVIEW OF UCA SERVICES BUSINESS

UCA Services derives revenues primarily from managed IT services, professional services, application development services and business process management services. Service arrangements with customers are generally on a time and material basis or fixed-price, fixed-timeframe revenue basis. UCA Services principal operating expenses are direct employee costs, consultant expenses and selling, general and administrative expenses. The principal components of selling, general and administrative expenses are salaries of sales and support personnel, and office rent. Direct employee costs and consultant expenses are comprised primarily of the costs of consultant labor, including employees, subcontractors and independent contractors, and related employee benefits. Approximately 50% of our consultants are employees and the remainder are subcontractors and independent contractors.

We compensate most of our consultants only for the hours that we bill to our clients for projects undertaken, which allows us to better match our labor costs with our revenue generation. With respect to our consultant employees, we are responsible for employment-related taxes, medical and health care costs and workers' compensation. Labor costs are sensitive to shifts in the supply and demand of IT professionals, as well as increases in the costs of benefits and taxes.

As previously noted, the December 9, 2004 acquisition of NetFabric Corp. was accounted for as a reverse merger whereby NetFabric Corp. was treated as the acquirer. Accordingly, the historical financial statements of NetFabric Corp. have been presented for all periods required. NetFabric Corp. began operations in January 2003 and was a development stage company until the UCA Services acquisition. The UCA Services acquisition was accounted for using the purchase method of accounting with the results of the operations included in the Company's consolidated financial statements from the date of acquisition.

COMPARISON OF THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006:

Revenues. Revenues of the three months ended September 30, 2007, decreased by $916,682 or 20.1% compared to the same period of the prior year. For the nine months ended September 30, 2007, our revenues decreased by $935,622 or 7.2% compared to the same period of the prior year. The decreases in revenues were due to non replacement or non renewal of certain projects undertaken in 2006.

Direct employee compensation and consultant expenses. Excluding non-cash share based compensation, for the three months ended September 30, 2007, our direct employee compensation and consultant expenses decreased by $711,974 or 20.4% to $2,777,469. Excluding non-cash share based compensation, for the nine months ended September 30, 2007, our direct employee compensation and consultant expenses decreased by $446,445 or 4.6% to $9,238,156. Excluding non-cash share based compensation as a percentage of revenues our direct employee compensation and consultant expenses for the three and nine months ended September 30, 2007 were 76.4%, and 76.9%, respectively, compared to 76.6% and 74.8%, respectively, for the three and nine months ended September 30, 2006. The increase in employee compensation and consultant expenses as a percentage of revenues was due to the nature of projects performed in 2007.

Selling, general and administrative expenses.
Excluding non-cash share based compensation, our selling, general and administrative expenses decreased for the three months ended September 30, 2007 by $260,576, or 20.9%, to $986,769 compared to 2006. For the nine months ended June 30, 2007, our selling and administrative expenses decreased by $439,179 or 10.8% compared to the same period of the prior year. During the nine months ended September 30, 2007, we incurred approximately $162,000 in expenses ($240,000 including the fair value of shares of common stock issued) for an acquisition of an entity and the related financing. We terminated the acquisition related negotiation in April and the entire amount incurred was charged to operations during the three months ended March 31, 2007. The decreases in our selling, general and administrative expenses for the three months and nine months ended September 30, 2007 compared to the same period of prior year were due expense reductions implemented in the latter half of 2006 and the third quarter of 2007.

Depreciation and amortization.
For three months ended September 30, 2007, depreciation and amortization increased by $72,099 or 88.6%, to $153,466. For the nine months ended September 30, 2007, depreciation and amortization increased by $127,435 or 56.9% to $351,229. The increases were due to additional amortization of financing costs incurred for short term borrowings in 2007.

Amortization of debt discount.
Amortization of debt discount for the three months ended September 30, 2007 decreased by $181,345, or 49.8%, to $182,799. Amortization of debt discount for the nine months ended September 30, 2007 decreased by $2,048,300 or 78.8%. A significant amount of amortization of debt discount resulting from the allocation of value to certain equity instruments issued in connection with debt were amortized in 2006 and due to repayment of certain underlying debt, amortization of debt discount decreased in 2007. As of September 30, 2007, the aggregate unamortized debt discount was $1,029,649, which will be amortized and charged to operations over the term of the respective debt.

Interest expense.
For the three and nine months ended September 30, 2007, interest expense increased by $17,458 and $11, 393, respectively. Since borrowing levels and interest rates did not change materially there were no material variations in our interest expense.

Non-cash charge for dispute settlement. In January 2006, we entered into a termination agreement with a consultant. In connection with the termination, an officer, director and stockholder of the Company transferred 1,000,000 shares of our common stock owned by him to the consultant. We accounted for the settlement as an expense in our consolidated financial statements, as a non-cash charge for dispute settlements, based on the value of the option of $0.94 per share on the date of settlement, with a corresponding credit to contributed (paid-in) capital from the officer, director and stockholder during the year ended December 31, 2006. In February 2006, we entered into an amendment agreement with the former UCA Services shareholders. Pursuant to the amendment agreement, an officer, director and stockholder of the Company transferred 9,000,000 shares of our common stock owned by him to the former UCA Services shareholders. Since the settlement was not a contingency associated with the acquisition of UCA Services, we accounted for the shares transferred by the individual as an expense, based on the value of the shares on the settlement date, February 13, 2006.

Non-cash goodwill impairment. Pursuant to SFAS No. 142 “Goodwill and Other Intangibles Assets” (“SFAS No. 142”), we performed our annual testing of goodwill impairment in the second quarter of 2007. As a part of goodwill impairment testing, management reviewed various factors, such as the market price of our common stock, discounted cash flows from projected earnings and values of comparable companies to determine whether impairment exists. Based on this evaluation it was determined that the goodwill was impaired. The impairment was due to a continued decline our market capitalization during the past year and due to lower future cash flows expected to be generated by us due to working capital constraints. The implied value of the goodwill was $10,585,000 compared to a carrying value of $13,982,451, indicating an impairment of $3,397,451. The impairment loss was charged to operations during the three months ended June 30, 2007

Derivative Financial Instruments. In July 2005, we entered into an agreement pursuant to which we sold Cornell Capital Partners ("Cornell") secured convertible debentures (the "Cornell Debentures") in the aggregate principal amount of $1,000,000. In October 2005, we entered into a securities purchase agreement with Cornell whereby both parties agreed to amend and consolidate all of the convertible debentures issued to Cornell into one new secured convertible debenture in the principal amount of $1,658,160 ("October Convertible Debenture"). As a result of the change in the conversion terms of the October Convertible Debentures, on October 27, 2005, we determined that the embedded conversion feature of the October Cornell Debentures became subject to the provisions of SFAS No. 133. Therefore, we accounted for the embedded conversion feature as a liability in accordance with the guidance of EITF 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock" ("EITF 00-19"). Accordingly, we recorded the fair value of the embedded conversion feature of $784,784 as a non-current liability on the balance sheet as of October 27, 2005 and a portion of the amounts previously recorded to additional paid-in capital as part of the Original Cornell Debentures were reclassified from equity to liabilities. For the nine months ended September 30, 2006, we recorded a gain in value for derivative financial instruments of $336,352 related to the change in fair value of the embedded conversion feature, which is recorded in the accompanying unaudited condensed consolidated statement of operations. For the year ended December 31, 2005, we recorded a charge in value for derivative financial instruments of $2,131,109 related to the change in fair value of the embedded conversion feature. In February 2006, we paid the October Convertible Debenture (the "Cornell Repayment") and accordingly, the value of the embedded conversion future was reclassified to additional paid-in capital.

Debt extinguishment costs.
As part of the Cornell Repayment, we paid an early redemption charge of 15% of the principal amount redeemed or $248,724, which charge is included on the accompanying condensed consolidated statement for operations for the six months ended June 30, 2006. In connection with the Cornell Repayment, we also agreed to reduce the exercise price of the 560,000 warrants from $0.50 to $0.40. The change in exercise price of the warrants was treated as a new issuance of warrants and was valued using the Black Scholes option-pricing model. The reduction in exercise price resulted in a fair value of $372,353 for the warrants, which was charged to operations for the six months ended June 30, 2006.

In May 2006, we entered into an agreement with Macrocom Investors LLC (“Macrocom”), whereby Macrocom converted a note issued by us in the principal amount of $500,000 into one million shares of our common stock. We issued Macrocom one million and five hundred thousand shares as additional consideration and the fair of value of the additional consideration of $1,1250,000 was charged to operations during the three months ended June 30, 2006.

In August 2007, we entered into an Agreement to Convert (“ Agreement”) with Fred Nazem, a stockholder. Pursuant to this Agreement, the stockholder agreed to convert $218,882 due to him in outstanding convertible debentures and accrued interest ($18,882) into 5,472,050 shares of common stock, including 4,900,394 shares as an inducement for conversion. The fair value of the inducement to convert approximated $539,000 and was charged to operations in the three months ended September 30, 2007 as debt extinguishment costs.

In process research and development. On August 11, 2006 we entered into an agreement with Utek Corporation ("Utek"), an unaffiliated specialty finance company focused on technology transfers, to acquire a technology license for intrusion detection software developed by a university. We anticipate further development and testing of the technology. Because of the uncertainties surrounding the ultimate commercial deployment of the technology and due to the technology not having an alternative use, we charged the cost of the license agreement of $1,200,000 as in process research and development costs during the three months ended September 30, 2006. Subsequently at December 31, 2006, the Company revised the purchase price. Pursuant to accepted valuation methodologies, the Company valued the transaction at $660,000, including related expense. Net of cash acquired ($500,000 prior to related expense); $160,000 was allocated to the licensing agreement. The cash paid to the consultant and the fair value of the shares issued to the consultant approximated $200,000, and was charged to selling general and administrative expenses during the year ended December 31, 2006.

Discontinued Operations.
On May 5, 2006, our Board of Directors decided to exit from the hardware-based VoIP communications product line (including resale of transport services) that is targeted to SMBs. In accordance with SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets", ("SFAS No. 144"), the results of operations from the VoIP business segment has been reclassified as discontinued operations for all periods presented. For the three months and nine months ended September 30, 2007, losses from discontinued operations were $0 and $53,398, respectively. For the three and nine months ended September 30, 2006, losses from discontinued operations were $0 and $474,411, respectively. Revenues from VoIP operations have been nominal in all periods presented and operating expenses are the losses reported.

Net loss.
As a result of the foregoing, for the three months ended September 30, 2007, net loss decreased by $943,258, or 44.5%, to a loss of $1,175,817, compared to a net loss of $2,119,075 in the three months ended September 30, 2006. For the nine months ended September 30, 2007, net loss decreased by $10,545,820 or 62.3% to a loss of $6,368,676 compared to a net loss of $16,914,496 in the nine months ended September 30, 2006.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2007, our working capital deficiency was $4,571,900, compared to a working capital deficiency of $3,767,282 on December 31, 2006. The increase in the working capital deficiency was principally due to operating losses. During the nine months ended September 30, 2007, our operating activities from continuing operations provided approximately $3,000 of cash, compared to approximately $612,000 used during the nine months ended September 30, 2006.

During the nine months ended September 30, 2007, our operating losses, after adjusting for non-cash items, utilized approximately $1,104,000 of cash, and working capital items provided approximately $1,107,000 of cash. The principal component of these working capital changes was an increase in our deferred revenues and accounts payable. During the nine months ended September 30, 2006, our operating losses, after adjusting for non-cash items, utilized approximately $1,269,000 of cash, and working capital items provided approximately $657,000 of cash.

In February 2006, we repaid $70,000 owed to Fred Nazem, a stockholder of the Company, and $200,000 owed to Fahad Syed, an officer and director of the Company. Additionally, we repaid $100,000 plus accrued interest to Faisal Syed, a stockholder of the Company, in full satisfaction of a promissory note issued to him by UCA Services, prior to our acquisition of UCA Services. The promissory note bore interest at the rate of 6% and was due, together with accrued but unpaid interest in June 2005.

In February 2006, we along with our subsidiaries, entered into a Security Agreement, dated February 10, 2006 (the "Security Agreement") with Laurus Master Fund, Ltd., a Cayman Islands company ("Laurus"). Under the Security Agreement, Laurus purchased a Secured Convertible Note (the "Laurus Convertible Note"), from the Company with a maturity date of February 10, 2009, in the aggregate principal amount of $1,500,000, and a Secured Non-Convertible Revolving Note (the "Laurus Revolving Note") in the aggregate principal amount of $1,500,000. The Laurus Convertible Note and Laurus Revolving Note are collectively referred to as the "Laurus Notes". Availability under the Laurus Notes is based on an advance rate equal to 90% of eligible accounts receivable, and Laurus has agreed to provide us an over advance for a specified period. The Laurus Convertible Note has a three-year term, and bears interest at 1% above the prime rate, with a minimum interest rate of 8%. Laurus has the option, but not the obligation, at any time until the maturity date, to convert all or any portion of the Laurus Convertible Note and accrued interest thereon into shares of our common stock at an exercise price of $0.91 per share. If converted in full, we would be obligated to issue an aggregate of 1,648,352 shares of our common stock to Laurus. We have the option to prepay the Laurus Convertible Note by paying Laurus the applicable redemption premium. The Laurus Revolving Note has a three-year term, and bears interest at 1% above the prime rate, with a minimum interest rate of 8%.

In connection with the borrowing, we issued a common stock purchase option (the "Option") to Laurus to purchase up to 4,256,550 shares of our common stock for nominal consideration. Additionally, we entered into a registration rights agreement with Laurus (the "Registration Rights Agreement"), covering the registration of common stock underlying the Laurus Convertible Note and the Option. Our obligations under the Laurus Notes are secured by first liens on all of our assets, and Laurus may accelerate all obligations under the Laurus Notes upon an event of default.

The Company’s agreement with Laurus had an over advance feature for $1,000,000 that expired on July 31, 2007. On October the Company and Laurus entered into an extensions agreement (the “Extension Agreement’). The Extension Agreement provides for the extension of the over advance feature until February 2009 .However, the over advance amount will reduce by $5,000 each month from November 2007 to February 2008 and by $50,000 each month from March of 2008.

Our initial borrowing was approximately $2,300,000 and we utilized approximately $1,900,000 of the initial borrowing to repay all amounts owed to Cornell pursuant to the October Convertible Debenture, including a redemption premium. At September 30, 2007, our availability and borrowing with Laurus was approximately $2,821,000 (face amount).

At various dates between April and December of 2006, we sold seven Convertible Debentures in the aggregate face amount of $700,000. In January and February of 2007, we repaid five out of the seven 2006 Convertible Debentures in the aggregate face amount of $500,000. In December 2006, the Company, and the officer director and the stockholder agreed to extend the term of two of the 2006 Convertible Debentures in the face amount of $200,000 to April 30, 2007. In April the term was extended to August 31, 2007. In August 2007, we entered into an agreement with the stockholder to convert an aggregate amount of $200,000 in Convertible Debentures and accrued interest into shares of our common stock. See Note 4 to the unadudited condensed consolidated financials statements. In August the officer and director with $150,000 face amount of Convertible Debentures entered into an agreement with us to extend the maturity to December 2007.

In April 2007, we sold Debentures (the "Debentures") in the face amount of $200,000 to an individual. The Debentures bear interest at 8% and is due on July 12, 2007. In connection with the sale, the Company issued warrants to acquire an aggregate of 500,000 shares of its common stock at a nominal exercise price. The warrants expire in three years from the date of issuance. We repaid the Debenture in July 2007.

In order to meet our working capital requirements, we borrowed an aggregate of $570,000 from three individuals during the nine months ended September 30, 2007. We repaid $100,000 of the borrowing prior to September 30, 2007. The balance amounts are due at various dates between October and December 2007. In October 2007, we repaid $200,000 of the borrowings.

In order to execute our business plan and achieve our objectives for the near future, management believes it will require approximately $2,000,000 over the next 12 months for working capital. A significant amount of this will be used to satisfy our obligations, both from borrowing and vendor accounts payable, as they become due. Our ability to continue as a going concern and our future success are dependent upon our ability to raise capital in the near term to satisfy our current obligations. Management's plans in this regard include, but are not limited to, current discussions and negotiations with a number of additional financing alternatives, one or more of which management believes will be able to successfully close to provide the necessary working capital. There is no assurance that we will be successful in completing the financing. The accompanying condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

To fund our operations for fiscal year 2007, we need to raise additional financing and generate cash flows from our operations. Should additional cash flows not be available, we believe that we will have the ability to restructure our operations, and if necessary, initiate significant expense reductions. In addition, we will have to negotiate with our lenders to extend the repayment dates of our indebtedness. There can be no assurance, however, that we will be able to successfully restructure our operations or debt obligations in the event we fail to obtain additional financing.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The discussion and analysis and plan of operation is based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to revenue recognition, accounts receivable and long-lived assets. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the current circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.
We believe the following critical accounting policies affect the judgment and estimates used in preparation of our condensed consolidated financial statements:

Income Taxes and Uncertain Income Tax Positions

We account for income taxes using the asset and liability method. Under this method, 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, and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in results of operations in the period that the tax change occurs.

Effective January 1, 2007, we adopted FIN No. 48 (“FIN 48”), A *ccounting for Uncertainty in Income Taxes.* FIN No. 48 prescribes a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on derecognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods and income tax disclosures.

ITEM 3. CONTROLS AND PROCEDURES

A. EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES:

Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports filed or submitted under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized and reported, within the time period specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports filed under the Exchange Act are accumulated and communicated to management, including the Chief Executive Officer ("CEO"") and Chief Financial Officer ("CFO") , as appropriate, to allow timely decisions regarding required disclosure. As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with participation of our management, including our CEO and CFO, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon and as of the date of that evaluation, the CEO and CFO concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports we file and submit under the Exchange Act are recorded, processed, summarized and reported as and when required.

B. CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING:

There were no changes in our internal controls over financial reporting during the most recent fiscal quarter that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company from time to time is involved in routine legal matters incidental to business. In the opinion of management, the ultimate resolution of such matters will not have a material adverse effect on the Company's financial position, results of operations or liquidity.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

During the three months ended September 30, 2007:

The Company issued 11,250,000 shares of common stock to three individuals and a company in private sale of common stock, including 2,500,000 shares to Fred Nazem, a stockholder.

The Company issued 5,472,050 shares of common stock to Fred Nazem, a stockholder, upon conversion of convertible debentures and accrued interest.

The Company issued 3,667,111 shares of the Company’s common stock upon exercise of warrants to Laurus.

The foregoing shares were issued pursuant to exemptions from registration under Sections 3(a)(9) and 4(2) of the Securities Act of 1933.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

(a) Exhibits:

31.1 Rule 13a-14(a)/15d-14(a) Certification (CEO)

31.2 Rule 13a-14(a)/15d-14(a) Certification (CFO)

32.1 Section 1350 Certification (CEO)

32.2 Section 1350 Certification (CFO)

SIGNATURES

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

Date: November 19, 2007

By: /s/ Fahad Syed

Name: Fahad Syed
Title: Chairman and Chief Executive Officer

By: /s/ Vasan Thatham

Name: Vasan Thatham
Title: Principal Financial Officer and Vice President

EXHIBIT 31.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES OXLEY ACT OF 2002

I, Fahad Syed, Chairman and Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of NetFabric Holdings, Inc. (the “ Company”).

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this quarterly report;

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d15(e) for the Company and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) [Reserved]

c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

November 19, 2007

By: /s/ Fahad Syed

Name: Fahad Syed
Title: Chairman and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES OXLEY ACT OF 2002

I, Vasan Thatham, Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of NetFabric Holdings, Inc. (the “ Company”).

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this quarterly report;

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d15(e) for the Company and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) [Reserved]

c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

November 19, 2007

By: /s/ Vasan Thatham

Name: Vasan Thatham
Title: Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of NetFabric Holdings, Inc. (the " Company") on Form 10-QSB for the period ended September 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Fahad Syed Chairman and Chief Executive Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

November 19, 2007

By: /s/ Fahad Syed

Name: Fahad Syed
Title: Chairman and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to NetFabric Holdings, Inc. and will be retained by NetFabric Holdings, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of NetFabric Holdings, Inc. (the "Company") on Form 10-QSB for the period ended September 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Vasan Thatham, Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

November 19, 2007	By: /s/ Vasan Thatham
	Name: Vasan Thatham Title: Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to NetFabric Holdings, Inc. and will be retained by NetFabric Holdings, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.