U. S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

|X| QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2005

|_| TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE EXCHANGE ACT

COMMISSION FILE NUMBER: 0-21419

NETFABRIC HOLDINGS, INC.
(EXACT NAME OF SMALL BUSINESS ISSUER AS SPECIFIED IN ITS CHARTER)

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

67 FEDERAL ROAD, BUILDING A
SUITE 300
BROOKFIELD, CT 06804
(ADDRESS AND TELEPHONE NUMBER OF PRINCIPAL EXECUTIVE OFFICES AND PRINCIPAL PLACE OF BUSINESS)
(203) 775-1178
(ISSUER'S TELEPHONE NUMBER, INCLUDING AREA CODE)

CHECK WHETHER THE ISSUER (1) FILED ALL REPORTS REQUIRED TO BE FILED BY SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 DURING THE LAST 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 |_|

STATE THE NUMBER OF SHARES OUTSTANDING OF EACH OF THE ISSUER'S CLASSES OF COMMON EQUITY, AS OF THE LATEST PRACTICABLE DATE. AS OF APRIL 30, 2005, 37,652,204 SHARES OF COMMON STOCK, $.001 PAR VALUE PER SHARE, OF THE ISSUER WERE OUTSTANDING.

TRANSITIONAL SMALL BUSINESS DISCLOSURE FORMAT (CHECK ONE): YES |_| NO |X|

NETFABRIC HOLDINGS, INC. AND SUBSIDIARY
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NETFABRIC HOLDINGS, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED BALANCE SHEETS

	MARCH 31, 2005 (UNAUDITED)	DECEMBER 31, 2004
ASSETS		
CURRENT ASSETS:		
Cash	$ 295,701	$ 67,719
Inventory	97,303	72,025
Prepaid expenses and other current assets	123,076	88,910
Total current assets	516,080	228,654
Property and equipment, net	173,766	171,931
Deferred offering costs		368,683
Other assets	37,897	43,053
TOTAL	$ 727,743	$ 812,321
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Bridge loans, net of unamortized discount	$ 471,532	$ 749,659
Loans payable to stockholder	32,639	32,639
Accounts payable and accrued liabilities	325,561	273,707
Deferred revenues and advances	25,966	25,966
Total current liabilities	855,698	1,081,971
STOCKHOLDERS' DEFICIT:		
Common Stock, $.001 par value, 100,000,000 shares authorized, 37,652,204 and 34,652,204 shares issued and outstanding, respectively	37,652	34,652
Additional paid-in capital	2,412,340	1,216,523
Deferred employee compensation	(49,192)	-
Deficit accumulated during the development stage	(2,528,755)	(1,520,825)
Total stockholders' deficit	(127,955)	(269,650)
TOTAL	$ 727,743	$ $812,321

SEE NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NETFABRIC HOLDINGS, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	THREE MONTHS ENDED MARCH 31, 2005 (UNAUDITED)	THREE MONTHS ENDED MARCH 31, 2004 (UNAUDITED)	FOR THE PERIOD FROM INCEPTION (JANUARY 1, 2003) TO MARCH 31, 2005 (UNAUDITED)
REVENUES	$ -	$ -	$ 612
COST OF GOODS SOLD	2,733	7,675	5,859
GROSS LOSS	(2,733)	(7,675)	(5,247)
EXPENSES:			
Research and development	134,475	-	529,927
Selling expenses	158,960	7,543	351,610
General and administrative expenses	279,358	66,644	926,408
Legal and professional expenses	184,290	416	283,625
Interest and bank charges	232,824		408,437
Depreciation and amortization	15,290		23,501
Total expenses	1,005,197	74,603	2,523,508
Loss before provision for income taxes	(1,007,930)	(82,278)	(2,528,755)
Provision for income taxes	-	-	-
NET LOSS	$ (1,007,930)	$ (82,278)	$ (2,528,755)
Net loss per common share, basic and diluted	$ (0.03)	$ (0.00)	
Weighted average number of shares outstanding, basic and diluted	36,429,982	29,829,758	

SEE NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NETFABRIC HOLDINGS, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

	Common Stock		Additional	Deferred Employee
	Shares	Par Value	Paid-in-Capital	Compensation
BALANCES AT JANUARY 1, 2003 (INCEPTION)	-	$ -	$ -	$ -
Sale of common stock to founders	29,664,953	29,665	(29,575)	-
Sale of common stock to investor	164,805	165	24,835	-
Issuance of options to purchase common stock to non-employees for services	-	-	9,389	-
Net loss	-	-	-	-
BALANCES AT DECEMBER 31, 2003	29,829,758	29,830	4,649	-
Sale of common stock to investors	1,648,053	1,648	248,352	-
Issuance of common stock to landlord in lieu of rent	659,221	659	99,341	-
Common stock issued in connection with share exchange	1,765,172	1,765	(30,874)	-
Allocation of proceeds from bridge loans to common stock	500,000	500	410,903	-
Value of shares and warrants issued in connection with financing commitment	250,000	250	368,433	-
Issuance of options to purchase common stock to non-employees for services		-	115,719	-
Net loss	-	-	-	-
BALANCES AT DECEMBER 31, 2004	34,652,204	34,652	1,216,523	-
Sale of common stock to investors, net of offering costs of $368,683	2,000,000	2,000	629,317	
Settlement of bridge loan with common stock	1,000,000	1,000	499,000	
Deferred employee stock option compensation	-	-	67,500	(67,500)
Amortization of deferred employee stock option compensation	-	-	-	18,308
Net loss	-	-	-	-
BALANCES AT MARCH 31, 2005 (UNAUDITED)	37,652,204	$ 37,652	$ 2,412,340	$ (49,192)

(table continued)

	Deficit Accumulated During the Development Stage	Total Stockholder Equity (Deficit)
BALANCES AT JANUARY 1, 2003 (INCEPTION)	$ -	$ -
Sale of common stock to founders	-	90
Sale of common stock to investor	-	25,000
Issuance of options to purchase common stock to non-employees for services	-	9,389
Net loss	(18,565)	(18,565)
BALANCES AT DECEMBER 31, 2003	(18,565)	15,914
Sale of common stock to investors	-	250,000
Issuance of common stock to landlord in lieu of rent		100,000
Common stock issued in connection with share exchange	-	(29,109)
Allocation of proceeds from bridge loans to common stock		411,403
Value of shares and warrants issued in connection with financing commitment		368,683
Issuance of options to purchase common stock to non-employees for services		115,719
Net loss	(1,502,260)	(1,502,260)
BALANCES AT DECEMBER 31, 2004	(1,520,825)	(269,650)
Sale of common stock to investors, net of offering costs of $368,683	-	631,317
Settlement of bridge loan with common stock	-	500,000
Deferred employee stock option compensation		-

Amortization of deferred employee stock option compensation	-	18,308
Net loss	(1,007,930)	(1,007,930)
BALANCES AT MARCH 31, 2005 (UNAUDITED)	$ (2,528,755)	$ (127,955)

SEE NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NETFABRIC HOLDINGS, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended		For the period from inception (January to March 31, 2005
	March 31, 2005 (Unaudited)	March 31, 2004 (Unaudited)	(Unaudited)
OPERATING ACTIVITIES			
Net loss	$ (1,007,930)	$ (82,278)	$ (2,528,755)
Adjustments to reconcile net loss to net cash used in operating activities:			
Non-cash charge for issuance of common stock for rent	12,500	12,500	62,500
Non-cash charge for options issued to non-employees	5,156	15,013	66,596
Non-cash charge for amortization of employee deferred compensation	18,308	-	18,308
Amortization of debt discount	221,873	-	382,935
Depreciation and amortization	15,290	-	23,501
Changes in operating assets and liabilities:			
Inventory	(25,278)	-	(97,303)
Prepaid expenses and other current assets	(6,888)	(5,665)	(25,172)
Other assets	-	5,665	-
Accounts payable and accrued liabilities	12,076	826	311,738
Net cash used in operating activities	(754,893)	(53,939)	(1,785,652)
INVESTING ACTIVITIES			
Purchases of property and equipment	(17,125)	-	(197,267)
Net cash used in investing activities	(17,125)	-	(197,267)
FINANCING ACTIVITIES			
Proceeds from issuance of common stock	1,000,000	50,000	1,275,090
Loan from stockholder	-	-	3,530
Proceeds from bridge loans	-	-	1,000,000
New cash provided by financing activities	1,000,000	50,000	2,278,620
NET INCREASE (DECREASE) IN CASH	227,982	(3,939)	295,701
CASH AT BEGINNING OF PERIOD	67,719	18,053	-
CASH AT END OF PERIOD	$ 295,701	$ 14,114	$ 295,701
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid for interest expense	$ 12,500	$ -	$ 12,500
Cash paid for income taxes	$ -	$ -	$ -

SEE NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NETFABRIC HOLDINGS, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF BUSINESS

NetFabric Holdings, Inc. ("Parent") (formerly known as Houston Operating Company, Inc.) 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 ("NetFabric") (see Note 4) whereby Holdings acquired all of the issued and outstanding capital stock of NetFabric and NetFabric became a wholly-owned subsidiary of Holdings (Holdings and NetFabric are collectively referred to as "Holdings"). Upon the completion of merger the NetFabric stockholders controlled approximately 95% of the then issued and outstanding common 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 has been treated as a reverse merger, and a capital transaction, equivalent to the issuance of stock by NetFabric for Holdings' net assets and accordingly the historical financial statements prior to December 9, 2004 are those of NetFabric. All shares and per share data prior to the merger have been restated to reflect the stock issuances and related recapitalization.

NetFabric, a Delaware corporation incorporated on December 17, 2002, began operations in July 2003. As no activities occurred for the period from December 17, 2002 through December 31, 2002, the presentation of the accompanying consolidated financial statements commences on January 1, 2003. NetFabric develops and markets a family of Internet Protocol ("IP") appliances that simplifies the integration of standard telephone systems with an IP infrastructure. NetFabric's products deliver productivity gains and significant cost reductions, while maintaining Public Switched Telephone Network ("PSTN") class reliability and ease of use. NetFabric is in the process of obtaining patents for the underlying technology. NetFabric provides progressive upgrades in both the PSTN and Voice Over Internet Protocol ("VoIP")" solutions principally used in the large residential marketplace and small and medium sized businesses. NetFabric develops and sells IP Telephony Service Adaptors ("IP TSA"), products that connect to the trunk side of existing standard phone systems and provide the functionality of an IP phone system, at a fraction of the cost with virtually no risk of system failure. FUSION, NetFabric's principal product line, uses an external VoIP gateway to facilitate its use with any service provider utilizing any protocol.

In March 2005, the Company's board of directors approved several actions, including i) a change of the Company's name to NetFabric Holdings, Inc., ii) new bylaws for the Company, which among other things increased the Company's authorized common stock to 100 million shares, and iii) approved the adoption of the Holdings stock option plan. Such actions became effective upon approval of stockholders in April 2005.

The Company has not generated significant revenue and is considered to be a development stage company and as such the condensed consolidated financial statements presented herein are presented in accordance with Statement of Financial Accounting Standards ("SFAS") No. 7.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

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"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted 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 March 31, 2005 and 2004 are not necessarily indicative of the results to be expected for any other interim period of any future year. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the Company's December 31, 2004 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, 2004.

As shown in the accompanying condensed consolidated financial statements, the Company has incurred losses in the development stage totaling $2,528,755 and has a working capital deficit of $339,618 at March 31, 2005. These factors, among others, indicate that the Company may be unable to continue as a going concern. The 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 plan and satisfy its obligations on a timely basis. Management believes that such cash flows will be funded by additional equity and/or debt financings through the time in which the Company evolves from the development stage and generates sufficient positive cash flows from its operations. However there can be no assurance that management's plans will be able to be achieved.

CONSOLIDATION

The condensed consolidated financial statements include the accounts of Holdings and its wholly-owned subsidiary. All significant intercompany transactions and balances have been eliminated.

RECLASSIFICATIONS

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

ESTIMATES

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") 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. 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, the fair value of common stock, the fair value of options issued for services, the allocation of proceeds from the bridge loans to equity instruments and other reserves. Because of the uncertainty inherent in such estimates, actual results may differ from these estimates.

REVENUE RECOGNITION

The Company derives revenue from the sale of its communication equipment products. In accordance with SEC Staff Accounting Bulletin No. 104, "Revenue Recognition," revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed and determinable, collectibility is reasonably assured, contractual obligations have been satisfied, and title and risk of loss have been transferred to the customer.

To date the Company's products have been sold only through a network of distributors and value-added resellers ("VAR"). In the VAR channel, NetFabric recognizes revenue at the time of shipment if all other contractual obligations to the VAR have been satisfied. In the distributor channel, NetFabric recognizes revenue when the distributor sells and ships NetFabric products to its own VARs, resellers or end-user customers, provided the Company has satisfied all other the terms and conditions with the distributor. Accordingly, NetFabric receives distribution sales and inventory information regarding its products from its distributors for the purpose of determining the appropriate timing of revenue recognition.

Both VARs and distributors have limited rights to return products to the Company but must obtain prior approval from NetFabric before returning products. This policy is a common practice within the industry. NetFabric has no obligation to accept the return of any unsold products. If required, the Company accrues a provision for estimated sales returns and other allowances and deferrals as a reduction of revenue at the time of revenue recognition. To date no provisions for estimated sales returns and other allowances have been recognized. The Company has no obligation to provide service, repair, counseling or other assistance to any customers of the VARs or distributors unless NetFabric has a specific agreement directly with such customer.

INVENTORY

Inventory consist primarily of finished goods and purchased electronic components, and are stated at the lower of cost or market. Cost is determined by using the first-in, first-out method.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of the Company's assets and liabilities that qualify as financial instruments under Statement of Financial Accounting Standards ("SFAS") No. 107 approximate their carrying amounts presented in the consolidated balance sheets at March 31, 2005 and 2004.

STOCK-BASED COMPENSATION

The Company accounts for stock options granted to employees using the intrinsic value method in accordance with the provisions of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB Opinion No. 25"), and related interpretations.

As such, compensation expense to be recognized over the related vesting period is generally determined on the date of grant only if the current market price of the underlying stock exceeds the exercise price. SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"), permits entities to recognize as expense over the vesting period the fair value of all stock-based awards on the date of grant. Alternatively, SFAS No. 123 allows entities to continue to apply the provisions of APB Opinion No. 25 and provide pro forma net income (loss) disclosures for employee stock option grants as if the fair-value-based method defined in SFAS No. 123 had been applied. The Company has elected to continue to apply the provisions of APB Opinion No. 25 and provide the pro forma disclosures required by SFAS No. 123.

If compensation expense for stock options awarded to employees had been determined in accordance with SFAS No. 123, the Company's pro forma net loss would have been as follows:

	Three months ended, March 31, 2005	2004
Net loss, as reported	$ (1,007,930)	(82,278)
Stock based employee compensation recorded	18,308	-
Sub-total	(989,622)	(82,278)
Stock-based employee compensation expense determined under fair value method	(291,037)	(908)
Pro forma net loss, as adjusted	$ (1,280,659)	$ (83,186)
Loss per share:		
Basic and diluted-as reported	$ (0.03)	$ (0.00)
Basic and diluted-pro forma	$ (0.04)	$ (0.00)

The estimated value of the options is amortized over their vesting periods of one to four years for pro forma disclosure only.

EARNINGS PER SHARE

The Company calculates earnings per share in accordance with SFAS No. 128, "Earnings per Share." 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 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 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 earnings per share for the three months ended March 31, 2005 and 2004 exclude potential common shares of 8,987,526 and 3,625,716, 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

During December 2004, the FASB issued SFAS No. 123R, "Share-Based Payment," requiring all share-based payments to employees, including grants of employee stock options, to be recognized as compensation expense in the consolidated financial statements based on their fair values. As amended by the SEC on April 14, 2005, this standard is effective for annual periods beginning after December 15, 2005, and includes two transition methods. Upon adoption, the Company will be required to use either the modified prospective or the modified retrospective transition method. Under the modified retrospective approach, the previously reported amounts are restated for all periods presented to reflect the FASB Statement No. 123 amounts in the income statement. Under the modified prospective method, awards that are granted, modified, or settled after the date of adoption should be measured and accounted for in accordance with SFAS 123R. Unvested equity-classified awards that were granted prior to the effective date should continue to be accounted for in accordance with SFAS 123 except that amounts must be recognized in the income statement. The Company is currently evaluating the impact of this standard and its transitional alternatives.

3. BRIDGE LOANS

Bridge loans consist of the following as of March 31, 2005:

Loan II, due April 12, 2005	$ 500,000
Less: Unamortized debt discount	(28,468)
	$ 471,532

On July 22, 2004, NetFabric entered into a Financing Agreement which was amended on December 2, 2004 (the "Financing Agreement") with Macrocom Investors, LLC, ("Macrocom") whereby Macrocom provided a loan to NetFabric in the amount of $500,000 ("Loan I") for a period of 180 days from the original date of the Financing Agreement ("Due Date") at an annual simple interest rate of 5%. On the Due Date, the Company had the option to repay the principal in cash or in kind by issuing 1,000,000 shares of common. In either event, the interest on Loan I is payable in cash on the Due Date. In January 2005, in accordance with the terms of the Financing Agreement, the Company elected to repay the principal of Loan I in kind by issuing 1,000,000 shares of common stock. Additionally, in connection with the Financing Agreement the Company issued to Macrocom 250,000 shares of common stock as additional consideration for Loan I in December 2004.

On October 14, 2004, NetFabric and Macrocom entered into a loan agreement which was amended on December 2, 2004 (the "Loan Agreement"), whereby Macrocom agreed to loan an additional $500,000 to NetFabric ("Loan II" or the "Second Loan"), due 180 days from the original date of the Loan Agreement ("Second Due Date") at an annual simple interest rate of 5%. On the Second Due Date, at the option of Macrocom, Macrocom can convert the principal of the Second Loan into 1,000,000 shares of common stock or demand repayment of the principal in cash. In either event, the interest on the Second Loan is payable in cash on the Second Due Date. In addition, in December 2004 the Company issued to Macrocom 250,000 shares of common stock as additional consideration for the Second Loan. On the Second Due Date in April 2005 Macrocom did not request repayment or conversion to common stock of Loan II. The Company and Macrocom are engaged in negotiations regarding the settlement or restructuring of Loan II.

As a result of these transactions, total debt discounts on Loan I and Loan II (the "Bridge Loans"), including the value of the beneficial conversion feature, of $411,403 were recorded in 2004. During the three months ended March 31, 2005 $221,873 of the discounts was amortized into interest expense on the accompanying statement of operations.

4. STOCKHOLDERS' EQUITY

In December 2003, the Company sold 164,805 shares of the Company's common stock along with a warrant to purchase 164,805 shares of common stock, at an exercise purchase price of approximately $0.1517 per share, resulting in aggregate proceeds of $25,000 or $0.1517 per share. The warrants are immediately exercisable and terminate on the earlier of (i) the fifth anniversary of the issue date or (ii) the consummation of a Qualified Public Offering, as defined.

The Company sold an additional 1,648,053 shares of common stock at various dates through April 20, 2004 resulting in proceeds of $250,000 or $0.1517 per share. In connection with the sale of certain of these shares to other investors the Company issued 988,832 warrants on the same terms and conditions as described in the preceding paragraph. In 2004, the Company also issued 659,221 shares of common stock (valued at $100,000) as payment for certain expenses. On December 9, 2004, (the "Closing Date") Holdings completed the Share Exchange with all of the stockholders (the "Stockholders") of NetFabric (Note 1). At the closing, which occurred at the same time as the execution of the Acquisition Agreement, Holdings acquired all of the issued and outstanding capital stock of NetFabric from the Stockholders in exchange for an aggregate of 32,137,032 newly-issued shares of the Holdings' common stock. For accounting purposes the acquisition was treated as a recapitalization of NetFabric with NetFabric as the acquirer, a reverse acquisition. Since Holdings prior to the merger was a public shell corporation with no significant operations, pro-forma information giving effect to the merger is not presented.

In addition to the Bridge Loan transactions (Note 3), during 2004 Macrocom entered into a commitment with NetFabric to purchase common stock of Holdings subsequent to the Closing Date, under certain terms. Pursuant to this financing commitment, in two separate closings in January and March 2005 the Company sold an aggregate of 2,000,000 shares of common stock to Macrocom resulting in aggregate proceeds of $1,000,000 or $0.50 per share. Additionally, under this arrangement, Macrocom received 250,000 shares of common stock and a six-month warrant to purchase 2,000,000 shares of common stock at a purchase price of $1,500,000 (the "Macrocom Warrant"), provided that the closing price of the merged entity's common stock on the day immediately preceding the exercise of the warrant is less than $2.00 per share. The value of this additional consideration paid to Macrocom as part of this financing commitment, totaling $368,683, has been recorded as offering costs and offset against the proceeds of the additional purchases of common stock during the three months ended March 31, 2005. The Macrocom Warrant was not exercised and expired on May 9, 2005. The Company and

Macrocom are engaged in discussions regarding extension of the term and amendment to the other features of the Macrocom Warrant.

5. STOCK-BASED COMPENSATION

On the Closing Date of the Share Exchange all NetFabric outstanding stock options were exchanged for options in Holdings. Prior to the Share Exchange, Holdings did not maintain a stock option plan. On March 3, 2005, the Board of Directors adopted the 2005 Stock Option and Grant Plan (the "Plan"). The purpose of the Plan is to encourage and enable the employees, directors and consultants of the Company upon whose judgment, initiative and efforts the Company largely depends for the successful conduct of its business to acquire a proprietary interest in the Company. The Plan became effective on April 19, 2005.

During the three months ended March 31, 2005 and 2004 NetFabric recognized nonemployee compensation expense of $5,157 and $15,013, respectively, as a result of the vesting of options, which is included in general and administrative expenses on the accompanying consolidated statements of operations.

In February 2005 the Company recorded deferred employee stock option compensation of $67,500 as a result of the difference between the quoted market value of the Company's common stock on the date of grant and the exercise price for an option issued to a certain employee. During the three months ended March 31, 2005 and 2004, the Company recorded compensation expense of $18,308 and $0, respectively, associated with deferred employee stock option compensation which is included in selling expenses on the accompanying consolidated statements of operations.

6. RELATED PARTY TRANSACTIONS

Loans payable to stockholders on the accompanying consolidated balance sheet at March 31, 2005 represent amounts owed to shareholders of the Company for expenses paid on behalf of the Company.

7. SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES

	THREE MONTHS ENDED MARCH 31, 2005 (UNAUDITED)	THREE MONTHS ENDED MARCH 31, 2004 (UNAUDITED)	FOR THE PERIOD FROM INCEPTION (JANUARY 1, 2003) TO MARCH 31, 2005 (UNAUDITED)
Conversion of bridge loan to common stock	$ 500,000	$ -	$ 500,000
Net assets of NetFabric Holdings, Inc. acquired in share exchange	$ -	$ -	$ (29,109)
Options issued to non employees for services	$ -	$ -	$ 125,108
Imputed discount on bridge loans relating to warrants issued and beneficial conversion feature	$ -	$ -	$ 411,403
Value of shares and warrants issued in connection with financing commitment	$ -	$ -	$ 368,683
Deferred employee stock option compensation	$ 67,500	$ -	$ 67,500

8. LEGAL PROCEEDINGS

The Company received a notice on March 31, 2005 from certain of the Macrocom investors alleging that the Company is in default in filing registration statement. If the registration statement relating to the Macrocom stock is not effective within 180 days of the Closing Date for reasons not beyond NetFabric's control, NetFabric will pay Macrocom liquidated damages of 45,000 shares of the common stock of the Company for each month or any portion thereof, until such registration statement is effective. The Company believes it is not in default based upon oral extensions granted to it by Macrocom and believes the filing of the registration statement, which occurred on April 5, 2005 cured any alleged default. Management believes that it will not have any material effects in subsequent periods on the Company's consolidated financial position, results of operation or cash flow based on or as a result of the outcome from this matter.

APPLICATION OF CRITICAL ACCOUNTING ESTIMATES

Our unaudited condensed consolidated financial statements are based on the selection of accounting policies and the application of significant accounting estimates, some of which require management to make significant assumptions. Actual results could differ materially from the estimated amounts. We believe that some of the more critical estimates and related assumptions that affect our financial condition and results of operations are in the areas of revenue recognition, income taxes, contingencies, receivables, inventories, and equity. Our critical accounting estimates were discussed with our Audit Committee of the Board of Directors. For more information on critical accounting estimates, refer to the MD&A included in our Form 10-KSB for the year ended December 31, 2004.

There were no accounting policies that were adopted during the three months ended March 31, 2005 that had a material effect on our financial condition and results of operations.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

REVIEW OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the 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 on our December 31, 2004 financial statements dated March 30, 2005 that because the Company is in the development stage, has had net losses from inception and has working capital and net capital deficiencies, such report indicates that these matters raise substantial doubt about the Company's 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

NetFabric Holdings, Inc., formerly Houston Operating Company, ("NetFabric Holdings" or the "Company") was incorporated in Delaware in August of 1989, and has not had operations since before 2002. NetFabric Corporation ("NetFabric") was incorporated in the State of Delaware on December 17, 2002, as a new corporation and not as a result of a material re-classification, merger, consolidation, purchase or divestiture. On December 9, 2004, the Company entered into an acquisition agreement ("Acquisition Agreement") with all of the stockholders of NetFabric in a transaction that was accounted for as a reverse merger whereby NetFabric was treated as the accounting acquirer ("Acquisition"). At the closing, which occurred at the same time as the execution of the Acquisition Agreement, the Company acquired all of the issued and outstanding capital stock of NetFabric from the stockholders in exchange for an aggregate of 32,137,032 newly-issued shares of the Company's common stock. On April 19, 2005, the Company's name was changed from Houston Operating Company to NetFabric Holdings, Inc. and its stock symbol was changed from OTC.BB: HOOC to OTC.BB: NFBH.

BUSINESS AND PLAN OF OPERATION

The Company, headquartered in Brookfield, CT, is a provider of hardware and services to the burgeoning sector of the telecom industry that utilizes the Internet for telephone and data communications. Specifically, the company offers distributed Voice over Internet Protocol ("VoIP") platforms, as well as Services over IP ("SoIP") solutions, that provide small to mid-sized Businesses ("SMB"s) and Enterprise Branch Offices ("EBO"s) with a flexible migration path to an all-IP infrastructure. The large and very lucrative market of more than 4.9 million SMBs and EBOs that the Company targets is sometimes referred to collectively in this document as "Small Offices."

The Company develops and markets small office Customer Premises Equipment ("CPE") in the form of integrated telephony services platforms that provide businesses with a flexible VoIP migration path from a legacy PBX to IP softswitch. The Company will build and deploy the server side of the advanced Services over IP that enable its distributed edge devices to deliver to Small Offices the improved business efficiencies, competitive advantages and significant cost savings of IP that previously were only available to larger enterprises.

The Company markets and sells its products to SMBs through Value Added Resellers ("VAR"s), Service Providers and OEM relationships, and will sell to Fortune 500 EBO customers, through a direct consultative sales organization.

Although VoIP deployment within large enterprise and residential markets is moving forward rapidly, the adoption of VoIP for use in Small Offices has, until now, been lagging. Given that this market could benefit significantly from the inherent cost-savings, flexibility and productivity gains of VoIP, offering a product that allows Small Offices to migrate to VoIP without the risks of undertaking a large equipment upgrade is extremely attractive to the Company's partners. The VAR channel that serves this market requires a solution that is easy to sell, install and support. By definition, the Company designed its products to be simple to explain, install, configure and support so as to attract the largest number of partners selling to the Small Office market.

RESULTS OF OPERATIONS QUARTER ENDED MARCH 31, 2005 COMPARED TO MARCH 31, 2004

As previously noted, the December 9, 2004 acquisition has been accounted for as a reverse merger whereby NetFabric was treated as the accounting acquirer. Accordingly, the historical financial statements of NetFabric have been presented for all periods required. NetFabric began operations in January 2003 and is still a development stage company. During the quarter ended March 31, 2004 NetFabric had no revenue and minimal expenses. During the quarter ended March 31, 2005 NetFabric had $0 of revenue and $1,005,197 of expenses.

A summary of the results of operations for the quarters ended March 31, 2005 and 2004 is as follows:

	MARCH 31, 2005	MARCH 31, 2004
Revenues	$ -	$ -
Cost of Goods Sold	2,733	7,675
Expenses	1,005,197	74,603
Net Loss	$ (1,007,930)	$ (82,278)
Net loss per share, basic and diluted	$(0.03)	$(0.00)
Weighted average number of shares outstanding, basic and diluted	36,429,982	29,829,758

Our operating activities to date have consisted primarily of developing our VoIP telephony products for the marketplace. This included the acceleration of research and development activities, hiring of additional Company personnel (primarily for research and development, but also sales and marketing personnel), development of sales and marketing programs, and filing of product patents.

On March 28, 2005, the Company signed Belkin's Master Reseller Agreement which entitles NetFabric to 4% revenue share for CallEverywhere sales by NetFabric resellers. The Company also signed the following Reseller Agreements: on March 11, 2005, with CommunityNet of Omak, WA; on March 10, 2005, with Contineo Technologies of Spokane, WA; and , on March 5, 2005, Avatel Technologies, Inc. of Brandon, FL.

Revenues. For the three months ended March 31, 2005, we generated $0 in revenue compared to $0 for the three months ended March 31, 2004. Although no revenue was recognized during the three months ended March 31, 2005, we received sales orders from Williams Telecommunication Corp. totaling $978, and received orders and shipped products to Williams Telecommunication Corp. totaling $1,155 and to Teleconcepts totaling $2,008 which are expected to provide revenues in future periods. The Company is still in the stages of early product development and does not plan to generate significant revenue from its various product lines until the fourth quarter of 2005.

Total Expenses. Total expenses for the three months ended March 31, 2005 were $1,005,197 compared to $74,603 for the three months ended March 31, 2004. The change is related to the increase in our business activities, further described as follows:

Research and Development expenses for the three months ended March 31, 2005 were $134,475 compared to $0 for the same period in 2004. These expenses mainly represented the product development costs for the FUSION 4x4 and the 12x8 voice routers, and the new SILK product line, including associated engineering wages.

General and Administrative expenses for the three months ended March 31, 2005 were $279,358 compared to $66,644 for the same period in 2004. This is primarily due to the Company hiring significant new personnel in management, marketing, and sales among others. In addition, the Company began maintaining office space only in early 2004, and has incurred additional costs associated with this activity, such as telecom, office supplies and insurance.

Selling expenses for the three months ended March 31, 2005 were $158,960 compared to $7,543 for the same period in 2004. This is related primarily to the Company's personnel, participation in certain industry and trade shows as well as the development and production of marketing materials and FUSION evaluation units.

Legal and professional fees for the three months ended March 31, 2005 were $184,290 compared to $416 for the same period in 2004. These expenses related to patent protection filings, legal and accounting costs associated with the preparation of SEC filings and financial statements.

Interest and bank charges of $232,824 for the three months ended March 31, 2005 represented interest accrued on bridge loans as well as the amortization of discounts on such loans arising from the allocation of a portion of the proceeds to the value of equity issued in connection with the loan agreements.

Depreciation and amortization expense of $15,290 for the three months ended March 31, 2005 represents depreciation on equipment and purchased software and amortization of software development costs.

Net Loss per share. Net loss per common share increased to $(0.03) per share during the three months ended March 31, 2005 from $0.00for the same period in 2004. The loss increased as we began continued full-fledged operations in 2005, and increased our employee headcount, operating expenses and legal and professional fees.

LIQUIDITY AND CAPITAL RESOURCES.

As of March 31, 2005 we had cash of approximately $296,000. Our operating activities used approximately $755,000 of cash for the quarter ended March 31, 2005 as compared to approximately $54,000 for the same period in 2004 due to the increase in our development activities as described above. In addition, during the quarter, the Company purchased approximately $17,000 of equipment and raised approximately $1,000,000 from various equity financings. During the same period in 2004, there were no fixed asset purchases and our financing activities were insignificant. As a result of the above activities, the Company had an increase in cash of approximately $228,000 for the quarter ended March 31, 2005.

During the first quarter of 2005, Macrocom Investors, LLC ("Macrocom") completed its financing commitment to the Company, as required under the terms of the financing agreement of July 22, 2004 between Macrocom and the Company ("Financing Agreement"), generating $1,000,000 of proceeds to the Company in exchange for shares of the Company's common stock. In connection with the financing commitment Macrocom received a six-month warrant to purchase 2,000,000 shares of our common stock at a purchase price of $1,500,000, provided that the closing price of our common stock on the day immediately preceding the exercise of the warrant is less than $2.00 per share. Macrocom did not exercise the warrant and it expired on May 9, 2005. We are engaged in discussions with

Macrocom regarding the possible extension of the term and amendments to the other features of the warrant. In addition, Macrocom had the right to request, but as of April 30, 2005 has not requested, repayment in cash of the principal from its second bridge loan to the Company of $500,000, due April 10, 2005. We are engaged in negotiations with Macrocom regarding the settlement or restructuring of the second bridge loan. If Macrocom were to request payment in cash, the Company would not have the cash on hand to make such payment.

LOSSES DURING THE DEVELOPMENT STAGE AND MANAGEMENT'S PLANS

Through March 31, 2005, we incurred development stage losses totaling approximately $2,525,755 and at that date, were in a working capital deficit position of $339,618. At March 31, 2005, we had approximately $295,701 of cash to fund short-term working capital requirements. Since March 31, 2005 and through the date of this filing, we have continued to expend cash to fund operations and continue to incur additional liabilities, however we have not secured any additional financing to date. We will require additional funding in the very near term in order to meet our immediate obligations and continue operations.

Our business strategy calls for growth internally as well as through acquisitions. To this end, we intend to invest substantial funds to increase its sales and marketing resources in order to grow revenues. In order to implement this strategy, we will require additional funding for personnel, capital expenditures and other expenses, as well as for working capital purposes. If adequate funds are not available on acceptable terms, then we may not be able to meet our business objectives for expansion. No commitments to provide additional funds have been made by management or other stockholders. Accordingly, there can be no assurance that any additional funds will be available to the Company to allow it to cover its expenses as they may be incurred.

Our ability to continue as a going concern and future success are dependent upon our ability to raise capital in the near term to: (1) satisfy our current obligations, (2) continue our research and development efforts, and (3) the successful wide scale development, approval, deployment and marketing of our products.

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 necessary working capital, while maintaining sensitivity to shareholder dilution issues. However, there can be no assurance that NetFabric will generate sufficient revenues to provide positive cash flows from operations or that sufficient capital will be available, when required or at terms favorable to us, to permit NetFabric to realize its plans. The accompanying unaudited condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Our current planned cash requirements for the remainder of fiscal 2005 are based upon certain assumptions, including our ability to raise additional financing and significant sales of our products commencing in the fourth quarter of 2005. Should these cash flows not be available, we believe we would have the ability to revise our operating plan and if necessary initiate significant reductions in expenses, including marketing and research and development expenses. Additionally, irrespective of whether our cash assets prove to be inadequate to meet our operational needs, we might seek to compensate providers of services by issuances of stock in lieu of cash.

OTHER MATTERS.

On and effective as of January 21, 2005, the Board of Directors of the Company, pursuant to Section 6.10 of the Bylaws amended Section 2.12, entitled Informal Action by Shareholders. Section 2.12 had previously allowed action by written consent of shareholders in lieu of a shareholders meeting only if all shareholders entitled to vote on a matter had signed the consent. The amendment eliminates the all shareholders requirement and allows action by written consent of shareholders in lieu of a shareholders meeting as long as the consent is signed by a majority of the shareholders entitled to vote on such action.

On March 8, 2005, the Board of Directors adopted a stock option plan (the "Plan"), subject to the receipt of stockholder approval of the Plan. The Company was also obligated to adopt the Plan in connection with the acquisition of NetFabric Corporation. The Plan is necessary in order to cover the options previously granted by NetFabric and subsequently assumed by the Company. The written consent of the Company stockholders provided the necessary stockholder approval of the Plan. The Plan became effective on April 19, 2005.

As a consequence of the change in management of the Company, resulting from the acquisition of NetFabric, on March 28, 2005 Michael Johnson & Co. LLC ("MJC") was dismissed as the independent registered public accounting firm for the Company by the Audit Committee of its Board of Directors. MJC's reports on the Company's financial statements for the past two fiscal years did not contain an adverse opinion, disclaimer of opinion, nor were they qualified or modified as to audit scope or accounting principles. The report was qualified as to uncertainty about the Company's ability to continue as a going concern unless it was able to generate sufficient cash flow to meet its obligations and sustain its operations.

During the Company's two most recent fiscal years and through March 28, 2005, there were no disagreements with MJC on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of MJC, would have caused it to make reference to the subject matter of the disagreements in connection with this report. No reportable events of the type described in item 304(a)(1)(iv)(B) of Regulation S-B occurred during the two most recent fiscal years. The Company has provided MJC with a copy of this disclosure and requested that they furnish the Company with a letter addressed to the Commission stating whether it agrees or disagrees with the statements by the Company in this report and, if not, stating the respects in which it does not agree. A letter from MJC to such effect was provided the Company.

Also effective March 28, 2005, J.H. Cohn LLP ("JHC") was appointed as the new independent registered public accounting firm for the Company. During its two most recent fiscal years and through March 28, 2005, the Company has not consulted with JHC on any matter that (i) involved the application of accounting principles to a specific completed or contemplated transaction, or the type of audit opinion that might be rendered on the Company's financial statements, in each case where written or oral advice was provided, that was an important factor considered by the Company in reaching a decision as to the accounting, auditing or financial reporting issue; or (ii) was either the subject of a disagreement or event, as that term is described in item 304(a)(1)(iv)(A) of Regulation S-B. JHC is the independent registered public accounting firm for NetFabric immediately prior to its acquisition by the Company and currently.

The Company received a notice on March 31, 2005 from certain of the Macrocom investors alleging that the Company is in default in filing registration statement. If the registration statement relating to the Macrocom stock is not effective within 180 days of the Closing Date for reasons not beyond NetFabric's control, NetFabric will pay Macrocom liquidated damages of 45,000 shares of the common stock of the Company for each month or any portion thereof, until such registration statement is effective. The Company believes it is not in default based upon oral extensions granted to it by Macrocom and believes the filing of the registration statement, which occurred on April 8, 2005, cured any alleged default. Management believes that it will not have any material effects in subsequent periods on the Company's consolidated financial position, results of operation or cash flow based on or as a result of the outcome from this matter.

On April 4, 2005, the Company announced the appointment of Madelyn M. DeMatteo as a Director of the Company. Ms. DeMatteo has also been designated as the financial expert of the audit committee, and will serve as Chairman of the committee. Prior to joining the Company, from 1978 through 2000, Ms. DeMatteo was employed by Southern England Telecommunications. During her employment, she held the positions of Senior Vice President, General Counsel and Corporate Secretary and Vice President, General Counsel & Corporate Secretary from 1992-2000, Associate General Counsel and Corporate Secretary from 1990-1991, General Attorney from 1983-1990, and Senior Attorney-Labor from 1978-1983. From 1973-1978, Ms. DeMatteo was employed by AT&T as Senior Counsel-Labor. Ms. DeMatteo received her B.A. from Connecticut College in 1970 and her J.D. from the University of Connecticut in 1973.

On April 8, 2005, the Company filed a Registration Statement with the SEC on Form SB-2 to register 7,750,000 common shares of its stock held by Littlehampton Investments, LLC, Macrocom and Michael Millon, the Managing Member of both of these entities, as required under the terms of the Financing Agreement.

The Board of Directors determined that it would be in the best interests of the Company to change the name of the Company from Houston Operating Company to NetFabric Holdings, Inc. to reflect its new business of developing and selling a family of IP appliances, and related software and services, that simplify the incorporation of any telephone system into a company's IP infrastructure while reducing the cost of telephone calls. The Board of Directors also determined that it would be in the best interests of the Company to increase the number of authorized shares of common stock from 50 million to 100 million shares of common stock, par value, $0.001. Both proposed changes became effective April 19, 2005 following approval by written consent of the shareholders.

Also, effective April 19, 2005, the trading symbol for the Company changed from HOOC to NFBH.

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 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 is accumulated and communicated to management, including the President and Chief Financial Officer, 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 President and Chief Financial Officer, 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 President and Chief Financial Officer 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 identified in connection with our evaluation of these controls as of the end of the period covered by this report that could have significantly affected those controls subsequent to the date of the evaluation referred to in the previous paragraph, including any correction action with regard to significant deficiencies and material weakness.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

The Company received a notice on March 31, 2005 from certain of the Macrocom investors alleging that the Company is in default in filing registration statement. If the registration statement relating to the Macrocom stock is not effective within 180 days of the Closing Date for reasons not beyond NetFabric's control, NetFabric will pay Macrocom liquidated damages of 45,000 shares of the common stock of the Company for each month or any portion thereof, until such registration statement is effective. The Company believes it is not in default based upon oral extensions granted to it by Macrocom and believes the filing of the registration statement, which occurred on April 5, 2005 cured any alleged default. Management believes that it will not have any material effects in subsequent periods on the Company's consolidated financial position, results of operation or cash flow based on or as a result of the outcome from this matter.

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

In the first quarter of 2005, Macrocom completed its financing of the Company as required under the terms of the Financing Agreement. The Company received $1,000,000 of equity financing and issued 2,000,000 shares of its common stock to Macrocom. On April 8, 2005, the Company filed a Registration Statement with the SEC on Form SB-2 to register 7,750,000 common shares of its stock, which include the 2,000,000 shares issued to Macrocom together with other shares held by Littlehampton Investments, LLC, Macrocom and Michael Millon, the Managing Member of both Littlehampton Investments, LLC and Macrocom, or transferred by those entities to other investors, as required under the terms of the Financing Agreement.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Not applicable.

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

On and effective as of January 21, 2005, the Board of Directors of the Company, pursuant to Section 6.10 of the Bylaws amended Section 2.12, entitled Informal Action by Shareholders. Section 2.12 had previously allowed action by written consent of shareholders in lieu of a shareholders meeting only if all shareholders entitled to vote on a matter had signed the consent. The amendment eliminates the all shareholders requirement and allows action by written consent of shareholders in lieu of a shareholders meeting as long as the consent is signed by a majority of the shareholders entitled to vote on such action.

On March 3, 2005, the Board of Directors adopted a stock option plan (the "Plan"), subject to the receipt of stockholder approval of the Plan. The Company was also obligated to adopt the Plan in connection with the acquisition of NetFabric Corporation. The Plan is necessary in order to cover the options previously granted by NetFabric and subsequently assumed by the Company. The written consent of the Company stockholders provided the necessary stockholder approval of the Plan. The Plan became effective on April 19, 2005.

The Board of Directors determined that it would be in the best interests of the Company to change the name of the Company from Houston Operating Company to NetFabric Holdings, Inc. to reflect its new business of developing and selling a family of IP appliances, and related software and services, that simplify the incorporation of any telephone system into a company's IP infrastructure while reducing the cost of telephone calls.

The Board of Directors also determined that it would be in the best interests of the Company to increase the number of authorized shares of common stock from 50 million to 100 million shares of common stock, par value, $0.001. Both proposed changes became effective April 19, 2005 following approval by written consent of the shareholders.

ITEM 5. OTHER INFORMATION.

Not applicable.

ITEM 6. EXHIBITS

(a) Exhibits.

Exhibit Number	Description of Document
3.1(a)	Certificate of Incorporation, as amended
3.2	By-Laws of the Company, as amended
4.1	Finance Agreement dated July 22, 2004

4.2	Exchange Agreement of December 9, 2004 between the Company and NetFabric Corporation
10.1	2005 Stock Option Plan
10.3	Agreement between the Company and Belkin Corporation, dated April , 2005**
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)**

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(1) Incorporated herein in its entirety by reference to the Company's Registration Statement on Form SB-2, Registration No. 333-123938, as filed with the Securities and Exchange Commission on April 11, 2005.

(2) Incorporated herein in its entirety by reference to the Company's 2004 Annual Report on Form 10-KSB.

(3) Incorporated herein in its entirety by reference to the Company's Form 8-K filed on March 31, 2005.

(4) Incorporated herein in its entirety by reference to the Company's Form 8-K/A filed on February 24, 2005.

** Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 13, 2005	/s/ JEFF ROBINSON --------------------------- Jeff Robinson Chairman and Chief Executive Officer (principal executive officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: May 13, 2005	/s/ JEFF ROBINSON --------------------------- Jeff Robinson Chairman and Chief Executive Officer (principal executive officer)
Date: May 13, 2005	/s/ WALTER CAROZZA --------------------------- Walter Carozza, Chief Financial Officer (principal accounting officer)
Date: May 13, 2005	/s/ MADELYN DEMATTEO --------------------------- Madelyn DeMatteo, Director
Date: May 13, 2005	/s/ CHARLOTTE G. DENENBERG --------------------------- Charlotte G. Denenberg, Director
Date: May 13, 2005	/s/ RICHARD HOWARD --------------------------- Richard Howard, Director

CALLEVERYWHERE MASTER RESELLER AGREEMENT

THIS CALLEVERYWHERE MASTER RESELLER AGREEMENT ("Agreement") is made 2/28/2005, the ("Effective Date") by and between Belkin Logistics, Inc., a Delaware corporation with its principal place of business at 501 West Walnut Street, Compton CA 90220 ("Belkin") and Net Fabric Corporation, a Delaware corporation with its principal place of business at 67 Federal Road, Building A, Suite 300, Brookfield, CT ("Buyer").

WHEREAS, Belkin is in the business of selling VoIP Services (hereinafter "CallEverywhere") for the computer and consumer electronics user to distributors, and retailers, as well as directly to consumers.

WHEREAS, Belkin desires to market via Master Reseller, and Master Reseller desires to market Belkin's reseller program to Buyers to offer for sale, the CallEverywhere service; Master Reseller's buyers will be recruited by Master Reseller but will have a direct reseller agreement with Belkin and all terms and conditions will be the sole responsibility of the buyer.

NOW, THEREFORE, in consideration of the mutual promises and other good and valuable consideration contained herein, the parties hereby agree as follows:

1. Term and Termination. The initial term of this Agreement shall commence on the Effective Date and shall continue for a period of one (1) year. This Agreement shall automatically renew for additional successive one-year terms unless and until either party shall give ten (10) days prior written notice to the other party of its intent to let the Agreement expire at the end of its then-current term. For any reason or no reason at all, either party may terminate this Agreement for convenience upon thirty (30) days prior written notice to the other party. Further, this Agreement may be immediately terminated as follows: (a) subject to Title 11, United State Code, upon the dissolution or liquidation of the other party, the insolvency or bankruptcy of the other party, the institution of any proceeding by or against the other party under the provisions of any insolvency or bankruptcy law; the appointment of a receiver of all or substantially all of the assets or property of the other party, or the issuance of an order for an execution on a material portion of the property of the other party pursuant to a judgment; or (b) upon a party's material default in the performance of any of its obligations hereunder, which default is not cured within thirty (30) days after notice is given to the defaulting party specifying the default. For the avoidance of doubt, Buyer's failure to pay on time shall be considered a material default.

2. Revenue Share: Belkin will remit Master Reseller a one-time revenue share payment for each CallEverywhere unit activated by a Master Reseller's Buyer customer. This revenue share payment shall be equal to the total CallEverywhere monthly service fees incurred by such Buyer customer within the first 60 days after activation, rounded up to the whole dollar.

o Belkin will remit all revenue share payments within thirty (30) days after the end of the first two (2 months) of service for each CallEverywhere unit activated by a Buyer customer during the Term of this Agreement.

In addition to the one-time revenue share payment set forth above, Belkin will pay to Master Reseller a monthly revenue share payment consisting of 4% of all CallEverywhere service revenues received by Belkin CallEverywhere subscribers who have purchased a CallEverywhere unit from Master Reseller's Buyer. Master Reseller shall only be entitled to such monthly revenue share payments for Active Master Reseller's Buyer CallEverywhere Subscribers. For the avoidance of doubt, an Active Buyer CallEverywhere Subscriber is defined as an end-user with a current, active account for the Belkin CallEverywhere VoIP service and has purchased their CallEverywhere unit from Master Reseller's Buyer.

o Under no circumstances shall Belkin be liable to Master Reseller for any revenue sharing payments relating to accounts, including but not limited to Active Master Reseller Buyer CallEverywhere Subscriber accounts, which are delinquent or are in default.

o All revenue sharing payments shall be based solely on fees paid for base monthly service plans. No taxes, overage charges, long distance charges or other fees shall be used in the calculation of revenue sharing payments.

o If Master Reseller decides to discontinue marketing Belkin' CallEverywhere product, Belkin will continue to pay the 4% monthly revenue share for two years or until the customer terminates service.

o If customer discontinues the CallEverywhere service, Belkin will no longer be required to pay the 4% monthly revenue share to Buyer.

o If Belkin cancels a customer's CallEverywhere service, Belkin will no longer be required to pay the 4% monthly revenue share to Master Reseller

3. Payment Terms. Net 60 days from Buyer's receipt of invoice.

4. Freight. Prepaid ground freight to all Buyer fulfillment centers, minimum order value $50.00.

5. Defective Product Returns. Belkin will accept requests for returns on all

defective CallEverywhere units, once a month, on or before the 15th day of each month.

6. Termination for Breach. Either party may terminate this Agreement at any time in the event of a breach by the other party that remains uncured after (i) fifteen (15) days following written notice thereof in the event of a non-monetary breach, or (ii) five (5) days following written notice thereof in the event of a monetary breach. Such termination shall be effective immediately and automatically upon the expiration of the applicable notice period, without further notice or action by either party

7. Limitation of Liability. NEITHER PARTY SHALL BE LIABLE TO THE OTHER OR TO ANY THIRD PARTY FOR SPECIAL, INCIDENTAL, INDIRECT, OR CONSEQUENTIAL DAMAGES, WHETHER ARISING IN TORT, CONTRACT, OR NEGLIGENCE, SUCH AS, BUT NOT LIMITED TO, DAMAGES RESULTING FROM EQUIPMENT DOWNTIME OR LOSS OF DATA, LOST PROFITS, OR REVENUE OR EXEMPLARY OR PUNITIVE DAMAGES ARISING OUT OF ANY CLAIM, WHETHER OR NOT FORESEEABLE AND EVEN IF THE PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AGREEMENT, AND WITHOUT LIMITING ANY OTHER RIGHTS, REMEDIES, LIMITATIONS, OR RESTRICTIONS IN THIS AGREEMENT OR UNDER LAW, BELKIN WILL NOT BE LIABLE WITH RESPECT TO ANY SUBJECT MATTER OF THIS AGREEMENT UNDER ANY CONTRACT, NEGLIGENCE, STRICT LIABILITY, OR OTHER THEORY, AT LAW OR IN EQUITY, FOR ANY AMOUNTS AGGREGATING IN EXCESS OF AMOUNTS PAID TO IT UNDER THIS AGREEMENT IN THE TWELVE (12) MONTH PERIOD BEFORE THE CAUSE OF ACTION.

8. Force Majeure. The parties shall be excused for the failures and delays in the performance of their respective obligations caused by catastrophes beyond their control provided they give prompt written notice to the other party of such catastrophe, and provided further that they promptly undertake commercially reasonable efforts to remedy such failure or delay. In no event shall any delay in payment of monies owed by either party to the other party under this Agreement exceed more than thirty (30) days as a result of any such catastrophe.

9. Intellectual Property. Master Reseller acknowledges and agrees that (i) Belkin has the exclusive right to use the brands, trademarks, logos, taglines, phrases and other intellectual property on, in or associated with the Products or literature or materials provided by Belkin (collectively "Intellectual Property"), and (ii) Master Reseller shall comply with any Intellectual Property usage, Product display and advertising requirements and/or restrictions provided by Belkin in writing from time to time, (iii) Buyer shall not, during or after this Agreement, develop or use any Intellectual Property with similar appearance, content or (if proprietary to Belkin) function, (iv) this Agreement is not an intellectual property license, and (v) Master Reseller shall discontinue use of the Intellectual Property upon termination of this Agreement, except as required for the sale of its inventory of Products and in strict conformance with this Agreement.

10. Assignment. This Agreement and all or any part of Belkin's rights and obligations hereunder may be assigned by Belkin at any time to any direct or indirect subsidiary of Belkin or any other entity controlled by, controlling or under common control with Belkin. Belkin shall cause any such affiliate to perform any of Belkin's obligations hereunder which may be assigned to such affiliate. Neither this Agreement nor any of the rights or obligations hereunder of Buyer may be assigned by Buyer without Belkin's prior written consent. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective successors and permitted assigns.

11. General Provisions. Master Reseller shall not assign its rights or delegate its duties hereunder or any interest therein or any rights hereunder without the prior written consent of Belkin, and any such assignment, without such consent, shall be void. This Agreement is freely assignable by Belkin. The validity, performance, and all other matters relating to the interpretation and effect of this Agreement shall be governed by the laws of the State of California, without giving effect to its conflict of laws rules. Master Reseller and Belkin agree that the proper venue for all actions arising in connection herewith shall be only in the State of California, and the parties agree to submit to such jurisdiction. This Agreement constitutes the entire agreement between the parties, and supersedes all other communications, negotiations and prior oral or written statements regarding the subject matter hereof. No change, modification, rescission, discharge, abandonment, or waiver of this Agreement shall be binding upon Belkin unless made in writing and signed on its behalf by a duly authorized officer of Belkin. No conditions, usage of trade, course of dealing or performance, understanding or agreement purporting to modify, vary, explain, reject, or supplement these terms and conditions shall be binding unless hereafter made in writing and signed by the party to be bound, and no modification shall be affected by Belkin's receipt, acknowledgment, or acceptance of purchase orders, shipping instruction forms, or other documentation containing terms at variance with or in addition to those set forth herein. No waiver by either party with respect to any breach or default or of any right or remedy and no course of dealing, shall be deemed to constitute a continuing waiver or waiver of any other breach or default or of any other right or remedy, unless such waiver be expressed in writing and signed by the party to be bound. All typographical or clerical errors made by Belkin in any quotation, acknowledgment or publication are subject to correction.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Agreement as of the Effective Date.

BELKIN LOGISTICS, INC.	NetFabric Corporation
By: ________________________________	By: __________________________________
Name: ______________________________	Name: ________________________________
Title: _____________________________	Title: _______________________________
Address: Belkin Logistics, Inc. 501 West Walnut Street, Compton CA 90220	Address: NetFabric Corporation 67 Federal Road, Building A, Suite 300 Brookfield, CT 06804

EXHIBIT 31.1

CERTIFICATION

I, Jeff Robinson, Chairman and Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Netfabric Holdings, Inc.

2. Based on my knowledge, this 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 report.

3. Based on my knowledge, the financial statements, and other financial information included in this 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 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 15d 15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) 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

c) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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 control 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.

May 13, 2005

/s/ Jeff Robinson

Name: Jeff Robinson

Title: Chairman and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Walter Carozza, Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Netfabric Holdings, Inc.

2. Based on my knowledge, this 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 report.

3. Based on my knowledge, the financial statements, and other financial information included in this 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 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 15d 15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) 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

c) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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 control 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.

May 13, 2005

/s/ Walter Carozza

Name: Walter Carozza

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 Annual Report of Netfabric Holdings, Inc. (the "Company") on Form 10-QSB for the period ended March 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeff Robinson, Chairman and Chief Executive Officer, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act, that:

(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.

May 13, 2005

/s/ Jeff Robinson

Name: Jeff Robinson
Title: Chairman and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Netfabric, 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 Annual Report of Netfabric Holdings, Inc. (the "Company") on Form 10-QSB for the period ended March 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Walter Carozza, Chief Financial Officer, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act, that:

(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.

May 13, 2005

/s/ Walter Carozza

Name: Walter Carozza
Title: Chief Financial Officer

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