As filed with the Securities and Exchange Commission on November 2, 2005

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM SB-2
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Delaware	NETFABRIC HOLDINGS, INC.	76-0307819
(State or Other Jurisdiction of Incorporation or Organization)	(Name of Registrant in Our Charter)	(I.R.S. Employer Identification No.)
Three Stewart Court Denville, New Jersey 07834 (Address and telephone number of Principal Executive Offices and Principal Place of Business)	7389 (Primary Standard Industrial Classification Code Number)	Jeff Robinson Three Stewart Court Denville, New Jersey 07834 (Name, address and telephone number of agent for service)

Copies to:

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box. [X]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

CALCULATION OF REGISTRATION FEE

Title Of Each Class Of Securities To Be Registered	Amount To Be Registered	Proposed Maximum Offering Price Per Share (1)	Proposed Maximum Aggregate Offering Price (1)	Amount Of Registration Fee
Common Stock, par value $0.001 per share	27,435,000 shares (2)	$0.95	$26,063,250	$3,067.26
TOTAL	27,435,000 shares (2)	$0.95	$26,063,250	$3,067.26

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) under the Securities Act of 1933. For the purposes of this table, we have used the average of the closing bid and asked prices as of a recent date.

(2) Of these shares, 16,500,000 shares are being registered under secured convertible debentures issued to Cornell Capital Partners, LP and 560,000 shares are being registered under a warrant issued to Cornell Capital Partners.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

PROSPECTUS

Subject to completion, dated November 2, 2005

NETFABRIC HOLDINGS, INC.

27,435,000 Shares of Common Stock

This prospectus relates to the sale of up to 27,435,000 shares of common stock of NetFabric by certain persons who are stockholders of NetFabric, including Cornell Capital Partners, L.P. Please refer to "Selling Stockholders" beginning on page 11. NetFabric is not selling any shares of common stock in this offering and therefore will not receive any proceeds from this offering. NetFabric did, however, receive proceeds from the sale of secured convertible debentures under the Securities Purchase Agreement, which was entered into on October 27, 2005 between NetFabric and Cornell Capital Partners, and no other stockholders. All costs associated with this registration will be borne by NetFabric.

Our common stock is quoted on the Over-the-Counter Bulletin Board under the symbol "NFBH.OB". The shares of common stock are being offered for sale by the selling stockholders at prices established on the Over-the-Counter Bulletin Board during the term of this offering. On October 31, 2005, the last reported sale price of our common stock was $0.95 per share. These prices will fluctuate based on the demand for the shares of our common stock.

Please refer to "Risk Factors" beginning on page 4.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved of these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The information in this prospectus is not complete and may be changed. Neither the selling stockholders nor we may sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

The date of this prospectus is November __, 2005

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PROSPECTUS SUMMARY

The following is only a summary of the information, financial statements and notes included in this prospectus. You should read the entire prospectus carefully, including "Risk Factors" and our Financial Statements and the notes to the Financial Statements before making any investment in NetFabric.

Overview

We develop and sell voice-over internet platforms and services to small to mid-sized businesses that we believe are designed to simplify the incorporation of telephone systems into a company's infrastructure. We believe our products deliver productivity gains to small and medium sized businesses and are intended to provide cost reductions. We derive revenue from the sale of our communication products, information technology consulting and infrastructure development services.

NetFabric was incorporated in the State of Delaware on December 17, 2002. On December 9, 2004, we entered into an acquisition agreement with Houston Operating Company, a public company incorporated in the State of Delaware. Pursuant to that acquisition agreement a reverse merger was performed and NetFabric's stockholders received 95% of the common stock in that acquisition. NetFabric was treated as the accounting acquirer and as a result of the reverse merger, NetFabric became a public company.

Going Concern

Our consolidated financial statements have been prepared assuming we will continue as a going concern. We have experienced net losses from operations of $1,502,260 and $2,154,032 for the year ended December 31, 2004 and for the six months ended June 30, 2005, respectively. In addition, we have a working capital deficit of $2,589,196 as of June 30, 2005. These factors, among others, raise substantial doubt about our ability to continue as a going concern. Our financial statements do not include any adjustment that might result from the outcome of this uncertainty. Assurances cannot be given that adequate financing can be obtained to meet our capital needs. If we are unable to generate profits and unable to continue to obtain financing to meet our working capital requirements, we may have to curtail our business sharply or cease operations altogether. Our continuation as a going concern is dependent upon our ability to generate sufficient cash flow to meet our obligations on a timely basis to retain our current financing, to obtain additional financing, and, ultimately, to attain profitability. Should any of these events not occur, we will be adversely effected and we may have to cease operations.

About Us

Our principal executive offices are located at Three Stewart Court, Denville, New Jersey 07834. Our telephone number is (973) 887-2785, and our consumer website is located at www.NetFabric.net.

THE OFFERING

This offering relates to the sale of common stock by certain persons who are, or beneficially deemed to be, stockholders of NetFabric. Cornell Capital Partners intends to sell up to 17,302,857 shares of our common stock. Of these shares, up to 16,500,000 are being registered under secured convertible debentures we issued to Cornell Capital Partners pursuant to a Securities Purchase Agreement, 560,000 shares of common stock are being registered under warrants we issued to Cornell Capital Partners in connection with the Securities Purchase Agreement. Cornell Capital Partners is also registering 242,857 shares of our common stock that we issued to Cornell Capital Partners as a one-time commitment fee.

On October 27, 2005, we entered into a Securities Purchase Agreement with Cornell Capital Partners whereby we agreed to amend and consolidate all of the convertible debentures issued to Cornell Capital Partners into one new secured convertible debenture in the principal amount of $1,658,160. Prior to entering into the Securities Purchase Agreement we issued secured convertible debentures to Cornell Capital Partners in a principal aggregate amount equal to $1,000,000. Of those secured convertible debentures previously issued to Cornell Capital Partners, $400,000 was funded on July 1, 2005; $50,000 was funded on September 1, 2005; $150,000 was funded on October 6, 2005, and $400,000 was funded on October 13, 2005. Pursuant to the Securities Purchase Agreement, Cornell Capital Partners funded an additional $650,000 on October 27, 2005. The $1,000,000 in secured convertible debentures and the additional $650,000 in secured convertible debentures were consolidated into one new secured convertible debenture along with the accrued and unpaid interest on those debentures. The secured convertible debenture has a 36-month term and accrues annual interest of 5%. The secured convertible debenture may be redeemed by us at any time, in whole or in part. If on the date of redemption, the closing price of our common stock is greater than the conversion price in effect, we shall pay a redemption premium of 15% of the amount redeemed in addition to such redemption. The secured convertible debenture is convertible at the holder's option at a conversion price equal to the lesser of (i) an amount equal to $1.00 or (ii) an amount equal to 95% of the lowest closing bid price of our common stock for the 30 trading days immediately proceeding the conversion date. The debenture is secured by substantially all our assets.

Common Stock Offered	27,435,000 shares by selling stockholders
Offering Price	Market price
Common Stock Outstanding Before the Offering(1)	62,885,500 shares as of October 31, 2005
Use of Proceeds	We will not receive any proceeds of the shares offered by the selling stockholders. Any proceeds we receive from the sale of common stock under the Equity Distribution Agreement will be used for corporate and general working-capital purposes. See "Use of Proceeds."
Risk Factors	The securities offered hereby involve a high degree of risk and immediate substantial dilution. See "Risk Factors" and "Dilution."
Over-the-Counter Bulletin Board Symbol	NFBH.OB

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(1) Excludes up to 18,500,000 shares of our common stock that will be issued under the secured convertible debentures and 3,560,000 shares underlying warrants.

SUMMARY FINANCIAL INFORMATION FOR
NetFabric Holdings, Inc.

The following summary of consolidated financial information should be read together with our audited financial statements for the year ended December 31, 2004 and 2003 our unaudited financial statements for the six months ended June 30, 2005 and 2004. Our independent registered public accounting firm has added an explanatory paragraph to their audit report, dated March 30, 2005, except for the matter discussed in Note 12, as to which the date is April 7, 2005, issued in connection with our financial statements, which states that our financial statements raise substantial doubt as to our ability to continue as a going concern. In addition, the audited financial statements of UCA Services, Inc. as of December 31, 2004 and 2003 and for the year ended 2004, and the periods from inception (June 1, 2003) to December 31, 2003 and our unaudited pro forma condensed consolidated statements of operations for the year ended December 31, 2004 and six months ended June 30, 2005, should also be read in connection with this Summary. Finally our Pro forma statement of operations data assumes that UCA Services Inc. became a wholly owned subsidiary as of January 1, 2004.

Statement Of Operations Data:

Historical Information	For the six months ended June 30, 2005 (Unaudited)	2004 (Unaudited)	For the years ended December 31, 2004	2003
Revenues	$ 2,273,330	$ --	$ 612	$ --
Total expenses	$ 4,427,362	$ 296,821	$ 1,502,872	$ 18,565
Net loss	$ (2,154,032)	$ (296,821)	$ (1,502,260)	$ (18,565)
Net loss per common share, basic and diluted	$ (0.05)	$ (0.01)	$ (0.05)	$ --
Weighted average number of shares outstanding basic and diluted	42,635,842	30,485,357	31,362,838	29,678,950

Pro Forma Information	Six months ended June 30, 2005 (Unaudited)	Year ended December 31, 2004 (Unaudited)
Revenues	$ 9,154,682	$ 14,008,341
Total expenses	$ 12,193,867	$ 16,044,933
Net loss	$ (3,039,185)	$ (2,036,592)
Net loss per common share, basic and diluted	$ (0.05)	$ (0.04)
Weighted average number of shares outstanding basic and diluted	61,140,623	55,458,992

Balance Sheet Data	June 30, 2005 (Unaudited)	December 31, 2004
Total current assets	$ 2,883,975	$ 228,654
Total assets	$37,366,286	$ 812,321
Total current liabilities	$ 5,473,171	$ 1,081,971
Total stockholders' equity (deficit)	$31,893,115	$ (269,650)

RISK FACTORS

We Are Subject To Various Risks That May Materially Harm Our Business, Financial Condition And Results Of Operations

You should carefully consider the risks and uncertainties described below and the other information in this filing before deciding to purchase our common stock. If any of these risks or uncertainties actually occurs, our business, financial condition or operating results could be materially harmed. In that case, the trading price of our common stock could decline and you could lose all or part of your entire investment.

Risks Related To Our Business

We Have Historically Lost Money And Losses May Continue In The Future, Which May Cause Us To Curtail Our Operations

Since our inception we have not been profitable and have lost money. For the year ended December 31, 2004 we incurred a net loss of $1,502,260 and our net loss for the six months ended June 30, 2005 was $2,154,032. Our accumulated deficit at the end of June 30, 2005 was $3,674,857. Future losses are likely to occur, as we are dependent on spending money to pay for our operations. No assurances can be given that we will be successful in reaching or maintaining profitable operations. Accordingly, we may experience liquidity and cash flow problems. If our losses continue, our ability to operate may be severely impacted.

We Have Been The Subject Of A Going Concern Opinion By Our Independent Registered Public Accountants Which Have Raised Substantial Doubt As To Our Ability To Continue As a Going Concern

Our Independent Registered Public Accountants have added an explanatory paragraph to their audit opinions issued in connection with our consolidated financial statements which states that our financial statements raise substantial doubt as to our ability to continue as a going concern. We have experienced net losses from operations of $1,502,260 and $2,154,032 for the year ended December 31, 2004 and for the six months ended June 30, 2005, respectively. In addition, we had a working capital deficit of $2,589,196 at June 30, 2005. These factors, among others, raise substantial doubt about our ability to continue as a going concern. Our consolidated financial statements do not include any adjustment that might result from the outcome of this uncertainty. Assurances cannot be given that adequate financing can be obtained to meet our capital needs. If we are unable to generate profits and unable to continue to obtain financing to meet our working capital requirements, we may have to curtail our business sharply or cease operations altogether. Our continuation as a going concern is dependent upon our ability to generate sufficient cash flow to meet our obligations on a timely basis to retain our current financing, to obtain additional financing, and, ultimately, to attain profitability. Should any of these events not occur, we will be adversely effected and we may have to cease operations.

We Had A Working Capital Deficit, Which Means That Our Current Assets On December 31, 2004 And On June 30, 2005, Were Not Sufficient To Satisfy Our Current Liabilities And, Therefore, Our Ability To Continue Operations Is At Risk

We had a working capital deficit of $853,317 at December 31, 2004 and $2,589,196 at June 30, 2005, which means that our current liabilities exceeded our current assets on December 31, 2004 by $853,317 and by $2,589,196 at June 30, 2005. Current assets are assets that are expected to be converted to cash within one year and, therefore, may be used to pay current liabilities as they become due. Our working capital deficit means that our current assets on December 31, 2004, and on June 30, 2005 were not sufficient to satisfy all of our current liabilities on those dates. If our ongoing operations do not begin to provide sufficient profitability to offset the working capital deficit, we may have to raise additional capital or debt to fund the deficit or curtail future operations.

Our Obligations Under The Secured Convertible Debentures Are Secured By All Of Our Assets, If We Default Under The Terms Of The Secured Convertible Debentures, Cornell Capital Partners Could Foreclose Its Security Interest And Liquidate All Of Our Assets

Our obligations under the secured convertible debentures, issued to Cornell Capital Partners are secured by all of our assets. As a result, if we default under the terms of the secured convertible debentures, Cornell Capital Partners could foreclose its security interest and liquidate all of our assets. This would cause us to cease operations.

One Of Our Principal Stockholders Has The Right To Designate 40% Of Our Board Of Directors Which Means That Such Stockholder Could Exercise Certain Control Over The Decisions Made By The Board

NetFabric has granted Fred Nazem and his affiliates the right to designate 40% of the nominees to our Board of Directors, for as long as Mr. Nazem and his affiliates own in the aggregate at least twenty five percent of the voting shares outstanding of NetFabric. Which means that Mr. Nazem has the ability to exercise significant influence over the decisions made by our Board of Directors.

We May Incur Significant Operating Losses In The Future Which Could Adversely Affect Our Business And Cause Us To Cease Operations

Our business does not have an established record of profitability and we may not be profitable in the future. In addition, we expect our operating expenses to increase in the future as we, among other things:

- hire additional personnel, including sales and marketing personnel, engineers and other technical staff;
- hire senior executives and members of our senior management team;
- expand our selling and marketing activities;
- expand our product and service offerings;
- expand the number of locations around the world where we conduct business;
- increase our research and development efforts to upgrade our existing products and services and develop new products, services and technologies; and,
- upgrade our operational and financial systems, procedures and controls.

If our revenue does not grow to offset these expected increased expenses, we will not be profitable. You should not consider past revenue and earnings as indicative of our future performance. In future quarters, our revenue or earnings could decline or fail to grow. Furthermore, if our operating expenses exceed our expectations, our financial performance will be adversely affected.

Our Need To Invest In Research And Development Could Harm Our Operating Results And Prevent Us From Obtaining Additional Financing Based On Those Results

NetFabric's industry is characterized by the need for continued investment in research and development. If we fail to invest sufficiently in research and development, our products may become less attractive to potential customers, resulting in a material adverse effect on NetFabric's results of operations and financial condition. As a result of our need to maintain or increase our spending levels in this area, our operating results could be materially harmed if NetFabric's revenue falls below expectations. In addition, as a result of the need for research and development and technological innovation, our operating costs may increase in the future. If our operating results become too high our operation could become unattractive to investors or financial institutions which we may rely on for capital to fund our operations.

Defects In NetFabric's Products May Adversely Affect NetFabric's Sales And Expose NetFabric To Costly Legal Claims

NetFabric's business strategy calls for the development of new products and product enhancements which may from time to time contain defects or result in a failure that NetFabric did not detect or anticipate when introducing such products or

enhancements to the market. In addition, the markets in which NetFabric's products are used are characterized by a wide variety of standard and non-standard configurations and by errors, failures and bugs in third-party platforms that can impede proper operation of NetFabric's products. Despite product testing by NetFabric, defects may still be discovered in some new products or enhancements after the products or enhancements are delivered to customers. The occurrence of these defects could result in product returns, adverse publicity, loss of or delays in market acceptance of NetFabric's products, delays or cessation of service to NetFabric's customers or legal claims by customers against NetFabric.

To the extent that contractual provisions that limit NetFabric's exposure to legal claims are unenforceable or such claims are not covered by insurance, a successful product liability claim could have a material adverse effect on NetFabric's business, results of operations and financial condition.

Our Dependence On Contract Manufacturers And Suppliers May Result In Product Delivery Delays Which Could Harm Our Business If These Delays Result in Customer Dissatisfaction or Litigation

We currently use contract manufacturers to manufacture our products. NetFabric's reliance on contract manufacturers involves a number of risks, including the absence of adequate capacity, the unavailability of, or interruptions in access to necessary manufacturing processes and reduced control over delivery schedules. If NetFabric's manufacturers are unable or unwilling to continue manufacturing NetFabric's products and components in required volumes, NetFabric will have to identify one or more acceptable alternative manufacturers. Furthermore, the use of new manufacturers may cause significant interruptions in supply if the new manufacturers have difficulty manufacturing products to NetFabric's specifications. Further, the introduction of new manufacturers may increase the variance in the quality of NetFabric's products. In addition, NetFabric relies upon third-party suppliers of specialty components, some of which are single-sourced and intellectual property used in its products. It is possible that a component needed to complete the manufacture of NetFabric's products may not be available at acceptable prices or on a timely basis, if at all. Inadequate supplies of components, or the loss of intellectual property rights, may affect NetFabric's ability to deliver products to its customers. Any significant interruption in the supply of NetFabric's products could result in the reduction of product sales to customers, which in turn could permanently harm NetFabric's reputation in the industry or result in litigation which we would be forced to spend money to defend.

If NetFabric Must Make Design Changes To Its Product Lines, Then NetFabric's Sales Are Likely To Suffer, And NetFabric May Be Exposed To Legal Claims

NetFabric's business strategy calls for the development of new products and product enhancements which may from time-to-time be subject to design changes that NetFabric did not anticipate when introducing such products or enhancements to the market. In addition, the markets in which NetFabric's products are used are characterized by a wide variety of standard and non-standard configurations and by errors, failures and bugs in third-party platforms that can impede proper operation of NetFabric's products. Despite product testing by NetFabric, design changes may still be required in some new products or enhancements after the products or enhancements are delivered to customers. The need for these changes could result in product returns, adverse publicity, loss of or delays in market acceptance of NetFabric's products, delays or cessation of service to NetFabric's customers or legal claims by customers against NetFabric.

We Are Subject To Significant Regulations Enforced By The United States Federal Communications Commission If We Do Not Comply With These Regulations The Federal Communications Commission Could Force Us To Forfeit Our License And Subject Us To Penalties, Fines and Related Costs, Any Of Which Could Force Us to Significantly Curtail Or Even Cease Operations

In the United States, we are subject to varying degrees of federal, state and local regulation and licensing, including that of the Federal Communications Commission. At each of these levels, there are significant regulations imposed on the provision of telecommunications services in our business. We cannot assure you that the applicable U.S. regulatory agencies will grant required authority or refrain from taking action against us if we are found to have provided services without obtaining the necessary authorizations. If authority is not obtained or if our pricing and/or terms or conditions of service are not filed or are not updated, or otherwise do not fully comply with the rules of these agencies, third parties or regulators could challenge these actions and we could be subject to forfeiture of our license, penalties, fines, fees and costs. It is uncertain when or how such regulation would affect us; nor is it understood if other countries will follow suit. If additional regulation does occur, the FCC, any state or any country may impose surcharges, taxes or additional regulations upon providers of Voice Over Internet Protocol, or VoIP, related services. In addition any failure on our part to comply with these regulations could make us liable under these regulations and could force us to forfeit our license or pay additional fees, charges, taxes and regulation which could materially increase our costs and may limit or eliminate our ability to do business.

We May Not Be Able To Increase Sales Or Otherwise Successfully Operate Our Business, Which Could Have A Significant Negative Impact On Our Financial Condition

We believe that the key to our success is to increase sales of our services and product offerings and thereby increase our revenues and available cash. Our success in this regard will depend in large part on widespread market acceptance of our services and product offerings and our efforts to educate potential customers and sell our services. There can be no assurance that we will be able to increase our sales or effectively operate our business. To the extent we are unable to achieve growth in sales, we may continue to incur losses. We cannot assure you that we will be successful or make progress in the growth and operation of our business. Our current and future expense levels are based on our operating plans and estimates of future sales and revenues and are subject to increase as we implement our strategy. Even if our sales grow, we may be unable to adjust spending in a timely manner to compensate for any unexpected revenue shortfall. Accordingly, any significant shortfall in revenues would likely have an immediate material adverse effect on our business, operating results and financial condition. Further, if we should substantially increase our operating expenses to increase sales and marketing, and such expenses are not subsequently followed by increased revenues, our operating performance and results would be adversely effected and, if sustained, could have a material adverse effect on our business. To the extent we implement cost reduction efforts to align our costs with revenue, our revenue could be adversely affected.

Our Information Systems Are Critical To Our Business And A Failure Of Those Systems Could Materially Harm Us

We depend on our ability to store, retrieve, process and manage a significant amount of information. If our information systems fail to perform as expected, or if we suffer an interruption, malfunction or loss of information processing capabilities, it could have a material adverse effect on our business.

We Could Fail To Attract Or Retain Key Personnel, Which Could Be Detrimental To Our Operations

Our success largely depends on the efforts and abilities of our Chief Executive Officer, Jeff Robinson, Fahad Syed, the Chief Executive Officer of UCA Services and Eric Strauss, the Chief Executive Officer of NetFabric Corp. The loss of their services could materially harm our business because of the cost and time necessary to find his successors. Such a loss would also divert management attention away from operational issues. We do not presently maintain key-man life insurance policies on our officers. We also have other key employees who manage our operations and if we were to lose their services, senior management would be required to expend time and energy to find and train their replacements. To the extent that we are smaller than our competitors and have fewer resources we may not be able to attract the sufficient number and quality of staff.

- our ability to retain existing clients and customers;
- our ability to attract new clients and customers at a steady rate;
- our ability to maintain client satisfaction;
- the extent to which our products gain market acceptance;
- the timing and size of client and customer purchases;
- introductions of products and services by competitors;
- price competition in the markets in which we compete;
- our ability to attract, train, and retain skilled management;
- the amount and timing of operating costs and capital expenditures relating to the expansion of our business, operations, and infrastructure; and
- general economic conditions and economic conditions specific to the communications industry.

If We Are Unable To Respond To The Rapid Changes In Technology And Services Which Characterize Our Industry, Our Business And Financial Condition Could Be Negatively Affected

Our business is directly impacted by changes in the Internet, website, communications and IT services industries. Changes in technology could affect the market for our services and necessitate changes to those services. We believe that our future success will depend largely on our ability to anticipate or adapt to such changes, to offer on a timely basis, services that meet these evolving standards and demand of our customers. We also believe that our future success will depend upon how successfully we are able to respond to the rapidly changing technologies and products. We cannot offer any assurance that we will be able to respond successfully to these or other technological changes, or to new products and services offered by our current and future competitors, and cannot predict whether we will encounter delays or problems in these areas, which could have a material adverse affect on our business, financial condition and results of operations.

We May Be Unable To Manage Growth, Which May Impact Our Potential Profitability

Successful implementation of our business strategy requires us to manage our growth. Growth could place an increasing strain on our management and financial resources. To manage growth effectively, we will need to:

Establish definitive business strategies, goals and objectives.

Maintain a system of management controls.

Attract and retain qualified personnel, as well as, develop, train and manage management-level and other employees.

If we fail to manage our growth effectively, our business, financial condition or operating results could be materially harmed, and our stock price may decline.

Our Service Revenue Depends To A Large Extent On A Small Number Of Clients, And Our Revenue Could Decline If We Lose A Major Client Which Could Cause Us To Curtail Our Operations Due To A Lack of Revenue

We currently derive, and believe we will continue to derive, a significant portion of our service revenue from a limited number of corporate clients. The loss of a major client or a significant reduction in the service performed for a major client could result in a reduction of our revenue.

Our three largest clients for the six months ended June 30, 2005 accounted for 35.2% , 12.5% and 7.9% respectively, of our pro forma revenues. For the year ending December 31, 2004, our three largest clients accounted for 27%, 21% and 11% of our pro forma revenues, respectively. The volume of work we perform for specific clients may vary from year to year, particularly since we typically are not the only outside service provider for our clients. Thus, a major client in one year may not provide the same level of revenue in a subsequent year.

There are a number of factors, other than our performance, that could cause the loss of a client and that may not be predictable. In certain cases, clients have reduced their spending on IT services due to economic conditions and consequently have reduced the volume of business from us. If we were to lose one of our major clients or incur a significantly lower volume of business with them, our revenue and profitability could be reduced.

Our Failure To Complete Fixed-price, Fixed-timeframe Contracts On Budget And On Time May Negatively Affect Our Profitability, Which Could Decrease The Value Of Our Shareholders' Investment

We offer a portion of our services on a fixed-price, fixed-timeframe basis. Although we use specified software engineering processes and our past project experience to reduce the risks associated with estimating, planning and performing fixed-price, fixed-timeframe projects, we bear the risk of cost overruns, completion delays and wage inflation in connection with these projects. If we fail to accurately estimate the resources and time required for a project, future rates of wage inflation and currency exchange rates, or if we fail to complete our contractual obligations within the contracted timeframe, our profitability may suffer.

Risks Related To This Offering

Future Sales By Our Stockholders May Negatively Affect Our Stock Price And Our Ability To Raise Funds In New Stock Offerings

Sales of our common stock in the public market following this offering could lower the market price of our common stock. Sales may also make it more difficult for us to sell equity securities or equity-related securities in the future at a time and price that our management deems acceptable or at all. Of the 62,885,500 shares of common stock outstanding as of October 31, 2005, 765,170 shares are, or will be, freely tradable without restriction, unless held by our "affiliates". The remaining 62,120,330 of common stock, which will be held by existing stockholders, including the officers and directors, are "restricted securities" and may be resold in the public market only if registered or pursuant to an exemption from registration. Some of these shares may be resold under Rule 144.

The Selling Stockholders Intend To Sell Their Shares Of Common Stock In The Market, Which Sales May Cause Our Stock Price To Decline

The selling stockholders intend to sell in the public market 27,435,000 shares of common stock being registered in this offering. That means that up to 27,435,000 shares may be sold pursuant to this registration statement. Such sales may cause our stock price to decline.

The Sale Of Our Stock Under The Secured Convertible Debenture Could Encourage Short Sales By Third Parties, Which Could Contribute To The Future Decline Of Our Stock Price

In many circumstances the provision of financing based on floating-rate convertible debentures and has the potential to cause a significant downward pressure on the price of common stock. This is especially the case if the shares being placed into the market exceed the market's ability to take up the increased stock. Such an event could place further downward pressure on the price of common stock. Even if we use the proceeds from the issuance of the convertible debentures to grow our revenues and profits or invest in assets that are materially beneficial to us, the opportunity exists for short sellers and others to contribute to the future decline of our stock price. If there are significant short sales of stock, the price decline that would result from this activity will cause the share price to decline more so, which, in turn, may cause long holders of the stock to sell their shares thereby contributing to sales of stock in the market. If there is an imbalance on the sell side of the market of our stock, the price will likely decline.

Our Common Stock May Be Affected By Limited Trading Volume And May Fluctuate Significantly, Which May Affect Our Shareholders' Ability To Sell Shares Of Our Common Stock

Prior to this filing, there has been a limited public market for our common stock and there can be no assurance that a more active trading market for our common stock will develop. An absence of an active trading market could adversely affect our shareholders' ability to sell our common stock in short time periods, or possibly at all. Our common stock has experienced, and is likely to experience in the future, significant price and volume fluctuations, which could adversely affect the market price of our common stock without regard to our operating performance. In addition, we believe that factors such as quarterly fluctuations in our financial results and changes in the overall economy or the condition of the financial markets could cause the price of our common stock to fluctuate substantially. These fluctuations may also cause short sellers to enter the market from time to time in the belief that we will have poor results in the future. We cannot predict the actions of market participants and, therefore, can offer no assurances that the market for our stock will be stable or appreciate over time. The factors may negatively impact shareholders' ability to sell shares of our common stock.

The Price You Pay In This Offering Will Fluctuate And May Be Higher Or Lower Than The Prices Paid By Other People Participating In This Offering

The price in this offering will fluctuate based on the prevailing market price of the common stock on the Over-the-Counter Bulletin Board. Accordingly, the price you pay in this offering may be higher or lower than the prices paid by other people participating in this offering.

FORWARD-LOOKING STATEMENTS

Information included or incorporated by reference in this prospectus may contain forward-looking statements. This information may involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from the future results, performance or achievements expressed or implied by any forward-looking statements. Forward-looking statements, which involve assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words "may," "will," "should," "expect," "anticipate," "estimate," "believe," "intend" or "project" or the negative of these words or other variations on these words or comparable terminology.

This prospectus contains forward-looking statements, including statements regarding, among other things, (a) our projected sales and profitability, (b) our growth strategies, (c) anticipated trends in our industry, (d) our future financing plans and (e) our anticipated needs for working capital. These statements may be found under "Management's Discussion and Analysis" and "Description of Business," as well as in this prospectus generally. Actual events or results may differ materially from those discussed in forward-looking statements as a result of various factors, including, without limitation, the risks outlined under "Risk Factors" and matters described in this prospectus generally. In light of these risks and uncertainties, there can be no assurance that the forward-looking statements contained in this prospectus will in fact occur.

SELLING STOCKHOLDERS

The following table presents information regarding the selling stockholders. The selling stockholders are the entities who have assisted in or provided financing to NetFabric. A description of each selling stockholder's relationship to NetFabric and how each selling stockholder acquired the shares to be sold in this offering is detailed in the information immediately following this table.

Selling Stockholder	Shares Beneficially Owned Before Offering	Percentage of Outstanding Shares Beneficially Owned Before Offering (1)	Shares to be Acquired under the Securities Purchase Agreement	Percentage Outstanding Shares to Be Acquired under the Securities Purchase Agreement	Shares to be Sold in the Offering	Percentage of Shares Beneficially Owned After Offering (1)
Shares Acquired in Financing Transactions with NetFabric						
Cornell Capital Partners	3,137,986	4.99%	17,060,000	18.38%	17,302,857(2)	0%
Other Selling Stockholders						
ACL Investments, LLC (5)	40,000	*	--	0%	40,000	0%
Barbara Hulse (5)	20,000	*	--	0%	20,000	0%
Berkin Business SA (5)	150,000	*	--	0%	150,000	0%
Bonnie Fischer (5)	25,000	*	--	0%	25,000	0%
Brian Miller (5)	60,000	*	--	0%	60,000	0%
Castor Group (5)	200,000	*	--	0%	200,000	0%
Charles Cook (5)	10,000	*	--	0%	10,000	0%
Charles Wilkinson (5)	10,000	*	--	0%	10,000	0%
Clarice Doernte (5)	60,000	*	--	0%	60,000	0%
Columbia Marketing Ltd (5)	30,000	*	--	0%	30,000	0%
Edward W. Rahn (5)	10,000	*	--	0%	10,000	0%
EPM Holding AG (5)	410,000	*	--	0%	410,000	0%
Evan Christodoulou (5)	60,000	*	--	0%	60,000	0%
Filippa Edberg (5)	77,000	*	--	0%	77,000	0%
Fridolin Fackelmayer (5)	100,000	*	--	0%	100,000	0%
Gudrun Eiz (5)	160,000	*	--	0%	160,000	0%
Interglobe Finance SA (5)	12,500	*	--	0%	12,500	0%
Irving Goldstein (5)	11,500	*	--	0%	11,500	0%
Jack McConnaughy (5)	1,500,000	2.39	--	0%	1,500,000	0%
Jack Sandler (5)	30,000	*	--	0%	30,000	0%
James Madison (5)	30,000	*	--	0%	30,000	0%
Jay D. Ellenby (5)	10,000	*	--	0%	10,000	0%
Judith Locher (5)	100,000	*	--	0%	100,000	0%
Kurt Freimann (5)	160,000	*	--	0%	160,000	0%
Macrocom Investors, LLC(4)	5,750,000	8.57	--	0%	5,750,000	0%
Michael Millon (5)	340,000	*	--	0%	340,000	0%
Michelle Amiel (5)	50,000	*	--	0%	50,000	0%
Mirijana Balac (5)	14,000	*	--	0%	14,000	0%
Mulberry Development SA (5)	50,000	*	--	0%	50,000	0%
Newbridge Securities Corporation	7,143	*	--	0%	7,143	0%
Nicholas A. Rozzi (5)	20,000	*	--	0%	20,000	0%
Patrick Mehigan (5)	10,000	*	--	0%	10,000	0%
Paul Yurfest (5)	320,000	*	--	0%	320,000	0%
Peter C. Ohler (5)	10,000	*	--	0%	10,000	0%
Peter Matarazzo (5)	10,000	*	--	0%	10,000	0%
Robert Chervenak (5)	25,000	*	--	0%	25,000	0%
Robert Lawlor (5)	5,000	*	--	0%	5,000	0%
Scott Monroe (5)	100,000	*	--	0%	100,000	0%
Sidney Staunton (5)	50,000	*	--	0%	50,000	0%
Valencia Sipes (5)	1,000	*	--	0%	1,000	0%
William S. Shanahan (5)	94,000	*	--	0%	94,000	0%
TOTAL	13,270,129	18.74%	17,060,000	21.34%	27,435,000	0%

* Equals less than 1%.

(1) Applicable percentage of ownership is based on 62,885,500 shares of common stock outstanding as of October 31, 2005, together with securities exercisable or convertible into shares of common stock within 60 days of October 31, 2005, for each stockholder. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of common stock subject to securities exercisable or convertible into shares of common stock that are currently exercisable or exercisable within 60 days of October 31, 2005 are deemed to be beneficially owned by the person holding such securities for the purpose of computing the percentage of ownership of such person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person. Note that affiliates are subject to Rule 144 and Insider trading regulations - percentage computation is for form purposes only.

(2) 16,500,000 shares which represent the approximate number of shares underlying the secured convertible debentures that may be converted by Cornell Capital Partners. Please note that the terms of the secured convertible debentures held by Cornell Capital Partners provides that in no event shall Cornell Capital Partners be entitled to convert the secured convertible debenture for a number of shares which, upon giving effect to the conversion, would cause the aggregate number of shares beneficially owned by Cornell Capital Partners and its affiliates to exceed 4.99% of the total outstanding shares of NetFabric following such conversion. Please also note that for the secured convertible debenture, the conversion price may fluctuate based on the market price of our stock, therefore the actual number of shares to be issued upon conversion of the secured convertible debentures may be higher or lower.

(3) We sold unregistered, restricted shares to Michael Millon, Littlehampton Investments, LLC and Macrocom Investors, LLC pursuant to terms of financing and bridge loans agreements described in other sections of this document. The purchasers subsequently sold a portion of these shares to accredited investors subject to the restrictions placed on the shares by the company. The accredited investors acknowledged, as a condition of purchase, that the shares purchased by them were restricted and not registered under the Securities Act of 1933, as amended. Macrocom, Michael Millon and Littlehampton are not broker dealer or affiliates of broker-dealers. In addition, none of the purchasers of shares from Macrocom, Michael Millon and Littlehampton are broker dealer or affiliates of broker-dealers.

The following information contains a description of each selling stockholder's relationship to NetFabric and how each selling stockholder acquired the shares to be sold in this offering is detailed below. None of the selling stockholders have held a position or office, or had any other material relationship with NetFabric, except as follows:

Shares Acquired In Financing Transactions With NetFabric

Cornell Capital Partners. Cornell Capital Partners is the investor under the Equity Distribution Agreement. All investment decisions of, and control of, Cornell Capital Partners are held by its general partner, Yorkville Advisors, LLC. Mark Angelo, the managing member of Yorkville Advisors, makes the investment decisions on behalf of and controls Yorkville Advisors. Cornell Capital Partners acquired all shares being registered in this offering in financing transactions with NetFabric. Those transactions are explained below:

Secured Convertible Debentures. On October 27, 2005, we entered into a Securities Purchase Agreement with Cornell Capital Partners whereby we agreed to amend and consolidate all of the convertible debentures issued to Cornell Capital Partners into one new secured convertible debenture in the principal amount of $1,658,160. Prior to entering into the Securities Purchase Agreement we issued secured convertible debentures to Cornell Capital Partners in a principal aggregate amount equal to $1,000,000. Of those secured convertible debentures previously issued to Cornell Capital Partners, $400,000 was funded on July 1, 2005; $50,000 was funded on September 1, 2005; $150,000 was funded on October 6, 2005, and $400,000 was funded on October 13, 2005. Pursuant to the Securities Purchase Agreement, Cornell Capital Partners funded an additional $650,000 on October 27, 2005. The $1,000,000 in secured convertible debentures and the additional $650,000 in secured convertible debentures were consolidated into one new secured convertible debenture along with the accrued and unpaid interest on those debentures. The secured convertible debenture has a 12-month term and accrues annual interest of 5%. The secured convertible debenture may be redeemed by us at any time, in whole or in part. If on the date of redemption, the closing price of our common stock is greater than the conversion price in effect, we shall pay a redemption premium of 15% of the amount redeemed in addition to such redemption. The secured convertible debenture is convertible at the holder's option at a conversion price equal to the lesser of (i) an amount equal to $1.00 or (ii) an amount equal to 95% of the lowest closing bid price of our common stock for the 30 trading days immediately proceeding the conversion date. The debenture is secured by substantially all our assets.

Macrocom Investors, LLC and Michael Millon. On October 14, 2004, NetFabric and Macrocom entered into a loan agreement which was amended on December 2, 2004 and May 24, 2005, whereby Macrocom agreed to loan an additional $500,000 to NetFabric, due on October 10, 2006 at an annual simple interest rate of 5%. At the option of Macrocom, Macrocom can convert the principal of the loan into 1,000,000 shares of common stock of NetFabric or demand repayment of the principal in cash. In addition, NetFabric agreed to issue to Macrocom 250,000 shares of common stock as additional consideration to Macrocom for the second Loan. Macrocom Investors, LLC and Michael Millon are an accredited investor. The shares transferred to Macrocom Investors, LLC and Michael Millon were subject to

restrictions placed on the shares by NetFabric and the transfer was approved by NetFabric.

In December 2004 Macrocom entered into a commitment with NetFabric to purchase 2,000,000 shares of our common stock. Pursuant to this financing commitment, we sold 1,000,000 shares of common stock to Macrocom and

1,000,000 Michael Millon 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 warrants to purchase 2,000,000 shares of common stock at a purchase price of $1,500,000. The warrants expire in December of 2006. We also issued 250,000 shares to Michael Millon as consideration for arranging the Macrocom financing. The investment decisions of Marcocom are made by Michael Millon.

On July 19, 2005, we issued a convertible debenture in the amount of $500,000 to Macrocom. The debenture bears interest at 5% and is due on April 15, 2006. At the option of Macrocom, the debenture can be converted into shares of our common stock at a conversion price of $.50 per share. In connection with the sale, we issued Macrocom warrants to acquire 1,000,000 shares of our common stock at an exercise price of $1.50 per share. The warrants expire in three years from the date of issuance. We also issued to Macrocom 375,000 shares of our common stock as additional consideration. As collateral for the debenture, we have placed with an escrow agent 5,000,000 shares of our common stock.

Macrocom received 2,875,000 restricted shares of common stock, 3,000,000 warrants and $1,000,000 (face value) of convertible debt that can be converted into 2,000,000 shares of common stock. Michael Millon received restricted 1,250,000 shares and Littlehampton Investments, LLC received restricted 1,000,000 shares from their November 2004 transaction. Littlehampton sold all of its restricted shares to its investors. Macrocom retained 750,000 restricted shares it received and sold the balance. Michael Millon retained 340,000 restricted shares and sold the balance of the shares. All the sales were to accredited investors subject to the restrictions placed on the shares by the Company and such transfers were approved by the Company.

With respect to the sale of unregistered securities referenced above, all transactions were exempt from registration pursuant to Section 4(2) of the Securities Act of 1933 (the "1933 Act"), and Regulation D promulgated under the 1933 Act. In each instance, the purchaser had access to sufficient information regarding NetFabric so as to make an informed investment decision. More specifically, we had a reasonable basis to believe that each purchaser was an "accredited investor" as defined in Regulation D of the 1933 Act and otherwise had the requisite sophistication to make an investment in our securities unless otherwise disclosed the above selling stockholders are not broker-dealers or affiliates of broker-dealers.

USE OF PROCEEDS
RECEIVED FROM THE SECURED CONVERTIBLE DEBENTURES

This prospectus relates to shares of our common stock that may be offered and sold from time to time by certain selling stockholders. There will be no proceeds to us from the sale of shares of common stock in this offering. However, we did receive proceeds from the sale of secured convertible debentures to shares of common stock to Cornell Capital Partners under the Securities Purchase Agreement.

On October 27, 2005, we entered into a Securities Purchase Agreement with Cornell Capital Partners whereby we agreed to amend and consolidate all of the convertible debentures issued to Cornell Capital Partners into one new secured convertible debenture in the principal amount of $1,658,160. Prior to entering into the Securities Purchase Agreement we issued secured convertible debentures to Cornell Capital Partners in a principal aggregate amount equal to $1,000,000. Of those secured convertible debentures previously issued to Cornell Capital Partners, $400,000 was funded on July 1, 2005; $50,000 was funded on September 1, 2005; $150,000 was funded on October 6, 2005, and $400,000 was funded on October 13, 2005. Pursuant to the Securities Purchase Agreement, Cornell Capital Partners funded an additional $650,000 on October 27, 2005. The $1,000,000 in secured convertible debentures and the additional $650,000 in secured convertible debentures were consolidated into one new secured convertible debenture along with the accrued and unpaid interest on those debentures. The secured convertible debenture has a 36-month term and accrues annual interest of 5%. The secured convertible debenture may be redeemed by us at any time, in whole or in part. If on the date of redemption, the closing price of our common stock is greater than the conversion price in effect, we shall pay a redemption premium of 15% of the amount redeemed in addition to such redemption. The secured convertible debenture is convertible at the holder's option at a conversion price equal to the lesser of (i) an amount equal to $1.00 or (ii) an amount equal to 95% of the lowest closing bid price of our common stock for the 30 trading days immediately proceeding the conversion date. The debenture is secured by substantially all our assets.

For illustrative purposes only, we have set forth below our intended use of proceeds for the net proceeds we received under the secured convertible debenture issued to Cornell Capital Partners. The table assumes estimated offering expenses of $85,000, plus an 8% commitment fee.

Gross proceeds	$	1,650,000
Net proceeds	$	1,433,000
No. of shares issued upon the conversion of the secured convertible debentures		16,500,000

USE OF PROCEEDS:	AMOUNT
General corporate and working capital	1,433,000
Total	$ 1,433,000

NetFabric has represented to Cornell Capital Partners that the net proceeds NetFabric receives under the secured convertible debentures will be used for general corporate purposes and acquisitions. In no event will the net proceeds NetFabric receives under the secured convertible debenture be used by NetFabric for the payment (or loaned to any such person for the payment) of any judgment, or other liability, incurred by any executive officer, officer, director or employee of NetFabric, except for any liability owed to such person for services rendered, or if any judgment or other liability is incurred by such person originating from services rendered to NetFabric, or NetFabric has indemnified such person from liability.

PLAN OF DISTRIBUTION

The selling stockholders have advised us that the sale or distribution of our common stock owned by the selling stockholders may be effected by the selling stockholders as principals or through one or more underwriters, brokers, dealers or agents from time to time in one or more transactions (which may involve crosses or block transactions) (i) on the over-the-counter market or on any other market in which the price of our shares of common stock are quoted or (ii) in transactions otherwise than in the over-the-counter market or in any other market on which the price of our shares of common stock are quoted. Any of such transactions may be effected at market prices prevailing at the time of sale, at prices related to such prevailing market prices, at varying prices determined at the time of sale or at negotiated or fixed prices, in each case as determined by the selling stockholders or by agreement between the selling stockholders and underwriters, brokers, dealers or agents, or purchasers. If the selling stockholders effect such transactions by selling their shares of common stock to or through underwriters, brokers, dealers or agents, such underwriters, brokers, dealers or agents may receive compensation in the form of discounts, concessions or commissions from the selling stockholders or commissions from purchasers of common stock for whom they may act as agent (which discounts, concessions or commissions as to particular underwriters, brokers, dealers or agents may be in excess of those customary in the types of transactions involved).

We will pay all of the expenses incident to the registration, offering and sale of the shares of common stock to the public other than commissions, fees and discounts of underwriters, brokers, dealers and agents. If any of these other expenses exists, we expect the selling stockholders to pay these expenses. We have agreed to indemnify Cornell Capital Partners and its controlling persons against certain liabilities, including liabilities under the Securities Act. We estimate that the expenses of the offering to be borne by us will be approximately $85,000. The offering expenses consist of: a SEC registration fee of $3,067.26, printing expenses of $2,500, accounting fees of $15,000, legal fees of $50,000 and miscellaneous expenses of $14,432.74. We will not receive any proceeds from the sale of any of the shares of common stock by the selling stockholders. We did, however, receive proceeds from the secured convertible debentures we have issued to Cornell Capital Partners.

Cornell Capital Partners was formed in February 2000 as a Delaware limited partnership. Cornell Capital Partners is a domestic hedge fund in the business of investing in and financing public companies. Cornell Capital Partners does not intend to make a market in our stock or to otherwise engage in stabilizing or other transactions intended to help support the stock price. Prospective investors should take these factors into consideration before purchasing our common stock.

Under the securities laws of certain states, the shares of common stock may be sold in such states only through registered or licensed brokers or dealers. The selling stockholders are advised to ensure that any underwriters, brokers, dealers or agents effecting transactions on behalf of the selling stockholders are registered to sell securities in all fifty states. In addition, in certain states the shares of common stock may not be sold unless the shares have been registered or qualified for sale in such state or an exemption from registration or qualification is available and we have complied with them.

The selling stockholders should be aware that the anti-manipulation provisions of Regulation M under the Exchange Act will apply to purchases and sales of shares of common stock by the selling stockholders, and that there are restrictions on market-making activities by persons engaged in the distribution of the shares. Under Registration M, the selling stockholders or their agents may not bid for, purchase, or attempt to induce any person to bid for or purchase, shares of our common stock while such selling stockholders are distributing shares covered by this prospectus. The selling stockholders are advised that if a particular offer of common stock is to be made on terms constituting a material change from the information set forth above with respect to the Plan of Distribution, then, to the extent required, a post-effective amendment to the accompanying registration statement must be filed with the SEC.

DILUTION

The net tangible book value of NetFabric as of June 30, 2005 was ($2,273,862) or ($0.0368) per share of common stock outstanding on June 30, 2005. Net tangible book value per share is determined by dividing the tangible book value of NetFabric (i.e., total assets less total intangible assets less total liabilities) by the number of outstanding shares of our common stock. Since this offering is being made solely by the selling stockholders and none of the proceeds will be paid to NetFabric, our total assets less total intangible assets will be unaffected by this offering.

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

Overview

Corporate History

NetFabric was formerly Houston Operating Company, which was incorporated in Delaware in August of 1989, and has not had operations since before 2002. 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. In December, 2004, we entered into an 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. Pursuant to the acquisition agreement we 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 our common stock. On April 19, 2005, we changed our name 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 a share exchange agreement, whereby we purchased all of the issued and outstanding shares of UCA Services, Inc. in exchange for the issuance of 24,096,154 shares of the common stock valued at $32.7 million. UCA is an information technology company that serves the information and communications needs of a range of small to mid-size business clients in the financial markets industry as well as the pharmaceutical, health care and hospitality sectors. UCA delivers a broad range of technology consulting and infrastructure development services, including multi-year managed services contracts, via an integrated network of branch offices and alliance partners in the United States, Canada, Europe and India. UCA's services include solutions in the practice areas of infrastructure builds and maintenance, application development and maintenance, business process managed services and professional IT services.

The acquisition was accounted for using the purchase method of accounting with the results of the acquisition included in the consolidated financial statements from the date of acquisition.

Goodwill and other intangibles represent the Company's preliminary allocation of the estimated cost to acquire UCA Services, Inc. in excess of the fair value of net assets acquired. The allocation is preliminary and subject to change based on finalization of the Company's valuation. The actual purchase price allocation, to reflect the fair value of assets acquired and liabilities assumed, will be based upon management's ongoing evaluation. Accordingly, the final allocation of the purchase price may differ significantly from the preliminary allocation.

The actual purchase price of assets acquired and liabilities assumed will be based upon management's estimate of the value of stock exchanged in the transaction. Management's estimate will be supported by an independent appraisal of the net assets acquired and the shares exchanged so that a final purchase price allocation may be made in connection with the preparation of our financial statements for the year ended 2005.

Going Concern

Our consolidated financial statements have been prepared assuming we will continue as a going concern. We have experienced net losses from operations of $1,502,260 and $2,154,032 for the year ended December 31, 2004 and for the six months ended June 30, 2005, respectively. In addition, we had a working capital deficit of $2,589,196 at June 30, 2005. These factors, among others, raise substantial doubt about our ability to continue as a going concern. Our financial statements do not include any adjustment that might result from the outcome of this uncertainty. Assurances cannot be given that adequate financing can be obtained to meet our capital needs. If we are unable to generate profits and unable to continue to obtain financing to meet our working capital requirements, we may have to curtail our business sharply or cease operations altogether. Our continuation as a going concern is dependent upon our ability to generate sufficient cash flow to meet our obligations on a timely basis to retain our current financing, to obtain additional financing, and, ultimately, to attain profitability. Should any of these events not occur, we will be adversely effected and we may have to cease operations.

Critical Accounting Policies

Revenue Recognition

We derive revenue from the sale of our communication equipment products and as a provider of information technology consulting and infrastructure development services.

In accordance with SEC Staff Accounting Bulletin No. 104, "Revenue Recognition," revenue is recognized when persuasive evidence of an arrangement exists, delivery of the product or services 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.

UCA derives revenue primarily from professional services, managed IT services, application development services and from business process management services. Arrangements with customers for services are generally on a time and material basis or fixed-price, fixed-time frame. Revenue on time-and-material contracts is recognized as the related services are performed. Revenue for fixed-price, fixed-timeframe services is recognized as the service is performed. Revenue from fixed-price, fixed time-timeframe service contracts are recognized ratably over the term of the contract, as per the proportional performance method. When we receive cash advances from customers in advance of the service period, amounts are reported as advances from customers until the commencement of the service period. Billings and collections in excess of revenue recognized are classified as deferred revenue.

To date NetFabric's communication equipment products have been marketed only through a network of distributors and value-added resellers or 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 we have satisfied all other 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 NetFabric but must obtain prior approval from NetFabric before returning products, consistently with common industry practice. NetFabric has no obligation to accept the return of any unsold products. If required, we accrue for estimated sales returns and other allowances and deferrals as a reduction of revenue at the time of revenue recognition. To date no sales have been made and as such, no provisions for estimated sales returns and other allowances have been recognized. We have 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.

Allowance for Doubtful Accounts

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. These estimated losses are based upon historical bad debts, specific customer creditworthiness and current economic trends. If the financial condition of a customer deteriorates, resulting in the customer's inability to make payments within approved credit terms, additional allowances may be required. We perform credit evaluations of its customers' financial condition on a regular basis.

Stock-Based Compensation

We account for stock options granted to employees using the intrinsic value method in accordance with the provisions of Accounting Principles Board or APB Opinion No. 25, "Accounting for Stock Issued to Employees", 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", 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. We have elected to continue to apply the provisions of APB Opinion No. 25 and provide the pro forma disclosures required by SFAS No. 123.

Results Of Operations For The Six Months Ended June 30, 2005 Compared To The Six Months Ended June 30, 2004

Revenues

Revenues for the six months ended June 30, 2005, increased by $2,273,330 compared to revenues for the six months ended June 30, 2004. The increase was due to our acquisition of UCA Services. Prior the UCA acquisition, we did not have any revenues during the six months ended June 30, 2004. Management believes that our revenues will increase during the year 2005 due to the revenues generated by UCA.

Total Expenses

Total expenses for the six months ended June 30, 2005 were $4,427,362 compared to $296,821 for the six months ended June 30, 2004. These expenses incurred during the six months ended June 30, 2005 and 2004 are set forth below in further detail.

For the six months ended June 30, 2005, direct employee compensation and consultant expenses increased by $1,746,089 to $1,780,808 compared to the six months ended June 30, 2004. The increase is due to increased revenues resulting from the UCA acquisition. We believe that direct employee compensation and consultant expenses will increase for the remainder of 2005 in line with the anticipated increase in our revenues.

Selling, general and administrative expenses increased for the six ended June 30, 2005 by $1,636,998, compared to the six months ended June 30, 2004. Selling, general and administrative expenses was $1,898,851 for the six months ended June 30, 2005 compared to $261,853 for the six months ended June 30, 2004. The increase was due, in part, to the UCA acquisition and, in part, due to an increased level of marketing activities in 2005. In addition, in 2005 we incurred additional expenses for professional fees and others costs due to being a public company.

Research and development expenses for the six months ended June 30, 2005 was $321,952. This expense mainly represented the product development cost for our products including associated engineering wages.

Interest and bank charges for the six months ended June 30, 2005 was $387,843 compared to interest and bank charges for the six months ended June 30, 2004 of $249. This increase was due to interest expense on bridge loans and the amortization of debt discount resulting from the allocation of value to certain equity instruments issued in connection with debt in 2004.

For the six months ended June 30, 2005, depreciation and amortization was $37,908 due to additional assets arising from the UCA acquisition and due to depreciation on equipment and purchased software acquired by NetFabric in late 2004 and 2005.

Net loss

As a result of the foregoing, for the six months ended June 30, 2005, net loss increased by $1,857,211 to a loss of $2,154,032 compared to a net loss of $296,821 for the corresponding period in 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. As NetFabric had no operations prior to 2003, the only period presented for comparison below is the period for the year ended December 31, 2004 as compared to December 31, 2003.

NetFabric began operations in January 2003 and is still a development stage company. Therefore, NetFabric had no revenue and minimal expenses in 2003, and $612 of revenue and $1,502,260 of expenses in 2004.

Results of Operations For The Year Ended December 31, 2004 Compared To The Year Ended December 31, 2003

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 personnel (primarily for research and development, but also sales and marketing personnel), development of sales and marketing programs, and filing of product patents.

Revenue

For the twelve months ended December 31, 2004, we generated $612 in revenue compared to $0 for the twelve months ended December 31, 2003. We are still in the stages of early product development and we do not plan to generate significant revenue from our various product lines until the fourth quarter of 2005.

Total Expenses

Total expenses for the twelve months ended December 31, 2004 were $1,499,746 compared to $18,565 for the twelve months ended December 31, 2003. This is related to NetFabric accelerating our research and development and marketing and sales activities in 2004. The expenses incurred for 2004, and as compared to 2003, are set forth in greater detail below and in the accompanying consolidated financial statements attached.

Research and development expenses for the twelve months ended December 31, 2004 were $395,452 compared to $0 for the twelve months ended December 31, 2003. These expenses mainly represented the product development costs for the FUSION 4x4 and the 12x8 voice routers including associated engineering wages.

General and administrative expenses for the twelve months ended December 31, 2004 were $638,330 compared to $8,720 for the twelve months ended December 31, 2003. This is primarily due to our hiring significant new personnel in management, marketing, and sales among others. In addition, we began maintaining office space in early 2004, and incurred costs associated with this activity, such as telecom, office supplies and insurance.

Selling expenses for the twelve months ended December 31, 2004 were $189,150 compared to $3,500 for the twelve months ended December 31, 2003. This is related primarily to our 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 twelve months ended December 31, 2004 were $93,238 compared to $6,097 for the twelve months ended December 31, 2003. These expenses related to patent protection filings, legal and accounting costs associated with the preparation of financial statements, and related to the acquisition.

Interest and bank charges of $175,365 for the twelve months ended December 31, 2004, 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.

Net Loss

For the year ended December 31, 2004, we had a net loss of $1,502,260 as compared to a net loss of $18,565 for 2003. The loss increased as we began full-fledged operations in 2004, and increased our employee headcount, operating expenses and legal and professional fees. Net loss per common share increased from $0 for 2003 to $0.05 for 2004.

Liquidity And Capital Resources

At June 30, 2005 our working capital deficiency was $2,589,196 compared to a working capital deficiency of $853,317 at December 31, 2004. The increase in the working capital deficiency was due to a negative working deficiency we assumed in the acquisition of UCA and due to operating losses. During the six months ended June 30, 2005, we utilized cash from our operating activities of $1,154,290. As of June 30, 2005 we had $18,087 in cash available. In order to execute our business plan and achieve our objectives for the near future management believes it will require approximately $3,000,000 over the next 12 months. Our operating activities used approximately $1,014,000 of cash for the year ended 2004 as opposed to approximately $17,000 for the year ended 2003. The primary reason for this increase was our net loss for the year ended 2004 of approximately $1,500,000. In addition, during 2004, we purchased approximately $180,000 of equipment and raised approximately $1,240,000 from various bridge loans and stockholder financing. During 2003, there were no fixed asset purchases and our financing activities were insignificant. As a result of the above activities, we had an increase in cash of approximately $50,000 for the year ended 2004.

On July 22, 2004, we entered into a financing agreement which was amended on December 2, 2004 with Macrocom Investors, LLC, whereby Macrocom provided a loan to us in the amount of $500,000 for a period of 180 days from the original date of the financing agreement at an annual simple interest rate of 5%. In January 2005, in accordance with the terms of the financing agreement, we elected to repay the principal amount of the loan in kind by issuing 1,000,000 shares of common stock.

During the six months ended June 30, 2005, our stockholders and an entity affiliated with an officer of NetFabric loaned us an aggregate of $370,000 to enable us to meet our working capital requirements.

On November 30, 2004, Littlehampton Investments, LLC purchased 7,030,000 shares from shareholders of NetFabric. As part of the acquisition agreement with NetFabric, Littlehampton Investments, LLC cancelled 6,030,000 shares of common stock and was granted registration rights on 1,000,000 shares it still held.

On October 14, 2004, NetFabric and Macrocom entered into a loan agreement which was amended on December 2, 2004 and May 24, 2005, whereby Macrocom agreed to loan an additional $500,000 to NetFabric, due on October 10, 2006 at an annual interest rate of 5%. At the option of Macrocom, Macrocom can convert the principal of the loan into 1,000,000 shares of our common stock or demand repayment of the principal in cash. In addition, NetFabric agreed to issue to Macrocom 250,000 shares of common stock as additional consideration to Macrocom for the loan.

In December 2004 Macrocom entered into a commitment with NetFabric to purchase common stock of Houston Operating Company, under certain terms. Pursuant to this financing commitment, in two separate closings in January and March 2005 the Company sold 1,000,000 shares of common stock to Macrocom and 1,000,000 shares of common stock to Michael Millon resulting in aggregate proceeds of $1,000,000 or for $0.50 per share. Additionally, under this arrangement, Macrocom received 250,000 shares of common stock and warrants to purchase 2,000,000 shares of common stock at a purchase price of $1,500,000. The warrants expire in December of 2006. Houston Operating Company also issued 250,000 shares to Michael Millon as consideration for arranging the Macrocom financing for Houston Operating Company.

On January 12, 2005, in accordance with previously executed financing and compensation agreements between NetFabric and Macrocom Investors, LLC and Michael Millon, the Managing Member of Macrocom, we issued 1,000,000 shares of our common stock to Macrocom in conversion of the principal of the outstanding convertible note dated July 22, 2004 in the amount of $500,000 at the agreed price per share of $0.50. We also issued 250,000 shares to Macrocom as additional consideration for the July 22, 2004 loan.

On May 24, 2005, we entered into an agreement with Macrocom to amend the previous financing agreement. Under the terms of the amendment, the due date for loan has been extended from April 10, 2005 until October 30, 2005. At the same time and in connection with the extension of the due date for the loan, Macrocom agreed to amend the terms of the financing agreement with respect to a warrant Macrocom originally received on December 9, 2004. The warrant was set to expire on June 7, 2005. However, the parties have agreed to extend the term of the warrant so that it expires on December 9, 2006.

During the six months ended June 30, 2005, our stockholders and an entity affiliated with an officer of NetFabric loaned us an aggregate of $370,000 to enable us to meet our working capital requirements.

On October 27, 2005, we entered into a Securities Purchase Agreement with Cornell Capital Partners whereby we agreed to amend and consolidate all of the convertible debentures issued to Cornell Capital Partners into one new secured convertible debenture in the principal amount of $1,658,160. Prior to entering into the Securities Purchase Agreement we issued secured convertible debentures to Cornell Capital Partners in a principal aggregate amount equal to $1,000,000. Of those secured convertible debentures previously issued to Cornell Capital Partners, $400,000 was funded on July 1, 2005; $50,000 was funded on September 1, 2005; $150,000 was funded on October 6, 2005, and $400,000 was funded on October 13, 2005. Pursuant to the Securities Purchase Agreement, Cornell Capital Partners funded an additional $650,000 on October 27, 2005. The $1,000,000 in secured convertible debentures and the additional $650,000 in secured convertible debentures were consolidated into one new secured convertible debenture along with the accrued and unpaid interest on those debentures. The secured convertible debenture has a 36-month term and accrues annual interest of 5%. The secured convertible debenture may be redeemed by us at any time, in whole or in part. If on the date of redemption, the closing price of our common stock is greater than the conversion price in effect, we shall pay a redemption premium of 15% of the amount redeemed in addition to such redemption. The secured convertible debenture is convertible at the holder's option at a conversion price equal to the lesser of (i) an amount equal to $1.00 or (ii) an amount equal to 95% of the lowest closing bid price of our common stock for the 30 trading days immediately proceeding the conversion date. The debenture is secured by substantially all our assets.

On July 19, 2005, we issued a convertible debenture in the amount of $500,000 to Macrocom. The debenture bears interest at 5% and is due on April 15, 2006. At the option of Macrocom, the debenture can be converted into shares of our common stock at a conversion price of $.50 per share. In connection with the sale, we issued Macrocom warrants to acquire 1,000,000 shares of our common stock at an exercise price of $1.50 per share. The warrants expire in three years from the date of issuance. We also issued to Macrocom 375,000 shares of our common stock as additional consideration. As collateral for the debenture, we have placed with an escrow agent 5,000,000 shares of our common stock. On July 19, 2005, we sold to a stockholder and an entity affiliated with an officer of NetFabric convertible debentures in the face amount of $50,000 each. These debentures were sold on substantially similar terms as the debenture sold to Macrocom. However, we did not provide any collateral to the debenture holders.

On October 14, 2004, NetFabric and Macrocom entered into a loan agreement which was amended on December 2, 2004 and May 24, 2005, whereby Macrocom agreed to loan an additional $500,000 to NetFabric, due on October 30, 2005 at an annual interest rate of 5%. At the option of Macrocom, Macrocom can convert the principal of the loan into 1,000,000 shares of our common stock or demand repayment of the principal in cash. In addition, NetFabric agreed to issue to Macrocom 250,000 shares of common stock as additional consideration to Macrocom for the loan.

On November 30, 2004, Littlehampton Investments, LLC purchased 7,030,000 shares from shareholders of NetFabric. As part of the acquisition agreement with NetFabric, Littlehampton Investments, LLC cancelled 6,030,000 shares of common stock and was granted registration rights on 1,000,000 shares it still held.

As a result of the foregoing transactions, Macrocom received 2,875,000 shares of common stock, 3,000,000 warrants and $1,000,000 (face value) of convertible debentures that can be converted into 2,000,000 shares of common stock. Michael Millon received 1,250,000 shares and Littlehampton Investments, LLC received 1,000,000 shares. Littlehampton distributed all of its shares to its investors, Macrocom retained 750,000 shares it received and distributed the balance of the shares to its investors, Michael Millon retained 340,000 shares and distributed the balance to his co-investors.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

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, we 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. We are currently evaluating the impact of this standard and its transitional alternatives.

In November 2004, the FASB issued SFAS No. 151, Inventory Costs, an amendment of ARB No. 43, Chapter 4. SFAS No. 151 amends the guidance in ARB No. 43, Chapter 4, Inventory Pricing, to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). Paragraph 5 of ARB No. 43, Chapter 4, previously stated that ".under some circumstances, items such as idle facility expense, excessive spoilage, double freight, and re-handling costs may be so abnormal as to require treatment as current period charges..." SFAS No. 151 requires that those items be recognized as current-period charges regardless of whether they meet the criterion of "so abnormal." In addition, this statement requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The provisions of SFAS No. 151 shall be applied prospectively and are effective for inventory costs incurred during fiscal years beginning after June 15, 2005, with earlier application permitted for inventory costs incurred during fiscal years beginning after the date this Statement was issued. The adoption of SFAS No. 151 is not expected to have a material impact on our consolidated financial position, results of operations and cash flows.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29". The guidance in APB Opinion No. 29, Accounting for Nonmonetary Transactions, is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of assets exchanged.

The guidance in that Opinion, however, included certain exceptions to that principle. This statement amends Opinion 29 to eliminate the exception for nonmonetary exchanges of similar productive assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for nonmonetary exchanges occurring in fiscal periods beginning after June 15, 2005. The adoption of SFAS No. 153 is not expected to have a material impact on our consolidated financial position and consolidated results of operations and cash flows.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections--a replacement of APB Opinion No. 20 and FASB Statement No. 3". SFAS 154 changes the requirements for the accounting for, and reporting of, a change in accounting principle. SFAS 154 requires that a voluntary change in accounting principle be applied retrospectively with all prior period financial statements presented using the new accounting principle. SFAS No. 154 is effective for accounting changes and corrections of errors in fiscal years beginning after December 15, 2005. The implementation of SFAS 154 is not expected to have a material impact on our consolidated financial statements.

DESCRIPTION OF BUSINESS

Overview

Prior to our acquisition of Houston Operating Company, Houston Operating Company was a shell company whose primary business objective was to merge and become public. NetFabric creates hardware platforms across which it sells services. The hardware serves to provide access to markets that would otherwise be difficult to serve. We are organized as a "holding company" with two divisions reporting to it. The holding company houses the finance and administrative functions and is responsible for the overall corporate strategy, major acquisitions, setting profitability goals, driving inter-divisional synergies and communications. In the formation of our company we have elected to allow those companies we have acquired to retain their names as they generally have spent substantial time, money and effort in branding these names in their respective industries.

Immediately prior to the NetFabric merger, the directors of Houston Operating Company were Wesley F. Whiting and Redgie Green. The officers were, Wesley F. Whiting - President and Redgie Green - Secretary. The directors of NetFabric were Jeff Robinson (Chairman), Richard Howard and Charlotte Denenberg. The officers of NetFabric were, Jeff Robinson - Chief Executive Officer, Walter Carozza - Chief Financial Officer, Philip Barak - Vice President of Finance, Victoria Desidero - Vice President of Marketing.

We have found that the market requires a turnkey solution. A solution that bundles all of the necessary hardware and the VoIP service into a single product offering. We have called this new product Fusion+ and have implemented the VoIP service component by establishing a relationship with third party VoIP transport provider. This service will be privately labeled by NetFabric.

Our subsidiary, UCA Services, is a 250-person (including independent contractors) operation that has many years of experience in delivering its network based applications-and services. Traditionally, UCA Services had focused on providing managed services to the financial industry. With its incorporation into NetFabric, UCA's skill set has been harnessed to provide for the services creation and deployment of our service to telecom companies and medical companies. We have leveraged the connections of the founders of UCA Services to provide for very competitive rates on hardware and software engineering.

Our plan of operations over the next 12 months is as follows:

1) Grow the VoIP revenues by creating a solution that bundles the service as well all necessary equipment for a turnkey solution. To this end the company has partnered with VoIP providers and other VoIP equipment manufactures to rapid grow the scope of the product family.

2) In managed services the focus is on a progressive migration to higher margin business. This migration will take one of two forms.

The first is the creation of products in the "business process software solution" space. These products move up market to focus on the creation of services and applications rather than focus on the management of networks.

The second initiative will promote the synergies between our divisions by focusing on the creation and deployment of services that will be deployed to our telecom platforms. An example here would be a service that automatically screens outbound calls to ensure they are in compliance with the government's "Do Not Call" requirements. This service will be deployed to clients running on our telecom platforms, talking to servers that we host in the Internet. This type of service can produce margins that are two to four times those of traditional managed services.

Market Size

The size of the U.S. small and medium sized business market for our products is estimated to be in excess of $3.0 billion for hardware products and $1 billion in monthly recurring revenues for the VoIP service. The market was estimated using the government's census on US business demographics (http://www.census.gov/epcd/www/smallbus.html). From the population density for various businesses we then performed our own analysis of the following:

1. Used industry "rule of thumb" metrics that relate to the ration of phone lines coming into a company to the number of employees in that company.

2. Estimating typical industry pricing for from VoIP equipment and VoIP transport service in the SMB market.

VoIP HW Cost Per Trunk $150 Our Estimate

Employees	Number of Firms	Total Employees	Employees Per Trunk(1)	Trunks (1)	Revenues
1 to 4	2,697,839	5,630,017	1	5,630,017	$ 844,502,550
5 to 9	1,019,105	6,698,077	1.5	4,465,385	$ 669,807,700
10 to 19	616,064	8,274,541	2	4,137,271	$ 620,590,575
20 to 99	518,258	20,370,447	3	6,790,149	$1,018,522,350
Totals	4,851,266	40,973,082		TAM for VoIP Equipment	$3,153,423,175

Source: US Government 2001 Business Census.

VoIP Service Cost per Month Per Trunk $50 (Our Estimate)

Employees	Number of Firms	Total Employees	Employees Per Trunk(1)	Trunks (1)	Revenues
Line/(1)	Trunks (1)	Revenues			
1 to 4	2,697,839	5,630,017	1	5,630,017	$ 281,500,850
5 to 9	1,019,105	6,698,077	1.5	4,465,385	$ 223,269,233
10 to 19	616,064	8,274,541	2	4,137,271	$ 206,863,525
20 to 99	518,258	20,370,447	3	6,790,149	$ 339,507,450
Totals	4,851,266	40,973,082		TAM for monthly VoIP Service Recurring Revenue	$1,051,141,058

Please note that we will only penetrate a percentage of these multi-billion dollar markets, as not every potential end-user customer is going to purchase our product. Nonetheless this analysis serves to illustrate the financial size of the markets we address.

Our Products

There are currently two products available, one for 4 trunk phone systems, the other for 8 trunk phone systems. New products are constantly in development; others are being obtained by partnering with other telecom manufacturers. We would anticipate releasing several new hardware and software products before the end of this year. The completion costs on the most immediate products are in the range of $500K to $1M. The risks associated with these developments can be reduced to ones effecting the development cost and timing of the release and are inherent in the development of any new product of consequence.

NetFabric has developed two product lines: FUS1ON 4x4 and 12x8. NetFabric completed development and certification of the FUS1ON 4x4 product line - - the product is currently available for sale. Development on the FUS1ON 12x8 is complete and NetFabric is in the process of CSA product safety certification (CSA 22.2#60950) to UL standard (UL60950). The certification process will cost approximately $12,000. The company expects certification to be complete by October 3, 2005. Immediately following product certification of the FUS1ON 12x8, the company will begin volume production and begin booking revenue by November 1, 2005. However, if the FUS1ON 12x8 fails certification, the company will have to redesign the product layout and resubmit for certification - a process that could take three to four months and cost approximately $20,000. Failing certification will delay product revenue, increase development costs, and refocus sales efforts for FUS1ON 4x4 product line.

Our FUSION product, which today includes the FUSION 4x4, FUSION 12x8, and the Fusion Voice VoIP service, collectively provide a turnkey solution to the deployment of VoIP to the SMB. The Fusion hardware products attach to an existing business phone system and in an inexpensive and straightforward manner provide for the upgrade of the system to use VoIP. The Fusion 4x4 handles phone systems with up to 4 trunks, while the Fusion 12 x 8 handles phone systems of up to 8 trunks. We believe the product family distinguishes itself by:

1. Avoiding the issues surrounding the E911 service over VoIP

2. Transparently handling different dial plans for different service providers.

3. Handling the issue of variable quality of service (QOS) with WAN services from cable and DSL providers.

Emergency services are difficult to deliver using VoIP. We believe that it is difficult because there is no hard connection between a telephone number and a physical location. This has been a major issue and risk with VoIP deployment. With the Fusion units 911 calls are automatically routed across the Public Switched Telephone Network and thus the service works without issue. This is a major reduction in liability that businesses find very attractive.

Finally the amount of traffic on the WAN connection to a small business can vary enormously throughout the day. If no attention is paid to this then certain VoIP calls can be of very poor quality with a lot of distortion and dropout. We believe the Fusion units make dynamic measurements of the delays on the WAN and under poor conditions will route the calls across the PSTN instead.

Fusion Voice is a VoIP transport service for which we charge $50 per trunk per month. The service is provided through an arrangement with Ecuity and provides many of the necessary features and functions we believe the business users require.

Intellectual Property

We have two patents pending on the technology used in our products. The patents were designed by Jeff Robinson, our current CEO, during the development of FUSION 4x4. In late 2002, Mr. Robinson discovered a new process to manage remote IP appliances resulting in our request for NetFabric's first patent. And in early 2003, Mr. Robinson developed a call routing technique that is used in FUSION 4x4 to intelligently route calls between the PSTN and VoIP.

Product Strategy

Our efforts in moving forward will be to integrate more and more of the functionality required to deliver VoIP and other services to the small and medium size business. Through this integration we believe we will drive down cost and further simplify the installation and maintenance of our products.

Sales and Distribution Strategy

We are starting to engage in recruiting systems integrators and service providers to sell NetFabric's products and services. NetFabric is also assembling two tiers of distributors that target SMB telecom and data resellers, as well as service providers. NetFabric has established a strategic relationship with VoIP service provider, Ecuity Communications, Inc., to deliver a bundled solution of products and services to small offices.

Organization of Sales and Business Development

Our sales and business development teams focus on channel and strategic accounts with short and long term sales cycles respectively. The sales team consists of channel managers that have experience in recruiting, developing and managing telecom and data VARs. NetFabric is recruiting telecom VARs that primarily sell key/hybrid systems to the SMB market. We believe we are delivering a bundled solution with VoIP service that, when added to the VAR's current offering, will provide a unique solution for our customers. NetFabric is focusing recruitment efforts on resellers and distributors that sell market-leading telecom products such as Avaya, Nortel, NEC, Panasonic, Toshiba, and Intertel.

We offer what we believe is a unique value proposition to traditional telecom VARs that fall into three categories: those who have not made the switch to marketing VoIP products and services, those who have customers that are reluctant to upgrade their telecom infrastructure to utilize VoIP, and VARs already selling VoIP and data solutions.

We believe we are positioning NetFabric's products as a solution that saves money on customers' long distance bills and adds advanced IP applications with out the costly forklift upgrades - offering compelling savings. Forklift upgrade refers to the complete replacement of an existing telephone system with a new one.

We believe our solution increases the revenue to the VAR on each new sale by 20% and provides recurring commission through the sale of VoIP services. We believe VARs are looking for reasons to go back to their customer base to re-engage and sell additional services. We believe we provide these additional services.

Channel managers are responsible for recruiting new VARs every month. We are hiring channel managers from telecom vendors like Avaya, Nortel, Toshiba, and NEC and Data vendors like Cisco, Nortel, Extreme, and 3Com that have existing VAR relationships to assist with the partner recruitment process. The team is supported by inside sales personnel, who have an overlay quota, to assist with VAR recruitment and management. The sales team is compensated by a base salary plus commission for attaining revenue targets.

We generate revenue through VARs, Value Added Resellers, by selling NetFabric's products and services to the VAR to be part of a solution to an enterprise customer. Likewise, NetFabric will generate revenue by selling products and services to Service Providers to provide their enterprise customers a VoIP solution. OEM relationships will generate sales by selling directly to manufactures so the OEM may sell NetFabric's products as their own. Finally, direct consultative sales will generate revenue by selling direct to large enterprises by existing sales personnel.

NetFabric's revenue model consists of selling indirect to small and medium enterprise customers through channels such as VARs, service providers, and OEMs as well as direct to Large Enterprises when the opportunity arises. However, NetFabric's model is mainly focused on serving the needs of small and medium businesses. Therefore, the sales organization is focused on supporting the channel to sell products and services to the small and medium size business.

Distributors

We have a written agreement with Williams, whereby Williams purchases and resells our products to end-users and VARS, and for use in conjunction with its own customer product offerings. Under the terms of the agreement, Williams orders products directly from us. We ship those products as directed by Williams and invoices Williams on a net 30 day basis. Williams offers a full range of products and services and also resells to 1,000 dealers in Canada and 500 dealers in the US.

We currently have a verbal distribution agreement with ABP, whereby ABP purchases and resells our products to VARS and small service providers. Under the terms of that agreement, ABP orders products directly from us. We ship those products as directed by ABP and invoices ABP on a net 30 day basis. We chose ABP for its expertise in IP networking, specifically VoIP products. ABP is currently a distributor for companies such as AudioCodes, Ltd. and SNOM technology AG and would have the capability to bundle our products for more complete solutions.

We currently have a non-binding verbal distribution agreement with CoMatrix, whereby CoMatrix purchases and resells our products to Interconnects, integrators and VARS. Under the terms of that agreement, CoMatrix orders products directly from us. We ship those products as directed by CoMatrix and invoices CoMatrix on a net 30 day basis. We have selected CoMatrix as a distributor for our products because CoMatrix is largely focused on the traditional telephony Interconnect. Our product is the first IP appliance CoMatrix has successfully installed at an end-user customer site. CoMatrix works with approximately 4,000 VARS and Interconnects and plans major mailing efforts and training sessions for its customers regarding IP telephony.

Competition

We believe our approach in using CPE to elevate consumer grade VoIP services to business class service is unique. The Company believes it is also unique in providing an applications platform for the improved distribution of a host of telephony related services. Thus, the Company is not aware of any direct competition to its products. However there are a number of companies that have VoIP gateways and that can intelligently route calls between the PSTN and VoIP.

The most notable of these is Quintum Technologies, Inc. The Quintum product is principally focused on the traditional VoIP gateway application, namely the construction of an internal enterprise VoIP telephone system. Quintum can reroute to the PSTN during the telephone call, whereas the Company cannot. However, Quintum requires installation of its proprietary hardware at both ends of the call, which prohibits its use with the majority of the current VoIP service providers. Also, the Quintum product does not contain an applications platform. Other notable companies with routing capabilities to the PSTN would include Better Online Solutions, Ltd., also known as BOScom and Multi-Tech Systems, Inc., also known as MultiTech.

Other than Quintum, BOScom, MultiTech and similar companies with solutions that can deliver hybrid PSTN/VOIP solutions, there is also the general adoption of pure IP telephone systems, which have the potential to provide similar capabilities to those of the Company products but at much greater initial expense and risk.

Training The Sales, Distribution And Installation Channels

In support of our sales and distribution channels, we have instituted a comprehensive training program that is delivered via NetFabric's extranet. The extranet is augmented by live training either on site or remotely. We intend to efficiently train large numbers of VARS, Interconnects and other personnel involved in the sales, distribution and installation of products.

Manufacturing And Component Supply

We use Kimchuk, Inc. for our manufacturing operations. We have no written agreement with Kimchuk. We provide Kimchuk with a rolling 90-day forecast of our manufacturing needs. Each month, we communicate by purchase order to Kimchuk the products and number of units Kimchuk should manufacture for us for the month. When Kimchuk has manufactured those units and placed them in its inventory, Kimchuk invoices us on a net 30 day basis. The price of the units is also determined by the parties on a lot-by-lot basis.

Dependence On Specific Customers

We believe that our revenue will be dependent on critical sales channels rather than specific end-user customers. We are creating a relatively small number of business relationships with major service providers and equipment vendors. We believe that the revenue that will ensue from these relationships will form a large percentage of our total revenue.

UCA Services - Managed Services

UCA Services is on IT solutions division of NetFabric that serves the information and communications needs of a wide range of businesses with a commitment to customer satisfaction. Primarily focused on financial markets (banking, insurance and securities trading), we have, over the years, diversified into the pharmaceutical, health care and hospitality sectors. UCA Services delivers a broad range of information technology consulting and infrastructure development services, including multi-year managed services contracts, via an integrated network of branch offices and alliance partners in the United States, Canada, Europe and India.

Within the current business, we have gained experience in the following practice areas:

Infrastructure Builds and Maintenance

Systems Integration for Pre-Merger and Post Merger Technology Integration

Enterprise wide systems refresh and applications roll out

Enterprise Information Security Architecture and Implementation

Network Architecture, Design & Implementation including Identity Management and Access Management

Data Center Architecture, Design, Build, Re-lo & Management

Information Technology Infrastructure Library (ITIL)/IT Service Management Consulting

Business Continuity & Disaster Recovery - Architect, Design, Build and Operate with operational and cost efficiency

Enterprise Software Solutions to pro actively monitor and maintain Systems, Applications and Networks

Application Development and Maintenance

We believe UCA Services provides cost effective IT-applications development and maintenance-support solutions for its customers, including shared risk engagements and fully outsourced projects, managed quality assurance and testing services, including functional testing, compatibility test, performance testing, regression testing and benchmarking. These services are offered either on-site, off-site and/or Off-shore the practice includes a core team of senior architects, subject matter experts and software engineers in the US and India.

Managed Services

We believe UCA Services has experience in the managed services area including on-site data center operations management and help desk management. These practices are staffed with individuals with industry experience and service delivery team members. Off-shore remote help desk and network operations centers known as "NOC" are also being worked upon based on customer specific requirements.

Professional Services

Over the years, professional services has matured as a practice and UCA Services has preferred vendor relationships with its customers where it offers IT consulting services on a time and material basis in the areas of applications and infrastructure development and project management. It also offers validation services in FDA regulated industries. It develops and conducts workshops on regulated affairs involving experts from industry, academia and its own subject matter.

Sales and Marketing

We sell our services and products through a direct sales force located in or near major metropolitan areas. These sales associates, also known as client executives, are supported by call center sales support personnel. Currently, we have approximately 30 direct sales force and sales support personnel. In addition, we have independent sales agents (non-employees), who sell our services on a commission basis. Our marketing strategy is to develop long-term partnership relationships with existing and new clients that will lead to us becoming a preferred provider of information technology services. We seek to employ a cross-selling approach where appropriate to expand the number of services utilized by a single client.

Competition

The information technology services industry is highly competitive and served by numerous international, national, regional and local firms, all of which are our existing or potential competitors. Our primary competitors are software consulting and implementation firms, applications software firms, service groups of computer equipment companies, general management consulting firms, programming companies, offshore firms and temporary staffing firms as well as the internal information technology staff of our clients. We believe that the principal competitive factors in the information technology services industry include the range of services offered, cost, technical expertise, responsiveness to client needs, speed in delivering information technology solutions, quality of service and perceived value. Many of our competitors have significantly greater financial, technical, marketing and other resources than we do, and our share of the market compared to theirs is too small to quantify.

Employees

We have 140 employees including 42 employees and 98 billable consultants. In addition we use the services of 109 billable independent contractors. Our employees were: 14 in sales, 16 in service/products delivery management and 12 executive and administrative.

MANAGEMENT

Officers And Directors

The following table sets forth the names and positions of our executive officers and directors. Our directors are elected at our annual meeting of stockholders and serve for one year or until successors are elected and qualify. Our Board of Directors elect our officers, and their terms of office are at the discretion of the Board, except to the extent governed by an employment contract.

As of October 31, 2005, our directors and executive officers, their age, positions, the dates of their initial election or appointment as directors or executive officers, and the expiration of their terms are as follows:

Name of Director/Executive Officer	Age	Position	Period Served
Jeff I. Robinson	52	Chairman and Chief Executive Officer	November 2004 to present
Vasan Thatham	47	Chief Financial Officer	June 2005 to present
Walter Carozza	50	Secretary	August 2004 to present
Fahad Syed	38	Director and Chief Executive Officer of UCA Services	May 2005 to present
Eric Strauss	34	Chief Executive Officer NetFabric Corp	June 2005 to present
Richard R. Howard	55	Director	November 2004 to present
Charlotte G. Denenberg	58	Director	November 2004 to present
Madelyn M. DeMatteo	57	Director	January 2005 to present

Below are the biographies of each of our officers and directors as of October 31, 2005.

JEFF ROBINSON. Mr. Robinson is a co-founder of NetFabric and has been a Director and President since December 2002 and its Chairman and CEO since November 2004. He has served on the Board of Directors of NetFabric since 2002. Mr. Robinson is an experienced entrepreneur and technologist. He was the CEO of IQ NetSolutions from June1994 to July 2002, a company that created one of the first voice-over-packet systems with an emphasis on ease of installation. During the period from October 3987 to July 1994, he was the Chairman and CTO of Star Semiconductor, the company that created the world's first commercially available multi-processor DSP. During the period from December 1982 to September 1987, Mr. Robinson was the Director of VLSI at General DataComm, and an IC Design Manager at Texas Instruments. Mr. Robinson is the owner or co-owner of over 30 patents.

VASAN THATHAM. Vasan Thatham has been Vice President and Chief Financial Officer of NetFabric since June 2005. Prior to joining the Company, from February 1999 through June 2005 Mr. Thatham was Vice President and Chief Financial Officer of Provo International, Inc., a company engaged in providing Internet and telecommunications services. Prior to that, Mr. Thatham held various positions with Esquire Communications, Ltd, Strings Ltd., Ernst & Young in Kuwait and KMPG Peat Marwick in India. Mr. Thatham is a chartered accountant under the laws of India.

WALTER CAROZZA. Mr. Carozza was the interim Chief Financial Officer of NetFabric from August 2004 to June 2005. Prior to that, from February 1997 to present, he has been employed as a Manager of ERV Partners, LLC and ERV Management LLC, the General Partner and Manager, respectively, of East River Ventures, a venture capital firm based in New York City. Mr. Carozza received his BA and JD degrees from The University of Wisconsin. He is admitted to practice before the Court of International Trade, the U.S. Supreme Court, and the District of Columbia Court of Appeals. He is a member of the DC and Wisconsin Bars.

FAHAD SYED. Mr. Syed is an accomplished entrepreneur and co-founder of UCA Services, Inc. who has more than 14 years of experience in Global Services. Mr. Syed is an expert in the development of best practices in IT, channel and direct sales strategies and effective service delivery models. Mr. Syed was the Managing Director of UCA Services, Inc,

from June 2003 to May 2005. Subsequent to its acquisition by NetFabric in May 2005, he is a Director of NetFabric and the Chief Executive Officer of UCA Services, Inc. Since inception, he grew UCA Services to a company with 200 employees company in just two years. Prior to that, Mr. Syed was Vice President of IT services with UCA Computer Systems, Inc., a system integrator, from December 1998 to May 2003. Previously, Mr. Syed held prominent positions in development and management of Financial Products at the Housing Development Finance Corporation (HDFC), a pioneer Housing Finance Institution in the private sector in India. Mr. Syed holds a Masters Degree in Development Sciences from Tata Institute of Social Sciences, Mumbai, India; a Bachelors degree in Sociology from Aligarh University, India and a Diploma in Systems from National Institute of Information Technology, Mumbai, India.

ERIC STRAUSS. Eric Strauss is a seasoned executive with more than 12 years experience building successful organizations with consistent measurable achievements in the technology industry for new-to-market and existing companies. Mr. Strauss joined the company in February 2005 as the Vice President of Sales and Business Development and has served as CEO of NetFabric Corporation since June 2005. Before joining the company, from July 2002 to February 2005, Mr. Strauss was employed by Avaya, a telecommunication equipment manufacturer. During his employment he held positions of Channel Manager, Director of Business Development and North American Sales Director. Prior to Avaya, he worked for Yipes Communications from March 2000 to June 2002, a Metropolitan Ethernet Service Provider, as the Eastern Region Director. Mr. Strauss also worked for 3Com Corporation from 1996 to 2000 and The Professional Development Group from 1994 to 1996, an application consulting firm, in various sales positions. Mr. Strauss holds an MBA from Columbia Business School and a Bachelor degree in Business Administration from James Madison University.

RICHARD R. HOWARD. Mr. Howard has been a Director of NetFabric since November 2004. He received a BS in Economics and Corporate Finance from the Wharton School at the University of Pennsylvania. Since 2004, he has been the President of Flagship Healthcare Management, Inc. From 2003 to 2004, was the Managing Director of BLH Strategies, a consulting firm that provides services to companies and nonprofit organizations. From 1985 to 2003, he worked for Genesis Health Ventures, Inc. At various times during his seventeen years with Genesis he served as Vice Chairman, President and Chief Operating Officer. He also served as a member of the Board of Directors for all seventeen years. While with Genesis, the company grew from a private company operating twelve skilled nursing centers to a $2.5 billion publicly traded company employing over 45,000 people.

CHARLOTTE G. DENENBERG. Ms. Denenberg has been a Director of NetFabric since November 2004. She received a BA in Psychology and Mathematics with Highest Distinction, Phi Beta Kappa, from Northwestern University, and an MS and a PhD in Mathematics from the Illinois Institute of Technology. For the past two years she has consulted to a variety of companies in the telecommunications industry. From 1998 to 2002, she worked for Metromedia Fiber Network Services, Inc. (MFN) as Vice President, Optical Infrastructure (December 1998 o June 2000) and as Vice President and Chief Technology Officer (July 2000 to June 2002). Metromedia Fiber Network Services (MFN) was engaged in design, installation and maintenance of inter-city and intra-city optical fiber networks.

MADELYN M. DeMATTEO. Ms. Madelyn DeMatteo has been a Director of NetFabric since January 2005. Ms. DeMatteo is a retired executive and has been retired since 2001. From 1978 through 1999, Ms. DeMatteo was employed by Southern England Telecommunications Corporation. 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. In 2000 she provided consulting services to SBC Communications regarding litigation and other legal matters. Ms. DeMatteo received her BA from Connecticut College in1970 and her JD from University of Connecticut in 1973.

Family Relationships

There are no family relationships among the directors or executive officers of NetFabric.

Involvement In Certain Legal Proceedings

None of our officers, directors, promoters or control persons have been involved in the past five years in any of the following:

(1) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

(2) any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);

(3) Being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, or any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; or

(4) Being found by a court of competent jurisdiction (in a civil action), the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

Audit Committee

The Audit Committee is responsible for making recommendations to the board of directors as to the selection and independence of our external auditor, maintaining communication between the board of directors and the independent auditor, reviewing the annual audit report submitted by the independent auditor and determining the nature and extent of problems, if any, presented by such audit warranting consideration by our board of directors. The current members of the Audit Committee are Ms. DeMatteo and Mr. Howard. Membership on the Audit Committee is intended to be restricted to directors who are independent of management and free from any relationship that, in the opinion of the board of directors, could interfere with the exercise of independent judgment as a committee member.

Code Of Ethics

We have a Code of Ethics for all its employees including its executive officers. Our Code of Ethics was filed as Exhibit 14.2 on our Annual Report filed on Form 10-KSB filed on March 31, 2005.

Executive Compensation

The following table sets forth, for the fiscal year ended December 31, 2004, information regarding the compensation earned by our Chief Executive Officer and each of our most highly compensated executive officers whose aggregate annual salary and bonus exceeded $100,000, for each of the years indicated, with respect to services rendered by such persons to NetFabric and its subsidiaries.

SUMMARY COMPENSATION TABLE

		ANNUAL COMPENSATION			LONG-TERM COMPENSATION			
					AWARDS	PAYOUTS		
NAME AND PRINCIPAL POSITION	YEAR	SALARY ($)	BONUS ($)	OTHER ANNUAL COMPENSATION ($)	RESTRICTED STOCK AWARD(S) ($)	SECURITIES UNDERLYING OPTIONS/SARS (#)	LTIP PAYOUTS ($)	ALL OTHER COMPENSATION ($)
Fred Nazem Chief Executive Officer(2)	2004	175,000	0	0	0	0	0	0
Jeff Robinson Chief Executive Officer(3)	2004	175,000	0	0	0	0	0	0
Walter Carozza Chief Financial Officer	2004	60,000	0	0	0	998,832	0	0
Philip Barak VP Finance	2004	0	0	0	0	494,416	0	0
Victoria Desidero VP Marketing	2004	110,000	0	0	0	395,533	0	0
William Meltzer Director, Software	2004	120,000	0	0	0	164,805	0	0

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(1) No compensation was paid in 2002 and 2003 by NetFabric. NetFabric was incorporated in December 2002 and began business operations in January 2003.

(2) Effective November 30, 2004, Fred Nazem resigned as Chairman and CEO.

(3) Effective November 30, 2004, Jeff Robinson was appointed CEO and elected Chairman.

The following table sets forth information concerning individual grants

of stock options in 2004 to the Named Executive Officers:

OPTION/SAR GRANTS IN LAST FISCAL YEAR

NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS/SARS GRANTED (#)	% TOTAL OPTIONS/SARS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE OR BASE PRICE ($/SH)	EXPIRATION DATE
Walter Carozza	988,832	33.90%	$0.152	January 1, 2014
Philip Barak	494,416	16.95%	$0.152	January 1, 2014
Victoria Desidero	395,533	13.56%	$0.152	June 14, 2014
William Meltzer	164,805	5.65%	$0.152	January 1, 2014
Joseph Welfeld	148,325	5.08%	$0.152	April 26, 2014
Dominick Zumbo	158,325	5.08%	$0.152	August 16, 2014

LONG-TERM INCENTIVE PLANS - AWARDS IN LAST FISCAL YEAR

The following table sets forth information with respect to awards made to persons named in the Summary Compensation Table pursuant to a long-term incentive plan in the fiscal year ending December 31, 2004.

Name	Number of Securities Underlying Options Granted	Employees in Fiscal Period	Exercise Price per Share
Walter Carozza	988,832	33.90%	$ 0.152
Philip Barak	494,416	16.95%	$ 0.152
Victoria Desidero	395,533	13.56%	$ 0.152
William Meltzer	164,805	5.65%	$ 0.152
Joseph Welfeld	148,325	5.08%	$ 0.152
Dominick Zumbo	158,325	5.08%	$ 0.152

Compensation Of Directors

The independent directors of NetFabric will receive an initial grant of stock options to purchase 125,000 shares of common stock with an exercise price equal to the fair market value. The options shall vest 15,625 shares on the date of grant and thereafter 15,625 shares every three months for as long as the board member is a member of our board as of such date. The option shall have a term of ten years from the date of grant. They all also received a similar bi-annual grant. Independent directors are also reimbursed for out-of-pocket expenses in connection with attendance at board meetings and committee meetings.

Compensation Committee

The Compensation Committee is authorized to review and make recommendations to the board of directors on all matters regarding the remuneration of our executive officers, including the administration of our compensation plans. The Compensation Committee is intended to be comprised of at least three members. Currently, the Compensation Committee is comprised of: Ms. Charlotte G. Denenberg and Mr. Richard Howard (Chairman).

Employment Agreements

UCA Services, Inc., entered into an employment agreement with Fahad Syed in June of 2003 which will expire in May 2008 subject to automatic successive one year renewals unless either we or the employee gives notice of intention not to renew the agreement. The agreement provides for an annual base salary of $150,000 with specified annual increases to the base salary. Pursuant to the agreement, if we terminate Fahad Syed's employment without cause or good reason, as defined in the agreement, we are obliged to pay a termination benefit equal to the remaining annual base salary during the initial term of the agreement.

DESCRIPTION OF PROPERTY

NetFabric (Headquarters)

We do not own any real property. We lease our office space for our headquarters and for our subsidiary UCA Services under the same sublease. The office space is located at Three Stewart Court Denville, New Jersey. The total office space is 15,000 square feet for a three year term through July 26, 2008 for an annual rent of approximately $144,000.

We also have a 2 year lease through March 14, 2006 renewable annually for three more years until 2009. This office space is for approximately 19,000 square feet with an annual rent of approximately $88,000 with escalation provisions for renewal.

NetFabric Corporation (Operating subsidiary)

We lease office space under a two-year operating lease with Silvermine Investors, LLC, which expires on December 31, 2005 and the lease provides us an option to extend the term for a period of one year. Under the terms of the lease, we have paid one dollar and issued 200,000 shares of common stock to Silvermine as consideration for use of the office space during the term of the lease. Prior to 2004, we operated rent-free from the primary residence of Jeff Robinson, co-founder and current CEO and Chairman, and the offices of Fred Nazem, co-founder and former Chairman and CEO.

Each of these offices provide sufficient space for their respective operations for the near future.

LEGAL PROCEEDINGS

We are not a party to any pending legal proceedings other than the ordinary course of routine litigation incidental to our business.

PRINCIPAL STOCKHOLDERS

Security Ownership Of Certain Beneficial Owners And Management

The table below sets forth information with respect to the beneficial ownership of our common stock as of October 27, 2005 for (i) persons who own more than 5% of our outstanding common stock; (ii) each of our directors or those nominated to be directors, and executive officers; and (iii) all of our directors and executive officers as a group.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percentage of Class(1)
Common	Macrocom Investors, LLC 1365 York Avenue, 28B New York, New York 10021	5,750,000(2)	8.5%
Common	Faisal Syed Three Stewart Court Denville, New Jersey 07834	9,638,462	15.3%
Common	Mohamed Asif Three Stewart Court Denville, New Jersey 07834	9,638,462	15.3%
Common	Fred Nazem 44 East 73rd Street New York, New York 10021	15,069,977(3)	23.9%

SECURITY OWNERSHIP OF MANAGEMENT

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percentage of Class (1)
Common	Jeff Robinson c/o NetFabric Corporation Holdings, Inc. Three Stewart Court Denville, NJ 07834	14,832,476	23.6%
Common	Walter Carozza c/o NetFabric Corporation Holdings, Inc. Three Stewart Court Denville, NJ 07834	1,070,013(4)	1.7%
Common	Madelyn M. DeMatteo c/o NetFabric Corporation Holdings, Inc. Three Stewart Court Denville, NJ 07834	46,875(5)	*
Common	Charlotte G. Denenberg c/o NetFabric Corporation Holdings, Inc. Three Stewart Court Denville, NJ 07834	46,875(5)	*

SECURITY OWNERSHIP OF MANAGEMENT

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percentage of Class (1)
Common	Fahad Syed c/o NetFabric Corporation Three Stewart Court Denville, NJ 07834	4,819,231(5)	7.7%
Common	Eric Strauss c/o NetFabric Corporation Three Stewart Court Denville, NJ 07834	112,500(5)	*
Common	Vasan Thatham c/o NetFabric Corporation Three Stewart Court Denville, NJ 07834	75,000(7)	*
Common	Richard F. Howard c/o NetFabric Corporation Three Stewart Court Denville, NJ 07834	46,875(5)	*
Common	ALL DIRECTORS AND OFFICERS AS A GROUP (8 persons)	21,049,845(8)	32.8%

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* Less than 1%.

(1) Applicable percentage of ownership is based on 62,885,500 shares of common stock outstanding as of October 31, 2005 for each stockholder. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting of investment power with respect to securities. Shares of common stock subject to securities exercisable or convertible into shares of common stock that are currently exercisable or exercisable within 60 days of October 31, 2005 are deemed to be beneficially owned by the person holding such options for the purpose of computing the percentage of ownership of such persons, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

(2) Includes 3,000,000 shares issuable upon exercise of warrants and 2,000,000 shares issuable upon conversion of convertible debentures.

(3) Includes 100,000 shares issuable upon exercise of warrants, 100,000 shares issuable upon the conversion convertible debentures, and 6,592,212 shares held by the Fred F. Nazem Children's Trust, whose trustees are Alexander Nazem, Farhad Nazem and Sohelya Gharib. Fred Nazem disclaims beneficial ownership of these securities.

(4) Includes 617,708 shares issuable upon exercise of options, 150,000 shares issuable upon exercise of warrants and 100,000 shares issuable upon conversion of convertible debentures, 100,000 shares issuable upon exercise of warrants and 100,000 shares issuable upon conversion of convertible debentures held by an entity affiliated with Walter Carozza.

(5) Includes 46,875 shares issuable upon exercise of options. (6) Includes 112,500 shares issuable upon exercise of options. (7) Includes 75,000 shares issuable upon exercise of options.

(8) Includes 945,833 shares issuable upon exercise of options, 150,000 shares issuable upon exercise of warrants and 100,000 shares issuable upon conversion of convertible debentures.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

During the past two years, we have entered two transactions with a value in excess of $60,000 with an officer, director or beneficial owner of 5% or more of our common stock, or with a member of the immediate family of any of the foregoing named persons or entities, as follows:

In May 2005, Fred Nazem advanced us $70,000 for our working capital purposes. In June 2005, Fahad Syed, a director and officer, advanced us $200,000 for our working capital purposes. Each of these loans was interest free and have not been subject to any written agreement.

Prior to our acquisition of UCA Services, UCA Services issued a promissory note to Faisal Syed, a stockholder for $100,000. The note bears interest at the rate equal to the minimum applicable interest rate allowable under the law. The promissory note together with accrued but unpaid interest was due on June 16, 2005. To date, our subsidiary has not repaid the promissory note. We are in negotiation with the noteholder to extend the maturity of the note.

Our subsidiary UCA Services has a sublease with UCA Global, Inc., an entity affiliated with Faisal Syed. Mr. Syed is a stockholder of NetFabric. The lease is for an office of 15,000 square feet for a three year term through July 2008 with an annual rent of $144,000. The sublease rent was determined by the landlord based on the area of usage and our subsidiary pays its share of rent directly to the landlord.

MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY AND OTHER STOCKHOLDER MATTERS

(a) Market Information

The following table sets forth the high and low bid prices for our common stock for the periods indicated as reported by the NASDAQ Over-the-Counter Bulletin Board. The quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

YEAR 2003	High Bid	Low Bid
Quarter Ended March 31,	.51	.51
Quarter Ended June 30,	.35	.35
Quarter Ended September 30	.35	.35
Quarter Ended December 31	.35	.35

YEAR 2004	High Bid	Low Bid
Quarter Ended March 31	.20	.20
Quarter Ended June 30	.20	.20
Quarter Ended September 30	.20	.20
Quarter Ended December 31	3.20	.20

YEAR 2005	High Bid	Low Bid
Quarter Ended March 31	2.75	1.25
Quarter Ended June 30	1.48	1.01
Quarter Ended August 25	1.43	.80

(b) Holders Of Common Stock

As of October 31, 2005, we had approximately 451 shareholders of our common stock and 62,885,500 shares of our common stock were issued and outstanding.

(c) Dividend

The holders of common stock are entitled to receive dividends if and when declared by the Board of Directors, out of funds legally available therefore and to share pro-rata in any distribution to the shareholders. Generally, we are not able to pay dividends if after payment of the dividends, we would be unable to pay our liabilities as they become due or if the value of our assets, after payment of the liabilities, is less than the aggregate of our liabilities and stated capital of all classes. We do not anticipate declaring or paying any cash dividends in the foreseeable future.

(d) Equity Compensation Plan as of October 3, 2005

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity Compensation Plans(1)	5,133,889	$ 0.46	3,866,111
Equity compensation plans not approved by equity holders(2)	4,913,637	0.72	0
Total	10,047,526	$ 0.61	3,866,111

(1) Pursuant to the NetFabric 2005 Stock Option Plan.
(2) Outstanding warrants to acquire shares of common stock. The warrants expire at various times through 2008 and warrant holders have anti-dilution rights.

DESCRIPTION OF SECURITIES

General

Our Articles of Incorporation authorize the issuance of 100,000,000 shares of common stock, $0.001 par value per share. As of October 31, 2005, there were 62,885,500 outstanding shares of common stock. We are authorized to issue 10,000,000 shares of preferred stock, but to date we have not issued any shares of preferred stock. Set forth below is a description of certain provisions relating to our capital stock. For additional information, regarding our stock please refer to our Articles of Incorporation and By-Laws.

Common Stock

Each outstanding share of common stock has one vote on all matters requiring a vote of the stockholders. There is no right to cumulative voting; thus, the holder of fifty percent or more of the shares outstanding can, if they choose to do so, elect all of the directors. In the event of a voluntary of involuntary liquidation, all stockholders are entitled to a pro rata distribution after payment of liabilities and after provision has been made for each class of stock, if any, having preference over the common stock. The holders of the common stock have no preemptive rights with respect to future offerings of shares of common stock. Holders of common stock are entitled to dividends if, as and when declared by the Board out of the funds legally available therefore. It is our present intention to retain earnings, if any, for use in its business. The payment of dividends on the common stock are, therefore, unlikely in the foreseeable future.

Preferred Stock

We have 10,000,000 shares of preferred stock authorized. The preferred stock may be issued from time to time in one or more series. The Board of Directors shall have the full authority to determine and state the designations and the relative rights (including, if any, par value, conversion rights, participation rights, voting rights, dividend rights, and stated, redemption and liquidation values), ranking preferences, limitations and restrictions of each such series by the adoption of resolutions prior to the issuance of each such series authorizing the issuance of such series. All shares of preferred stock of the same series shall be identical with each other in all respects, except with respect to the right to receive dividends which may vary depending on the date of purchase.

Secured Convertible Debentures

Pursuant to the Securities Purchase Agreement, we have issued to Cornell Capital Partners secured convertible debentures in the principal amount of $1,658,160. These secured convertible debentures are convertible at the holders option at a conversion price equal to the lesser of (i) an amount equal to $1.00; or (ii) an amount equal to 95% of the lowest closing bid price of our common stock for the 30 trading days immediately preceding the conversion date. The secured convertible debentures have a 36-month term and accrue annual interest of 5%. The secured convertible debentures may be redeemed by us at any time, in whole or in part.

Warrants

In connection with the Securities Purchase Agreement we issued a warrant to Cornell Capital Partners. The warrant allows Cornell Capital Partners to purchase 560,000 shares of common stock at an exercise price equal to $0.50. The warrant expires three years from October 27, 2005.

Limitation Of Liability: Indemnification

Our Articles of Incorporation include an indemnification provision under which we have agreed to indemnify our directors and officers of from and against certain claims arising from or related to future acts or omissions as a director or officer of NetFabric. Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of NetFabric pursuant to the foregoing, or otherwise, we have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable.

Anti-Takeover Effects Of Provisions Of The Articles Of Incorporation

Authorized And Unissued Stock

The authorized but unissued shares of our common stock are available for future issuance without our stockholders' approval. These additional shares may be utilized for a variety of corporate purposes including but not limited to future public or direct offerings to raise additional capital, corporate acquisitions and employee incentive plans. The issuance of such shares may also be used to deter a potential takeover of NetFabric that may otherwise be beneficial to stockholders by diluting the shares held by a potential suitor or issuing shares to a stockholder that will vote in accordance with NetFabric's Board of Directors' desires. A takeover may be beneficial to stockholders because, among other reasons, a potential suitor may offer stockholders a premium for their shares of stock compared to the then-existing market price.

The existence of authorized but unissued and unreserved shares of preferred stock may enable the Board of Directors to issue shares to persons friendly to current management which would render more difficult or discourage an attempt to obtain control of NetFabric by means of a proxy contest, tender offer, merger or otherwise, and thereby protect the continuity of our management.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANT ON ACCOUNTING AND FINANCIAL DISCLOSURE

As a consequence of the change in management, resulting from the acquisition of NetFabric, on March 28, 2005 Michael Johnson & Co. LLC was dismissed as the independent registered public accounting firm for Houston Operating Company by the Audit Committee of its Board of Directors.

Michael Johnson reports on Houston'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 Houston'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 Houston's two most recent fiscal years and through March 28, 2005, there were no disagreements with Michael Johnson 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 Michael Johnson, 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.

Houston has provided Michael Johnson with a copy of this disclosure and requested that they furnish Houston 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 is attached hereto as Exhibit 16.1.

Also effective March 28, 2005, J.H. Cohn LLP was appointed as the new independent registered public accounting firm for Houston.

During its two most recent fiscal years and through March 28, 2005, Houston has not consulted with J.H. Cohn 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 Houston's financial statements, in each case where written or oral advice was provided, that was an important factor considered by Houston 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. J.H. Cohn are currently the auditors for NetFabric, a wholly-owned operating subsidiary of the Company.

EXPERTS

The consolidated financial statements of NetFabric as of December 31, 2004 and 2003 and for the years then ended, included in this prospectus, have been included herein on the reliance of the report, dated March 30, 2005, except for the matters discussed in Note 12, as to which the date is April 7, 2005, of J.H. Cohn LLP, independent registered public accounting firm, which included an explanatory paragraph relating to NetFabric's ability to continue in existence, given on the authority of that firm as experts in accounting and auditing.

The financial statements of UCA Services Inc. as of December 31, 2004 and 2003 and the related statements of operations, stockholders' equity (deficit) and cash flows for the year ended December 31, 2004 and the statements of operations, stockholders' equity (deficit) and cash flows for the period from January 1, 2003 to May 31, 2003 and for the period from inception (June 1, 2003) to December 31, 2003, included in this prospectus, have been included herein on the reliance of the report, dated July 29, 2005, of J.H. Cohn LLP, independent registered public accounting firm, given on the authority of that firm as experts in accounting and auditing.

Transfer Agent

The transfer agent for our common stock is Securities Transfer Corporation. Their address is2591 Dallas Parkway, Suite 102, Frisco, Texas 75034, and their telephone number is 469-633-0088.

LEGAL MATTERS

Kirkpatrick & Lockhart Nicholson Graham LLP will pass upon the validity of the shares of common stock offered hereby. Kirkpatrick & Lockhart Nicholson Graham LLP is located at 201 South Biscayne Boulevard, Miami Center, Suite 2000, Miami, Florida 33131.

HOW TO GET MORE INFORMATION

We have filed with the Securities and Exchange Commission a registration statement on Form SB-2 under the Securities Act of 1933, as amended, with respect to the securities offered by this prospectus. This prospectus, which forms a part of the registration statement, does not contain all the information set forth in the registration statement, as permitted by the rules and regulations of the Securities and Exchange Commission. For further information with respect to us and the securities offered by this prospectus, reference is made to the registration statement. Statements contained in this prospectus as to the contents of any contract or other document that we have filed as an exhibit to the registration statement are qualified in their entirety by reference to the exhibits for a complete statement of their terms and conditions. The registration statement and other information may be read and copied at the Securities and Exchange Commission's Public Reference Room at 100 F Street, Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the Commission at 1-800-SEC-0330. The Commission maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the Securities and Exchange Commission.

INDEX TO HISTORICAL FINANCIAL STATEMENTS

NETFABRIC HOLDINGS, INC. AND SUBSIDIARIES

NETFABRIC HOLDINGS, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets

ASSETS

	June 30, 2005 (Unaudited)	December 31, 2004
Current Assets:		
Cash	$ 18,087	$ 67,719
Trade accounts receivable, net	2,460,590	--
Inventory	209,261	72,025
Prepaid expenses and other current assets	196,037	88,910
Total current assets	2,883,975	228,654
Property and equipment, net	308,010	171,931
Deferred offering costs	--	368,683
Goodwill and other intangibles	34,166,977	--
Other assets	7,324	43,053
Totals	$ 37,366,286	$ 812,321

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

Current Liabilities:		
Bridge loans, net of unamortized discount	$ 211,686	$ 749,659
Loans and advances payable to stockholders and officers	502,639	32,639
Accounts payable and accrued liabilities	3,512,907	273,707
Accrued compensation	459,679	--
Deferred revenues and customer advances	786,260	25,966
Total current liabilities	5,473,171	1,081,971
Commitments and contingencies		
Stockholders' Equity (Deficit):		
Common Stock, $.001 par value, 100,000,000 shares authorized, 61,748,358 and 34,652,204 shares issued and outstanding, respectively	61,748	34,652
Additional paid-in capital	35,551,209	1,216,523
Deferred employee compensation	(44,985)	--
Accumulated deficit	(3,674,857)	(1,520,825)
Total stockholders' equity (deficit)	31,893,115	(269,650)
Totals	$ 37,366,286	$ 812,321

See Notes to Unaudited Condensed Consolidated Financial Statements

NETFABRIC HOLDINGS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
For Three Months Ended June 30, 2005 and June 30, 2004 and
The Six Months Ended June 30, 2005 and June 30, 2004

	Three Months Ended		Six Months Ended	
	June 30, 2005 (Unaudited)	June 30, 2004 (Unaudited)	June 30, 2005 (Unaudited)	June 30, 2004 (Unaudited)
Revenues	$ 2,273,330	$ --	$ 2,273,330	$ --
Expenses:				
Direct employee compensation and consultant expenses	1,778,075	27,044	1,780,808	34,719
Selling, general and administrative expenses	1,276,243	187,249	1,898,851	261,853
Research and development	187,477	--	321,952	--
Interest and bank charges	155,019	249	387,843	249
Depreciation and amortization	22,618	--	37,908	--
Total expenses	3,419,432	214,542	4,427,362	296,821
Loss before provision for income taxes	(1,146,102)	(214,542)	(2,154,032)	(296,821)
Provision for income taxes	--	--	--	--
Net loss	$ (1,146,102)	$ (214,542)	$ (2,154,032)	$ (296,821)
Net loss per common share, basic and diluted	$ (0.02)	$ (0.01)	$ (0.05)	$ (0.01)
Weighted average number of shares outstanding, basic and diluted	48,773,506	31,140,956	42,635,842	30,485,357

See Notes to Unaudited Condensed Consolidated Financial Statements

NETFABRIC HOLDINGS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Stockholders' Equity (Deficit)

	Common Stock		Additional	Deferred
	Shares	Par Value	Paid-In Capital	Compensation
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	--
Issuance of shares in connection with acquisition	24,096,154	24,096	32,746,673	--
Allocation of value to warrants in connection with debt	--	--	392,196	--
Deferred employee stock option compensation	--	--	67,500	(67,500)
Amortization of deferred employee stock option compensation	--	--	--	22,515
Net loss	--	--	--	--
Balances at June 30, 2005 (unaudited)	61,748,358	$ 61,748	$ 35,551,209	$ (44,985)

	Accumulated Deficit	Total Stockholders' Equity (Deficit)
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
Issuance of shares in connection with acquisition	--	32,770,769
Allocation of value to warrants in connection with debt	--	392,196
Deferred employee stock option compensation		
Amortization of deferred employee stock option compensation	--	22,515
Net loss	(2,154,032)	(2,154,032)
Balances at June 30, 2005 (unaudited)	$ (3,674,857)	$ 31,893,115

See Notes to Unaudited Condensed Consolidated Financial Statements

NETFABRIC HOLDINGS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2005 and June 30, 2004

	Six Months Ended	
	June 30, 2005 (Unaudited)	June 30, 2004 (Unaudited)
OPERATING ACTIVITIES		
Net loss	$ (2,154,032)	$ (296,821)
Adjustments to reconcile net loss to net cash used in operating activities:		
Non-cash charge for common stock issued for rent	25,000	25,000
Non-cash charge for options issued to non-employees	10,313	30,026
Non-cash charge for amortization of employee deferred compensation	22,515	--
Provision for bad debts	18,284	--
Amortization of debt discount	354,226	--
Depreciation and amortization	37,908	--
Changes in operating assets and liabilities, net of acquisition:		
Inventory	(137,236)	(10,267)
Trade accounts receivable	(306,622)	(16,602)
Prepaid expenses and other current assets	(42,719)	--
Other assets	32,740	--
Accounts payable and accrued liabilities	1,058,426	4,980
Accrued compensation	239,314	--
Deferred revenues and advances	(312,407)	18,283
Net cash used in operating activities	(1,154,290)	(245,401)
INVESTING ACTIVITIES		
Direct acquisition costs of UCA Services	(187,000)	--
Purchases of property and equipment	(78,342)	(4,500)
Net cash used in investing activities	(265,342)	(4,500)
FINANCING ACTIVITIES		
Proceeds from issuance of common stock	1,000,000	250,000
Loans and advances from stockholders and officers	370,000	--
Net cash provided by financing activities	1,370,000	250,000
Net increase (decrease) in cash	(49,632)	99
Cash at beginning of period	67,719	18,053
Cash at end of period	$ 18,087	$ 18,152
Supplemental cash flow information:		
Cash paid for interest expense	$ 12,500	$ --
Cash paid for income taxes	$ --	$ --

See Notes to Unaudited Condensed Consolidated Financial Statements

NOTE 1. NATURE OF BUSINESS

NetFabric Holdings, Inc. ("Holdings" or the "Company") (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") 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 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 was 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 (Holdings and its subsidiaries are collectively referred to as "Holdings").

NetFabric, a Delaware corporation incorporated on December 17, 2002, began operations in July 2003. NetFabric develops and markets a family of Internet Protocol ("IP") appliances that simplifies the integration of standard telephone systems with an IP infrastructure.

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. ("UCA Services"), a New Jersey company, from its shareholders in exchange for the issuance of 24,096,154 shares of common stock of Holdings (See Note 3). Holdings emerged from the development stage upon the acquisition of UCA Services.

NOTE 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 and six months ended June 30, 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 and the audited financial statements of UCA Services for the year ended December 31, 2004 included in the Company Form 8-K filed on August 3, 2005.

As shown in the accompanying condensed consolidated financial statements, the Company has an accumulated deficit of $3,674,857 and has a working capital deficit of $2,589,196 at June 30, 2005. 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 obligations on a timely basis. Management believes that such cash flows will be funded by additional equity and/or debt financings (See Note 10) through the time in which the Company consistently generates sufficient positive cash flows from its operations, if ever. However there can be no assurance that management's plans will be achieved.

Consolidation

The condensed consolidated financial statements include the accounts of Holdings and its wholly-owned subsidiaries. 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 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, accounting for goodwill and intangible assets, the fair value of the Company's 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 and as a provider of information technology consulting and infrastructure development services.

In accordance with SEC Staff Accounting Bulletin No. 104, "Revenue Recognition," revenue is recognized when persuasive evidence of an arrangement exists, delivery of the product or services 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.

UCA Services derives revenue primarily from professional services, managed IT services, application development services and from business process management services. Arrangements with customers for services are generally on a time and material basis or fixed-price, fixed-timeframe. Revenue on time-and-material contracts is recognized as the related services are performed. Revenue from fixed-price, fixed-timeframe service contracts are recognized ratably over the term of the contract, as per the proportional performance method. When the Company receives cash advances from customers in advance of the service period, amounts are reported as advances from customers until the commencement of the service period. Billings and collections in excess of revenue recognized are classified as deferred revenue.

To date NetFabric's communication equipment products have been marketed 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 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 NetFabric but must obtain prior approval from NetFabric before returning products, consistent with industry practice. 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 sales have been made and as such, 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.

Allowance for Doubtful Accounts

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. These estimated losses are based upon historical bad debts, specific customer creditworthiness and current economic trends. If the financial condition of a customer deteriorates, resulting in the customer's inability to make payments within approved credit terms, additional allowances may be required. The Company performs credit evaluations of its customers' financial condition on a regular basis. The Company recorded allowances for bad debts of $18,284 and $0 during the three and six months ended June 30, 2005 and 2004, respectively.

Inventory

Inventory consists primarily of finished goods and purchased electronic components which 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 value 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 June 30, 2005 and December 31, 2004.

Business Concentrations and Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and accounts receivable. The Company reduces credit risk by placing its cash with major financial institutions with high credit ratings. At times, such amounts may exceed Federally insured limits. The Company reduces 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 worldwide in a variety of industries. The Company had revenues from 2 clients representing 46% (34% and 12%, respectively) of revenues during the three months ended June 30, 2005. The Company had revenues from 2 clients representing 46% (34% and 12%, respectively) of revenues for the six months ended June 30, 2004.

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 3 clients accounting for 49% (28%, 11% and 10%) of total gross accounts receivable as of June 30, 2005.

Goodwill and Other Intangibles
Goodwill and other intangibles represent the Company's preliminary allocation of the estimated cost to acquire UCA Services in excess of the fair value of net assets acquired. The allocation is preliminary and subject to change based on finalization of the Company's valuation. The actual purchase price allocation, to reflect the fair values of assets acquired and liabilities assumed, will be based upon management's ongoing evaluation. Accordingly, the final allocation of the purchase price may differ significantly from the preliminary allocation.

Under SFAS No. 142 Goodwill and Other Intangible Assets, goodwill is not amortized but is reviewed for impairment annually, as well as when a triggering event indicates impairment may have occurred.

The goodwill test for impairment consists of a two-step process that begins with an estimation of the fair value of the reporting unit. The first step of the process is a screen for potential impairment and the second step measures the amount of impairment, if any. The Company will perform a goodwill impairment test annually, as well as when a triggering event indicating impairment may have occurred.

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:

	Six months ended, June 30,		Three months ended, June 30,	
	2005	2004	2005	2004
Net loss, as reported	$(2,154,032)	$ (296,821)	$(1,146,102)	$ (214,542)
Stock based employee compensation recorded	22,515	--	4,207	--
Sub-total	(2,131,517)	(296,821)	(1,141,895)	(214,542)
Stock-based employee compensation expense determined under fair value method	466,401	5,226	175,364	4,318
Pro forma net loss, as adjusted	$(2,597,918)	$ (302,047)	$(1,317,259)	$ (218,860)
Loss per share:				
Basic and diluted-as reported	$ (0.05)	$ (0.01)	$ (0.02)	$ (0.01)
Basic and diluted-pro forma	$ (0.06)	$ (0.01)	$ (0.03)	$ (0.01)

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 are 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 consider 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 and six months ended June 30, 2005 and 2004 exclude potential common shares of 9,287,526 and 4,569,227 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.

In November 2004, the FASB issued SFAS No. 151, Inventory Costs, an amendment of ARB No. 43, Chapter 4 ("SFAS No. 151"). SFAS No. 151 amends the guidance in ARB No. 43, Chapter 4, Inventory Pricing, to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). Paragraph 5 of ARB No. 43, Chapter 4, previously stated that "...under some circumstances, items such as idle facility expense, excessive spoilage, double freight, and re-handling costs may be so abnormal as to require treatment as current period charges..." SFAS No. 151 requires that those items be recognized as current-period charges regardless of whether they meet the criterion of "so abnormal." In addition, this statement requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The provisions of SFAS No. 151 shall be applied prospectively and are effective for inventory costs incurred during fiscal years beginning after June 15, 2005, with earlier application permitted for inventory costs incurred during fiscal years beginning after the date this Statement was issued. The adoption of SFAS No. 151 is not expected to have a material impact on the Company's financial position and results of operations.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29" ("SFAS No. 153"). The guidance in APB Opinion No. 29, Accounting for Nonmonetary Transactions, is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of assets exchanged. The guidance in that Opinion, however, included certain exceptions to that principle. This Statement amends Opinion 29 to eliminate the exception for nonmonetary exchanges of similar productive assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for nonmonetary exchanges occurring in fiscal periods beginning after June 15, 2005. The adoption of SFAS No. 153 is not expected to have a material impact on the Company's financial position and results of operations.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections--a replacement of APB Opinion No. 20 and FASB Statement No. 3" ("SFAS No. 154"). SFAS 154 changes the requirements for the accounting for, and reporting of, a change in accounting principle. SFAS 154 requires that a voluntary change in accounting principle be applied retrospectively with all prior period financial statements presented using the new accounting principle. SFAS No. 154 is effective for accounting changes and corrections of errors in fiscal years beginning after December 15, 2005. The implementation of SFAS 154 is not expected to have a material impact on the Company's consolidated financial statements.

NOTE 3. ACQUISITION

The Company acquired UCA Services on May 20, 2005. Pursuant to the terms of the Exchange Agreement, Holdings acquired all of the issued and outstanding shares of UCA Services from the UCA Services' shareholders in exchange for the issuance of 24,096,154 shares of common stock of Holdings. The acquisition of UCA Services allows the Company to enter the IT services industry and is strategic to the NetFabric IP equipment development.

The acquisition was accounted for as a business combination with Holdings as the acquirer. Under the purchase method of accounting, the assets and liabilities of UCA Services acquired by Holdings are recorded as of the acquisition date at their respective fair values, and added to those of Holdings, and the results of UCA Services have been included with those of the Company since the date of acquisition.

The preliminary purchase price of $34,166,977 consists of $32,770,769 of common stock, $187,000 of acquisition costs and the assumption of $1,209,208 of net liabilities. The fair value of Holdings' common stock issued in exchange for the shares of UCA Services was based on the average closing market price of NetFabric Holdings' common stock for a period of five days prior and five days subsequent to the share exchange.

The allocation of the preliminary purchase price to the estimated fair values of the assets acquired and liabilities assumed as reflected in the unaudited condensed consolidated financial statements is preliminary and subject to change based on finalization of the Company's valuation. The actual purchase price allocation, to reflect the fair values of assets acquired and liabilities assumed will be based upon management's ongoing evaluation. Accordingly, the final allocation of the purchase price may differ significantly from the preliminary allocation and such allocation will impact the Company's annual goodwill impairment testing and related future impairment charge, if any.

The estimated fair value of the net liabilities assumed in the acquisition of UCA Services are as follows:

Accounts receivable	$ 2,153,968
Property, plant, other assets and equipment	190,602
Accounts payable and accrued expenses	(2,481,077)
Deferred revenue and advances	(1,072,701)
Net liabilities assumed	$ (1,209,208)

Summarized below are the pro forma unaudited results of operations for the six months and three months ended June 30, 2005 and 2004, respectively, as if the results of UCA Services were included for the entire periods presented. The pro forma results may not be indicative of the results that would have occurred if the acquisition had been completed at the beginning of the period presented or which may be obtained in the future:

	Six Months Ended,	
	June 30, 2005 (Unaudited)	June 30, 2004 (Unaudited)
Revenues	$ 9,154,682	$ 5,966,007
Net loss	(3,039,185)	(142,079)
Basic and diluted loss per share	$ (0.05)	$ --
Weighted average common shares outstanding	61,140,623	54,581,511

	Three Months Ended	
	June 30, 2005 (Unaudited)	June 30, 2004 (Unaudited)
Revenues	$ 4,980,848	$ 3,210,098
Net loss	(2,031,255)	(59,800)
Basic and diluted loss per share	$ (0.03)	$ --
Weighted average common shares outstanding	61,748,358	55,237,110

NOTE 4. BRIDGE LOANS

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. As noted below, on the Second Due Date in April 2005 Macrocom did not request repayment or conversion to common stock 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 and six months ended June 30, 2005, $132,353 and $354,226, respectively, of the discounts were amortized into interest expense on the accompanying statements of operations. There was no amortization of debt discount during the three and six months ended June 30, 2004.

On May 24, 2005, NetFabric and Macrocom entered into an agreement to amend the Financing Agreement between the parties. Under the terms of the amendment, the due date for Loan II has been extended from April 10, 2005 until October 30, 2005. At the same time and in connection with the extension of the due date for Loan II, Macrocom and Holdings also amended the terms of the Financing Agreement with respect to a warrant Macrocom originally received on December 9, 2004 (Note 5). The warrant was set to expire on June 7, 2005; however, the parties agreed to extend the term of the warrant until December 9, 2006. As a result of these changes in terms, a debt discount of $392,196 was recorded on April 11, 2005.

NOTE 5. STOCKHOLDERS' EQUITY

In addition to the Bridge Loan transactions (Note 4), 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 in 2005. The term of the Macrocom Warrant was extended in April 2005 (Note 4).

NOTE 6. STOCK-BASED COMPENSATION

During the three months ended June 30, 2005 and 2004 the Company recognized nonemployee compensation expenses 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. During the six months ended June 30, 2005 and 2004 the Company recognized nonemployee compensation expenses of $10,313 and $30,026, respectively, as a result of the vesting of options, which is included in general and administrative expenses on the accompanying consolidated statements of operations.

NOTE 7. RELATED PARTY TRANSACTIONS

Loans and advances payable to stockholders and officers on the accompanying consolidated balance sheet at June 30, 2005 represent amounts owed to stockholders of the Company for advances of cash provided to the Company. During June 2005, approximately $370,000 was advanced from stockholders.

After the acquisition of UCA Services in May 2005, certain shareholders of the Company are also the owners of UCA Computer Systems, Inc. ("Systems"), a computer hardware company with which UCA Services has historically had transactions with.

The Company subleases certain office space and incurs occupancy related costs under an agreement with Systems, whereby the Company pays rent and other occupancy costs based on the proportion of square footage occupied by the Company in the Systems office facility. Rent and occupancy expenses incurred by the Company under this agreement, which commenced on May 20, 2005, was $6,114 and is included in selling, general and administrative expenses during the three months ended June 30, 2005.

In connection with delivering hardware and software to certain of its customers, Systems has engaged the Company to assist with certain elements of its customer contracts, including, but not limited to, hardware and software configuration and implementation. Such services are provided to Systems pursuant to an arrangement between the companies. From May 20, 2005, the date of acquisition of UCA Services, through June 30, 2005 the Company has not provided any services to Systems.

From time to time, prior to the acquisition of UCA Services by the Company, UCA Services provided short-term borrowings to Systems and received short-term borrowings from Systems to meet working capital needs. At June 30, 2005 the net amount due from Systems of $779,870, consisting of $255,746 in trade accounts receivable related to services provided by UCA Services and $524,124 of amounts due to Systems for advances of cash and accounts payable. On May 17, 2005 UCA Services and Systems entered into an unsecured Non-Negotiable Promissory Note (the "Systems Note") whereby the net amount due to UCA Services from Systems of $779,870 was aggregated into the Systems Note. The Systems Note provides for interest at a rate equal to the minimum applicable federal rate of interest per annum and for equal monthly payments from Systems to UCA Services over a period of thirty-six months commencing on June 1, 2005. Due to uncertainties related to the realizability of the amounts due from Systems, the entire balance due from affiliate, which was acquired by Holdings as part of the acquisition of UCA Services, had been fully reserved for by UCA Services prior to the acquisition by the Company and continues to be fully reserved for as of June 30, 2005.

Other Relationship

Included in accounts receivable at June 30, 2005, is $37,720 due from Flagship HealthCare Management, Inc. ("Flagship"), a company related to the Company through common ownership. No services have been provided to Flagship during 2005.

NOTE 8. SEGMENTS

SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" established standards for reporting information about operating segments in financial statements. Operating segments are defined as components of an enterprise engaging in business activities about which separate financial information is available that is evaluated by the chief operating decision maker or group in deciding how to allocate resources and in assessing performance. The Company operates in two business segments: Internet Protocol and Information Technology Services. These reportable segments are strategic business units that are in different phases of development that the Company manages and finances separately based on the fundamental differences in their operations. The Company defines segment earnings as earnings before interest, taxes, depreciation and amortization and other charges determined to be non-recurring in nature, such as restructuring and impairment charges.

Information about the Company operating segments, the presentation of which reflects changes in information that is now being made available to the Company's chief operating decision maker, is as follows:

	IT Services	IP	Corporate	Total
Three Months Ended June 30, 2005				
Revenues	$ 2,273,330	$ --	$ --	$ 2,273,330
Earnings before interest, taxes, depreciation and amortization	(84,497)	(716,290)	(167,678)	(968,465)
Net loss	(90,567)	(887,857)	(167,678)	(1,146,102)
Total assets	36,851,080	515,206	--	37,366,286
Six months Ended June 30, 2005				
Revenues	$ 2,273,330	$ --	$ --	$ 2,273,330
Earnings before interest, taxes, depreciation and amortization	(84,497)	(1,398,953)	(244,831)	(1,728,281)
Net loss	(90,567)	(1,818,634)	(244,831)	(2,154,032)
Total assets	36,851,080	515,206	--	37,366,286

Prior to the acquisition of UCA Services on May 20, 2005, the Company did not have operating segments.

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

	Six Months Ended	
	June 30, 2005 (Unaudited)	June 30, 2004 (Unaudited)
Settlement of bridge loan with common stock	$ 500,000	$ --
Non-cash offering costs, netted against proceeds from sales of common stock	$ 368,683	$ --
Common stock issued in the acquisition of UCA Services	$32,770,769	$ --
Imputed discount on bridge loans relating to warrants	$ 392,196	$ --
Deferred employee stock option compensation	$ 67,500	$ --

NOTE 10. SUBSEQUENT EVENTS

Standby Equity Distribution Agreement

On July 5, 2005, the Company entered into a Standby Equity Distribution Agreement (the "SEDA") with Cornell Capital Partners, LP ("Cornell"). Pursuant to the SEDA, the Company may, at its discretion, periodically sell to Cornell shares of common stock, for a total purchase price of up to Ten Million Dollars ($10,000,000). For each share of common stock purchased under the SEDA, Cornell will pay the Company ninety-eight percent (98%) of the lowest volume weighted average price of the Company's common stock as quoted by Bloomberg, LP on the Over-the-Counter Bulletin Board or other principal market on which the Company's common stock is traded for the five (5) days immediately following the notice date. Cornell will also retain five percent (5%) of each advance under the SEDA. Cornell's obligation to purchase shares of the Company's common stock under the SEDA is subject to certain conditions, including the Company obtaining an effective registration statement for shares of common stock sold under the SEDA and is limited to Seven Hundred Fifty Thousand Dollars ($750,000) per weekly advance.

The Company has also issued to Cornell a warrant (the "Cornell Warrant") to purchase, at Cornell's discretion, up to 560,000 shares of common stock at the Warrant Exercise Price as defined in the Cornell Warrant.

On July 5, 2005, in connection with the SEDA, Cornell received a commitment fee of 680,000 shares of common stock. On July 5, 2005, the Company issued to Newbridge Securities Corporation 7,142 shares of common stock under the Placement Agent Agreement in connection with the SEDA. Both the value of the commitment fee and the placement fee will be accounted for as costs of the SEDA resulting in a charge directly to stockholders equity, which will be offset by an equivalent increase in equity for the issuance of the shares.

In October 2005 the Company and Cornell agreed that it was in the best interest of both parties to terminate the SEDA and for Cornell to provide only financing to the Company through the issuance of secured convertible debentures. As a result of their decision the Company and Cornell entered into a Termination Agreement on October 27, 2005 which terminated all of the rights and obligations of both the Company and Cornell under the SEDA. Pursuant to the Termination Agreement the Company agreed to allow Cornell to retain 242,857 shares of the Company's common stock that was previously issued to Cornell as part of the commitment fee under the SEDA. Cornell agreed to return the balance of the commitment fee to the Company which was equal to 437,143 shares of the Company's common stock.

Securities Purchase Agreement

On July 5, 2005, the Company entered into an agreement (the "Securities Purchase Agreement") pursuant to which the Company shall sell to Cornell, and Cornell shall purchase from the Company, secured convertible debentures (the "Cornell Debentures") in the aggregate principal amount of One Million Dollars ($1,000,000), which are convertible, at Cornell's discretion, into common stock. A Four Hundred Thousand Dollar ($400,000) Debenture was funded in July 2005, and a Six Hundred Thousand Dollar ($600,000) Debenture shall be funded two (2) business days prior to the filing date of the registration statement.

The Debentures are convertible, in whole or in part, at any time and from time to time until maturity at a fixed price of $0.50 per share, subject to certain limitations as provided therein. Each Debenture has a term of (1) year, piggy-back registration

rights, a redemption premium equal to fifteen percent (15%) per year and accrues interest at a rate equal to five percent (5%) per year. As collateral for the Cornell Debentures, both the Company and certain officers and shareholders have pledged certain assets and common shares of the Company to secure the Company's obligations under the Securities Purchase Agreement. As noted above in connection with the Cornell Debentures, the Company issued Cornell warrants to acquire 560,000 shares of its common stock at an exercise price $0.50 per share as additional consideration. The Company will allocate the proceeds of the Cornell Debenture based on the computed relative fair values of the debt and equity components noted above. The Cornell Debentures will be accounted for as debt with any debt issuance costs or debt discounts charged to interest expense over the term of the Cornell Debentures.

On October 27, 2005, we entered into a Securities Purchase Agreement with Cornell Capital Partners whereby we agreed to amend and consolidate all of the convertible debentures issued to Cornell Capital Partners into one new secured convertible debenture in the principal amount of $1,658,160. Prior to entering into the Securities Purchase Agreement we issued secured convertible debentures to Cornell Capital Partners in a principal aggregate amount equal to $1,000,000. Of those secured convertible debentures previously issued to Cornell Capital Partners, $400,000 was funded on July 1, 2005; $50,000 was funded on September 1, 2005; $150,000 was funded on October 6, 2005, and $400,000 was funded on October 13, 2005. Pursuant to the Securities Purchase Agreement, Cornell Capital Partners funded an additional $650,000 on October 27, 2005. The $1,000,000 in secured convertible debentures and the additional $650,000 in secured convertible debentures were consolidated into one new secured convertible debenture along with the accrued and unpaid interest on those debentures. The secured convertible debenture has a 36-month term and accrues annual interest of 5%. The secured convertible debenture may be redeemed by us at any time, in whole or in part. If on the date of redemption, the closing price of our common stock is greater than the conversion price in effect, we shall pay a redemption premium of 15% of the amount redeemed in addition to such redemption. The secured convertible debenture is convertible at the holder's option at a conversion price equal to the lesser of (i) an amount equal to $1.00 or (ii) an amount equal to 95% of the lowest closing bid price of our common stock for the 30 trading days immediately proceeding the conversion date. The debenture is secured by substantially all our assets.

Convertible Debenture

On July 19, 2005, the Company sold, a Convertible Debenture (the "Macrocom Debenture") in the face amount of $500,000 to Macrocom. The Macrocom Debenture bears interest at 5% and is due on April 15, 2006. At the option of Macrocom, the Macrocom Debenture can be converted into shares of the Company's common stock at a conversion price of $.50 per share. In connection with the sale, the Company issued Macrocom warrants to acquire 1,000,000 shares of its common stock at an exercise price $1.50 per share. The warrants expire in three years from the date of issuance. The Company also issued to Macrocom 375,000 shares of its common stock as additional consideration. As collateral for the Debenture, the Company has placed with an escrow agent 5,000,000 shares of its common stock. The Company will allocate the proceeds of the Macrocom Debenture based on the computed relative values of the debt and equity components noted above. The amounts allocated to the equity components will be recorded as a debt discount at the date of issuance of the Macrocom Debenture and will be amortized to interest expense using the effective interest method over the stated term of the Macrocom Debenture. The Company anticipates that the amount of aggregate debt discounts will approximate the face amount of the Macrocom Debenture.

On July 19, 2005, the Company sold to a stockholder and an entity affiliated with an officer of the Company, convertible debentures in the face amount of $50,000 each. These debentures were sold on substantially similar terms as the Macrocom Debenture. However, the Company did not provide any collateral.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Houston Operating Company

We have audited the accompanying consolidated balance sheets of Houston Operating Company (a development stage company) as of December 31, 2004 and 2003, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for each of the years then ended, and for the period from inception (January 1, 2003) to December 31, 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Houston Operating Company as of December 31, 2004 and 2003, and its consolidated results of operations and cash flows for each of the years then ended, and for the period from inception (January 1, 2003) to December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company is in the development stage, has had net losses from inception and has working capital and net capital deficiencies. These matters raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might results from the outcome of this uncertainty.

/s/ J.H. Cohn LLP
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Jericho, New York
March 30, 2005, (except for Note 12, as to which the date is April 7, 2005)

NETFABRIC HOLDINGS, INC.
Formerly Houston Operating Company
(A Development Stage Company)
Consolidated Balance Sheets

	December 31, 2004	December 31, 2003
ASSETS		
CURRENT ASSETS		
Cash	$ 67,719	$ 18,053
Trade accounts receivable, net	18,284	--
Inventory	72,025	--
Due from stockholders	--	90
Prepaid expenses	70,626	2,354
Total Current Assets	228,654	20,497
Property and equipment, net	171,931	--
Other assets	43,053	5,665
Deferred offering costs	368,683	--
TOTAL	$ 812,321	$ 26,162
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Bridge loans, net of unamortized discount	$ 749,659	$ --
Loans payable to stockholder	32,639	10,000
Accounts payable and accrued liabilities	281,389	248
Deferred revenue	18,284	--
Total Current Liabilities	1,081,971	10,248
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY (Deficit)		
Common Stock, $.001 par value, 50,000,000 shares authorized 34,652,204 and 29,829,758 shares issued and outstanding, respectively	34,652	29,830
Additional paid-in capital	1,216,523	4,649
Deficit accumulated during the development stage	(1,520,825)	(18,565)
Total stockholders' equity (deficit)	(269,650)	15,914
TOTAL	$ 812,321	$ 26,162

See Notes to Consolidated Financial Statements.

NETFABRIC HOLDINGS, INC.
Formerly Houston Operating Company
(A Development Stage Company)
Consolidated Statements of Operations for the Years Ended December 31, 2004 and 2003 and the Period From Inception (January 1, 2003) to December 31, 2004

	2004	2003	For the Period from inception (January 1, 2003) to December 31, 2004
Revenues	$ 612	$ --	$ 612
Cost of Goods Sold	3,126	--	3,126
Gross Loss	(2,514)	--	(2,514)
Expenses:			
Research and development	395,452	--	395,452
Selling expenses	189,150	3,500	192,650
General and administrative expenses	638,330	8,720	647,050
Legal and professional expense	93,238	6,097	99,335
Interest and bank charges	175,365	248	175,613
Depreciation and amortization	8,211	--	8,211
Loss before provision for income taxes	$ (1,502,260)	$ (18,565)	$ (1,520,825)
Provision for income taxes	--	--	--
Net Loss	$ (1,502,260)	$ (18,565)	$ (1,520,825)
Net loss per common share, basic and diluted	$ (0.05)	$ (0.00)	
Weighted average number of shares outstanding, basic and diluted	31,362,838	29,678,950	

See Notes to Consolidated Financial Statements.

NETFABRIC HOLDINGS, INC.
Formerly Houston Operating Company
(A Development Stage Company)
Consolidated Statements Of Stockholders' Equity (Deficit) For The Years Ended
December 31, 2004 And 2003
And For The Period From Inception (January 1, 2003) To December 31, 2004

	Common Stock Shares	Common Stock Par Value	Additional Paid-In Capital	Deficit Accumulated During the Development Stage	Total Stockholders' Equity (Deficit)
BALANCES AT JANUARY 1, 2003 (INCEPTION)	--	$ --	$ --	$ --	$ --
Sale of common stock to founders at $0.000 per share	29,664,953	29,665	(29,575)	--	90
Sale of common stock to investor at $0.152 per share	164,805	165	24,835	--	25,000
Issuance of options to purchase common stock to non-employees for services	--	--	9,389	--	9,389
Net loss	--	--	--	(18,565)	(18,565)
BALANCES AT DECEMBER 31, 2003	29,829,758	29,830	4,649	(18,565)	15,914
Sale of common stock to investors at $0.152 per share	1,648,053	1,648	248,352	--	250,000
Issuance of common stock to landlord in lieu of rent at $0.152 per share	659,221	659	99,341	--	100,000
Issuance of options to purchase common stock to non-employees for services	--	--	115,719	--	115,719
Common stock issued in connection with share exchange at $0.001 per share	1,765,172	1,765	(30,874)	--	(29,109)
Allocation of proceeds from bridge loans to common stock at $0.823 per share	500,000	500	410,903	--	411,403
Value of shares and warrants issued in connection with financing commitment at $1.475 per share	250,000	250	368,433	--	368,683
Net loss	--	--	--	(1,502,260)	(1,502,260)
BALANCES AT DECEMBER 31, 2004	34,652,204	$ 34,652	$ 1,216,523	$(1,520,825)	$ (269,650)

See Notes to Consolidated Financial Statements

NETFABRIC HOLDINGS, INC.
Formerly Houston Operating Company
(A Development Stage Company)
Consolidated Statements Of Cash Flows
For The Years Ended December 31, 2004 And 2003
And For The Period From Inception (January 1, 2003) To December 31, 2004

	2004	2003	For the Period From Inception (January 1, 2003) to December 31, 2004
OPERATING ACTIVITIES			
Net loss	$(1,502,260)	$ (18,565)	$(1,520,825)
Adjustments to reconcile net loss to net cash used in operating activities:			
Issuance of common stock for services	100,000	--	100,000
Amortization of options issued to non-employees for services	60,059	1,370	61,429
Amortization of debt discount	161,062	--	161,062
Depreciation and amortization	8,211	--	8,211
Changes in operating assets and liabilities:			
Inventory	(72,025)	--	(72,025)
Trade accounts receivable	(18,284)	--	(18,284)
Prepaid expenses	(50,000)	--	(50,000)
Accounts payable and accrued liabilities	281,141	248	281,389
Deferred revenue	18,284	--	18,284
Net cash used in operating activities	(1,013,812)	(16,947)	(1,030,759)
INVESTING ACTIVITIES			
Purchases of property and equipment	(180,142)	--	(180,142)
Decrease (Increase) in due from stockholder	90	(90)	--
Net cash used in investing activities	(180,052)	(90)	(180,142)
FINANCING ACTIVITIES			
Proceeds from issuance of common stock	250,000	25,090	275,090
Repayment of loan payable to stockholder	(6,470)	10,000	3,530
Proceeds from bridge loans	1,000,000	--	1,000,000
Net cash provided by financing activities	1,243,530	35,090	1,278,620
NET INCREASE IN CASH	49,666	18,053	67,719
CASH AT BEGINNING OF PERIOD	18,053	--	--
CASH AT END OF PERIOD	$ 67,719	$ 18,053	$ 67,719
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid for interest expense	$ --	$ --	$ --
Cash paid for income taxes	$ --	$ --	$ --
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES			
Net liabilities of Houston Operating Company assumed in share exchange	$ (29,109)	$ --	$ (29,109)
Fair value of options issued to non-employees for services initially deferred	$ 115,719	$ 9,389	$ 125,108
Imputed discount on bridge loans relating to warrants issued and beneficial conversion feature	$ 411,403	$ --	$ 411,403
Value of shares and warrants issued in connection with financing commitment	$ 368,683	$ --	$ 368,683

See Notes to Consolidated Financial Statements

NETFABRIC HOLDINGS, INC.
Formerly Houston Operating Company
(A Development Stage Company)
Notes to Consolidated Financial Statements

NOTE 1. NATURE OF BUSINESS AND BASIS OF PRESENTATION

Houston Operating Company ("HOC") was incorporated under the laws of the State of Delaware on August 31, 1989. On December 9, 2004, HOC entered into an Exchange Agreement (the "Acquisition Agreement" or "Share Exchange") with all of the stockholders of NetFabric Corporation ("NetFabric") (see Note 7) whereby HOC issued common stock and acquired all of the issued and outstanding common stock of NetFabric and NetFabric became a wholly-owned subsidiary of HOC (HOC and NetFabric are referred to collectively as the "Company"). 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 HOC 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 HOC's 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. HOC, as the Registrant, has applied to change its name to NetFabric, Inc. (Note 11).

All the share and per share amounts have been retroactively adjusted to reflect the 3.2961 to 1 exchange of shares occurring in connection with the merger of HOC and NetFabric.

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.

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

The accompanying consolidated financial statements have been prepared on a going concern basis. As shown in the accompanying consolidated financial statements, the Company has incurred losses in the development stage totaling $1,520,825 and has a working capital deficit of $853,317 at December 31, 2004. 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

Basis of Presentation of Consolidated Financial Statements

The consolidated financial statements include the accounts of HOC and its wholly-owned subsidiary. All significant intercompany transactions and balances have been eliminated. The preparation of the consolidated financial statements in conformity with generally accepted accounting principles 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 and options issued for services as well as the allocation of proceeds from the bridge loan 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.

Allowance for Doubtful Accounts

The Company will maintain allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. These estimated losses will be based upon historical bad debts, specific customer creditworthiness and current economic trends. If the financial condition of a customer deteriorates, resulting in the customer's inability to make payments within approved credit terms, additional allowances may be required. The Company performs credit evaluations of its customers' financial condition on a regular basis, and has not experienced any material bad debt losses to date.

Inventory

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

Cash and Cash Equivalents

The company considers all investments purchased with an original maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment, consisting principally of computer equipment and capitalized purchased software programs, are recorded at cost. Depreciation and amortization are provided for on a straight line basis over the following useful lives:

Equipment	3 years
Purchased software	3 years

Repairs and maintenance are charged to operations as incurred.

Internal Use Software

The Company has adopted Statement of Position 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use. This statement requires that certain costs incurred or purchasing or developing software for internal use be capitalized as internal use software development costs and are included in fixed assets. Amortization begins when the software is ready for its intended use. During the year ended December 31, 2004 the Company incurred $90,250 of internal use software development costs which is included in property and equipment on the accompanying balance sheet.

Long-Lived Assets

Long-lived assets, including property and equipment and intangible assets with finite lives, are monitored and reviewed for impairment in value whenever events or changes in circumstances indicate that the carrying amount of any such asset may not be recoverable. The determination of recoverability is based on an estimate of undiscounted cash flows expected to result from the use of an asset and its eventual disposition. The estimated cash flows are based upon, among other things, certain assumptions about expected future operating performance, growth rates and other factors. Estimates of undiscounted cash flows may differ from actual cash flows due to factors such as technological changes, economic conditions, and changes in the Company's business model or operating performance. If the sum of the undiscounted cash flows (excluding interest) is below the carrying value, an impairment loss is recognized, measured as the amount by which the carrying value exceeds the fair value of the asset. Through December 31, 2004, no write-downs of long-lived assets have been recognized.

Concentrations of Credit Risk

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

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 balance sheets at December 31, 2004 and 2003.

Research and Development

Research and development ("R&D") costs are expensed as incurred. These expenses include the cost of the Company's proprietary R&D efforts as well as costs incurred in connection with the Company's third-party collaboration efforts. The amounts charged to R&D in 2004 and 2003 were $395,452 and $0, respectively.

Warranties

The Company provides a basic limited warranty for its products for one year. The Company will estimate the costs that may be incurred under its basic limited warranty and record a liability in the amount of such costs at the time product revenue is recognized. Factors that affect the Company's warranty liability include the number of installed units, historical and anticipated rates of warranty claims and cost per claim. The Company will periodically assess the adequacy of its recorded warranty liabilities and adjust the amounts as necessary.

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:

	Year ended December 31,	
	2004	2003
Pro forma net loss, as reported	$ (1,502,260)	$ (18,565)
Stock-based employee compensation expense determined under fair value method	128,486	-
Pro forma net loss, as adjusted	$ (1,630,746)	$ (18,565)

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants: For the year ended December 31, 2004, dividend yield of 0%, risk-free interest rate of 3.50%, volatility of 100% and expected life of approximately five years. For the year ended December 31, 2003, dividend yield of 0%, risk-free interest rate of 2.27%, volatility of 100% and expected life of approximately five years. The estimated value of the options is amortized over their vesting periods of one to four years for pro forma disclosure only.

In accordance with SFAS No. 123, the Company will also recognize the cost of shares, options, warrants and other equity instruments issued to nonemployees as consideration for services as expense over the periods in which the related services are rendered by a charge to compensation cost and a corresponding credit to additional paid-in capital. Generally, cost will be determined based on the fair value of the equity instruments at the date of issuance, estimated based on the Black-Scholes option-pricing model, which meets the criteria set forth in SFAS No. 123, and the assumption that all of the options or other equity instruments will ultimately vest. The effect of actual forfeitures will be recognized as they occur.

Income Taxes

Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary 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. Deferred tax assets are reduced by a valuation allowance if it is more likely than not that the tax benefits will not be realized. The ultimate realization of deferred tax assets depends upon the generation of future taxable income during the periods in which those temporary differences become deductible.

Earnings (Loss) Per Share

The Company calculates earnings (loss) 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 (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 earnings (loss) per share for the years ended December 31, 2004 and 2003 exclude potentially issuable common shares of approximately 6,162,526 and 247,208, 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.

Comprehensive Income (Loss)

SFAS No. 130, "Reporting Comprehensive Income," establishes standards for reporting and presentation of comprehensive income (loss) and its components in a full set of financial statements. The statement requires additional disclosures in the consolidated financial statements for certain items; it does not affect the Company's financial position or results of operations. The Company had no items for Comprehensive Income during 2004 and 2003.

Segment Reporting

The Company determines and discloses its segments in accordance with SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information," which uses a "management" approach for determining segments.

The management approach designates the internal organization that is used by management for making operating decisions and assessing performance as the source of a company's reportable segments. SFAS No. 131 also requires disclosures about products or services, geographic areas and major customers. The Company's management reporting structure provides for only one reportable segment and accordingly, no separate segment information is presented.

Recent Accounting Pronouncements Issued, Not Adopted

In February 2003, the Financial Accounting Standards Board ("FASB") issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity" ("SFAS No. 150"). The provisions of SFAS No. 150 are effective for financial instruments entered into or modified after May 31, 2003, and otherwise are effective at the beginning of the first interim period beginning after June 15, 2003, except for mandatorily redeemable financial instruments of nonpublic entities. The Company has not issued any financial instruments with such characteristics.

In December 2003, the FASB issued FASB Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities" ("FIN No. 46R"), which addresses how a business enterprise should evaluate whether it has a controlling financial interest in an entity through means other than voting rights and accordingly should consolidate the entity. FIN No. 46R replaces FASB Interpretation No. 46, "Consolidation of Variable Interest Entities", which was issued in January 2003. Companies are required to apply FIN No. 46R to variable interests in variable interest entities ("VIEs") created after December 31, 2003. For variable interests in VIEs created before January 1, 2004, the Interpretation is applied beginning on January 1, 2005. For any VIEs that must be consolidated under FIN No. 46R that were created before January 1, 2004, the assets, liabilities and noncontrolling interests of the VIE initially are measured at their carrying amounts with any difference between the net amount added to the balance sheet and any previously recognized interest being recognized as the cumulative effect of an accounting change. If determining the carrying amounts is not practicable, fair value at the date FIN No. 46R first applies may be used to measure the assets, liabilities and noncontrolling interest of the VIE. The Company does not have any interest in any VIE.

In December 2004, the FASB issued SFAS No. 123(R) (revised 2004), "Share-Based Payment", which amends FASB Statement No. 123 and will be effective for public companies that are small business issuers for interim or annual periods beginning after December 15, 2005. The new standard will require entities to expense employee stock options and other share-based payments. The new standard may be adopted in one of three ways - the modified prospective transition method, a variation of the modified prospective transition method or the modified retrospective transition method. The Company is evaluating how it will adopt the standard and evaluating the effect that the adoption of SFAS 123(R) will have on our financial position and results of operations.

In November 2004, the FASB issued SFAS No. 151, Inventory Costs, an amendment of ARB No. 43, Chapter 4. This statement amends the guidance in ARB No. 43, Chapter 4, Inventory Pricing, to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). Paragraph 5 of ARB No. 43, Chapter 4, previously stated that "...under some circumstances, items such as idle facility expense, excessive spoilage, double freight, and rehandling costs may be so abnormal as to require treatment as current period charges..." SFAS No. 151 requires that

those items be recognized as current-period charges regardless of whether they meet the criterion of "so abnormal." In addition, this statement requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The provisions of SFAS 151 shall be applied prospectively and are effective for inventory costs incurred during fiscal years beginning after June 15, 2005, with earlier application permitted for inventory costs incurred during fiscal years beginning after the date this Statement was issued. The adoption of SFAS No. 151 is not expected to have a material impact on the Company's financial position and results of operations.

In December 2004, the FASB issued SFAS No. 153, Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29. The guidance in APB Opinion No. 29, Accounting for Nonmonetary Transactions, is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of assets exchanged. The guidance in that Opinion, however, included certain exceptions to that principle. This Statement amends APB Opinion 29 to eliminate the exception for nonmonetary exchanges of similar productive assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for nonmonetary exchanges occurring in fiscal periods beginning after June 15, 2005. The adoption of SFAS No. 153 is not expected to have a material impact on the Company's financial position and results of operations.

NOTE 3. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following at December 31, 2004:

	2004
Equipment	$ 14,452
Purchased software	75,440
Internal use software	90,250
	180,142
Less: Accumulated depreciation and amortization	8,211
	$ 171,931

NOTE 4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following at December 31, 2004 and 2003:

	2004	2003
Trade accounts payable	$ 185,638	$ 248
Accrued professional fees	74,273	-
Accrued interest payable	13,796	-
Advances from customers	7,682	-
	$ 281,389	$ 248

NOTE 5. BRIDGE LOANS

Bridge loans consist of the following as of December 31, 2004:

	2004
Loan I, due January 18, 2005	$ 500,000
Loan II, due April 12, 2005	500,000
	1,000,000
Less: Unamortized debt discount	(250,341)
	$ 749,659

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 has the option to repay the principal of Loan I in cash or in kind by issuing 1,000,000 shares of common (Note 11). In either event, the interest on Loan I is payable in cash on the Due Date. 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 2005 the Company issued to Macrocom 250,000 shares of common stock as additional consideration for the Second Loan.

Since the actual issuance and availability of HOC common stock at the time of the NetFabric Financing and Loan Agreements was contingent upon the consummation of a share exchange transaction with a then unidentified entity, the Post Closing Stock, as defined, issued as additional consideration was initially valued based on the estimate of the value of the entity that would result after such a merger. The Company allocated the proceeds of each loan to the computed relative value of the debt and equity components of each bridge loan. The initial amount allocated to the equity component was recorded as a debt discount at the date of issuance of the respective notes and is amortized to interest expense using the effective interest method over the stated terms of the respective notes. Upon consummation of the Share Exchange, the contingency regarding the issuance of the Post Closing Stock relating to the Financing Agreement and Loan Agreement was resolved and a final value was computed for the additional consideration, and the debt discount recorded was revised and is being amortized over the remaining terms of the respective notes. In addition, as a result of the debt discount and the conversion feature, which is at Macrocom's option, Loan II had a beneficial conversion feature embedded in the security, which beneficial conversion feature had a value that was also contingent upon the consummation of a share exchange transaction. A further discount to the debt was recorded for the value of the beneficial conversion feature upon the resolution of the contingency when the Post Closing Stock became available for possible conversion. As a result of these transactions, total debt discounts for the bridge loans, including the value of the beneficial conversion feature, of $411,403 were recorded, of which $161,062 was amortized into interest expense during the year ended December 31, 2004 and $250,341 is recorded as a discount on the debt and offset against the carrying value as of December 31, 2004, which remaining discount will be amortized into interest expense over the remaining terms of the respective notes.

In addition to the bridge loan transactions described above, Macrocom has also entered into a commitment to purchase common stock of HOC subsequent to the Closing Date, under certain terms. 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, 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 the additional consideration paid to Macrocom as part of this financing commitment, totaling $368,683, has been record as deferred offering costs as of December 31, 2004 on the accompanying consolidated balance sheet, and will be offset against the proceeds of the additional purchases of common stock as they occur in 2005.

Under the terms of the Financing Agreement, the Company also agreed, at its cost, to file a registration statement for the registration of the Macrocom stock with the Securities and Exchange Commission as soon as practicable but no later than 90 days following the Closing Date. If the registration statement relating to the Macrocom stock is not effective within 180 days of the Closing Date for reasons not beyond the Company's control, HOC 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.

NOTE 6. INCOME TAXES

A reconciliation of the statutory U.S. federal income tax rate to the Company's effective tax was as follows:

	For The Year Ended	
	December 31, 2004	December 31, 2003
Statutory U.S. rate	34.0%	34.0%
State income taxes, net of federal benefit	4.0%	4.0%
Effect of valuation allowance	(38.0%)	(38.0%)
Total income tax expense (benefit)	0.0%	0.0%

Significant components of the Company's future tax assets at December 31, 2004 and 2003 are as follows:

	December 31, 2004	December 31, 2003
Tax effect of operating loss carryforwards	$ 672,000	$ 8,400
Effect of valuation allowance	(672,000)	(8,400)
Net deferred tax assets	$ --	$ --

At December 31, 2004, the Company had net operating loss ("NOL") carry-forwards of approximately $1.5 million which expire through 2024, subject to certain limitations. A full valuation allowance has been established because of the uncertainty regarding the Company's ability to generate income sufficient to utilize the tax losses during the carry-forward period.

NOTE 7. 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. 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. 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") HOC completed the Share Exchange with all of the stockholders (the "Stockholders") of NetFabric. At the closing, which occurred at the same time as the execution of the Acquisition Agreement, HOC acquired all of the issued and outstanding common stock of NetFabric from the Stockholders in exchange for an aggregate of 32,137,032 newly-issued shares of the HOC's common stock. Since the Stockholders of NetFabric received approximately 95% of the shares in the Company and HOC had no significant assets and liabilities or operations prior to the merger and the NetFabric management team continued in their existing roles at HOC, for accounting purposes the acquisition has been treated as a recapitalization of NetFabric with NetFabric as the acquirer, a reverse acquisition. Since HOC prior to the merger was a public shell corporation with no significant operations, pro-forma information giving effect to the merger is not presented.

NOTE 8. STOCK-BASED COMPENSATION

From time to time, the Company issued stock-based compensation to its officers, directors, employees and consultants. The maximum term of options granted is generally 10 years and generally options vest over a period of one to four years. However, the Board of Directors of the Company may and has approved other vesting schedules. The Company has issued options to employees and non-employees under stock option agreements. Options may be exercised in whole or in part.

The exercise price of the stock options granted is the fair market value of the Company's common stock as determined by the Board of Directors on the date of grant, considering factors such as the sale of stock, results of operations, and consideration of the fair value of comparable private companies in the industry. Accordingly, no charges were recognized.

During the years ended December 31, 2004 and 2003 the Company recognized nonemployee compensation expense of $60,059 and $1,370 as a result of issuing options, respectively, which is included in general and administrative expenses on the accompanying consolidated statements of operations. The unamortized value of such stock issuances are included in prepaid expenses (for the current portion) and other assets (for the noncurrent portion) on the accompanying consolidated balance sheets. Such amounts will be amortized into expense over the respective vesting periods of the options.

The following is a summary of the Company's stock option activity for the years ended December 31, 2004 and 2003:

	Options	Weighted Average Exercise Price	Weighted Average Fair Value
Options outstanding January 1, 2003	-	$ -	$ -
Options granted	82,403	0.15	0.15
Options exercised	-	-	-
Options cancelled	-	-	-
Outstanding, December 31, 2003	82,403	$ 0.15	$ 0.15
Options granted	3,926,486	0.15	0.15
Options exercised	-	-	-
Options cancelled	-	-	-
Outstanding, December 31, 2004	4,008,889	$ 0.15	$ 0
Exercisable, December 31, 2004	1,320,502	$ 0.15	$ 0.15
Exercisable, December 31, 2003	-	$ 0.15	$ 0.15

The options outstanding at December 31, 2004 have an exercise price of approximately $0.1517 per share and have a weighted average remaining contractual life of approximately 9.25 years. No options have been exercised to date.

On the Closing Date of the Share Exchange all NetFabric outstanding stock options were exchanged for options in HOC. Prior to the Share Exchange, HOC did not maintain a stock option plan. As a result of the Share Exchange, the board of directors has approved the creation of an HOC stock option plan as an incentive for, and to encourage share ownership by, its officers, directors and other key employees and/ or consultants and potential management of possible future acquired companies (Note 11).

NOTE 9. COMMITMENTS AND CONTINGENCIES

Leases

The Company leases office space under an operating lease, which covers a period from January 1, 2004 through December 31, 2005, subject to certain renewal options. In accordance with the terms of the lease agreement, the Company issued 659,221 shares of common stock to the landlord in lieu of rent payments for the entire lease period. The value of one half of such shares of $50,000, representing one half of the lease period, was recorded as rent expense for the year ended December 31, 2004. The remaining value of $50,000 was recorded as prepaid rent expense and will be charged to the consolidated statement of operations in 2005.

Litigation

From time to time, in the normal course of business, the Company may be involved in certain litigation and/or proceedings. The Company is not aware of any matters pending that could have a material adverse effect on the Company's financial condition or results of operations.

NOTE 10. RELATED PARTY TRANSACTIONS

Loans payable to stockholders on the accompanying consolidated balance sheets at December 31, 2004 and 2003 represent amounts owed to stockholders of the Company for expenses paid on behalf of the Company.

NOTE 11. SUBSEQUENT EVENTS

In January 2005, in accordance with the terms of the Financing Agreement, the Company elected to repay the principal of Loan I by issuing 1,000,000 shares of common stock. Pursuant to a financing commitment (Note 5), 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. The deferred offering costs totaling $368,683 (Note 5) included on the accompanying balance sheet as of December 31, 2004, 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.

In March 2005, the Company's board of directors approved several actions, including i) a change of the Company's name to NetFabric, 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 an HOC stock option plan. Such actions will become effective upon required notification and approval of stockholders.

NOTE 12. SUBSEQUENT DISPUTE UNDER FINANCING AGREEMENT

The Company received a notice on March 31, 2005 from certain of the Macrocom investors alleging that the Company is in default a 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 will cure 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 operations or cash flows based on or as a result of the outcome from this matter.

Report of Independent Registered Public Accounting Firm

The Stockholder of UCA Services, Inc.

We have audited the accompanying balance sheets of UCA Services, Inc. as of December 31, 2004 and 2003, and the related statements of operations, stockholder's equity (deficit), and cash flows for the year ended December 31, 2004 and for the period from inception (June 1, 2003) to December 31, 2003, and for the period from January 1, 2003 to May 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of UCA Services, Inc. as of December 31, 2004 and 2003, and its results of operations and cash flows for the year ended December 31, 2004 and for the period from inception (June 1, 2003) to December 31, 2003, and for the period from January 1, 2003 to May 31, 2003 in conformity with accounting principles generally accepted in the United States of America.

/s/ J.H. Cohn LLP
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Jericho, New York
July 29, 2005

UCA Services, Inc.
Balance Sheets
As of December 31, 2004 and 2003

	December 31, 2004	December 31, 2003
ASSETS		
Current Assets:		
Cash	$ 154,242	$ 301,017
Accounts receivable, net	1,842,954	1,205,584
Due from affiliate, net	--	512,205
Prepaid expenses and other current assets	15,456	11,644
Total current assets	2,012,652	2,030,450
Property and equipment, net	107,082	21,536
Other assets	7,324	--
Totals	$ 2,127,058	$ 2,051,986
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities:		
Accounts payable	$ 1,661,578	$ 1,617,134
Accrued compensation	181,585	87,069
Accrued expenses	202,550	29,479
Income taxes payable	3,558	4,108
Loans payable to shareholders	175,000	129,703
Deferred revenues and advances from customers	227,923	--
Total current liabilities	2,452,194	1,867,493
Commitments and contingencies		
Stockholders' Equity (Deficit):		
Common Stock, No par value, 5,000,000 shares authorized, 3,000,000 shares issued and outstanding	652,326	627,623
Accumulated deficit	(977,462)	(443,130)
Total stockholders' equity (deficit)	(325,136)	184,493
Totals	$ 2,127,058	$ 2,051,986

See Notes to Financial Statements

UCA Services, Inc.
Statements of Operations for the year ended December 31, 2004,
for the period from inception (June 1, 2003) to December 31, 2003 and
for the period from January 1, 2003 to May 31, 2003

	December 31, 2004	For the Period from inception (June 1, 2003) December 31, 2003	For the Period from January 1, 2003 to May 31, 2003
Revenues	$ 14,007,729	$ 5,439,288	$ 3,427,242
Expenses:			
Direct employee compensation and consultant expenses	10,955,449	4,190,908	2,564,716
Selling, general and administrative expenses (including $0 and $407,327 and $0, respectively, of stock- based compensation)	3,473,894	1,620,457	378,797
Research and development	57,278	36,516	--
Depreciation and amortization	42,641	27,231	19,108
Total expenses	14,529,262	5,875,112	2,962,621
Operating (loss) income	(521,533)	(435,824)	464,621
Interest expense	12,799	3,198	--
Income (loss) before provision for income taxes	(534,332)	(439,022)	464,621
Provision for income taxes	--	4,108	176,556
Net (loss) income	$ (534,332)	$ (443,130)	$ 288,065

See Notes to Financial Statements

UCA Services, Inc.
Statements of Stockholders' Equity (Deficit) for the period
from January 1, 2003 to May 31, 2003, for the
period from inception (June 1, 2003) to December 31, 2003
and for the year ended December 31, 2004

	Common Stock				
	Investment from UCA Systems	Shares	Amount	Accumulated Deficit	Total Shareholder's Equity (Deficit)
Balances at January 1, 2003	$ 72,228	--	$ --	$ --	$ 72,228
Contributions from UCA Systems, net	410,410	--	--	--	410,410
Amount retained by UCA Systems	(696,935)	--	--	--	(696,935)
Net income	288,065	--	--	--	288,065
Balance at May 31, 2003	73,768	--	--	--	73,768
Balances at Inception (June 1, 2003)	--	--	--	--	--
Contribution of assets and liabilities from shareholders	--	3,000,000	73,768	--	73,768
Contribution from shareholders	--	--	146,528	--	146,528
Issuance of option to purchase common stock to employee	--	--	407,327	--	407,327
Net loss	--	--	--	(443,130)	(443,130)
Balances at December 31, 2003	--	3,000,000	627,623	(443,130)	184,493
Contribution of cash from shareholders	--	--	24,703	--	24,703
Net loss	--	--	--	(534,332)	(534,332)
Balances at December 31, 2004	$ --	3,000,000	$ 652,326	$ (977,462)	$ (325,136)

See Notes to Financial Statements

UCA Services, Inc.
Statements of Cash Flows for the year ended December 31, 2004,
for the period from inception (June 1, 2003) to December 31, 2003
and for the period from January 1, 2003 to May 31, 2003

	For the period from inception (June 1, 2003) to December 31, 2004	For the period from inception (June 1, 2003) to December 31, 2003	For the period from January 1, 2003 to May 31, 2003
OPERATING ACTIVITIES			
Net (loss) income	$ (534,332)	$ (443,130)	$ 288,065
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Provision for bad debts	69,213	11,616	--
Reserve for due from affiliate	255,451	--	--
Stock-based compensation	--	407,327	--
Depreciation and amortization	42,641	27,231	19,108
Changes in operating assets and liabilities:			
Accounts receivable	(706,583)	(1,093,861)	(428,538)
Due from affiliate	256,754	(512,205)	--
Prepaid expenses and other current assets	(3,812)	(6,644)	--
Other assets	(7,324)	--	--
Accounts payable	44,444	1,513,497	147,328
Accrued compensation	94,516	87,069	(29,762)
Accrued expenses	173,071	29,479	--
Income taxes payable	(550)	4,108	--
Deferred revenues and advances from customers	227,923	--	3,799
Net cash (used in) provided by operating activities	(88,588)	24,487	--
INVESTING ACTIVITIES			
Purchases of property and equipment	(128,187)	--	--
Net cash used in investing activities	(128,187)	--	--
FINANCING ACTIVITIES			
Contributions from UCA Systems, net	--	--	--
Contribution of cash from shareholders	24,703	151,827	--
Loans from shareholders	45,297	124,703	--
Net cash provided by financing activities	70,000	276,530	--
Net change in cash	(146,775)	301,017	--
Cash at beginning of period	301,017	--	--
Cash at end of period	$ 154,242	$ 301,017	$ --
Supplemental cash flow information:			
Cash paid for interest expense	$ 12,799	$ 3,198	$ --
Cash paid for income taxes	$ --	$ 550	$ --
Supplemental disclosure of non-cash activities:			
Contribution of assets and liabilities from shareholders, net	$ --	$ 68,469	$ --
Contributions from UCA Systems, net	$ --	$ --	$ 410,410

See Notes to Financial Statements

1. NATURE OF BUSINESS

UCA Services, Inc. ("UCA Services" or the "Company"), a New Jersey company, is an information technology ("IT") solutions company that serves the information and communications needs of a wide range of Fortune 500 and small to mid-size business clients in the financial markets industry as well as the pharmaceutical, health care and hospitality sectors. The Company delivers a broad range of IT consulting and, infrastructure development services, including multi-year managed services contracts, via an integrated network of branch offices and alliance partners in the United States, Canada, Europe and India. The Company's services include solutions in the practice areas of infrastructure builds and maintenance, application development and maintenance, business process managed services and professional IT services.

In May 2005, the Company was acquired by NetFabric Holdings, Inc. ("NetFabric") (See Note 11). NetFabric develops and markets a family of Internet Protocol ("IP") appliances that simplifies the integration of standard telephone systems with an IP infrastructure.

MANAGEMENT'S PLANS

The Company incurred operating losses of $(521,533) and $(435,824) during the year ended December 31, 2004 and the period from inception (June 1, 2003) to December 31, 2003 and as of December 31, 2004 the Company has an accumulated deficit of $977,462 and a working capital deficit of $439,542. Management believes that cash flows generated from revenues in 2005 will be sufficient to fund the Company's operations through the first quarter of 2006. Additional funding from shareholders and/or third parties may be required to obtain profitable operations. However there can be no assurance that the Company will generate sufficient revenues to provide positive cash flows from operations, or that sufficient capital will be available, when required, or at terms deemed reasonable to the Company, to permit the Company to realize its plans.

NetFabric has agreed to support the operations of the Company by providing the necessary working capital. Since December 31, 2004, NetFabric has provided $350,000 of cash and will provide an additional $300,000 upon the filing of its registration statement with the Securities Exchange Commission. These proceeds, along with cash generated from operations in the opinion of management will be sufficient to fund the Company's operations through the first quarter of 2006.

2. BASIS OF PRESENTATION

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

UCA Services was incorporated on April 2, 2003 but did not have any operations until June 1, 2003 ("Inception") (See Note 7). Prior to June 1, 2003 UCA Services was a business unit of UCA Computer Systems, Inc. ("Systems") and therefore the results of operations of UCA Services prior to June 1, 2003 were included in the results of operations of Systems. The Company and Systems were owned by the same shareholders through May 2005 (See Note 11).

Carve out

Prior to June 1, 2003, the Company was under the control of Systems and an integral part of Systems' operations. As a department within Systems, the Company did not historically prepare separate financial statements. The accompanying Statement of Operations for the period from January 1, 2003 to May 31, 2003 has been prepared from Systems' historical accounting records and is presented on a carve-out basis to include the historical operations applicable to UCA Services as operated under Systems, in accordance with U.S. GAAP, as if the Company had been a separate stand-alone entity. However, the results of operations for the period from January 1, 2003 to May 31, 2003 may not be indicative of UCA Services future development.

The Statement of Operations for the period from January 1, 2003 to May 31, 2003 includes all revenues and certain costs identified as 100% directly attributable to UCA Services as operated under Systems, including compensation for certain employees of UCA Services and costs for consultants and other services providers utilized by UCA Services. In addition, the Statement of Operations for the period from January 1, 2003 to May 31, 2003 includes costs incurred by Systems on behalf of itself and UCA Services of which a portion has been allocated to UCA Services based on certain assumptions and

estimates related to the integration of UCA Services within Systems during the period. Management believes the assumptions underlying the Statement of Operations, including the methods used to allocate expenses incurred on UCA Services' behalf by Systems are reasonable and that the amount of expenses reflected in the statement of operations for the period from January 1, 2003 to May 31, 2003 approximates the estimated expenses UCA Services would have incurred had it not been affiliated with Systems.

The expenses incurred by Systems and allocated to UCA Services includes compensation paid to certain shared employees during the period as well as selling, general and administrative expenses. The full cost of compensation for shared employees was borne by Systems and based on an estimate of the proportion of hours worked by the employees, these costs have been allocated to UCA Services and are reflected in direct employee compensation and consultant expenses and selling general and administrative expenses on the accompanying Statement of Operations for the period from January 1, 2003 to May 31, 2003 .

Selling, general and administrative expenses, including costs for facilities, supplies and services used by UCA Services at Systems' offices, insurance and depreciation and amortization have been allocated to UCA Services from Systems. Such costs have been allocated to UCA Services primarily based on an estimate of the proportion of employees of UCA Services versus the total employees of Systems, considering, among other factors square footage occupied and sales by each company during the period.

Prior to June 1, 2003, UCA Services was not directly subject to taxation, rather its operations were included in the combined tax return of Systems for both Federal income tax and local taxes. For purposes of the Statement of Operations for the period from January 1, 2003 to May 31, 2003, income taxes were recognized by the UCA Services based on federal and state statutory income tax rates as if the Company had been a separate taxable entity.

The excess of assets over liabilities is reflected as Systems' investment in the Company as of May 31, 2003.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates and assumptions are used for, but not limited to, the period from January 1, 2003 to May 31, 2003 carve-out, accounting for efforts expected to be incurred to complete performance under revenue contracts, allowance for uncollectible accounts receivable, the useful lives of property, plant, equipment, the fair value of the Company's common stock, the fair value of stock-based compensation. Actual results could differ from those estimates. Appropriate changes in estimates are made as management become aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

Revenue Recognition

The Company derives revenues primarily from professional services, managed IT services, application development services and from business process management services. Arrangements with customers for services are generally on a time and material basis or fixed-price, fixed-timeframe. Revenue on time-and-material contracts is recognized as the related services are performed. Revenue from fixed-price, fixed-timeframe service contracts are recognized ratably over the term of the contract, as per the proportional performance method. When the Company receives cash advances from customers in advance of the service period, amounts are reported as advances from customers until the commencement of the service period. Billings and collections in excess of revenue recognized are classified as deferred revenue.

Allowance for Doubtful Accounts

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. These estimated losses are based upon historical bad debts, specific customer creditworthiness and current economic trends. If the financial condition of a customer deteriorates, resulting in the customer's inability to make

payments within approved credit terms, additional allowances may be required. The Company performs credit evaluations of its customers' financial condition on a regular basis. The Company recognized allowances for bad debts of $69,213, $11,616 and $0 during the year ended December 31, 2004, the period from inception (June 1, 2003) to December 31, 2003 and the for the period from January 1, 2003 to May 31, 2003, respectively.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a remaining maturity at the date of purchase / investment of three months or less and that are readily convertible to known amounts of cash to be cash equivalents. Cash is comprised of cash on deposit with banks. As of December 31, 2004 and 2003 the Company did not hold any cash equivalents.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. Property and equipment, consisting principally of computer equipment and capitalized purchased software programs. The Company depreciates and amortizes property and equipment over their estimated useful lives using the straight-line method. The estimated useful lives of assets are as follows:

Office equipment, including computers	2-5 years
Furniture and fixtures	5 years

Leasehold improvements are amortized over the lesser of the remaining life of the lease or their estimated useful lives.

Long-Lived Assets

Long-lived assets, including property and equipment and intangible assets, are monitored and reviewed for impairment in value whenever events or changes in circumstances indicate that the carrying amount of any such asset may not be recoverable. The determination of recoverability is based on an estimate of undiscounted cash flows expected to result from the use of an asset and its eventual disposition. The estimated cash flows are based upon, among other things, certain assumptions about expected future operating performance, growth rates and other factors. Estimates of undiscounted cash flows may differ from actual cash flows due to factors such as technological changes, economic conditions, and changes in the Company's business model or operating performance. If the sum of the undiscounted cash flows (excluding interest) is below the carrying value, an impairment loss is recognized, measured as the amount by which the carrying value exceeds the fair value of the asset. Through December 31, 2004, no write-downs of long-lived assets have been recognized.

Business Concentrations and Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and accounts receivable. The Company reduces credit risk by placing its cash with major financial institutions with high credit ratings. At times, such amounts may exceed Federally insured limits. The Company reduces 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 worldwide in a variety of industries. The Company had revenues from the clients representing 27%, 21% and 11% of revenues during the year ended December 31, 2004. The Company had revenues from three clients representing 26%, 16% and 14% of revenues for the period from inception (June 1, 2003) to December 31, 2003. The Company had revenues from four clients representing 48%, 21%, 16% and 10% of revenues for the period from January 1, 2003 to May 31, 2003.

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 three clients accounting for 53% (26%, 17% and 10%) of total gross accounts receivable as of December 31, 2004. The Company had 3 clients accounting for 64% (36%, 17% and 11%) of total gross accounts receivable as of December 31, 2003.

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 balance sheets at December 31, 2004 and 2003.

Research and Development

Research and development ("R&D") costs are expensed as incurred. These expenses include the cost of the Company's proprietary R&D efforts. R&D expenses were $57,278, $36,516 and $0 during the year ended December 31, 2004, for the period from inception (June 1, 2003) to December 31, 2003 and for the period from January 1, 2003 to May 31, 2003, respectively.

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"), encourages 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.

On June 1, 2003, in connection with an employment agreement (See Note 11) the Company caused its shareholders to grant an option to a certain executive of the Company to purchase up to 20% of the Company's outstanding common stock from such shareholders at an exercise price of $3,942 or $6.57 per share. The option was fully vested at the date of grant and is exercisable at any time during the term of the executives' employment as provided in an employment agreement. As a result of this option the Company recognized compensation expense of $407,327 during the period from inception (June 1, 2003) to December 31, 2003, which is included in selling, general and administrative expense on the accompanying Statements of Operations, as a result of the difference between the estimated market value of the Company's common stock on the date of grant and the exercise price for the option issued to the executive. The option was exercised by the executive in March 2005.

If compensation expense for this stock option had been determined in accordance with SFAS No. 123, the Company's pro forma net loss would have been:

	For the Year Ended December 31, 2004	For the Period From the Inception (June 1, 2003) to December 31, 2003	For the Period from January 1, 2003 to May 31, 2003
Net income (loss), as reported	$ (534,332)	$ (443,130)	$ 288,065
Stock-based employee compensation recorded	--	(407,327)	--
Sub-total	(534,332)	(35,803)	288,065
Stock-based employee compensation expense determined under fair value method	--	407,657	--
Pro forma net income (loss), as adjusted	$ (534,332)	$ (443,460)	$ 288,065

Income Taxes

Deferred income 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. Deferred tax assets are reduced by a valuation allowance if it is more likely than not that the tax benefits will not be realized. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversals of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

Recent Accounting Pronouncements Issued, Not Adopted

In February 2003, the Financial Accounting Standards Board ("FASB") issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity" ("SFAS No. 150"). The provisions of SFAS No. 150 are effective for financial instruments entered into or modified after May 31, 2003, and otherwise are effective at the beginning of the first interim period beginning after June 15, 2003, except for mandatorily redeemable financial instruments of nonpublic entities. The Company has not issued any financial instruments with such characteristics.

In December 2003, the FASB issued FASB Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities" ("FIN No. 46R"), which addresses how a business enterprise should evaluate whether it has a controlling financial interest in an entity through means other than voting rights and accordingly should consolidate the entity. FIN No. 46R replaces FASB Interpretation No. 46, "Consolidation of Variable Interest Entities", which was issued in January 2003. Companies are required to apply FIN No. 46R to variable interests in variable interest entities ("VIEs") created after December 31, 2003. For variable interests in VIEs created before January 1, 2004, the Interpretation is applied beginning on January 1, 2005. For any VIEs that must be consolidated under FIN No. 46R that were created before January 1, 2004, the assets, liabilities and noncontrolling interests of the VIE initially are measured at their carrying amounts with any difference between the net amount added to the balance sheet and any previously recognized interest being recognized as the cumulative effect of an accounting change. If determining the carrying amounts is not practicable, fair value at the date FIN No. 46R first applies may be used to measure the assets, liabilities and noncontrolling interest of the VIE. The Company does not have any interest in any VIE.

In December 2004, the FASB issued SFAS No. 123(R) (revised 2004), "Share-Based Payment", which requires companies to change their accounting policies to record the fair value of stock options issued to employees as an expense. Currently, the company does not deduct the expense of employee stock option grants from its income based on the fair value method as it has adopted the pro forma disclosure provisions of SFAS No. 123, Accounting for Stock-Based Compensation. The revised Statement eliminates the alternative to use APB Opinion 25's intrinsic value method of accounting that was provided in Statement 123 as originally issued. Pursuant to the Securities and Exchange Commission Release No. 33-8568, the Company is required to adopt SFAS 123R from January 1, 2006. The Company is evaluating how it will adopt the standard and evaluating the effect that the adoption of SFAS 123(R) will have on financial position and results of operations.

In December 2004, the FASB issued SFAS No. 153, Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29. The guidance in APB Opinion No. 29, Accounting for Nonmonetary Transactions, is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of assets exchanged. The guidance in that Opinion, however, included certain exceptions to that principle. This Statement amends Opinion 29 to eliminate the exception for nonmonetary exchanges of similar productive assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for nonmonetary exchanges occurring in fiscal periods beginning after June 15, 2005. The adoption of SFAS No. 153 is not expected to have a material impact on the Company's financial position and results of operations.

4. TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable, net, consists of the following:

	December 31, 2004	December 31, 2003
Accounts receivable from customers	$ 1,923,783	$ 1,217,200
Allowance for doubtful accounts	(80,829)	(11,616)
	$ 1,842,954	$ 1,205,584

5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following:

	December 31, 2004	December 31, 2003
Office equipment	$ 267,064	$ 178,548
Furniture & fixtures	54,889	48,914
Leasehold improvements	54,631	20,936
	376,584	248,398
Less: Accumulated depreciation and amortization	(269,502)	(226,862)
	$ 107,082	$ 21,536

Depreciation and amortization expense were $42,641, $27,231 and $19,108 for the year ended December 31, 2004, for the period from inception (June 1, 2003) to December 31, 2003 and for the period from January 1, 2003 to May 31, 2003, respectively.

6. INCOME TAXES

A reconciliation of the statutory U.S. Federal income tax rate to the Company's effective tax was as follows:

	For the Year Ended December 31, 2004	For the Period From Inception (June 1, 2003) to December 31, 2003	For the Period From January 1, 2003 to May 31, 2003
Statutory U.S. rate	34.0%	34.0%	34.0%
State income taxes, net of Federal benefit	4.0%	4.0%	4.0%
Effect of valuation allowance	(38.0%)	(38.0%)	(0%)
Total income tax expense (benefit)	0.0%	0.0%	38.0%

The provision for income taxes comprises:

	For the year ended December 31, 2004	For the period from inception (June 1, 2003) to December 31, 2003	For the period from January 1, 2003 to May 31, 2003
Current provision (benefit):			
Federal	$ --	$ 1,940	$ 148,679
State	--	2,168	27,877
	--	4,108	176,556
Deferred provision (benefit):			
Federal	--	--	--
State	--	--	--
	--	--	--
Total income tax expense (benefit)	$ --	$ 4,108	$ 176,556

Significant components of the Company's future tax assets at December 31, 2004 and 2003 are as follows:

	December 31, 2004	December 31, 2003
Deferred tax assets:		
Net operating loss carry forward	$ 188,538	$ 4,608
Allowance for bad debts	32,331	4,500
	220,869	9,108
Less: Valuation allowance	(220,869)	(9,108)
Net deferred tax assets	$ --	$ --

At December 31, 2004, the Company had net operating loss ("NOL") carry-forwards of approximately $471,000 which expire through 2024, to certain limitations. A full valuation allowance has been established because of the uncertainty regarding the Company's ability to generate income sufficient to utilize the tax losses during the carry-forward period.

Prior to June 1, 2003, UCA Services was not directly subject to taxation, rather its operations were included in the combined tax return of Systems for both Federal income tax and local taxes. For purposes of the Statement of Operations for the period from January 1, 2003 to May 31, 2003, income taxes were recognized by the UCA Services based on Federal and state statutory income tax rates as if the Company had been a separate taxable entity. In connection with its formation on June 1, 2003, the Company did not assume any liability relating to the provision for income taxes for the period January 1, 2003 through May 31, 2003.

7. STOCKHOLDERS' EQUITY

In June 2003 (Inception), the Company's shareholders contributed certain assets and liabilities, which were from previously those of the Predecessor company under Systems, to the Company, consisting of cash, accounts receivable, property, plant and equipment and accounts payable, with a net value of $73,768 in exchange for 3,000,000 shares of the Company's common stock. The Company's shareholders contributed $146,528 to fund certain expenses on behalf of the Company.

The assets and liabilities contributed by shareholders were recorded at historical cost and consisted of the following:

Cash	$ 5,297
Trade accounts receivable and other current assets	128,341
Property, plant and equipment, net	48,767
Trade accounts payable and accrued expenses	(108,637)
	$ 73,768

During the year ended December 31, 2004, current shareholders contributed approximately $25,000 to the Company for working capital purposes.

On February 10, 2005, the Board of Directors approved and the Company effected a 1,000-for-1 stock split of its outstanding common stock. All historical share amounts have been restated to reflect the stock split.

8. EMPLOYEE BENEFIT PLAN

401(k) Benefit Plan

In June 2003, the Company established a 401(k) Plan (the "401(k) Plan") which is available to its eligible employees, as defined. Participants may make voluntary contributions of up to 50% of their compensation, subject to certain internal revenue code limitations. The Company may make annual matching contributions to the 401(k) Plan at its discretion. Included in accrued compensation at December 31, 2004 and 2003 are $24,751 and $9,831, respectively, in matching 401(k) Plan contributions to be made by the Company.

9. RELATED PARTY TRANSACTIONS

Shareholders

Loans payable to shareholders on the accompanying Balance Sheets at December 31, 2004 and 2003 represent amounts owed to shareholders of the Company for advances of cash provided to the Company.

Systems

Through May 2005 (See Note 11), the Company and Systems were owned by the same shareholders. During the year ended December 31, 2004 and the period from inception (June 1, 2003) to December 31, 2003, the Company and Systems engaged in certain transactions between the companies.

The Company subleases certain office space and incurs occupancy related costs under an agreement with Systems, whereby the Company pays rent and other occupancy costs based on the proportion of square footage occupied by the Company in the Systems office facility. Rent and occupancy expenses incurred by the Company under this agreement were $40,535 and $30,000 and are included in selling, general and administrative expenses during the year ended December 31, 2004 and the period from inception (June 1, 2003) to December 31, 2003, respectively.

In connection with delivering hardware and software to certain of its customers, Systems has engaged the Company to assist with certain elements of its customer contracts, including but not limited to hardware and software configuration and implementation. Such services are provided to Systems pursuant to arrangement between the companies. Approximately $266,000 and $430,000 have been recognized in revenue during the year ended December 31, 2004 and the period from inception (June 1, 2003) to December 31, 2003, respectively, for services provided to Systems.

During the year ended December 31, 2004 and the period from inception (June 1, 2003) to December 31, 2003, the Company purchased $44,472 and $0 of fixed assets, consisting of computer equipment and software from Systems.

From time to time during the year ended December 31, 2004 and the period from inception (June 1, 2003) to December 31, 2003 the Company provided short-term borrowings to Systems and received short-term borrowings from Systems to meet working capital needs.

At December 31, 2004 the net amount due from Systems of $255,451, consisting of $669,000 in trade accounts receivable related to services provided by the Company offset by $413,549 of amounts due to Systems for advances of cash and accounts payable, is included in due from affiliate on the accompanying balance sheet. At December 31, 2003, the net amount due from Systems of $512,205, consisting of $535,092 in trade accounts receivable related to services provided by the Company offset by $22,887 of amounts due to Systems for advances of cash and accounts payable, is included in due from affiliate on the accompanying balance sheet.

As of March 31, 2005 the net amount due from Systems to the Company was approximately $762,000. On May 17, 2005 the Company and Systems entered into an unsecured Non-Negotiable Promissory Note (the "Systems Note") whereby the net amount due to the Company from Systems of $779,870 was aggregated into the Systems Note. The Systems Note provides for interest at a rate equal to the minimum applicable federal rate of interest per annum and for equal monthly payments from Systems to the Company over a period of thirty-six months commencing on June 1, 2005. Due to uncertainties related to the realizability of the amounts due from Systems, the Company has reserved for the entire balance due from affiliate as of December 31, 2004 and March 31, 2005.

Other Relationship

During the year ended December 31, 2004, the Company recognized approximately $135,000 in revenue from Flagship HealthCare Management, Inc., a company related to the Company through common ownership as a result of the NetFabric acquisition in 2005 (See Note 11).

10. COMMITMENTS AND CONTINGENCIES

Leases

Commencing in March 2004, the Company leases certain office space under an operating lease. The future minimum cash commitments as of December 31, 2004 under such operating leases are as follows:

2005	$ 87,885
2006	$ 18,309

Rent expense for the year ended December 31, 2004 under the operating lease totaled $96,308.

As discussed above, the Company subleases certain office space under an agreement with Systems, whereby the Company pays rent based on the proportion of square footage occupied by the Company in the Systems office facility. The agreement provides that the sublease term is a month-to-month until such time as the Company or Systems terminate the sublease. Rent expense incurred with Systems during the year ended December 31, 2004 and the period from inception (June 1, 2003) to December 31, 2003 was $40,535 and $30,000, respectively, and is included in selling, general and administrative expense on the accompanying statements of operations.

Employment Agreements

On June 1, 2003 the Company entered into employment agreements with two of its executives. The employment agreements provide for initial terms of five years each and will extended automatically for an additional year at each anniversary date unless notice is provided by the Company or the respective executive. The agreements provided for annual base salaries for each executive and each of the executives are eligible to receive bonuses, at the sole discretion of the board of directors. Additionally, if an executive is terminated without cause by the Company or for good reason by the executive, the employment agreements provide each executive with termination benefits equal to the remaining annual base salary remaining during the initial term of each agreement plus one hundred twenty percent of pre-termination bonuses. The executives also have agreed to certain confidentiality, non-competition and non-solicitation provisions. As of December 31, 2004 the aggregate future minimum cash commitments for base salary under the employment agreements with the two executives are approximately $1.8 million.

Additionally, one of the employment agreements provided one of the executives provided for an option to purchase shares of the Company's common stock (See Note 3).

Litigation

The Company is not aware of any matters pending that could have a material adverse effect on the Company's financial condition or results of operations.

11. SUBSEQUENT EVENTS

Acquisition

On May 20, 2005, UCA Services entered into and closed on a share exchange agreement ("Exchange Agreement"), whereby NetFabric acquired all of the issued and outstanding shares of UCA Services, from the Company's shareholders in exchange for the issuance of 24,096,154 shares of common stock of NetFabric. The share issuance to UCA Services shareholders represents approximately (35%) of NetFabric shares on a fully-diluted basis.

UCA Services, Inc.
Balance Sheets
As of March 31, 2005 (Unaudited) and December 31, 2004

	March 31, 2005 Unaudited	December 31, 2004
ASSETS		
Current Assets		
Cash	$ 321,063	$ 154,242
Accounts receivable, net	2,142,904	1,842,954
Prepaid expenses and other current assets	90,922	15,456
Total current assets	2,554,889	2,012,652
Property and equipment, net	99,786	107,082
Other assets	7,324	7,324
Totals	$ 2,661,999	$ 2,127,058
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities		
Accounts payable	$ 1,584,008	$ 1,661,578
Accrued compensation	351,146	181,585
Accrued expenses	127,009	202,550
Income taxes payable	3,558	3,558
Loans payable to shareholders	175,000	175,000
Deferred revenues and advances from customers	1,396,665	227,923
Total current liabilities	3,637,386	2,452,194
Commitments and contingencies		
Stockholders' Deficit:		
Common Stock, No par value, 5,000,000 shares authorized, 3,000,000 shares issued and outstanding	652,326	652,326
Accumulated deficit	(1,627,713)	(977,462)
Total stockholders' deficit	(975,387)	(325,136)
Totals	$ 2,661,999	$ 2,127,058

See Note to Financial Statements

UCA Services, Inc.
Statements of Operations for the Three Months Ended March 31, 2005 and 2004
(Unaudited)

	Three Months Ended March 31, 2005 (Unaudited)	Three Months Ended March 31, 2005 (Unaudited)
Revenues	$ 4,173,834	$ 2,755,909
Expenses:		
Direct employee compensation and consultant expenses	3,376,992	2,174,141
Selling, general and administrative expenses	1,429,048	490,124
Research and development	--	24,055
Depreciation and amortization	15,045	8,611
Total expenses	4,821,085	2,696,931
Operating (loss) income	(647,251)	58,978
Interest expense	3,000	3,750
Income (loss) before provision for income taxes	(650,251)	55,228
Provision for income taxes	--	--
Net (loss) income	$ (650,251)	$ 55,228

See Note to Financial Statements

UCA Services, Inc.
Statements of Stockholders' Deficit for the Three Months Ended March 31, 2005
(Unaudited)

	Common Stock Shares	Common Stock Amount	Accumulated Deficit	Total Stockholders' Deficit
Balances at December 31, 2004	3,000,000	$ 652,326	$ (977,462)	$ (325,136)
Net loss	--	--	(650,251)	(650,251)
Balances at March 31, 2005 (Unaudited)	3,000,000	$ 652,326	$(1,627,713)	$ (975,387)

See Note to Financial Statements

UCA Services, Inc.
Statements of Cash Flows for the three months ended March 31, 2005 and 2004
(Unaudited)

	Three Months Ended March 31, 2005 (Unaudited)	Three Months Ended March 31, 2004 (Unaudited)
OPERATING ACTIVITIES		
Net (loss) income	$ (650,251)	$ 55,228
Adjustments to reconcile net loss income to net cash provided by (used in) operating activities:		
Reserve for due from affiliate	507,020	--
Depreciation and amortization	15,045	8,611
Changes in operating assets and liabilities:		
Accounts receivable	(299,950)	(482,666)
Due from affiliate	(507,020)	20,995
Prepaid expenses and other current assets	(75,466)	(8,050)
Other assets	--	(7,324)
Accounts payable	(77,570)	28,647
Accrued compensation	169,561	41,529
Accrued expenses	(75,541)	77,048
Income taxes payable	--	(550)
Deferred revenues and advances from customers	1,168,742	34,200
Net cash provided by (used in) operating activities	174,570	(232,332)
INVESTING ACTIVITIES		
Purchases of property and equipment	(7,749)	(45,382)
Net cash used in investing activities	(7,749)	(45,382)
Net change in cash	166,821	(277,714)
Cash at beginning of period	154,242	301,017
Cash at end of period	$ 321,063	$ 23,303

See Note to Financial Statements

1. BASIS OF PRESENTATION

The interim financial statements presented are unaudited, but in the opinion of management, have been prepared in conformity with accounting principles generally accepted in the United States of America applied on a basis consistent with those of the annual financial statements. Such interim financial statements reflect all adjustments (consisting principally of normal recurring accruals) necessary for a fair presentation of the financial position and the results of operations for the interim periods presented. The results of operations for the interim periods presented are not necessarily indicative of the results to be expected for any other interim period or for the year ending December 31, 2005. The interim financial statements should be read in connection with the audited annual financials as of December 31, 2004 and accompanying notes contained elsewhere in this Form 8-K. Certain prior year balances have been reclassified in order to conform to the current year presentation.

Management's Plans

The Company incurred operating losses of $(647,251) during the three months ended March 31, 2005 and as of March 31, 2005 the Company has an accumulated deficit of $1,627,713 and a working capital deficit of $1,082,497. Management believes that cash flows generated from revenues during the remainder of 2005 will be sufficient to fund the Company's operations through the first quarter of 2006. Additional funding from shareholders and/or third parties may be required to obtain profitable operations. However there can be no assurance that the Company will generate sufficient revenues to provide positive cash flows from operations, or that sufficient capital will be available, when required, or at terms deemed reasonable to the Company, to permit the Company to realize its plans.

NetFabric has agreed to support the operations of the Company by providing the necessary working capital. Since March 31, 2005, NetFabric has provided $350,000 cash and will provide an additional $300,000 upon filing of its registration statement with the Securities Exchange Commission. These proceeds, along with cash generated from operations in the opinion of management will be sufficient to fund the Company's operations through the first quarter of 2006.

On May 20, 2005, NetFabric Holdings, Inc. ("NetFabric Holdings") and UCA Services ("UCA Services") entered into and closed on a share exchange agreement ("Exchange Agreement"), whereby NetFabric Holdings acquired all of the issued and outstanding shares of UCA Services from the UCA Services' shareholders in exchange for the issuance of shares of common stock of NetFabric Holdings.

INDEX TO PRO FORMA STATEMENTS OF OPERATIONS

NETFABRIC HOLDINGS, INC.
UCA SERVICES, INC.
Background

On May 20, 2005, NetFabric Holdings, Inc. and UCA Services entered into and closed on a share exchange agreement, whereby NetFabric Holdings acquired all of the issued and outstanding shares of UCA Services from the UCA Services' shareholders in exchange for the issuance of shares of common stock of NetFabric Holdings.

The following unaudited pro forma condensed consolidated statements of operations combine the historical consolidated statements of operations of NetFabric Holdings and the historical statements of operations of UCA Services for the year ended December 31, 2004 and for the six months ended June 30, 2005 giving effect to the acquisition as if it had occurred on the first day of the periods presented. The historical financial information has been adjusted to give pro forma effect to events that are directly attributable to the acquisition, factually supportable, and expected to have a continuing impact on the consolidated results.

We are providing the following information to aid you in your analysis of the financial aspects of the acquisition. We derived the information for the year ended December 31, 2004, from the audited consolidated financial statements of NetFabric Holdings and audited financial statements of UCA Services. We derived the information for the period ended June 30, 2005, from the unaudited consolidated financial statements of NetFabric Holdings and unaudited financial statements of UCA Services. This information should be read together with the UCA Services audited and unaudited financial statements and related notes included elsewhere in this registration statement and the NetFabric Holdings audited consolidated financial statements and related notes, unaudited consolidated financial statements and related notes, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other financial information included in NetFabric Holdings' form 10-KSB for the year ended December 31, 2004 and Form 10-QSB for the six months ended June 30, 2005.

The unaudited pro forma consolidated information is for illustrative purposes only. The financial results may have been different had the companies always been consolidated. You should not rely on the pro forma consolidated financial information as being indicative of the historical results that would have been achieved had the companies always been consolidated or the future results that the consolidated company will experience.

Pursuant to the terms of the Exchange Agreement, NetFabric Holdings acquired all of the issued and outstanding shares of UCA Services, Inc from the UCA Services' shareholders in exchange for the issuance of 24,096,154 shares of common stock of NetFabric Holdings. The acquisition was accounted for as a business combination with NetFabric Holdings as the acquirer. Under the purchase method of accounting, the assets and liabilities of UCA Services acquired by NetFabric Holdings will be recorded as of the acquisition date at their respective fair values, and added to those of NetFabric Holdings.

The purchase price for the acquisition was determined using the value of NetFabric Holdings' common stock issued in exchange for all of the issued and outstanding shares of UCA Services based on the average closing market price of NetFabric Holdings' common stock for a period of five days prior and five days subsequent to the share exchange.

The allocation of the purchase price reflected in the unaudited pro forma condensed consolidated financial statements is preliminary and subject to change based on finalization of the Company's valuation. The actual purchase price allocation, to reflect the fair values of assets acquired and liabilities assumed will be based upon management's ongoing evaluation. Accordingly, the final allocation of the purchase price may differ significantly from the preliminary allocation provided in the pro forma financial information.

The actual purchase price of assets acquired and liabilities assumed will be based upon management's estimate of the value of stock exchanged in the transaction. Management's estimate will be supported by an independent appraisal of the net assets acquired and the shares exchanged so that a final purchase price allocation may be made in connection with the preparation of our financial statements for the year ended 2005.

NETFABRIC HOLDINGS, INC.
UCA SERVICES, INC.
Unaudited Pro Forma Condensed Consolidated Statement Of Operations
For The Year Ended December 31, 2004

	NetFabric	UCA Services	Pro Forma Consolidated
Revenues	$ 612	$ 14,007,729	$ 14,008,341
Expenses:			
Direct employee compensation and consultant expenses	3,126	10,955,449	10,958,575
Selling, general and administrative expenses	920,718	3,473,894	4,394,612
Research and development	395,452	57,278	452,730
Interest and bank charges	175,365	12,799	188,164
Depreciation and amortization	8,211	42,641	50,852
Total expenses	1,502,872	14,542,061	16,044,933
Loss before provision for income taxes	(1,502,260)	(534,332)	(2,036,592)
Provision for income taxes	--	--	--
Net loss	$ (1,502,260)	$ (534,332)	$ (2,036,592)
Net loss per common share, basic and diluted	$ (0.05)		$ (0.04)
Weighted average number of shares outstanding, basic and diluted	31,362,838		55,458,992

See Notes to Unaudited Pro Forma Condensed Consolidated Statements of Operations

NETFABRIC HOLDINGS, INC.
UCA SERVICES, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2005

	NetFabric	UCA Services(a)	Pro Forma Consolidated
Revenues	$ 2,273,330	$ 6,881,352	$ 9,154,682
Expenses:			
Direct employee compensation and consultant expenses	1,780,808	5,452,111	7,232,919
Selling, general and administrative expenses	1,898,851	2,288,527	4,187,378
Research and development	321,952	--	321,952
Interest and bank charges	387,843	6,681	394,524
Depreciation and amortization	37,908	19,186	57,094
Total expenses	4,427,362	7,766,505	12,193,867
Loss before provision for income taxes	(2,154,032)	(885,153)	(3,039,185)
Provision for income taxes	--	--	--
Net loss	$ (2,154,032)	$ (885,153)	$ (3,039,185)
Net loss per common share, basic and diluted	$ (0.05)		$ (0.05)
Weighted average number of shares outstanding, basic and diluted	42,635,842		61,140,623

See Notes to Unaudited Pro Forma Condensed Consolidated Statements of Operations

NETFABRIC HOLDINGS, INC.
UCA SERVICES, INC.
NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2004 AND FOR THE SIX MONTHS ENDED JUNE 30, 2005

The unaudited pro forma statements of operations for the year ended December 31, 2004 combine the consolidated statement of operations of NetFabric Holdings for the year ended December 31, 2004 with the statement of operations of UCA Services for the year ended December 31, 2004, assuming that the merger occurred at January 1, 2004. The historical statements of operations of NetFabric Holdings and UCA Services for the years ended December 31, 2004, respectively, have been derived from the companies' audited historical statements of operations.

The unaudited pro forma statements of operations for the six months ended June 30, 2005 combine the consolidated statement of operations of NetFabric Holdings for the six months ended June 30, 2005 with the statement of operations of UCA Services for the period from January 1, 2005 to May 20, 2005, assuming that the merger occurred at January 1, 2004. The historical statements of operations of NetFabric Holdings for the six months ended June 30, 2005 have been derived from the company's unaudited statement of operations.

(a) Reflects UCA Services statement of operations for the period from January 1, 2005 to May 20, 2005, the date of acquisition of UCA Services by NetFabric Holdings. The results of operations of UCA Services from May 20, 2005 to June 30, 2005 are included in the NetFabric Holdings historical condensed consolidated statement of operations for the six months ended June 30, 2005.

We have not authorized any dealer, salesperson or other person to provide any information or make any representations about NetFabric Holdings, Inc., except the information or representations contained in this prospectus. You should not rely on any additional information or representations if made.

This prospectus does not constitute an offer to sell, or a solicitation of an offer to buy any securities:

- [ ] except the common stock offered by this prospectus;
- [ ] in any jurisdiction in which the offer or solicitation is not authorized;
- [ ] in any jurisdiction where the dealer or other salesperson is not qualified to make the offer or solicitation;
- [ ] to any person to whom it is unlawful to make the offer or solicitation; or
- [ ] to any person who is not a United States resident or who is outside the jurisdiction of the United States.

The delivery of this prospectus or any accompanying sale does not imply that:

- [ ] there have been no changes in the affairs of NetFabric after the date of this prospectus; or
- [ ] the information contained in this prospectus is correct after the date of this prospectus.

Until _____, 2006, all dealers effecting transactions in the registered securities, whether or not participating in this distribution, may be required to deliver a prospectus. This is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters.

PROSPECTUS

27,435,000 Shares of Common Stock

NETFABRIC HOLDINGS, INC.

November ___, 2005

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Indemnification Of Directors And Officers

Our Articles of Incorporation include an indemnification provision under which we have agreed to indemnify our directors and officers from and against certain claims arising from or related to future acts or omissions as a director or officer of NetFabric. Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of NetFabric pursuant to the foregoing, or otherwise, we have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable.

Other Expenses Of Issuance And Distribution

The following table sets forth estimated expenses expected to be incurred in connection with the issuance and distribution of the securities being registered. We will pay all of the expenses in connection with this offering.

Securities and Exchange Commission Registration Fee	$ 3.067.26
Printing and Engraving Expenses	$ 2,500.00
Accounting Fees and Expenses	$ 15,000.00
Legal Fees and Expenses	$ 50,000.00
Miscellaneous	$ 14,432.74
TOTAL	$ 85,000.00

Recent Sales Of Unregistered Securities

We have issued the following securities in the past three years without registering them under the Securities Act of 1933:

2004

On November 30, 2004, Littlehampton Investments, LLC purchased 7,030,000 shares from our shareholders. As part of the acquisition agreement with NetFabric, Littlehampton Investments, LLC cancelled 6,030,000 shares of common stock and was granted registration rights on 1,000,000 shares it still held.

On December 9, 2004, completed the Share Exchange with all of the stockholders of NetFabric Corporation and acquired all of the issued and outstanding common stock of NetFabric corporation from the its stockholders in exchange for an aggregate of 32,137,032 newly-issued shares of the of our common stock.

On October 14, 2004, NetFabric and Macrocom entered into a loan agreement which was amended on December 2, 2004, May 24, 2005 and October 26, 2005, whereby Macrocom agreed to loan an additional $500,000 to NetFabric, due on October 10, 2006 at an annual simple interest rate of 5%. At the option of Macrocom, Macrocom can convert the principal of the Second Loan into 1,000,000 shares of common stock of NetFabric or demand repayment of the principal in cash. In addition, NetFabric agreed to issue to Macrocom 250,000 shares of common stock as additional consideration to Macrocom for the loan.

In December 2004 Macrocom entered into a commitment with NetFabric to purchase our common stock. Pursuant to this financing commitment, we sold an aggregate of 1,000,000 shares of common stock to Macrocom and 1,000,000 shares of common stock to Michael Millon 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 warrant to purchase 2,000,000 shares of common stock at a purchase price of $1,500,000. The warrants expire in December of 2006. We also issued 250,000 shares to Michael Millon as consideration for arranging the Macrocom financing.

2005

On January 12, 2005, in accordance with financing and compensation agreements between NetFabric and Macrocom Investors, LLC, and Michael Millon, the Managing Member of Macrocom, we issued 1,000,000 shares or our common stock to Macrocom in conversion of the principal of the outstanding convertible note dated July 22, 2004 in the amount of $500,000 at the agreed price per share of $0.50. We also issued 250,000 shares to Macrocom as additional consideration for the July 22, 2004 loan.

On July 5, 2005, we entered into a Placement Agent Agreement with Newbridge Securities Corporation, a registered broker-dealer. Pursuant to the Placement Agent Agreement, we paid Newbridge Securities Corporation a one-time placement agent fee of 7,142 restricted shares of common stock on July 5, 2005, equal to approximately $10,000 based on our stock price on the date of July 5, 2005.

On July 19, 2005, we sold to a stockholder and an entity affiliated with an officer of NetFabric convertible debentures in the face amount of $50,000 each. These debentures were sold on substantially similar terms as the debenture sold to Macrocom. However, we did not provide any collateral to the debenture holders.

On July 19, 2005, we sold a convertible debenture in the face amount of $500,000 to Macrocom. The debenture bears interest at 5% and is due on April 15, 2006. At the option of Macrocom, the debenture can be converted into shares of our common stock at a conversion price of $.50 per share. In connection with the sale, we issued Macrocom warrants to acquire 1,000,000 shares of its common stock at an exercise price $1.50 per share. The warrants expire in three years from the date of issuance. We also issued to Macrocom 375,000 shares of its common stock as additional consideration. As collateral for the debenture, we had placed with an escrow agent 5,000,000 shares of its common stock. We will allocate the proceeds of the debenture based on the computed relative values of the debt and equity components noted above. The amounts allocated to the equity components will be recorded as a debt discount at the date of issuance of the debenture and will be amortized to interest expense using the effective interest method over the stated term of the debenture. We anticipate that the amount of aggregate debt discounts will approximate the face amount of the debenture.

On October 27, 2005, we entered into a Securities Purchase Agreement with Cornell Capital Partners whereby we agreed to amend and consolidate all of the convertible debentures issued to Cornell Capital Partners into one new secured convertible debenture in the principal amount of $1,658,160. Prior to entering into the Securities Purchase Agreement we issued secured convertible debentures to Cornell Capital Partners in a principal aggregate amount equal to $1,000,000. Of those secured convertible debentures previously issued to Cornell Capital Partners, $400,000 was funded on July 1, 2005; $50,000 was funded on September 1, 2005; $150,000 was funded on October 6, 2005, and $400,000 was funded on October 13, 2005. Pursuant to the Securities Purchase Agreement, Cornell Capital Partners funded an additional $650,000 on October 27, 2005. The $1,000,000 in secured convertible debentures and the additional $650,000 in secured convertible debentures were consolidated into one new secured convertible debenture along with the accrued and unpaid interest on those debentures. The secured convertible debenture has a 36-month term and accrues annual interest of 5%. The secured convertible debenture may be redeemed by us at any time, in whole or in part. If on the date of redemption, the closing price of our common stock is greater than the conversion price in effect, we shall pay a redemption premium of 15% of the amount redeemed in addition to such redemption. The secured convertible debenture is convertible at the holder's option at a conversion price equal to the lesser of (i) an amount equal to $1.00 or (ii) an amount equal to 95% of the lowest closing bid price of our common stock for the 30 trading days immediately proceeding the conversion date. The debenture is secured by substantially all our assets.

Unless otherwise noted in this section, with respect to the sale of unregistered securities referenced above, all transactions were exempt from registration pursuant to Section 4(2) of the Securities Act of 1933 (the "1933 Act"), and Regulation D promulgated under the 1933 Act. In each instance, the purchaser had access to sufficient information regarding NetFabric so as to make an informed investment decision. More specifically, we had a reasonable basis to believe that each purchaser was an "accredited investor" as defined in Regulation D of the 1933 Act and otherwise had the requisite sophistication to make an investment in NetFabric's securities.

INDEX TO EXHIBITS

Exhibit No.	Description	Location
3.0	Amended and Restated Articles of Incorporation of NetFabric Holdings, Inc.	Filed as an exhibit to Registration Statement on Form 10-SB filed on May 6, 2004
3.1	Amended and Restated Bylaws of NetFabric Holdings, Inc.	Filed as an exhibit to Registration Statement on Form 10-SB filed on May 6, 2004
5.1	Opinion of Kirkpatrick & Lockhart LLP re: Legality	To be filed by Amendment
10.1	Warrant, dated as October 27, 2005, issued by the Company to Cornell Capital Partners, LP	Provided herewith
10.2	Securities Purchase Agreement, dated as of October 27, 2005, by and between the Company and Cornell Capital Partners, LP	Provided herewith
10.3	Investor Registration Rights Agreement, dated as of October 27, 2005, by and between the Company and Cornell Capital Partners, LP	Provided herewith
10.4	Escrow Agreement, dated as of October 27, 2005, by and among the Company, Cornell Capital Partners, LP and David Gonzalez, Esq., as escrow agent pursuant to the Securities Purchase Agreement	Provided herewith
10.5	Amended and Restated Security Agreement, dated as of October 27, 2005, by and between the Company and Cornell Capital Partners, LP	Provided herewith
10.6	Amended and Restated Security Agreement, dated as of October 27, 2005, by and between NetFabric Corporation and Cornell Capital Partners, LP	Provided herewith
10.7	Amended and Restated Security Agreement, dated as of October 27, 2005, by and between UCA Services, Inc. and Cornell Capital Partners, LP	Provided herewith
10.8	Officer Pledge and Escrow Agreement, dated as of October 27, 2005, by and among the Company, Cornell Capital Partners, LP and David Gonzalez, Esq., as escrow agent	Provided herewith
10.9	Irrevocable Transfer Agent Instructions and Letter Agreement, dated as of October 27, 2005, by and between the Company and Securities Transfer Corporation	Provided herewith
10.10	Form of Secured Convertible Debenture issued to Cornell Capital Partners, LP dated October 27, 2005	Provided herewith

Exhibit No.	Description	Location
10.11	Domestic Distribution Agreement with Williams Telecommunications	Provided herewith
10.12	Share Purchase Agreement between Little Hampton LLC and Houston Operating Company dated October 2004	Filed as an exhibit on the Company's 8-K filed on November 24, 2004
10.13	Share Exchange Agreement between Houston Operating Company and NetFabric dated December 9, 2004	Filed as an exhibit on the Company's 8-K filed on December 15, 2004
10.14	Financing Agreement between NetFabric and Macrocom Investors, LLC dated July 22, 2004	Filed as an exhibit on the Company's 8-K filed on December 15, 2004
10.15	Amendment to Financing Agreement with Macrocom dated December 2, 2004	Filed as an exhibit on the Company's 8-K filed on December 15, 2004
10.16	Loan Agreement Macrocom Investors, LLC dated October 14, 2004	Filed as an exhibit on the Company's 8-K filed on December 15, 2004
10.17	Agreement with Macrocom Investors, LLC for Convertible Debentures dated July 19, 2005	Filed as an exhibit on the Company's 8-K filed on July 25, 2005
14.1	Code of Ethics	Filed as exhibit on the Company's 10K filed on March 31, 2005.
21.1	List of Subsidiaries of NetFabric	Provided herewith
23.1	Consent of Kirkpatrick & Lockhart Nicholson Graham, LLP	Incorporated by reference to Exhibit 5.1
23.2	Consent of Independent Registered Public Accounting Firm	Provided herewith

Undertakings

The undersigned registrant hereby undertakes:

(1) To file, during any period in which it offers or sells securities, a post-effective amendment to this registration statement to:

(i) Include any prospectus required by Sections 10(a)(3) of the Securities Act of 1933 (the "Act");

(ii) Reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective Registration Statement;

(iii) Include any additional or changed material information on the plan of distribution;

(2) That, for the purpose of determining any liability under the Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities that remain unsold at the end of the offering.

Insofar as indemnification for liabilities arising under the Act may be permitted to directors, officers and controlling persons of the small business issuer pursuant to the foregoing provisions, or otherwise, the small business issuer has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the small business issuer of expenses incurred or paid by a director, officer or controlling person of the small business issuer in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the small business issuer will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

In accordance with the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form SB-2 and authorized this registration statement to be signed on our behalf by the undersigned, on November 2, 2005.

Date: November 2, 2005 NETFABRIC HOLDINGS, INC.

By: /s/ Jeff Robinson

Name: Jeff Robinson
Title: Chief Executive Officer and Chairman

By: /s/ Vasan Thatham

Name: Vasan Thatham
Title: Chief Financial Officer and Principal Accounting Officer

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Jeff Robinson his true and lawful attorney-in-fact and agent, with full power of substitution and revocation, for him and in his name, place and stead, in any and all capacities (until revoked in writing), to sign any and all amendments (including post-effective amendments) to this Registration Statement and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done as fully for all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or is substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been duly singed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE		DATE
/s/ Jeff I. Robinson - --- Jeff I. Robinson	Chairman	November 2, 2005
/s/ Richard Howard - --- Richard Howard	Director	November 2, 2005
/s/ Charlotte G. Denenberg - --- Charlotte G. Denenberg	Director	November 2, 2005
/s/ Madelyn DeMatteo - --- Madelyn DeMatteo	Director	November 2, 2005
/s/ Fahad Syed - --- Fahad Syed	Director	November 2, 2005

WARRANT

THE SECURITIES REPRESENTED BY THIS WARRANT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES HAVE BEEN ACQUIRED FOR INVESTMENT AND MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS, OR AN OPINION OF COUNSEL IN A FORM REASONABLY SATISFACTORY TO THE ISSUER THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR APPLICABLE STATE SECURITIES LAWS OR UNLESS SOLD PURSUANT TO RULE 144 UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THIS WARRANT MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT.

NETFABRIC HOLDINGS, INC.

Warrant To Purchase Common Stock

Warrant No.: CCP-002 Number of Shares: 560,000

Date of Issuance: October 27, 2005

NetFabric Holdings, Inc., a Delaware corporation (the "Company"), hereby certifies that, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Cornell Capital Partners, LP ("Cornell"), the registered holder hereof or its permitted assigns, is entitled, subject to the terms set forth below, to purchase from the Company upon surrender of this Warrant, at any time or times on or after the date hereof, but not after 11:59 P.M. Eastern Time on the Expiration Date (as defined herein) Two Hundred Thousand (200,000) fully paid and nonassessable shares of Common Stock (as defined herein) of the Company (the "Warrant Shares") at the exercise price per share provided in Section 1(b) below or as subsequently adjusted; provided, however, that in no event shall the holder be entitled to exercise this Warrant for a number of Warrant Shares in excess of that number of Warrant Shares which, upon giving effect to such exercise, would cause the aggregate number of shares of Common Stock beneficially owned by the holder and its affiliates to exceed 4.99% of the outstanding shares of the Common Stock following such exercise, except within sixty (60) days of the Expiration Date (however, such restriction may be waived by Cornell (but only as to itself and not to any other holder) upon not less than 65 days prior notice to the Company and any other holders shall be unaffected by any such waiver). For purposes of the foregoing proviso, the aggregate number of shares of Common Stock beneficially owned by the holder and its affiliates shall include the number of shares of Common Stock issuable upon exercise of this Warrant with respect to which the determination of such proviso is being made, but shall exclude shares of Common Stock which would be

issuable upon (i) exercise of the remaining, unexercised Warrants beneficially owned by the holder and its affiliates and (ii) exercise or conversion of the unexercised or unconverted portion of any other securities of the Company beneficially owned by the holder and its affiliates (including, without limitation, any convertible notes or preferred stock) subject to a limitation on conversion or exercise analogous to the limitation contained herein. Except as set forth in the preceding sentence, for purposes of this paragraph, beneficial ownership shall be calculated in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended. For purposes of this Warrant, in determining the number of outstanding shares of Common Stock a holder may rely on the number of outstanding shares of Common Stock as reflected in (1) the Company's most recent Form 10-QSB or Form 10-KSB, as the case may be, (2) a more recent public announcement by the Company or (3) any other notice by the Company or its transfer agent setting forth the number of shares of Common Stock outstanding. Upon the written request of any holder, the Company shall promptly, but in no event later than one (1) Business Day following the receipt of such notice, confirm in writing to any such holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the exercise of Warrants (as defined below) by such holder and its affiliates since the date as of which such number of outstanding shares of Common Stock was reported.

Section 1.

(a) This Warrant is the common stock purchase warrant (the "Warrant") issued pursuant to the Securities Purchase Agreement dated the date hereof by and between the Company and Cornell.

(b) Definitions. The following words and terms as used in this Warrant shall have the following meanings:

(i) "Approved Stock Plan" means any employee benefit plan which has been approved by the Board of Directors of the Company, pursuant to which the Company's securities may be issued to any employee, officer or director for services provided to the Company.

(ii) "Business Day" means any day other than Saturday, Sunday or other day on which commercial banks in the City of New York are authorized or required by law to remain closed.

(iii) "Closing Bid Price" means the closing bid price of Common Stock as quoted on the Principal Market (as reported by Bloomberg Financial Markets ("Bloomberg") through its "Volume at Price" function).

(iv) "Common Stock" means (i) the Company's common stock, par value $0.001 per share, and (ii) any capital stock into which such Common Stock shall have been changed or any capital stock resulting from a reclassification of such Common Stock.

(v) "Event of Default" means an event of default under the Convertible Debenture, or any other related agreements hereunder between the Company and Cornell of even date herewith which is not cured by the Company by any applicable cure period therein.

(vi) "Excluded Securities" means, provided such security is issued at a price which is greater than or equal to the arithmetic average of the Closing Bid Prices of the Common Stock for the ten (10) consecutive trading days immediately preceding the date of issuance, any of the following: (a) any issuance by the Company of securities in connection with a strategic partnership or a joint venture (the primary purpose of which is not to raise equity capital), (b) any issuance by the Company of securities as consideration for a merger or consolidation or the acquisition of a business, product, license, or other assets of another person or entity and (c) options to purchase shares of Common Stock, provided (I) such options are issued after the date of this Warrant to employees of the Company within thirty (30) days of such employee's starting his employment with the Company, and (II) the exercise price of such options is not less than the Closing Bid Price of the Common Stock on the date of issuance of such option.

(vii) "Expiration Date" means the date three (3) years from the Issuance Date of this Warrant or, if such date falls on a Saturday, Sunday or other day on which banks are required or authorized to be closed in the City of New York or the State of New York or on which trading does not take place on the Principal Exchange or automated quotation system on which the Common Stock is traded (a "Holiday"), the next date that is not a Holiday.

(viii) "Issuance Date" means the date hereof.

(ix) "Options" means any rights, warrants or options to subscribe for or purchase Common Stock or Convertible Securities.

(x) "Other Securities" means (i) those options and warrants of the Company issued prior to, and outstanding on, the Issuance Date of this Warrant, (ii) the shares of Common Stock issuable on exercise of such options and warrants, provided such options and warrants are not amended after the Issuance Date of this Warrant and (iii) the shares of Common Stock issuable upon exercise of this Warrant.

(xi) "Person" means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization and a government or any department or agency thereof.

(xii) "Principal Market" means the New York Stock Exchange, the American Stock Exchange, the Nasdaq National Market, the Nasdaq SmallCap Market, whichever is at the time the principal trading exchange or market for such security, or the over-the-counter market on the electronic bulletin board for such security as reported by Bloomberg or, if no bid or sale information is reported for such security by Bloomberg, then the average of the bid prices of each of the market makers for such security as reported in the "pink sheets" by the National Quotation Bureau, Inc.

(xiii) "Securities Act" means the Securities Act of 1933, as amended.

(xiv) "Warrant" means this Warrant and all Warrants issued in exchange, transfer or replacement thereof.

(xv) "Warrant Exercise Price" shall be $0.50 or as subsequently adjusted as provided in Section 8 hereof.

(xvi) "Warrant Shares" means the shares of Common Stock issuable at any time upon exercise of this Warrant.

(c) Other Definitional Provisions.

(i) Except as otherwise specified herein, all references herein (A) to the Company shall be deemed to include the Company's successors and (B) to any applicable law defined or referred to herein shall be deemed references to such applicable law as the same may have been or may be amended or supplemented from time to time.

(ii) When used in this Warrant, the words "herein", "hereof", and "hereunder" and words of similar import, shall refer to this Warrant as a whole and not to any provision of this Warrant, and the words "Section", "Schedule", and "Exhibit" shall refer to Sections of, and Schedules and Exhibits to, this Warrant unless otherwise specified.

(iii) Whenever the context so requires, the neuter gender includes the masculine or feminine, and the singular number includes the plural, and vice versa.

Section 2. Exercise of Warrant.

(a) Subject to the terms and conditions hereof, this Warrant may be exercised by the holder hereof then registered on the books of the Company, pro rata as hereinafter provided, at any time on any Business Day on or after the opening of business on such Business Day, commencing with the first day after the date hereof, and prior to 11:59 P.M. Eastern Time on the Expiration Date (i) by delivery of a written notice, in the form of the subscription notice attached as Exhibit A hereto (the "Exercise Notice"), of such holder's election to exercise this Warrant, which notice shall specify the number of Warrant Shares to be purchased, payment to the Company of an amount equal to the Warrant Exercise Price(s) applicable to the Warrant Shares being purchased, multiplied by the number of Warrant Shares (at the applicable Warrant Exercise Price) as to which this Warrant is being exercised (plus any applicable issue or transfer taxes) (the "Aggregate Exercise Price") in cash or wire transfer of immediately available funds and the surrender of this Warrant (or an indemnification undertaking with respect to this Warrant in the case of its loss, theft or destruction) to a common carrier for overnight delivery to the Company as soon as practicable following such date ("Cash Basis") or (ii) if at the time of exercise, the Warrant Shares are not subject to an effective registration statement or if an Event of Default has occurred, by delivering an Exercise Notice and in lieu of making payment of the Aggregate Exercise Price in cash or wire transfer, elect instead to receive upon such exercise the "Net Number" of shares of Common Stock determined according to the following formula (the "Cashless Exercise"):

$$\text{Net Number} = \frac{(A \times B) - (A \times C)}{B}$$

For purposes of the foregoing formula:

A = the total number of Warrant Shares with respect to which this Warrant is then being exercised.

B = the Closing Bid Price of the Common Stock on the date of exercise of the Warrant.

C = the Warrant Exercise Price then in effect for the applicable Warrant Shares at the time of such exercise.

In the event of any exercise of the rights represented by this Warrant in compliance with this Section 2, the Company shall on the fifth (5th) Business Day following the date of receipt of the Exercise Notice, the Aggregate Exercise Price and this Warrant (or an indemnification undertaking with respect to this Warrant in the case of its loss, theft or destruction) and the receipt of the representations of the holder specified in Section 6 hereof, if requested by the Company (the "Exercise Delivery Documents"), and if the Common Stock is DTC eligible, credit such aggregate number of shares of Common Stock to which the holder shall be entitled to the holder's or its designee's balance account with The Depository Trust Company; provided, however, if the holder who submitted the Exercise Notice requested physical delivery of any or all of the Warrant Shares, or, if the Common Stock is not DTC eligible then the Company shall, on or before the fifth (5th) Business Day following receipt of the Exercise Delivery Documents, issue and surrender to a common carrier for overnight delivery to the address specified in the Exercise Notice, a certificate, registered in the name of the holder, for the number of shares of Common Stock to which the holder shall be entitled pursuant to such request. Upon delivery of the Exercise Notice and Aggregate Exercise Price referred to in clause (i) or (ii) above the holder of this Warrant shall be deemed for all corporate purposes to have become the holder of record of the Warrant Shares with respect to which this Warrant has been exercised. In the case of a dispute as to the determination of the Warrant Exercise Price, the Closing Bid Price or the arithmetic calculation of the Warrant Shares, the Company shall promptly issue to the holder the number of Warrant Shares that is not disputed and shall submit the disputed determinations or arithmetic calculations to the holder via facsimile within one (1) Business Day of receipt of the holder's Exercise Notice.

(b) If the holder and the Company are unable to agree upon the determination of the Warrant Exercise Price or arithmetic calculation of the Warrant Shares within one (1) day of such disputed determination or arithmetic calculation being submitted to the holder, then the Company shall immediately submit via facsimile (i) the disputed determination of the Warrant Exercise Price or the Closing Bid Price to an independent, reputable investment banking firm or (ii) the disputed arithmetic calculation of the Warrant Shares to its independent, outside accountant. The Company shall cause the investment banking firm or the accountant, as the case may be, to perform the determinations or calculations and notify the Company and the holder of the results no later than forty-eight (48) hours from the time it receives the disputed determinations or calculations. Such investment banking firm's or accountant's determination or calculation, as the case may be, shall be deemed conclusive absent manifest error.

(c) Unless the rights represented by this Warrant shall have expired or shall have been fully exercised, the Company shall, as soon as practicable and in no event later than five (5) Business Days after any exercise and at its own expense, issue a new Warrant identical in all respects to this Warrant

exercised except it shall represent rights to purchase the number of Warrant Shares purchasable immediately prior to such exercise under this Warrant exercised, less the number of Warrant Shares with respect to which such Warrant is exercised.

(d) No fractional Warrant Shares are to be issued upon any pro rata exercise of this Warrant, but rather the number of Warrant Shares issued upon such exercise of this Warrant shall be rounded up or down to the nearest whole number.

(e) If the Company or its Transfer Agent shall fail for any reason or for no reason to issue to the holder within ten (10) days of receipt of the Exercise Delivery Documents, a certificate for the number of Warrant Shares to which the holder is entitled or to credit the holder's balance account with The Depository Trust Company for such number of Warrant Shares to which the holder is entitled upon the holder's exercise of this Warrant, the Company shall, in addition to any other remedies under this Warrant or the Placement Agent Agreement or otherwise available to such holder, pay as additional damages in cash to such holder on each day the issuance of such certificate for Warrant Shares is not timely effected an amount equal to 0.025% of the product of (A) the sum of the number of Warrant Shares not issued to the holder on a timely basis and to which the holder is entitled, and (B) the Closing Bid Price of the Common Stock for the trading day immediately preceding the last possible date which the Company could have issued such Common Stock to the holder without violating this Section 2.

(f) If within ten (10) days after the Company's receipt of the Exercise Delivery Documents, the Company fails to deliver a new Warrant to the holder for the number of Warrant Shares to which such holder is entitled pursuant to Section 2 hereof, then, in addition to any other available remedies under this Warrant or the Placement Agent Agreement, or otherwise available to such holder, the Company shall pay as additional damages in cash to such holder on each day after such tenth (10th) day that such delivery of such new Warrant is not timely effected in an amount equal to 0.25% of the product of (A) the number of Warrant Shares represented by the portion of this Warrant which is not being exercised and (B) the Closing Bid Price of the Common Stock for the trading day immediately preceding the last possible date which the Company could have issued such Warrant to the holder without violating this Section 2.

Section 3. Covenants as to Common Stock. The Company hereby covenants and agrees as follows:

(a) This Warrant is, and any Warrants issued in substitution for or replacement of this Warrant will upon issuance be, duly authorized and validly issued.

(b) All Warrant Shares which may be issued upon the exercise of the rights represented by this Warrant will, upon issuance, be validly issued, fully paid and nonassessable and free from all taxes, liens and charges with respect to the issue thereof.

(c) During the period within which the rights represented by this Warrant may be exercised, the Company will at all times have authorized and reserved at least one hundred percent (100%) of the number of shares of Common Stock needed to provide for the exercise of the rights then represented by this Warrant and the par value of said shares will at all times be less than or equal to the applicable Warrant Exercise Price. If at any time the Company does not have a sufficient number of shares of Common Stock authorized and available, then the Company shall call and hold a special meeting of its stockholders within sixty (60) days of that time for the sole purpose of increasing the number of authorized shares of Common Stock.

(d) If at any time after the date hereof the Company shall file a registration statement, the Company shall include the Warrant Shares issuable to the holder, pursuant to the terms of this Warrant and shall maintain, so long as any other shares of Common Stock shall be so listed, such listing of all Warrant Shares from time to time issuable upon the exercise of this Warrant; and the Company shall so list on each national securities exchange or automated quotation system, as the case may be, and shall maintain such listing of, any other shares of capital stock of the Company issuable upon the exercise of this Warrant if and so long as any shares of the same class shall be listed on such national securities exchange or automated quotation system.

(e) The Company will not, by amendment of its Articles of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed by it hereunder, but will at all times in good faith assist in the carrying out of all the provisions of this Warrant and in the taking of all such action as may reasonably be requested by the holder of this Warrant in order to protect the exercise privilege of the holder of this Warrant against dilution or other impairment, consistent with the tenor and purpose of this Warrant. The Company will not increase the par value of any shares of Common Stock receivable upon the exercise of this Warrant above the Warrant Exercise Price then in effect, and (ii) will take all such actions as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable shares of Common Stock upon the exercise of this Warrant.

(f) This Warrant will be binding upon any entity succeeding to the Company by merger, consolidation or acquisition of all or substantially all of the Company's assets.

Section 4. Taxes. The Company shall pay any and all taxes, except any applicable withholding, which may be payable with respect to the issuance and delivery of Warrant Shares upon exercise of this Warrant.

Section 5. Warrant Holder Not Deemed a Stockholder. Except as otherwise specifically provided herein, no holder, as such, of this Warrant shall be entitled to vote or receive dividends or be deemed the holder of shares of capital stock of the Company for any purpose, nor shall anything contained in this Warrant be construed to confer upon the holder hereof, as such, any of the rights of a stockholder of the Company or any right to vote, give or withhold consent to any corporate action (whether any reorganization, issue of stock, reclassification of stock, consolidation, merger, conveyance or otherwise), receive notice of meetings, receive dividends or subscription rights, or otherwise, prior to the issuance to the holder of this Warrant of the Warrant Shares which he or she is then entitled to receive upon the due exercise of this Warrant. In addition, nothing contained in this Warrant shall be construed as imposing any liabilities on such holder to purchase any securities (upon exercise of this Warrant or otherwise) or as a stockholder of the Company, whether such liabilities are asserted by the Company or by creditors of the Company. Notwithstanding this Section 5, the Company will provide the holder of this Warrant with copies of the same notices and other information given to the stockholders of the Company generally, contemporaneously with the giving thereof to the stockholders.

Section 6. Representations of Holder. The holder of this Warrant, by the acceptance hereof, represents that it is acquiring this Warrant and the Warrant Shares for its own account for investment only and not with a view towards, or for resale in connection with, the public sale or distribution of this Warrant or the Warrant Shares, except pursuant to sales registered or exempted under the Securities Act; provided, however, that by making the representations herein, the holder does not agree to hold this Warrant or any of the Warrant Shares for any minimum or other specific term and reserves the right to dispose of this Warrant and the Warrant Shares at any time in accordance with or pursuant to a registration statement or an exemption under the Securities Act. The holder of this Warrant further represents, by acceptance hereof, that, as of this date, such holder is an "accredited investor" as such term is defined in Rule 501(a)(1) of Regulation D promulgated by the Securities and Exchange Commission under the Securities Act (an "Accredited Investor"). Upon exercise of this Warrant the holder shall, if requested by the Company, confirm in writing, in a form satisfactory to the Company, that the Warrant Shares so purchased are being acquired solely for the holder's own account and not as a nominee for any other party, for investment, and not with a view toward distribution or resale and that such holder is an Accredited Investor. If such holder cannot make such representations because they would be factually incorrect, it shall be a condition to such holder's exercise of this Warrant that the Company receive such other representations as the Company considers reasonably necessary to assure the Company that the issuance of its securities upon exercise of this Warrant shall not violate any United States or state securities laws.

Section 7. Ownership and Transfer.

(a) The Company shall maintain at its principal executive offices (or such other office or agency of the Company as it may designate by notice to the holder hereof), a register for this Warrant, in which the Company shall record the name and address of the person in whose name this Warrant has been issued, as well as the name and address of each transferee. The Company may treat the person in whose name any Warrant is registered on the register as the owner and holder thereof for all purposes, notwithstanding any notice to the contrary, but in all events recognizing any transfers made in accordance with the terms of this Warrant.

Section 8. Adjustment of Warrant Exercise Price and Number of Shares. The Warrant Exercise Price and the number of shares of Common Stock issuable upon exercise of this Warrant shall be adjusted from time to time as follows:

(a) Adjustment of Warrant Exercise Price and Number of Shares upon Issuance of Common Stock. If and whenever on or after the Issuance Date of this Warrant, the Company issues or sells, or is deemed to have issued or sold, any shares of Common Stock (other than (i) Excluded Securities and (ii) shares of Common Stock which are issued or deemed to have been issued by the Company in connection with an Approved Stock Plan or upon exercise or conversion of the Other Securities) for a consideration per share less than a price (the "Applicable Price") equal to the Warrant Exercise Price in effect immediately

prior to such issuance or sale, then immediately after such issue or sale the Warrant Exercise Price then in effect shall be reduced to an amount equal to such consideration per share. Upon each such adjustment of the Warrant Exercise Price hereunder, the number of Warrant Shares issuable upon exercise of this Warrant shall be adjusted to the number of shares determined by multiplying the Warrant Exercise Price in effect immediately prior to such adjustment by the number of Warrant Shares issuable upon exercise of this Warrant immediately prior to such adjustment and dividing the product thereof by the Warrant Exercise Price resulting from such adjustment.

(b) Effect on Warrant Exercise Price of Certain Events. For purposes of determining the adjusted Warrant Exercise Price under Section 8(a) above, the following shall be applicable:

(i) Issuance of Options. If after the date hereof, the Company in any manner grants any Options and the lowest price per share for which one share of Common Stock is issuable upon the exercise of any such Option or upon conversion or exchange of any convertible securities issuable upon exercise of any such Option is less than the Applicable Price, then such share of Common Stock shall be deemed to be outstanding and to have been issued and sold by the Company at the time of the granting or sale of such Option for such price per share. For purposes of this Section 8(b)(i), the lowest price per share for which one share of Common Stock is issuable upon exercise of such Options or upon conversion or exchange of such Convertible Securities shall be equal to the sum of the lowest amounts of consideration (if any) received or receivable by the Company with respect to any one share of Common Stock upon the granting or sale of the Option, upon exercise of the Option or upon conversion or exchange of any convertible security issuable upon exercise of such Option. No further adjustment of the Warrant Exercise Price shall be made upon the actual issuance of such Common Stock or of such convertible securities upon the exercise of such Options or upon the actual issuance of such Common Stock upon conversion or exchange of such convertible securities.

(ii) Issuance of Convertible Securities. If the Company in any manner issues or sells any convertible securities and the lowest price per share for which one share of Common Stock is issuable upon the conversion or exchange thereof is less than the Applicable Price, then such share of Common Stock shall be deemed to be outstanding and to have been issued and sold by the Company at the time of the issuance or sale of such convertible securities for such price per share. For the purposes of this Section 8(b)(ii), the lowest price per share for which one share of Common Stock is issuable upon such conversion or exchange shall be equal to the sum of the lowest amounts of consideration (if any) received or receivable by the Company with respect to one share of Common Stock upon the issuance or sale of the convertible security and upon conversion or exchange of such convertible security. No further adjustment of the Warrant Exercise Price shall be made upon the actual issuance of such Common Stock upon conversion or exchange of such convertible securities, and if any such issue or sale of such convertible securities is made upon exercise of any Options for which adjustment of the Warrant Exercise Price had been or are to be made pursuant to other provisions of this Section 8(b), no further adjustment of the Warrant Exercise Price shall be made by reason of such issue or sale.

(iii) Change in Option Price or Rate of Conversion. If the purchase price provided for in any Options, the additional consideration, if any, payable upon the issue, conversion or exchange of any convertible securities, or the rate at which any convertible securities are convertible into or exchangeable for Common Stock changes at any time, the Warrant Exercise Price in effect at the time of such change shall be adjusted to the Warrant Exercise Price which would have been in effect at such time had such Options or convertible securities provided for such changed purchase price, additional consideration or changed conversion rate, as the case may be, at the time initially granted, issued or sold and the number of Warrant Shares issuable upon exercise of this Warrant shall be correspondingly readjusted. For purposes of this Section 8(b)(iii), if the terms of any Option or convertible security that was outstanding as of the Issuance Date of this Warrant are changed in the manner described in the immediately preceding sentence, then such Option or convertible security and the Common Stock deemed issuable upon exercise, conversion or exchange thereof shall be deemed to have been issued as of the date of such change. No adjustment pursuant to this Section 8(b) shall be made if such adjustment would result in an increase of the Warrant Exercise Price then in effect.

(c) Effect on Warrant Exercise Price of Certain Events. For purposes of determining the adjusted Warrant Exercise Price under Sections 8(a) and 8(b), the following shall be applicable:

(i) Calculation of Consideration Received. If any Common Stock, Options or convertible securities are issued or sold or deemed to have been issued or sold for cash, the consideration received therefore will be deemed to be the net amount received by the Company therefore. If any Common Stock, Options or convertible securities are issued or sold for a consideration other than cash, the amount of such consideration received by the Company will be the fair value of such consideration, except where such consideration consists of marketable securities, in which case the amount of consideration received by the Company will be the market price of such securities on the date of receipt of such securities. If any Common Stock, Options or convertible securities are issued to the owners of the non-surviving entity in connection with any merger in which the Company is the surviving entity, the amount of consideration therefore will be deemed to be the fair value of such portion of the net assets and business of the non-surviving entity as is attributable to such Common Stock, Options or convertible securities, as the case may be. The fair value of any consideration other than cash or securities will be determined jointly by the Company and the holders of Warrants representing at least two-thirds (b) of the Warrant Shares issuable upon exercise of the Warrants then outstanding. If such parties are unable to reach agreement within ten (10) days after the occurrence of an event requiring valuation (the "Valuation Event"), the fair value of such consideration will be determined within five (5) Business Days after the tenth (10th) day following the Valuation Event by an independent, reputable appraiser jointly selected by the Company and the holders of Warrants representing at least two-thirds (b) of the Warrant Shares issuable upon exercise of the Warrants then outstanding. The determination of such appraiser shall be final and binding upon all parties and the fees and expenses of such appraiser shall be borne jointly by the Company and the holders of Warrants.

(ii) Integrated Transactions. In case any Option is issued in connection with the issue or sale of other securities of the Company, together comprising one integrated transaction in which no specific consideration is allocated to such Options by the parties thereto, the Options will be deemed to have been issued for a consideration of $.01.

(iii) Treasury Shares. The number of shares of Common Stock outstanding at any given time does not include shares owned or held by or for the account of the Company, and the disposition of any shares so owned or held will be considered an issue or sale of Common Stock.

(iv) Record Date. If the Company takes a record of the holders of Common Stock for the purpose of entitling them (1) to receive a dividend or other distribution payable in Common Stock, Options or in convertible securities or (2) to subscribe for or purchase Common Stock, Options or convertible securities, then such record date will be deemed to be the date of the issue or sale of the shares of Common Stock deemed to have been issued or sold upon the declaration of such dividend or the making of such other distribution or the date of the granting of such right of subscription or purchase, as the case may be.

(d) Adjustment of Warrant Exercise Price upon Subdivision or Combination of Common Stock. If the Company at any time after the date of issuance of this Warrant subdivides (by any stock split, stock dividend, recapitalization or otherwise) one or more classes of its outstanding shares of Common Stock into a greater number of shares, any Warrant Exercise Price in effect immediately prior to such subdivision will be proportionately reduced and the number of shares of Common Stock obtainable upon exercise of this Warrant will be proportionately increased. If the Company at any time after the date of issuance of this Warrant combines (by combination, reverse stock split or otherwise) one or more classes of its outstanding shares of Common Stock into a smaller number of shares, any Warrant Exercise Price in effect immediately prior to such combination will be proportionately increased and the number of Warrant Shares issuable upon exercise of this Warrant will be proportionately decreased. Any adjustment under this Section 8(d) shall become effective at the close of business on the date the subdivision or combination becomes effective.

(e) Distribution of Assets. If the Company shall declare or make any dividend or other distribution of its assets (or rights to acquire its assets) to holders of Common Stock, by way of return of capital or otherwise (including, without limitation, any distribution of cash, stock or other securities, property or options by way of a dividend, spin off, reclassification, corporate rearrangement or other similar transaction) (a "Distribution"), at any time after the issuance of this Warrant, then, in each such case:

(i) any Warrant Exercise Price in effect immediately prior to the close of business on the record date fixed for the determination of holders of Common Stock entitled to receive the Distribution shall be reduced, effective as of the close of business on such record date, to a price determined by multiplying such Warrant Exercise Price by a fraction of which (A) the numerator shall be the Closing Sale Price of the Common Stock on the trading day immediately preceding such record date minus the value of the Distribution (as determined in good faith by the Company's Board of Directors) applicable to one share of Common Stock, and (B) the denominator shall be the Closing Sale Price of the Common Stock on the trading day immediately preceding such record date; and

(ii) either (A) the number of Warrant Shares obtainable upon exercise of this Warrant shall be increased to a number of shares equal to the number of shares of Common Stock obtainable immediately prior to the close of

business on the record date fixed for the determination of holders of Common Stock entitled to receive the Distribution multiplied by the reciprocal of the fraction set forth in the immediately preceding clause (i), or (B) in the event that the Distribution is of common stock of a company whose common stock is traded on a national securities exchange or a national automated quotation system, then the holder of this Warrant shall receive an additional warrant to purchase Common Stock, the terms of which shall be identical to those of this Warrant, except that such warrant shall be exercisable into the amount of the assets that would have been payable to the holder of this Warrant pursuant to the Distribution had the holder exercised this Warrant immediately prior to such record date and with an exercise price equal to the amount by which the exercise price of this Warrant was decreased with respect to the Distribution pursuant to the terms of the immediately preceding clause (i).

(f) Certain Events. If any event occurs of the type contemplated by the provisions of this Section 8 but not expressly provided for by such provisions (including, without limitation, the granting of stock appreciation rights, phantom stock rights or other rights with equity features), then the Company's Board of Directors will make an appropriate adjustment in the Warrant Exercise Price and the number of shares of Common Stock obtainable upon exercise of this Warrant so as to protect the rights of the holders of the Warrants; provided, except as set forth in section 8(d),that no such adjustment pursuant to this Section 8(f) will increase the Warrant Exercise Price or decrease the number of shares of Common Stock obtainable as otherwise determined pursuant to this Section 8.

(g) Notices.

(i) Immediately upon any adjustment of the Warrant Exercise Price, the Company will give written notice thereof to the holder of this Warrant, setting forth in reasonable detail, and certifying, the calculation of such adjustment.

(ii) The Company will give written notice to the holder of this Warrant at least ten (10) days prior to the date on which the Company closes its books or takes a record (A) with respect to any dividend or distribution upon the Common Stock, (B) with respect to any pro rata subscription offer to holders of Common Stock or (C) for determining rights to vote with respect to any Organic Change (as defined below), dissolution or liquidation, provided that such information shall be made known to the public prior to or in conjunction with such notice being provided to such holder.

(iii) The Company will also give written notice to the holder of this Warrant at least ten (10) days prior to the date on which any Organic Change, dissolution or liquidation will take place, provided that such information shall be made known to the public prior to or in conjunction with such notice being provided to such holder.

Section 9. Purchase Rights; Reorganization, Reclassification, Consolidation, Merger or Sale.

(a) In addition to any adjustments pursuant to Section 8 above, if at any time the Company grants, issues or sells any Options, Convertible Securities or rights to purchase stock, warrants, securities or other property

pro rata to the record holders of any class of Common Stock (the "Purchase Rights"), then the holder of this Warrant will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which such holder could have acquired if such holder had held the number of shares of Common Stock acquirable upon complete exercise of this Warrant immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights.

(b) Any recapitalization, reorganization, reclassification, consolidation, merger, sale of all or substantially all of the Company's assets to another Person or other transaction in each case which is effected in such a way that holders of Common Stock are entitled to receive (either directly or upon subsequent liquidation) stock, securities or assets with respect to or in exchange for Common Stock is referred to herein as an "Organic Change." Prior to the consummation of any (i) sale of all or substantially all of the Company's assets to an acquiring Person or (ii) other Organic Change following which the Company is not a surviving entity, the Company will secure from the Person purchasing such assets or the successor resulting from such Organic Change (in each case, the "Acquiring Entity") a written agreement (in form and substance satisfactory to the holders of Warrants representing at least two-thirds (iii) of the Warrant Shares issuable upon exercise of the Warrants then outstanding) to deliver to each holder of Warrants in exchange for such Warrants, a security of the Acquiring Entity evidenced by a written instrument substantially similar in form and substance to this Warrant and satisfactory to the holders of the Warrants (including an adjusted warrant exercise price equal to the value for the Common Stock reflected by the terms of such consolidation, merger or sale, and exercisable for a corresponding number of shares of Common Stock acquirable and receivable upon exercise of the Warrants without regard to any limitations on exercise, if the value so reflected is less than any Applicable Warrant Exercise Price immediately prior to such consolidation, merger or sale). Prior to the consummation of any other Organic Change, the Company shall make appropriate provision (in form and substance satisfactory to the holders of Warrants representing a majority of the Warrant Shares issuable upon exercise of the Warrants then outstanding) to insure that each of the holders of the Warrants will thereafter have the right to acquire and receive in lieu of or in addition to (as the case may be) the Warrant Shares immediately theretofore issuable and receivable upon the exercise of such holder's Warrants (without regard to any limitations on exercise), such shares of stock, securities or assets that would have been issued or payable in such Organic Change with respect to or in exchange for the number of Warrant Shares which would have been issuable and receivable upon the exercise of such holder's Warrant as of the date of such Organic Change (without taking into account any limitations or restrictions on the exercisability of this Warrant).

Section 10. Lost, Stolen, Mutilated or Destroyed Warrant. If this Warrant is lost, stolen, mutilated or destroyed, the Company shall promptly, on receipt of an indemnification undertaking (or, in the case of a mutilated Warrant, the Warrant), issue a new Warrant of like denomination and tenor as this Warrant so lost, stolen, mutilated or destroyed.

Section 11. Notice. Any notices, consents, waivers or other communications required or permitted to be given under the terms of this Warrant must be in writing and will be deemed to have been delivered: (i) upon receipt, when delivered personally; (ii) upon receipt, when sent by facsimile (provided confirmation of receipt is received by the sending party transmission is

mechanically or electronically generated and kept on file by the sending party); or (iii) one Business Day after deposit with a nationally recognized overnight delivery service, in each case properly addressed to the party to receive the same. The addresses and facsimile numbers for such communications shall be:

If to Cornell:	Cornell Capital Partners, LP 101 Hudson Street - Suite 3700 Jersey City, NJ 07302 Attention: Mark A. Angelo Telephone: (201) 985-8300 Facsimile: (201) 985-8266
With Copy to:	Troy Rillo, Esq. 101 Hudson Street - Suite 3700 Jersey City, NJ 07302 Telephone: (201) 985-8300 Facsimile: (201) 985-8266
If to the Company, to:	NetFabric Holdings, Inc. 67 Federal Road, Building A Suite 300 Brookfield, CT 06804 Telephone: (203) 775-1178 Facsimile: (203)
With a copy to:	Kirkpatrick & Lockhart Nicholson Graham LLP 201 South Biscayne Blvd. Suite 2000 Miami, Fl 33131 Attention: Clay E. Parker, Esq. Telephone: (305) 539-3300 Facsimile: (305) 358-7095

If to a holder of this Warrant, to it at the address and facsimile number set forth on Exhibit C hereto, with copies to such holder's representatives as set forth on Exhibit C, or at such other address and facsimile as shall be delivered to the Company upon the issuance or transfer of this Warrant. Each party shall provide five days' prior written notice to the other party of any change in address or facsimile number. Written confirmation of receipt (A) given by the recipient of such notice, consent, facsimile, waiver or other communication, (or (B) provided by a nationally recognized overnight delivery service shall be rebuttable evidence of personal service, receipt by facsimile or receipt from a nationally recognized overnight delivery service in accordance with clause (i), (ii) or (iii) above, respectively.

Section 12. Date. The date of this Warrant is set forth on page 1 hereof. This Warrant, in all events, shall be wholly void and of no effect after the close of business on the Expiration Date, except that notwithstanding any other provisions hereof, the provisions of Section 8(b) shall continue in full force and effect after such date as to any Warrant Shares or other securities issued upon the exercise of this Warrant.

Section 13. Amendment and Waiver. Except as otherwise provided herein, the provisions of the Warrants may be amended and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only if the Company has obtained the written consent of the holders of Warrants representing at least two-thirds of the Warrant Shares issuable upon exercise of the Warrants then outstanding; provided that, except for Section 8(d), no such action may increase the Warrant Exercise Price or decrease the number of shares or class of stock obtainable upon exercise of any Warrant without the written consent of the holder of such Warrant.

Section 14. Descriptive Headings; Governing Law. The descriptive headings of the several sections and paragraphs of this Warrant are inserted for convenience only and do not constitute a part of this Warrant. The corporate laws of the State of Nevada shall govern all issues concerning the relative rights of the Company and its stockholders. All other questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by the internal laws of the State of New Jersey, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New Jersey or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New Jersey. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in Hudson County and the United States District Court for the District of New Jersey, for the adjudication of any dispute hereunder or in connection herewith or therewith, or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address for such notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law.

Section 15. Waiver of Jury Trial. AS A MATERIAL INDUCEMENT FOR EACH PARTY HERETO TO ENTER INTO THIS WARRANT, THE PARTIES HERETO HEREBY WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING RELATED IN ANY WAY TO THIS WARRANT AND/OR ANY AND ALL OF THE OTHER DOCUMENTS ASSOCIATED WITH THIS TRANSACTION.

[REMAINDER OF PAGE INTENTIALLY LEFT BLANK]

IN WITNESS WHEREOF, the Company has caused this Warrant to be signed as of the date first set forth above.

NETFABRIC HOLDINGS, INC.

By: /s/ Jeff Robinson

Name: Jeff Robinson
Title: Chief Executive Officer

EXHIBIT A TO WARRANT

EXERCISE NOTICE

TO BE EXECUTED
BY THE REGISTERED HOLDER TO EXERCISE THIS WARRANT

NETFABRIC HOLDINGS, INC.

The undersigned holder hereby exercises the right to purchase _____ of the shares of Common Stock ("Warrant Shares") of NetFabric Holdings, Inc., a Delaware corporation (the "Company"), evidenced by the attached Warrant (the "Warrant"). Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Warrant.

Specify Method of exercise by check mark:

1. ___ Cash Exercise

(a) Payment of Warrant Exercise Price. The holder shall pay the Aggregate Exercise Price of $_____ to the Company in accordance with the terms of the Warrant.

(b) Delivery of Warrant Shares. The Company shall deliver to the holder _____ Warrant Shares in accordance with the terms of the Warrant.

2. ___ Cashless Exercise

(a) Payment of Warrant Exercise Price. In lieu of making payment of the Aggregate Exercise Price, the holder elects to receive upon such exercise the Net Number of shares of Common Stock determined in accordance with the terms of the Warrant.

(b) Delivery of Warrant Shares. The Company shall deliver to the holder _____ Warrant Shares in accordance with the terms of the Warrant.

Date: _____ __, _____

Name of Registered Holder

By: _____
Name: _____
Title: _____

EXHIBIT B TO WARRANT

FORM OF WARRANT POWER

FOR VALUE RECEIVED, the undersigned does hereby assign and transfer to _____, Federal Identification No. _____, a warrant to purchase _____ shares of the capital stock of NetFabric Holdings, Inc., a Delaware corporation, represented by warrant certificate no. _____, standing in the name of the undersigned on the books of said corporation. The undersigned does hereby irrevocably constitute and appoint _____, attorney to transfer the warrants of said corporation, with full power of substitution in the premises.

Dated:_____ _____

By:_____
Name:_____
Title:_____

SECURITIES PURCHASE AGREEMENT

THIS SECURITIES PURCHASE AGREEMENT (this "Agreement"), dated as of October 27, 2005, by and among NETFABRIC HOLDINGS, INC., a Delaware corporation (the "Company"), and the Buyers listed on Schedule I attached hereto (individually, a "Buyer" or collectively "Buyers").

WITNESSETH

WHEREAS, the Company and the Buyer(s) are executing and delivering this Agreement in reliance upon an exemption from securities registration pursuant to Section 4(2) and/or Rule 506 of Regulation D ("Regulation D") as promulgated by the U.S. Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended (the "Securities Act");

WHEREAS, the parties desire that, upon the terms and subject to the conditions contained herein, the Company shall issue and sell to the Buyer(s), as provided herein, and the Buyer(s) shall purchase One Million Six Hundred Fifty Thousand Dollars ($1,650,000) of secured convertible debentures (the "Convertible Debentures"), which shall be convertible into shares of the Company's common stock, par value $0.001 (the "Common Stock") (as converted, the "Conversion Shares"), of which Four Hundred Thousand Dollars ($400,000) was previously funded on July 1, 2005, Fifty Thousand Dollars ($50,000) was previously funded on September 1, 2005, One Hundred Fifty Thousand Dollars ($150,000) was previously funded on October 6, 2005, Four Hundred Thousand Dollars ($400,000) was previously funded on October 13, 2005 and Six Hundred Fifty Thousand Dollars ($650,000) shall be funded two (2) business prior to the date the registration statement (the "Registration Statement") is filed, pursuant to the Investor Registration Rights Agreement dated the date hereof, with the United States Securities and Exchange Commission (the "SEC") (the "Closing"), for a total purchase price of One Million Six Hundred Fifty Thousand Dollars ($1,650,000), (the "Purchase Price") in the respective amounts set forth opposite each Buyer(s) name on Schedule I (the "Subscription Amount");

WHEREAS, the portion of the Convertible Debentures funded prior to the date hereof in the original principal amount of One Million Dollars ($1,000,000) shall be amended and consolidated into a new Convertible Debenture together with accrued but unpaid interest and the unfunded portion of Six Hundred Fifty Thousand Dollars ($650,000) shall be consolidated into a new Convertible Debenture on the date hereof, the terms of which shall be as set forth therein;

WHEREAS, any and all agreements, documents and instruments in connection with the Convertible Debentures funded prior to the date hereof, including without limitation the Securities Purchase Agreement and Pledge and Escrow Agreement, all of which are dated July 1, 2005, shall be superseded by the Transaction Documents (as such term is defined herein);

WHEREAS, contemporaneously with the execution and delivery of this Agreement, the parties hereto are executing and delivering a Registration Rights Agreement substantially in the form attached hereto as Exhibit A (the "Investor Registration Rights Agreement") pursuant to which the Company has agreed to provide certain registration rights under the Securities Act and the rules and regulations promulgated thereunder, and applicable state securities laws; and

WHEREAS, the aggregate proceeds of the sale of the Convertible Debentures contemplated hereby shall be held in escrow pursuant to the terms of an escrow agreement substantially in the form of the Escrow Agreement attached hereto as Exhibit B (the "Escrow Agreement").

WHEREAS, contemporaneously with the execution and delivery of this Agreement, the parties hereto are executing and delivering Amended and Restated Security Agreements substantially in the form attached hereto as Exhibit C (collectively the "Security Agreement") pursuant to which the Company, NetFabric Corporation, and UCA Services, Inc. each have agreed to provide the Buyer a security interest in Pledged Property (as this term is defined in the Security Agreement) to secure the Company's obligations under this Agreement, the Convertible Debentures, the Investor Registration Rights Agreement, the Escrow Agreement, the Irrevocable Transfer Agent Instructions (as defined below), the Security Agreement, the Officer Pledge and Escrow Agreement or any other obligations of the Company to the Buyer;

WHEREAS, contemporaneously with the execution and delivery of this Agreement, the Company, Jeff Robinson and the Buyers are executing and delivering an Officer Pledge and Escrow Agreement substantially in the form attached hereto as Exhibit D (the "Officer Pledge and Escrow Agreement") pursuant to which Jeff Robinson has agreed to provide the Buyer a security interest in the Officer's Pledged Shares (as this term is defined in the Officer Pledge and Escrow Agreement) to secure the Company's obligations under this Agreement, the Convertible Debenture, the Investor Registration Rights Agreement, the Escrow Agreement, the Irrevocable Transfer Agent Instructions (as defined below), the Security Agreement, or any other obligations of the Company to the Buyer; and

WHEREAS, contemporaneously with the execution and delivery of this Agreement, the parties hereto are executing and delivering Irrevocable Transfer Agent Instructions substantially in the form attached hereto as Exhibit E (the "Irrevocable Transfer Agent Instructions")

NOW, THEREFORE, in consideration of the mutual covenants and other agreements contained in this Agreement the Company and the Buyer(s) hereby agree as follows:

1. PURCHASE AND SALE OF CONVERTIBLE DEBENTURES.

(a) Purchase of Convertible Debentures. Subject to the satisfaction (or waiver) of the terms and conditions of this Agreement, each Buyer agrees, severally and not jointly, to purchase at Closing (as defined herein below) and the Company agrees to sell and issue to each Buyer, severally and not jointly, at Closing, Convertible Debentures in amounts corresponding with the Subscription Amount set forth opposite each Buyer's name on Schedule I hereto. Upon execution hereof by a Buyer, the Buyer shall wire transfer the Subscription Amount set forth opposite his name on Schedule I in same-day funds or a check payable to "David Gonzalez, Esq., as Escrow Agent for NetFabric Holdings, Inc./Cornell Capital Partners, LP", which Subscription Amount shall be held in escrow pursuant to the terms of the Escrow Agreement (as hereinafter defined) and disbursed in accordance therewith. Notwithstanding the foregoing, a Buyer may withdraw his Subscription Amount and terminate this Agreement as to such Buyer at any time after the execution hereof and prior to Closing (as hereinafter defined).

(b) Closing Date. The Closing of the purchase and sale of the Convertible Debentures shall take place at 10:00 a.m. Eastern Standard Time two (2) business days prior to the date the Registration Statement is filed with the SEC, subject to notification of satisfaction of the conditions to the Closing set forth herein and in Sections 6 and 7 below (or such later date as is mutually agreed to by the Company and the Buyer(s)) (the "Closing Date"). The Closing shall occur on the respective Closing Date at the offices of Yorkville Advisors, LLC, 101 Hudson Street, Suite 3700, Jersey City, New Jersey 07302 (or such other place as is mutually agreed to by the Company and the Buyer(s)).

(c) Escrow Arrangements; Form of Payment. Upon execution hereof by Buyer(s) and pending the Closing, the aggregate proceeds of the sale of the Convertible Debentures to Buyer(s) pursuant hereto shall be deposited in a non-interest bearing escrow account with David Gonzalez, Esq., as escrow agent (the "Escrow Agent"), pursuant to the terms of the Escrow Agreement. Subject to the satisfaction of the terms and conditions of this Agreement, on the Closing Date, (i) the Escrow Agent shall deliver to the Company in accordance with the terms of the Escrow Agreement such aggregate proceeds for the Convertible Debentures to be issued and sold to such Buyer(s), minus the unpaid structuring fees and expenses of Yorkville Advisors Management, LLC of Ten Thousand Dollars ($10,000) and the commitment fee of $52,000 described in Section 4(g) hereof, each of which shall be paid directly from the gross proceeds held in escrow of the Closing and (ii) the Company shall deliver to each Buyer, Convertible Debentures which such Buyer(s) is purchasing in amounts indicated opposite such Buyer's name on Schedule I, duly executed on behalf of the Company.

2. BUYER'S REPRESENTATIONS AND WARRANTIES.

Each Buyer represents and warrants, severally and not jointly, that:

(a) Investment Purpose. Each Buyer is acquiring the Convertible Debentures and, upon conversion of Convertible Debentures, the Buyer will acquire the Conversion Shares then issuable, for its own account for investment only and not with a view towards, or for resale in connection with, the public sale or distribution thereof, except pursuant to sales registered or exempted under the Securities Act; provided, however, that by making the representations herein, such Buyer reserves the right to dispose of the Conversion Shares at any time in accordance with or pursuant to an effective registration statement covering such Conversion Shares or an available exemption under the Securities Act.

(b) Accredited Investor Status. Each Buyer is an "Accredited Investor" as that term is defined in Rule 501(a)(3) of Regulation D.

(c) Reliance on Exemptions. Each Buyer understands that the Convertible Debentures are being offered and sold to it in reliance on specific exemptions from the registration requirements of United States federal and state securities laws and that the Company is relying in part upon the truth and accuracy of, and such Buyer's compliance with, the representations, warranties, agreements, acknowledgments and understandings of such Buyer set forth herein in order to determine the availability of such exemptions and the eligibility of such Buyer to acquire such securities.

(d) Information. Each Buyer and its advisors (and his or, its counsel), if any, have been furnished with all materials relating to the business, finances and operations of the Company and information he deemed material to making an informed investment decision regarding his purchase of the Convertible Debentures and the Conversion Shares, which have been requested by such Buyer. Each Buyer and its advisors, if any, have been afforded the opportunity to ask questions of the Company and its management. Neither such inquiries nor any other due diligence investigations conducted by such Buyer or its advisors, if any, or its representatives shall modify, amend or affect such Buyer's right to rely on the Company's representations and warranties contained in Section 3 below. Each Buyer understands that its investment in the Convertible Debentures and the Conversion Shares involves a high degree of risk. Each Buyer is in a position regarding the Company, which, based upon employment, family relationship or economic bargaining power, enabled and enables such Buyer to obtain information from the Company in order to evaluate the merits and risks of this investment. Each Buyer has sought such accounting, legal and tax advice, as it has considered necessary to make an informed investment decision with respect to its acquisition of the Convertible Debentures and the Conversion Shares.

(e) No Governmental Review. Each Buyer understands that no United States federal or state agency or any other government or governmental agency has passed on or made any recommendation or endorsement of the Convertible Debentures or the Conversion Shares, or the fairness or suitability of the investment in the Convertible Debentures or the Conversion Shares, nor have such authorities passed upon or endorsed the merits of the offering of the Convertible Debentures or the Conversion Shares.

(f) Transfer or Resale. Each Buyer understands that except as provided in the Investor Registration Rights Agreement: (i) the Convertible Debentures have not been and are not being registered under the Securities Act or any state securities laws, and may not be offered for sale, sold, assigned or transferred unless (A) subsequently registered thereunder, or (B) such Buyer shall have delivered to the Company an opinion of counsel, in a generally acceptable form, to the effect that such securities to be sold, assigned or transferred may be sold, assigned or transferred pursuant to an exemption from such registration requirements; (ii) any sale of such securities made in reliance on Rule 144 under the Securities Act (or a successor rule thereto) ("Rule 144") may be made only in accordance with the terms of Rule 144 and further, if Rule 144 is not applicable, any resale of such securities under circumstances in which the seller (or the person through whom the sale is made) may be deemed to be an underwriter (as that term is defined in the Securities Act) may require compliance with some other exemption under the Securities Act or the rules and regulations of the SEC thereunder; and (iii) neither the Company nor any other person is under any obligation to register such securities under the Securities Act or any state securities laws or to comply with the terms and conditions of any exemption thereunder. The Company reserves the right to place stop transfer instructions against the shares and certificates for the Conversion Shares.

(g) Legends. Each Buyer understands that the certificates or other instruments representing the Convertible Debentures and or the Conversion Shares shall bear a restrictive legend in substantially the following form (and a stop transfer order may be placed against transfer of such stock certificates):

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES HAVE BEEN ACQUIRED SOLELY FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TOWARD RESALE AND MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS, OR AN OPINION OF COUNSEL, IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR APPLICABLE STATE SECURITIES LAWS.

The legend set forth above shall be removed and the Company within two (2) business days shall issue a certificate without such legend to the holder of the Conversion Shares upon which it is stamped, if, unless otherwise required by state securities laws, (i) in connection with a sale transaction, provided the Conversion Shares are registered under the Securities Act or (ii) in connection with a sale transaction, after such holder provides the Company with an opinion of counsel, which opinion shall be in form, substance and scope customary for opinions of counsel in comparable transactions, to the effect that a public sale, assignment or transfer of the Conversion Shares may be made without registration under the Securities Act.

(h) Authorization, Enforcement. This Agreement has been duly and validly authorized, executed and delivered on behalf of such Buyer and is a valid and binding agreement of such Buyer enforceable in accordance with its terms, except as such enforceability may be limited by general principles of equity or applicable bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws relating to, or affecting generally, the enforcement of applicable creditors' rights and remedies.

(i) Receipt of Documents. Each Buyer and his or its counsel has received and read in their entirety: (i) this Agreement and each representation, warranty and covenant set forth herein, the Security Agreement, the Investor Registration Rights Agreement, the Escrow Agreement, the Irrevocable Transfer Agent Instructions, and the Officer Pledge and Escrow Agreement; (ii) all due diligence and other information necessary to verify the accuracy and completeness of such representations, warranties and covenants; (iii) the Company's Form 10-KSB for the fiscal year ended December 31, 2004; (iv) the Company's Form 10-QSB for the fiscal quarter ended June 30, 2005 and (v) answers to all questions each Buyer submitted to the Company regarding an investment in the Company; and each Buyer has relied on the information contained therein and has not been furnished any other documents, literature, memorandum or prospectus.

(j) Due Formation of Corporate and Other Buyers. If the Buyer(s) is a corporation, trust, partnership or other entity that is not an individual person, it has been formed and validly exists and has not been organized for the specific purpose of purchasing the Convertible Debentures and is not prohibited from doing so.

(k) No Legal Advice From the Company. Each Buyer acknowledges, that it had the opportunity to review this Agreement and the transactions contemplated by this Agreement with his or its own legal counsel and investment and tax advisors. Each Buyer is relying solely on such counsel and advisors and not on any statements or representations of the Company or any of its representatives or agents for legal, tax or investment advice with respect to this investment, the transactions contemplated by this Agreement or the securities laws of any jurisdiction.

3. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants to each of the Buyers that, except as set forth in the SEC Documents (as defined herein):

(a) Organization and Qualification. The Company and its subsidiaries are corporations duly organized and validly existing in good standing under the laws of the jurisdiction in which they are incorporated, and have the requisite corporate power to own their properties and to carry on their business as now being conducted. Each of the Company and its subsidiaries is duly qualified as a foreign corporation to do business and is in good standing in every jurisdiction in which the nature of the business conducted by it makes such qualification necessary, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiaries taken as a whole.

(b) Authorization, Enforcement, Compliance with Other Instruments. (i) The Company has the requisite corporate power and authority to enter into and perform this Agreement, the Security Agreement, the Investor Registration Rights Agreement, the Irrevocable Transfer Agent Instructions, the Escrow Agreement, the Officer Pledge and Escrow Agreement, the Warrant, and any related agreements (collectively the "Transaction Documents") and to issue the Convertible Debentures and the Conversion Shares in accordance with the terms hereof and thereof, (ii) the execution and delivery of the Transaction Documents by the Company and the consummation by it of the transactions contemplated hereby and thereby, including, without limitation, the issuance of the Convertible Debentures the Conversion Shares and the reservation for issuance and the issuance of the Conversion Shares issuable upon conversion or exercise thereof, have been duly authorized by the Company's Board of Directors and no further consent or authorization is required by the Company, its Board of Directors or its stockholders, (iii) the Transaction Documents have been duly executed and delivered by the Company, (iv) the Transaction Documents constitute the valid and binding obligations of the Company enforceable against the Company in accordance with their terms, except as such enforceability may be limited by general principles of equity or applicable bankruptcy, insolvency, reorganization, moratorium, liquidation or similar laws relating to, or affecting generally, the enforcement of creditors' rights and remedies. The authorized officer of the Company executing the Transaction Documents knows of no reason why the Company cannot file the registration statement as required under the Investor Registration Rights Agreement or perform any of the Company's other obligations under such documents.

(c) Capitalization. As of the date hereof the authorized capital stock of the Company consists of 100,000,000 shares of Common Stock, par value $0.001 per share and no shares of Preferred Stock ("Preferred Stock") of which 62,885,500 shares of Common

Stock are issued and outstanding. All of such outstanding shares have been validly issued and are fully paid and nonassessable. Except as disclosed in the SEC Documents (as defined in Section 3(f)), no shares of Common Stock are subject to preemptive rights or any other similar rights or any liens or encumbrances suffered or permitted by the Company. Except as disclosed in the SEC Documents, as of the date of this Agreement, (i) there are no outstanding options, warrants, scrip, rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities or rights convertible into, any shares of capital stock of the Company or any of its subsidiaries, or contracts, commitments, understandings or arrangements by which the Company or any of its subsidiaries is or may become bound to issue additional shares of capital stock of the Company or any of its subsidiaries or options, warrants, scrip, rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities or rights convertible into, any shares of capital stock of the Company or any of its subsidiaries, (ii) there are no outstanding debt securities and (iii) there are no agreements or arrangements under which the Company or any of its subsidiaries is obligated to register the sale of any of their securities under the Securities Act (except pursuant to the Registration Rights Agreement) and (iv) there are no outstanding registration statements and there are no outstanding comment letters from the SEC or any other regulatory agency. There are no securities or instruments containing anti-dilution or similar provisions that will be triggered by the issuance of the Convertible Debentures as described in this Agreement. The Company has furnished to the Buyer true and correct copies of the Company's Articles of Incorporation, as amended and as in effect on the date hereof (the "Articles of Incorporation"), and the Company's By-laws, as in effect on the date hereof (the "By-laws"), and the terms of all securities convertible into or exercisable for Common Stock and the material rights of the holders thereof in respect thereto other than stock options issued to employees and consultants.

(d) Issuance of Securities. The Convertible Debentures are duly authorized and, upon issuance in accordance with the terms hereof, shall be duly issued, fully paid and nonassessable, are free from all taxes, liens and charges with respect to the issue thereof. The Conversion Shares issuable upon conversion of the Convertible Debentures have been duly authorized and reserved for issuance. Upon conversion or exercise in accordance with the Convertible Debentures the Conversion Shares will be duly issued, fully paid and nonassessable.

(e) No Conflicts. Except as disclosed in the SEC Documents, the execution, delivery and performance of the Transaction Documents by the Company and the consummation by the Company of the transactions contemplated hereby will not (i) result in a violation of the Certificate of Incorporation, any certificate of designations of any outstanding series of preferred stock of the Company or the By-laws or (ii) conflict with or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture or instrument to which the Company or any of its subsidiaries is a party, or result in a violation of any law, rule, regulation, order, judgment or decree (including federal and state securities laws and regulations and the rules and regulations of The National Association of Securities Dealers Inc.'s OTC Bulletin Board on which the Common Stock is quoted) applicable to the Company or any of its subsidiaries or by which any property or asset of the Company or any of its subsidiaries is bound or affected. Except as disclosed in the SEC Documents, neither the Company nor its subsidiaries is in violation of any term of or in default under its Articles of

Incorporation or By-laws or their organizational charter or by-laws, respectively, or any material contract, agreement, mortgage, indebtedness, indenture, instrument, judgment, decree or order or any statute, rule or regulation applicable to the Company or its subsidiaries. The business of the Company and its subsidiaries is not being conducted, and shall not be conducted in violation of any material law, ordinance, or regulation of any governmental entity. Except as specifically contemplated by this Agreement and as required under the Securities Act and any applicable state securities laws, the Company is not required to obtain any consent, authorization or order of, or make any filing or registration with, any court or governmental agency in order for it to execute, deliver or perform any of its obligations under or contemplated by this Agreement or the Registration Rights Agreement in accordance with the terms hereof or thereof. Except as disclosed in the SEC Documents, all consents, authorizations, orders, filings and registrations which the Company is required to obtain pursuant to the preceding sentence have been obtained or effected on or prior to the date hereof. The Company and its subsidiaries are unaware of any facts or circumstance, which might give rise to any of the foregoing.

(f) SEC Documents: Financial Statements. Since January 1, 2003, the Company has filed all reports, schedules, forms, statements and other documents required to be filed by it with the SEC under of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (all of the foregoing filed prior to the date hereof or amended after the date hereof and all exhibits included therein and financial statements and schedules thereto and documents incorporated by reference therein, being hereinafter referred to as the "SEC Documents"). The Company has delivered to the Buyers or their representatives, or made available through the SEC's website at http://www.sec.gov., true and complete copies of the SEC Documents. As of their respective dates, the financial statements of the Company disclosed in the SEC Documents (the "Financial Statements") complied as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto. Such financial statements have been prepared in accordance with generally accepted accounting principles, consistently applied, during the periods involved (except (i) as may be otherwise indicated in such Financial Statements or the notes thereto, or (ii) in the case of unaudited interim statements, to the extent they may exclude footnotes or may be condensed or summary statements) and, fairly present in all material respects the financial position of the Company as of the dates thereof and the results of its operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments). No other information provided by or on behalf of the Company to the Buyer which is not included in the SEC Documents, including, without limitation, information referred to in this Agreement, contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(g) 10(b)-5. The SEC Documents do not include any untrue statements of material fact, nor do they omit to state any material fact required to be stated therein necessary to make the statements made, in light of the circumstances under which they were made, not misleading.

(h) Absence of Litigation. Except as disclosed in the SEC Documents, there is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending against or affecting the

Company, the Common Stock or any of the Company's subsidiaries, wherein an unfavorable decision, ruling or finding would (i) have a material adverse effect on the transactions contemplated hereby (ii) adversely affect the validity or enforceability of, or the authority or ability of the Company to perform its obligations under, this Agreement or any of the documents contemplated herein, or (iii) except as expressly disclosed in the SEC Documents, have a material adverse effect on the business, operations, properties, financial condition or results of operations of the Company and its subsidiaries taken as a whole.

(i) Acknowledgment Regarding Buyer's Purchase of the Convertible Debentures. The Company acknowledges and agrees that the Buyer(s) is acting solely in the capacity of an arm's length purchaser with respect to this Agreement and the transactions contemplated hereby. The Company further acknowledges that the Buyer(s) is not acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to this Agreement and the transactions contemplated hereby and any advice given by the Buyer(s) or any of their respective representatives or agents in connection with this Agreement and the transactions contemplated hereby is merely incidental to such Buyer's purchase of the Convertible Debentures or the Conversion Shares. The Company further represents to the Buyer that the Company's decision to enter into this Agreement has been based solely on the independent evaluation by the Company and its representatives.

(j) No General Solicitation. Neither the Company, nor any of its affiliates, nor any person acting on its or their behalf, has engaged in any form of general solicitation or general advertising (within the meaning of Regulation D under the Securities Act) in connection with the offer or sale of the Convertible Debentures or the Conversion Shares.

(k) No Integrated Offering. Neither the Company, nor any of its affiliates, nor any person acting on its or their behalf has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would require registration of the Convertible Debentures or the Conversion Shares under the Securities Act or cause this offering of the Convertible Debentures or the Conversion Shares to be integrated with prior offerings by the Company for purposes of the Securities Act.

(l) Employee Relations. Neither the Company nor any of its subsidiaries is involved in any labor dispute nor, to the knowledge of the Company or any of its subsidiaries, is any such dispute threatened. None of the Company's or its subsidiaries' employees is a member of a union and the Company and its subsidiaries believe that their relations with their employees are good.

(m) Intellectual Property Rights. The Company and its subsidiaries own or possess adequate rights or licenses to use all trademarks, trade names, service marks, service mark registrations, service names, patents, patent rights, copyrights, inventions, licenses, approvals, governmental authorizations, trade secrets and rights necessary to conduct their respective businesses as now conducted. The Company and its subsidiaries do not have any knowledge of any infringement by the Company or its subsidiaries of trademark, trade name rights, patents, patent rights, copyrights, inventions, licenses, service names, service marks, service mark registrations, trade secret or other similar rights of others, and, to the knowledge of the Company there is no claim, action or proceeding being made or brought against, or to the

Company's knowledge, being threatened against, the Company or its subsidiaries regarding trademark, trade name, patents, patent rights, invention, copyright, license, service names, service marks, service mark registrations, trade secret or other infringement; and the Company and its subsidiaries are unaware of any facts or circumstances which might give rise to any of the foregoing.

(n) Environmental Laws. The Company and its subsidiaries are (i) in compliance with any and all applicable foreign, federal, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("Environmental Laws"), (ii) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses and (iii) are in compliance with all terms and conditions of any such permit, license or approval.

(o) Title. Any real property and facilities held under lease by the Company and its subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by the Company and its subsidiaries.

(p) Insurance. The Company and each of its subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as management of the Company believes to be prudent and customary in the businesses in which the Company and its subsidiaries are engaged. Neither the Company nor any such subsidiary has been refused any insurance coverage sought or applied for and neither the Company nor any such subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not materially and adversely affect the condition, financial or otherwise, or the earnings, business or operations of the Company and its subsidiaries, taken as a whole.

(q) Regulatory Permits. The Company and its subsidiaries possess all material certificates, authorizations and permits issued by the appropriate federal, state or foreign regulatory authorities necessary to conduct their respective businesses, and neither the Company nor any such subsidiary has received any notice of proceedings relating to the revocation or modification of any such certificate, authorization or permit.

(r) Internal Accounting Controls. The Company and each of its subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability, and (iii) the recorded amounts for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(s) No Material Adverse Breaches, etc. Except as set forth in the SEC Documents, neither the Company nor any of its subsidiaries is subject to any charter, corporate or other legal restriction, or any judgment, decree, order, rule or regulation which in the

judgment of the Company's officers has or is expected in the future to have a material adverse effect on the business, properties, operations, financial condition, results of operations or prospects of the Company or its subsidiaries. Except as set forth in the SEC Documents, neither the Company nor any of its subsidiaries is in breach of any contract or agreement which breach, in the judgment of the Company's officers, has or is expected to have a material adverse effect on the business, properties, operations, financial condition, results of operations or prospects of the Company or its subsidiaries.

(t) Tax Status. Except as set forth in the SEC Documents, the Company and each of its subsidiaries has made and filed all federal and state income and all other tax returns, reports and declarations required by any jurisdiction to which it is subject and (unless and only to the extent that the Company and each of its subsidiaries has set aside on its books provisions reasonably adequate for the payment of all unpaid and unreported taxes) has paid all taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations, except those being contested in good faith and has set aside on its books provision reasonably adequate for the payment of all taxes for periods subsequent to the periods to which such returns, reports or declarations apply. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Company know of no basis for any such claim.

(u) Certain Transactions. Except as set forth in the SEC Documents, and except for arm's length transactions pursuant to which the Company makes payments in the ordinary course of business upon terms no less favorable than the Company could obtain from third parties and other than the grant of stock options disclosed in the SEC Documents, none of the officers, directors, or employees of the Company is presently a party to any transaction with the Company (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of the Company, any corporation, partnership, trust or other entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee or partner.

(v) Fees and Rights of First Refusal. The Company is not obligated to offer the securities offered hereunder on a right of first refusal basis or otherwise to any third parties including, but not limited to, current or former shareholders of the Company, underwriters, brokers, agents or other third parties.

4. COVENANTS.

(a) Best Efforts. Each party shall use its best efforts timely to satisfy each of the conditions to be satisfied by it as provided in Sections 6 and 7 of this Agreement.

(b) Form D. The Company agrees to file a Form D with respect to the Conversion Shares as required under Regulation D and to provide a copy thereof to each Buyer promptly after such filing. The Company shall, on or before the Closing Date, take such action as the Company shall reasonably determine is necessary to qualify the Conversion Shares, or

obtain an exemption for the Conversion Shares for sale to the Buyers at the Closing pursuant to this Agreement under applicable securities or "Blue Sky" laws of the states of the United States, and shall provide evidence of any such action so taken to the Buyers on or prior to the Closing Date.

(c) Reporting Status. Until the earlier of (i) the date as of which the Buyer(s) may sell all of the Conversion Shares without restriction pursuant to Rule 144(k) promulgated under the Securities Act (or successor thereto), or (ii) the date on which (A) the Buyer(s) shall have sold all the Conversion Shares and (B) none of the Convertible Debentures are outstanding (the "Registration Period"), the Company shall file in a timely manner all reports required to be filed with the SEC pursuant to the Exchange Act and the regulations of the SEC thereunder, and the Company shall not terminate its status as an issuer required to file reports under the Exchange Act even if the Exchange Act or the rules and regulations thereunder would otherwise permit such termination.

(d) Use of Proceeds. The Company will use the proceeds from the sale of the Convertible Debentures for general corporate and working capital purposes.

(e) Reservation of Shares. The Company shall take all action reasonably necessary to at all times have authorized, and reserved for the purpose of issuance, such number of shares of Common Stock as shall be necessary to effect the issuance of the Conversion Shares. If at any time the Company does not have available such shares of Common Stock as shall from time to time be sufficient to effect the conversion of all of the Conversion Shares of the Company shall call and hold a special meeting of the shareholders within thirty (30) days of such occurrence, for the sole purpose of increasing the number of shares authorized. The Company's management shall recommend to the shareholders to vote in favor of increasing the number of shares of Common Stock authorized. Management shall also vote all of its shares in favor of increasing the number of authorized shares of Common Stock.

(f) Listings or Quotation. The Company shall promptly secure the listing or quotation of the Conversion Shares upon each national securities exchange, automated quotation system or The National Association of Securities Dealers Inc.'s Over-The-Counter Bulletin Board ("OTCBB") or other market, if any, upon which shares of Common Stock are then listed or quoted (subject to official notice of issuance) and shall use its best efforts to maintain, so long as any other shares of Common Stock shall be so listed, such listing of all Conversion Shares from time to time issuable under the terms of this Agreement. The Company shall maintain the Common Stock's authorization for quotation on the OTCBB.

(g) Fees and Expenses.

(i) Each of the Company and the Buyer(s) shall pay all costs and expenses incurred by such party in connection with the negotiation, investigation, preparation, execution and delivery of the Transaction Documents. The Company shall pay Yorkville Advisors Management, LLC a commitment fee equal to eight percent (8%) of the unfunded portion of the Purchase Price ($52,000).

(ii) The Company shall pay a structuring fee to Yorkville Advisors Management, LLC of Ten Thousand Dollars ($10,000), which shall be paid directly from the proceeds of the Closing.

(iii) The Company shall issue to the Buyer a warrant to purchase Five Hundred Sixty Thousand (560,000) shares of the Company's Common Stock (the "Warrant Shares") for a period of three (3) years at an exercise price of $0.50 per share. The Warrant Shares shall have "piggy-back" and demand registration rights.

(h) Corporate Existence. So long as any of the Convertible Debentures remain outstanding, the Company shall not directly or indirectly consummate any merger, reorganization, restructuring, reverse stock split consolidation, sale of all or substantially all of the Company's assets or any similar transaction or related transactions (each such transaction, an "Organizational Change") unless, prior to the consummation an Organizational Change, the Company obtains the written consent of each Buyer. In any such case, the Company will make appropriate provision with respect to such holders' rights and interests to insure that the provisions of this Section 4(h) will thereafter be applicable to the Convertible Debentures.

(i) Transactions With Affiliates. So long as any Convertible Debentures are outstanding, the Company shall not, and shall cause each of its subsidiaries not to, enter into, amend, modify or supplement, or permit any subsidiary to enter into, amend, modify or supplement any agreement, transaction, commitment, or arrangement with any of its or any subsidiary's officers, directors, person who were officers or directors at any time during the previous two (2) years, stockholders who beneficially own five percent (5%) or more of the Common Stock, or Affiliates (as defined below) or with any individual related by blood, marriage, or adoption to any such individual or with any entity in which any such entity or individual owns a five percent (5%) or more beneficial interest (each a "Related Party"), except for (a) customary employment arrangements and benefit programs on reasonable terms, (b) any investment in an Affiliate of the Company, (c) any agreement, transaction, commitment, or arrangement on an arms-length basis on terms no less favorable than terms which would have been obtainable from a person other than such Related Party, (d) any agreement transaction, commitment, or arrangement which is approved by a majority of the disinterested directors of the Company, for purposes hereof, any director who is also an officer of the Company or any subsidiary of the Company shall not be a disinterested director with respect to any such agreement, transaction, commitment, or arrangement. "Affiliate" for purposes hereof means, with respect to any person or entity, another person or entity that, directly or indirectly, (i) has a ten percent (10%) or more equity interest in that person or entity, (ii) has ten percent (10%) or more common ownership with that person or entity, (iii) controls that person or entity, or (iv) shares common control with that person or entity. "Control" or "controls" for purposes hereof means that a person or entity has the power, direct or indirect, to conduct or govern the policies of another person or entity.

(j) Transfer Agent. The Company covenants and agrees that, in the event that the Company's agency relationship with the transfer agent should be terminated for any reason prior to a date which is two (2) years after the Closing Date, the Company shall immediately appoint a new transfer agent and shall require that the new transfer agent execute and agree to be bound by the terms of the Irrevocable Transfer Agent Instructions (as defined herein).

(k) Restriction on Issuance of the Capital Stock. So long as any Convertible Debentures are outstanding, the Company shall not, without the prior written consent of the Buyer(s), (i) issue or sell shares of Common Stock or Preferred Stock with or without consideration, (ii) issue any warrant, option, right, contract, call, or other security instrument granting the holder thereof, the right to acquire Common Stock with or without consideration, (iii) enter into any security instrument granting the holder a security interest in any and all assets of the Company, or (iv) file any registration statement on Form S-8 , except to register up to 9,000,000 shares of common stock issued pursuant to the Obligor's 2005 stock option plan. Notwithstanding the forgoing, the Company shall be entitled to issue or sell up to $5,000,000 of shares of Common Stock or Preferred Stock for a consideration per share of up to 20% below the closing Bid Price of the Common Stock determined immediately prior to its issuance, without first obtaining the prior written consent of the Buyers provided that the Company obtains lock up agreements from the purchasers in connection with such an issuance for a period of at least one year from the date of issuance of such stock.

(l) Neither the Buyer(s) nor any of its affiliates have an open short position in the Common Stock of the Company, and the Buyer(s) agrees that it shall not, and that it will cause its affiliates not to, engage in any short sales of or hedging transactions with respect to the Common Stock as long as any Convertible Debenture or warrants to purchase the Warrant Shares shall remain outstanding.

5. TRANSFER AGENT INSTRUCTIONS.

(a) The Company shall issue the Irrevocable Transfer Agent Instructions to its transfer agent irrevocably appointing David Gonzalez, Esq. as its agent for purpose of having certificates issued, registered in the name of the Buyer(s) or its respective nominee(s), for the Conversion Shares representing such amounts of Convertible Debentures as specified from time to time by the Buyer(s) to the Company upon conversion of the Convertible Debentures, for interest owed pursuant to the Convertible Debenture, and for any and all Liquidated Damages (as this term is defined in the Investor Registration Rights Agreement). David Gonzalez, Esq. shall be paid a cash fee of Fifty Dollars ($50) for every occasion they act pursuant to the Irrevocable Transfer Agent Instructions. The Company shall not change its transfer agent without the express written consent of the Buyer(s), which may be withheld by the Buyer(s) in its sole discretion. Prior to registration of the Conversion Shares under the Securities Act, all such certificates shall bear the restrictive legend specified in Section 2(g) of this Agreement. The Company warrants that no instruction other than the Irrevocable Transfer Agent Instructions referred to in this Section 5, and stop transfer instructions to give effect to Section 2(g) hereof (in the case of the Conversion Shares prior to registration of such shares under the Securities Act) will be given by the Company to its transfer agent and that the Conversion Shares shall otherwise be freely transferable on the books and records of the Company as and to the extent provided in this Agreement and the Investor Registration Rights Agreement. Nothing in this Section 5 shall affect in any way the Buyer's obligations and agreement to comply with all applicable securities laws upon resale of Conversion Shares. If the Buyer(s) provides the Company with an opinion of counsel, in form, scope and substance customary for opinions of

counsel in comparable transactions to the effect that registration of a resale by the Buyer(s) of any of the Conversion Shares is not required under the Securities Act, the Company shall within two (2) business days instruct its transfer agent to issue one or more certificates in such name and in such denominations as specified by the Buyer. The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Buyer by vitiating the intent and purpose of the transaction contemplated hereby. Accordingly, the Company acknowledges that the remedy at law for a breach of its obligations under this Section 5 will be inadequate and agrees, in the event of a breach or threatened breach by the Company of the provisions of this Section 5, that the Buyer(s) shall be entitled, in addition to all other available remedies, to an injunction restraining any breach and requiring immediate issuance and transfer, without the necessity of showing economic loss and without any bond or other security being required.

6. CONDITIONS TO THE COMPANY'S OBLIGATION TO SELL.

The obligation of the Company hereunder to issue and sell the Convertible Debentures to the Buyer(s) at the Closing is subject to the satisfaction, at or before the Closing Date, of each of the following conditions, provided that these conditions are for the Company's sole benefit and may be waived by the Company at any time in its sole discretion:

(a) Each Buyer shall have executed the Transaction Documents and delivered them to the Company.

(b) The Buyer(s) shall have delivered to the Escrow Agent the Purchase Price for Convertible Debentures in respective amounts as set forth next to each Buyer as outlined on Schedule I attached hereto and the Escrow Agent shall have delivered the net proceeds to the Company by wire transfer of immediately available U.S. funds pursuant to the wire instructions provided by the Company.

(c) The representations and warranties of the Buyer(s) shall be true and correct in all material respects as of the date when made and as of the Closing Date as though made at that time (except for representations and warranties that speak as of a specific date), and the Buyer(s) shall have performed, satisfied and complied in all material respects with the covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Buyer(s) at or prior to the Closing Date.

7. CONDITIONS TO THE BUYER'S OBLIGATION TO PURCHASE.

(a) The obligation of the Buyer(s) hereunder to purchase the Convertible Debentures at the Closing is subject to the satisfaction, at or before the Closing Date, of each of the following conditions:

(i) The Company shall have executed the Transaction Documents and delivered the same to the Buyer(s).

(ii) The Common Stock shall be authorized for quotation on the OTCBB, trading in the Common Stock shall not have been suspended for any reason, and all the Conversion Shares issuable upon the conversion of the Convertible Debentures shall be approved by the OTCBB.

(iii) The representations and warranties of the Company shall be true and correct in all material respects (except to the extent that any of such representations and warranties is already qualified as to materiality in Section 3 above, in which case, such representations and warranties shall be true and correct without further qualification) as of the date when made and as of the Closing Date as though made at that time (except for representations and warranties that speak as of a specific date) and the Company shall have performed, satisfied and complied in all material respects with the covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Company at or prior to the Closing Date. If requested by the Buyer, the Buyer shall have received a certificate, executed by the President of the Company, dated as of the Closing Date, to the foregoing effect and as to such other matters as may be reasonably requested by the Buyer including, without limitation an update as of the Closing Date regarding the representation contained in Section 3(c) above.

(iv) The Company shall have executed and delivered to the Buyer(s) the Convertible Debentures in the respective amounts set forth opposite each Buyer(s) name on Schedule I attached hereto.

(v) The Buyer(s) shall have received an opinion of counsel from Kirkpatrick & Lockhart Nicholoson Graham LLP in a form satisfactory to the Buyer(s).

(vi) The Company shall have provided to the Buyer(s) a certificate of good standing from the secretary of state from the state in which the company is incorporated.

(vii) Jeff Robinson shall have delivered to the Escrow Agent the Officer Pledged Shares as well executed and medallion guaranteed stock bond powers as required pursuant to the Officer Pledge and Escrow Agreement.

(viii) The Company shall have provided to the Buyer an acknowledgement, to the satisfaction of the Buyer, from the Company's independent certified public accountants as to its ability to provide all consents required in order to file a registration statement in connection with this transaction.

(ix) The Company shall have reserved out of its authorized and unissued Common Stock, solely for the purpose of effecting the conversion of the Convertible Debentures, shares of Common Stock to effect the conversion of all of the Conversion Shares then outstanding.

(x) The Irrevocable Transfer Agent Instructions, in form and substance satisfactory to the Buyer, shall have been delivered to and acknowledged in writing by the Company's transfer agent.

(xi) The Company shall have certified that all conditions to the Closing have been satisfied and that the Company will file the Registration Statement with the SEC in compliance with the rules and regulations promulgated by the SEC for filing thereof two (2) business days after the Closing. If requested by the Buyer, the Buyer shall have received a certificate, executed by the two (2) officers of the Company, dated as of the Closing Date, to the foregoing effect. The Buyers have no obligation to fund at the Closing if the Company has filed the Registration Statement.

8. INDEMNIFICATION.

(a) In consideration of the Buyer's execution and delivery of this Agreement and acquiring the Convertible Debentures and the Conversion Shares hereunder, and in addition to all of the Company's other obligations under this Agreement, the Company shall defend, protect, indemnify and hold harmless the Buyer(s) and each other holder of the Convertible Debentures and the Conversion Shares, and all of their officers, directors, employees and agents (including, without limitation, those retained in connection with the transactions contemplated by this Agreement) (collectively, the "Buyer Indemnitees") from and against any and all actions, causes of action, suits, claims, losses, costs, penalties, fees, liabilities and damages, and expenses in connection therewith (irrespective of whether any such Buyer Indemnitee is a party to the action for which indemnification hereunder is sought), and including reasonable attorneys' fees and disbursements (the "Indemnified Liabilities"), incurred by the Buyer Indemnitees or any of them as a result of, or arising out of, or relating to (a) any misrepresentation or breach of any representation or warranty made by the Company in this Agreement, the Convertible Debentures or the Investor Registration Rights Agreement or any other certificate, instrument or document contemplated hereby or thereby, (b) any breach of any covenant, agreement or obligation of the Company contained in this Agreement, or the Investor Registration Rights Agreement or any other certificate, instrument or document contemplated hereby or thereby, or (c) any cause of action, suit or claim brought or made against such Indemnitee and arising out of or resulting from the execution, delivery, performance or enforcement of this Agreement or any other instrument, document or agreement executed pursuant hereto by any of the Indemnities, any transaction financed or to be financed in whole or in part, directly or indirectly, with the proceeds of the issuance of the Convertible Debentures or the status of the Buyer or holder of the Convertible Debentures the Conversion Shares, as a Buyer of Convertible Debentures in the Company. To the extent that the foregoing undertaking by the Company may be unenforceable for any reason, the Company shall make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities, which is permissible under applicable law.

(b) In consideration of the Company's execution and delivery of this Agreement, and in addition to all of the Buyer's other obligations under this Agreement, the Buyer shall defend, protect, indemnify and hold harmless the Company and all of its officers, directors, employees and agents (including, without limitation, those retained in connection with the transactions contemplated by this Agreement) (collectively, the "Company Indemnitees") from and against any and all Indemnified Liabilities incurred by the Indemnitees or any of them as a result of, or arising out of, or relating to (a) any misrepresentation or breach of any representation or warranty made by the Buyer(s) in this Agreement, instrument or document contemplated hereby or thereby executed by the Buyer, (b) any breach of any covenant, agreement or obligation of the Buyer(s) contained in this Agreement, the Investor Registration Rights Agreement or any other certificate, instrument or document contemplated hereby or thereby executed by the Buyer, or (c) any cause of action, suit or claim brought or made against such Company Indemnitee based on material misrepresentations or due to a material breach and arising out of or resulting from the execution, delivery, performance or enforcement of this

Agreement, the Investor Registration Rights Agreement or any other instrument, document or agreement executed pursuant hereto by any of the Company Indemnities. To the extent that the foregoing undertaking by each Buyer may be unenforceable for any reason, each Buyer shall make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities, which is permissible under applicable law.

9. GOVERNING LAW: MISCELLANEOUS.

(a) Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State of New Jersey without regard to the principles of conflict of laws. The parties further agree that any action between them shall be heard in Hudson County, New Jersey, and expressly consent to the jurisdiction and venue of the Superior Court of New Jersey, sitting in Hudson County and the United States District Court for the District of New Jersey sitting in Newark, New Jersey for the adjudication of any civil action asserted pursuant to this Paragraph.

(b) Counterparts. This Agreement may be executed in two or more identical counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party. In the event any signature page is delivered by facsimile transmission, the party using such means of delivery shall cause four (4) additional original executed signature pages to be physically delivered to the other party within five (5) days of the execution and delivery hereof.

(c) Headings. The headings of this Agreement are for convenience of reference and shall not form part of, or affect the interpretation of, this Agreement.

(d) Severability. If any provision of this Agreement shall be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remainder of this Agreement in that jurisdiction or the validity or enforceability of any provision of this Agreement in any other jurisdiction.

(e) Entire Agreement, Amendments. This Agreement supersedes all other prior oral or written agreements between the Buyer(s), the Company, their affiliates and persons acting on their behalf with respect to the matters discussed herein, and this Agreement and the instruments referenced herein contain the entire understanding of the parties with respect to the matters covered herein and therein and, except as specifically set forth herein or therein, neither the Company nor any Buyer makes any representation, warranty, covenant or undertaking with respect to such matters. No provision of this Agreement may be waived or amended other than by an instrument in writing signed by the party to be charged with enforcement.

(f) Notices. Any notices, consents, waivers, or other communications required or permitted to be given under the terms of this Agreement must be in writing and will be deemed to have been delivered (i) upon receipt, when delivered personally; (ii) upon confirmation of receipt, when sent by facsimile; (iii) three (3) days after being sent by U.S. certified mail, return receipt requested, or (iv) one (1) day after deposit with a nationally

recognized overnight delivery service, in each case properly addressed to the party to receive the same. The addresses and facsimile numbers for such communications shall be:

If to the Company, to: NetFabric Holdings, Inc.
67 Federal Road, Building A
Suite 300
Brookfield, CT 06804
Attention: Jeff Robinson
Telephone: (203) 775-1178
Facsimile: (270) 626-8366

With a copy to: Kirkpatrick & Lockhart Nicholson Graham LLP
201 South Biscayne Boulevard, Suite 2000
Miami, FL 33131-2399
Attention: Clayton E. Parker, Esq.
Telephone: (305) 539-3300
Facsimile: (305) 358-7095

If to the Buyer(s), to its address and facsimile number on Schedule I, with copies to the Buyer's counsel as set forth on Schedule I. Each party shall provide five (5) days' prior written notice to the other party of any change in address or facsimile number.

(g) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. Neither the Company nor any Buyer shall assign this Agreement or any rights or obligations hereunder without the prior written consent of the other party hereto.

(h) No Third Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns, and is not for the benefit of, nor may any provision hereof be enforced by, any other person.

(i) Survival. Unless this Agreement is terminated under Section 9(l), the representations and warranties of the Company and the Buyer(s) contained in Sections 2 and 3, the agreements and covenants set forth in Sections 4, 5 and 9, and the indemnification provisions set forth in Section 8, shall survive the Closing for a period of two (2) years following the date on which the Convertible Debentures are converted in full. The Buyer(s) shall be responsible only for its own representations, warranties, agreements and covenants hereunder.

(j) Publicity. The Company and the Buyer(s) shall have the right to approve, before issuance any press release or any other public statement with respect to the transactions contemplated hereby made by any party; provided, however, that the Company shall be entitled, without the prior approval of the Buyer(s), to issue any press release or other public disclosure with respect to such transactions required under applicable securities or other laws or regulations (the Company shall use its best efforts to consult the Buyer(s) in connection with any such press release or other public disclosure prior to its release and Buyer(s) shall be provided with a copy thereof upon release thereof).

(k) Further Assurances. Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

(l) Termination. In the event that the Closing shall not have occurred with respect to the Buyers on or before five (5) business days from the date hereof due to the Company's or the Buyer's failure to satisfy the conditions set forth in Sections 6 and 7 above (and the non-breaching party's failure to waive such unsatisfied condition(s)), the non-breaching party shall have the option to terminate this Agreement with respect to such breaching party at the close of business on such date without liability of any party to any other party; provided, however, that if this Agreement is terminated by the Company pursuant to this Section 9(l), the Company shall remain obligated to reimburse the Buyer(s) for the fees and expenses of Yorkville Advisors Management, LLC described in Section 4(g) above.

(m) No Strict Construction. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party.

[REMAINDER PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Buyers and the Company have caused this Securities Purchase Agreement to be duly executed as of the date first written above.

COMPANY:
NETFABRIC HOLDINGS, INC.

By: /s Jeff Robinson

Name: Jeff Robinson
Title: Chairman and Chief Executive Officer

EXHIBIT A

FORM OF INVESTOR REGISTRATION RIGHTS AGREEMENT

EXHIBIT B

FORM OF ESCROW AGREEMENT

EXHIBIT C

SECURITY AGREEMENT

EXHIBIT D

OFFICER PLEDGE AND ESCROW AGREEMENT

EXHIBIT E

IRREVOCABLE TRANSFER AGENT INSTRUCTIONS

SCHEDULE I

SCHEDULE OF BUYERS

NAME	SIGNATURE	ADDRESS/FACSIMILE NUMBER OF BUYER	AMOUNT OF SUBSCRIPTION
Cornell Capital Partners, LP	By: Yorkville Advisors, LLC Its: General Partner By: Mark Angelo --- Name: Mark Angelo Its: Portfolio Manager	101 Hudson Street - Suite 3700 Jersey City, NJ 07303 Facsimile: (201) 985-8266	$1,650,000
With a copy to:	Troy Rillo, Esq.	101 Hudson Street - Suite 3700 Jersey City, NJ 07302 Facsimile: (201) 985-8266	

INVESTOR REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT (this "Agreement"), dated as of October 27, 2005, by and among NETFABRIC HOLDINGS, INC., a Delaware corporation (the "Company"), and the undersigned investors listed on Schedule I attached hereto (each, an "Investor" and collectively, the "Investors").

WHEREAS:

A. In connection with the `Securities Purchase Agreement by and among the parties hereto of even date herewith (the "Securities Purchase Agreement"), the Company has agreed, upon the terms and subject to the conditions of the Securities Purchase Agreement, to issue and sell to the Investors secured convertible debentures (the "Convertible Debentures") which shall be convertible into that number of shares of the Company's common stock, par value $0.001 per share (the "Common Stock"), pursuant to the terms of the Securities Purchase Agreement for an aggregate purchase price of up to One Million Six Hundred Fifty Thousand Dollars ($1,650,000). Capitalized terms not defined herein shall have the meaning ascribed to them in the Securities Purchase Agreement.

B. To induce the Investors to execute and deliver the Securities Purchase Agreement, the Company has agreed to provide certain registration rights under the Securities Act of 1933, as amended, and the rules and regulations there under, or any similar successor statute (collectively, the "Securities Act"), and applicable state securities laws.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Investors hereby agree as follows:

1. DEFINITIONS.

As used in this Agreement, the following terms shall have the following meanings:

(a) "Person" means a corporation, a limited liability company, an association, a partnership, an organization, a business, an individual, a governmental or political subdivision thereof or a governmental agency.

(b) "Register," "registered," and "registration" refer to a registration effected by preparing and filing one or more Registration Statements (as defined below) in compliance with the Securities Act and pursuant to Rule 415 under the Securities Act or any successor rule providing for offering securities on a continuous or delayed basis ("Rule 415"), and the declaration or ordering of effectiveness of such Registration Statement(s) by the United States Securities and Exchange Commission (the "SEC").

(c) "Registrable Securities" means the shares of Common Stock issuable to the Investors upon conversion of the Convertible Debentures pursuant to the Securities Purchase Agreement.

(d) "Registration Statement" means a registration statement under the Securities Act which covers the Registrable Securities.

2. REGISTRATION.

(a) Subject to the terms and conditions of this Agreement, the Company shall prepare and file, no later than thirty (30) days from the date hereof (the "Scheduled Filing Deadline"), with the SEC a registration statement on Form S-1 or SB-2 (or, if the Company is then eligible, on Form S-3) under the Securities Act (the "Initial Registration Statement") for the resale by the Investors of the Registrable Securities, which includes at least 16,500,000 shares of Common Stock to be issued upon conversion of the Convertible Debentures and 560,000 shares of Common Stock to be issued upon exercise of the Warrant. The Company shall cause the Registration Statement to remain effective until all of the Registrable Securities have been sold. Prior to the filing of the Registration Statement with the SEC, the Company shall furnish a copy of the Initial Registration Statement to the Investors for their review and comment. The Investors shall furnish comments on the Initial Registration Statement to the Company within twenty-four (24) hours of the receipt thereof from the Company.

(b) Effectiveness of the Initial Registration Statement. The Company shall use its best efforts (i) to have the Initial Registration Statement declared effective by the SEC no later than one hundred twenty (120) days after the date hereof (the "Scheduled Effective Deadline") and (ii) to insure that the Initial Registration Statement and any subsequent Registration Statement remains in effect until all of the Registrable Securities have been sold, subject to the terms and conditions of this Agreement. It shall be an event of default hereunder if the Initial Registration Statement is not filed by the Scheduled Filing Deadline or declared effective by the SEC by the Scheduled Effective Deadline.

(c) Failure to File or Obtain Effectiveness of the Registration Statement. In the event the Registration Statement is not filed by the Scheduled Filing Deadline or is not declared effective by the SEC on or before the Scheduled Effective Deadline, or if after the Registration Statement has been declared effective by the SEC, sales cannot be made pursuant to the Registration Statement (whether because of a failure to keep the Registration Statement effective, failure to disclose such information as is necessary for sales to be made pursuant to the Registration Statement, failure to register sufficient shares of Common Stock or otherwise then as partial relief for the damages to

any holder of Registrable Securities by reason of any such delay in or reduction of its ability to sell the underlying shares of Common Stock (which remedy shall not be exclusive of any other remedies at law or in equity), the Company will pay as liquidated damages (the "Liquidated Damages") to the holder, at the holder's option, either a cash amount or shares of the Company's Common Stock within three (3) business days, after demand therefore, equal to two percent (2%) of the liquidated value of the Convertible Debentures outstanding as Liquidated Damages for each thirty (30) day period after the Scheduled Filing Deadline or the Scheduled Effective Date as the case may be.

(d) Liquidated Damages. The Company and the Investor hereto acknowledge and agree that the sums payable under subsection 2(c) above shall constitute liquidated damages and not penalties and are in addition to all other rights of the Investor, including the right to call a default. The parties further acknowledge that (i) the amount of loss or damages likely to be incurred is incapable or is difficult to precisely estimate, (ii) the amounts specified

in such subsections bear a reasonable relationship to, and are not plainly or grossly disproportionate to, the probable loss likely to be incurred in connection with any failure by the Company to obtain or maintain the effectiveness of a Registration Statement, (iii) one of the reasons for the Company and the Investor reaching an agreement as to such amounts was the uncertainty and cost of litigation regarding the question of actual damages, and (iv) the Company and the Investor are sophisticated business parties and have been represented by sophisticated and able legal counsel and negotiated this Agreement at arm's length.

3. RELATED OBLIGATIONS.

(a) The Company shall keep the Registration Statement effective pursuant to Rule 415 at all times until the date on which the Investor shall have sold all the Registrable Securities covered by such Registration Statement (the "Registration Period"), which Registration Statement (including any amendments or supplements thereto and prospectuses contained therein) shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein, or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading.

(b) The Company shall prepare and file with the SEC such amendments (including post-effective amendments) and supplements to a Registration Statement and the prospectus used in connection with such Registration Statement, which prospectus is to be filed pursuant to Rule 424 promulgated under the Securities Act, as may be necessary to keep such Registration Statement effective at all times during the Registration Period, and, during such period, comply with the provisions of the Securities Act with respect to the disposition of all Registrable Securities of the Company covered by such Registration Statement until such time as all of such Registrable Securities shall have been disposed of in accordance with the intended methods of disposition by the seller or sellers thereof as set forth in such Registration Statement. In the case of amendments and supplements to a Registration Statement which are required to be filed pursuant to this Agreement (including pursuant to this Section 3(b)) by reason of the Company's filing a report on Form 10-KSB, Form 10-QSB or Form 8-K or any analogous report under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company shall incorporate such report by reference into the Registration Statement, if applicable, or shall file such amendments or supplements with the SEC on the same day on which the Exchange Act report is filed which created the requirement for the Company to amend or supplement the Registration Statement.

(c) The Company shall furnish to each Investor whose Registrable Securities are included in any Registration Statement, without charge, (i) at least one (1) copy of such Registration Statement as declared effective by the SEC and any amendment(s) thereto, including financial statements and schedules, all documents incorporated therein by reference, all exhibits and each preliminary prospectus, (ii) ten (10) copies of the final prospectus included in such Registration Statement and all amendments and supplements thereto (or such other number of copies as such Investor may reasonably request) and (iii) such other documents as such Investor may reasonably request from time to time in order to facilitate the disposition of the Registrable Securities owned by such Investor.

(d) The Company shall use its best efforts to (i) register and qualify the Registrable Securities covered by a Registration Statement under such other securities or "blue sky" laws of such jurisdictions in the United States as any Investor reasonably requests, (ii) prepare and file in those jurisdictions, such amendments (including post-effective amendments) and supplements to such registrations and qualifications as may be necessary to maintain the effectiveness thereof during the Registration Period, (iii) take such other actions as may be necessary to maintain such registrations and qualifications in effect at all times during the Registration Period, and (iv) take all other actions reasonably necessary or advisable to qualify the Registrable Securities for sale in such jurisdictions; provided, however, that the Company shall not be required in connection therewith or as a condition thereto to (w) make any change to its articles of incorporation or by-laws, (x) qualify to do business in any jurisdiction where it would not otherwise be required to qualify but for this Section 3(d), (y) subject itself to general taxation in any such jurisdiction, or (z) file a general consent to service of process in any such jurisdiction. The Company shall promptly notify each Investor who holds Registrable Securities of the receipt by the Company of any notification with respect to the suspension of the registration or qualification of any of the Registrable Securities for sale under the securities or "blue sky" laws of any jurisdiction in the United States or its receipt of actual notice of the initiation or threat of any proceeding for such purpose.

(e) As promptly as practicable after becoming aware of such event or development, the Company shall notify each Investor in writing of the happening of any event as a result of which the prospectus included in a Registration Statement, as then in effect, includes an untrue statement of a material fact or omission to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (provided that in no event shall such notice contain any material, nonpublic information), and promptly prepare a supplement or amendment to such Registration Statement to correct such untrue statement or omission, and deliver ten (10) copies of such supplement or amendment to each Investor. The Company shall also promptly notify each Investor in writing (i) when a prospectus or any prospectus supplement or post-effective amendment has been filed, and when a Registration Statement or any post-effective amendment has become effective (notification of such effectiveness shall be delivered to each Investor by facsimile on the same day of such effectiveness), (ii) of any request by the SEC for amendments or supplements to a Registration Statement or related prospectus or related information, and (iii) of the Company's reasonable determination that a post-effective amendment to a Registration Statement would be appropriate.

(f) The Company shall use its best efforts to prevent the issuance of any stop order or other suspension of effectiveness of a Registration Statement, or the suspension of the qualification of any of the Registrable Securities for sale in any jurisdiction within the United States of America and, if such an order or suspension is issued, to obtain the withdrawal of such order or suspension at the earliest possible moment and to notify each Investor who holds Registrable Securities being sold of the issuance of such order and the resolution thereof or its receipt of actual notice of the initiation or threat of any proceeding for such purpose.

(g) At the reasonable request of any Investor, the Company shall furnish to such Investor, on the date of the effectiveness of the Registration Statement and thereafter from time to time on such dates as an Investor may reasonably request (i) a letter, dated such date, from the Company's independent certified public accountants in form and substance as is customarily given by

independent certified public accountants to underwriters in an underwritten public offering, and (ii) an opinion, dated as of such date, of counsel representing the Company for purposes of such Registration Statement, in form, scope and substance as is customarily given in an underwritten public offering, addressed to the Investors.

(h) The Company shall make available for inspection by (i) any Investor and (ii) one (1) firm of accountants or other agents retained by the Investors (collectively, the "Inspectors") all pertinent financial and other records, and pertinent corporate documents and properties of the Company (collectively, the "Records"), as shall be reasonably deemed necessary by each Inspector, and cause the Company's officers, directors and employees to supply all information which any Inspector may reasonably request; provided, however, that each Inspector shall agree, and each Investor hereby agrees, to hold in strict confidence and shall not make any disclosure (except to an Investor) or use any Record or other information which the Company determines in good faith to be confidential, and of which determination the Inspectors are so notified, unless (a) the disclosure of such Records is necessary to avoid or correct a misstatement or omission in any Registration Statement or is otherwise required under the Securities Act, (b) the release of such Records is ordered pursuant to a final, non-appealable subpoena or order from a court or government body of competent jurisdiction, or (c) the information in such Records has been made generally available to the public other than by disclosure in violation of this or any other agreement of which the Inspector and the Investor has knowledge. Each Investor agrees that it shall, upon learning that disclosure of such Records is sought in or by a court or governmental body of competent jurisdiction or through other means, give prompt notice to the Company and allow the Company, at its expense, to undertake appropriate action to prevent disclosure of, or to obtain a protective order for, the Records deemed confidential.

(i) The Company shall hold in confidence and not make any disclosure of information concerning an Investor provided to the Company unless (i) disclosure of such information is necessary to comply with federal or state securities laws, (ii) the disclosure of such information is necessary to avoid or correct a misstatement or omission in any Registration Statement, (iii) the release of such information is ordered pursuant to a subpoena or other final, non-appealable order from a court or governmental body of competent jurisdiction, or (iv) such information has been made generally available to the public other than by disclosure in violation of this Agreement or any other agreement. The Company agrees that it shall, upon learning that disclosure of such information concerning an Investor is sought in or by a court or governmental body of competent jurisdiction or through other means, give prompt written notice to such Investor and allow such Investor, at the Investor's expense, to undertake appropriate action to prevent disclosure of, or to obtain a protective order for, such information.

(j) The Company shall use its best efforts either to cause all the Registrable Securities covered by a Registration Statement (i) to be listed on each securities exchange on which securities of the same class or series issued by the Company are then listed, if any, if the listing of such Registrable Securities is then permitted under the rules of such exchange or (ii) the inclusion for quotation on the National Association of Securities Dealers, Inc. OTC Bulletin Board for such Registrable Securities. The Company shall pay all fees and expenses in connection with satisfying its obligation under this Section 3(j).

(k) The Company shall cooperate with the Investors who hold Registrable Securities being offered and, to the extent applicable, to facilitate the timely preparation and delivery of certificates (not bearing any restrictive legend) representing the Registrable Securities to be offered pursuant to a Registration Statement and enable such certificates to be in such denominations or amounts, as the case may be, as the Investors may reasonably request and registered in such names as the Investors may request.

(l) The Company shall use its best efforts to cause the Registrable Securities covered by the applicable Registration Statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to consummate the disposition of such Registrable Securities.

(m) The Company shall make generally available to its security holders as soon as practical, but not later than ninety (90) days after the close of the period covered thereby, an earnings statement (in form complying with the provisions of Rule 158 under the Securities Act) covering a twelve (12) month period beginning not later than the first day of the Company's fiscal quarter next following the effective date of the Registration Statement.

(n) The Company shall otherwise use its best efforts to comply with all applicable rules and regulations of the SEC in connection with any registration hereunder.

(o) Within two (2) business days after a Registration Statement which covers Registrable Securities is declared effective by the SEC, the Company shall deliver, and shall cause legal counsel for the Company to deliver, to the transfer agent for such Registrable Securities (with copies to the Investors whose Registrable Securities are included in such Registration Statement) confirmation that such Registration Statement has been declared effective by the SEC in the form attached hereto as Exhibit A.

(p) The Company shall take all other reasonable actions necessary to expedite and facilitate disposition by the Investors of Registrable Securities pursuant to a Registration Statement.

4. OBLIGATIONS OF THE INVESTORS.

Each Investor agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 3(f) or the first sentence of 3(e), such Investor will immediately discontinue disposition of Registrable Securities pursuant to any Registration Statement(s) covering such Registrable Securities until such Investor's receipt of the copies of the supplemented or amended prospectus contemplated by Section 3(e) or receipt of notice that no supplement or amendment is required. Notwithstanding anything to the contrary, the Company shall cause its transfer agent to deliver unlegended certificates for shares of Common Stock to a transferee of an Investor in accordance with the terms of the Securities Purchase Agreement in connection with any sale of Registrable Securities with respect to which an Investor has entered into a contract for sale prior to the Investor's receipt of a notice from the Company of the happening of any event of the kind described in Section 3(f) or the first sentence of 3(e) and for which the Investor has not yet settled.

5. EXPENSES OF REGISTRATION.

All expenses incurred in connection with registrations, filings or qualifications pursuant to Sections 2 and 3, including, without limitation, all registration, listing and qualifications fees, printers, legal and accounting fees shall be paid by the Company.

6. INDEMNIFICATION.

With respect to Registrable Securities which are included in a Registration Statement under this Agreement:

(a) To the fullest extent permitted by law, the Company will, and hereby does, indemnify, hold harmless and defend each Investor, the directors, officers, partners, employees, agents, representatives of, and each Person, if any, who controls any Investor within the meaning of the Securities Act or the Exchange Act (each, an "Indemnified Person"), against any losses, claims, damages, liabilities, judgments, fines, penalties, charges, costs, reasonable attorneys' fees, amounts paid in settlement or expenses, joint or several (collectively, "Claims") incurred in investigating, preparing or defending any action, claim, suit, inquiry, proceeding, investigation or appeal taken from the foregoing by or before any court or governmental, administrative or other regulatory agency, body or the SEC, whether pending or threatened, whether or not an indemnified party is or may be a party thereto ("Indemnified Damages"), to which any of them may become subject insofar as such Claims (or actions or proceedings, whether commenced or threatened, in respect thereof) arise out of or are based upon: (i) any untrue statement or alleged untrue statement of a material fact in a Registration Statement or any post-effective amendment thereto or in any filing made in connection with the qualification of the offering under the securities or other "blue sky" laws of any jurisdiction in which Registrable Securities are offered ("Blue Sky Filing"), or the omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading; (ii) any untrue statement or alleged untrue statement of a material fact contained in any final prospectus (as amended or supplemented, if the Company files any amendment thereof or supplement thereto with the SEC) or the omission or alleged omission to state therein any material fact necessary to make the statements made therein, in light of the circumstances under which the statements therein were made, not misleading; or (iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any other law, including, without limitation, any state securities law, or any rule or regulation there under relating to the offer or sale of the Registrable Securities pursuant to a Registration Statement (the matters in the foregoing clauses (i) through (iii) being, collectively, "Violations"). The Company shall reimburse the Investors and each such controlling person promptly as such expenses are incurred and are due and payable, for any legal fees or disbursements or other reasonable expenses incurred by them in connection with investigating or defending any such Claim. Notwithstanding anything to the contrary contained herein, the indemnification agreement contained in this Section 6(a): (x) shall not apply to a Claim by an Indemnified Person arising out of or based upon a Violation which occurs in reliance upon and in conformity with information furnished in writing to the Company by such Indemnified Person expressly for use in connection with the preparation of the Registration Statement or any such amendment thereof or supplement thereto; (y) shall not be available to the extent such Claim is based on a failure of the Investor to deliver or to cause to be delivered the prospectus made available by the Company, if such prospectus was timely made available by the Company pursuant to Section 3(c); and (z) shall not apply to amounts paid in settlement of any Claim if such settlement is effected without the prior written consent of the Company, which consent shall not be unreasonably withheld. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Indemnified Person and shall survive the transfer of the Registrable Securities by the Investors pursuant to Section 9 hereof.

(b) In connection with a Registration Statement, each Investor agrees to severally and not jointly indemnify, hold harmless and defend, to the same extent and in the same manner as is set forth in Section 6(a), the Company, each of its directors, each of its officers, employees, representatives, or agents and each Person, if any, who controls the Company within the meaning of the Securities Act or the Exchange Act (each an "Indemnified Party"), against any Claim or Indemnified Damages to which any of them may become subject, under the Securities Act, the Exchange Act or otherwise, insofar as such Claim or Indemnified Damages arise out of or is based upon any Violation, in each case to the extent, and only to the extent, that such Violation occurs in reliance upon and in conformity with written information furnished to the Company by such Investor expressly for use in connection with such Registration Statement; and, subject to Section 6(d), such Investor will reimburse any legal or other expenses reasonably incurred by them in connection with investigating or defending any such Claim; provided, however, that the indemnity agreement contained in this Section 6(b) and the agreement with respect to contribution contained in Section 7 shall not apply to amounts paid in settlement of any Claim if such settlement is effected without the prior written consent of such Investor, which consent shall not be unreasonably withheld; provided, further, however, that the Investor shall be liable under this Section 6(b) for only that amount of a Claim or Indemnified Damages as does not exceed the net proceeds to such Investor as a result of the sale of Registrable Securities pursuant to such Registration Statement. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such Indemnified Party and shall survive the transfer of the Registrable Securities by the Investors pursuant to Section 9. Notwithstanding anything to the contrary contained herein, the indemnification agreement contained in this Section 6(b) with respect to any prospectus shall not inure to the benefit of any Indemnified Party if the untrue statement or omission of material fact contained in the prospectus was corrected and such new prospectus was delivered to each Investor prior to such Investor's use of the prospectus to which the Claim relates.

(c) Promptly after receipt by an Indemnified Person or Indemnified Party under this Section 6 of notice of the commencement of any action or proceeding (including any governmental action or proceeding) involving a Claim, such Indemnified Person or Indemnified Party shall, if a Claim in respect thereof is to be made against any indemnifying party under this Section 6, deliver to the indemnifying party a written notice of the commencement thereof, and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume control of the defense thereof with counsel mutually satisfactory to the indemnifying party and the Indemnified Person or the Indemnified Party, as the case may be; provided, however, that an Indemnified Person or Indemnified Party shall have the right to retain its own counsel with the fees and expenses of not more than one (1) counsel for such Indemnified Person or Indemnified Party to be paid by the indemnifying party, if, in the reasonable opinion of counsel retained by the indemnifying party, the representation by such counsel of the Indemnified Person or Indemnified Party and the indemnifying party would be inappropriate due to actual or potential differing interests between such Indemnified Person or Indemnified Party and any

other party represented by such counsel in such proceeding. The Indemnified Party or Indemnified Person shall cooperate fully with the indemnifying party in connection with any negotiation or defense of any such action or claim by the indemnifying party and shall furnish to the indemnifying party all information reasonably available to the Indemnified Party or Indemnified Person which relates to such action or claim. The indemnifying party shall keep the Indemnified Party or Indemnified Person fully apprised at all times as to the status of the defense or any settlement negotiations with respect thereto. No indemnifying party shall be liable for any settlement of any action, claim or proceeding effected without its prior written consent; provided, however, that the indemnifying party shall not unreasonably withhold, delay or condition its consent. No indemnifying party shall, without the prior written consent of the Indemnified Party or Indemnified Person, consent to entry of any judgment or enter into any settlement or other compromise which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party or Indemnified Person of a release from all liability in respect to such claim or litigation. Following indemnification as provided for hereunder, the indemnifying party shall be subrogated to all rights of the Indemnified Party or Indemnified Person with respect to all third parties, firms or corporations relating to the matter for which indemnification has been made. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action shall not relieve such indemnifying party of any liability to the Indemnified Person or Indemnified Party under this Section 6, except to the extent that the indemnifying party is prejudiced in its ability to defend such action.

(d) The indemnification required by this Section 6 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received or Indemnified Damages are incurred.

(e) The indemnity agreements contained herein shall be in addition to (i) any cause of action or similar right of the Indemnified Party or Indemnified Person against the indemnifying party or others, and (ii) any liabilities the indemnifying party may be subject to pursuant to the law.

7. CONTRIBUTION.

To the extent any indemnification by an indemnifying party is prohibited or limited by law, the indemnifying party agrees to make the maximum contribution with respect to any amounts for which it would otherwise be liable under Section 6 to the fullest extent permitted by law; provided, however, that: (i) no seller of Registrable Securities guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any seller of Registrable Securities who was not guilty of fraudulent misrepresentation; and (ii) contribution by any seller of Registrable Securities shall be limited in amount to the net amount of proceeds received by such seller from the sale of such Registrable Securities.

8. REPORTS UNDER THE EXHANGE ACT.

With a view to making available to the Investors the benefits of Rule 144 promulgated under the Securities Act or any similar rule or regulation of the SEC that may at any time permit the Investors to sell securities of the Company to the public without registration ("Rule 144") the Company agrees to:

(a) make and keep public information available, as those terms are understood and defined in Rule 144;

(b) file with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act so long as the Company remains subject to such requirements (it being understood that nothing herein shall limit the Company's obligations under Section 4(c) of the Securities Purchase Agreement) and the filing of such reports and other documents as are required by the applicable provisions of Rule 144; and

(c) furnish to each Investor so long as such Investor owns Registrable Securities, promptly upon request, (i) a written statement by the Company that it has complied with the reporting requirements of Rule 144, the Securities Act and the Exchange Act, (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (iii) such other information as may be reasonably requested to permit the Investors to sell such securities pursuant to Rule 144 without registration.

9. AMENDMENT OF REGISTRATION RIGHTS.

Provisions of this Agreement may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and Investors who then hold at least two-thirds (2/3) of the Registrable Securities. Any amendment or waiver effected in accordance with this Section 9 shall be binding upon each Investor and the Company. No such amendment shall be effective to the extent that it applies to fewer than all of the holders of the Registrable Securities. No consideration shall be offered or paid to any Person to amend or consent to a waiver or modification of any provision of any of this Agreement unless the same consideration also is offered to all of the parties to this Agreement.

10. MISCELLANEOUS.

(a) A Person is deemed to be a holder of Registrable Securities whenever such Person owns or is deemed to own of record such Registrable Securities. If the Company receives conflicting instructions, notices or elections from two (2) or more Persons with respect to the same Registrable Securities, the Company shall act upon the basis of instructions, notice or election received from the registered owner of such Registrable Securities.

(b) Any notices, consents, waivers or other communications required or permitted to be given under the terms of this Agreement must be in writing and will be deemed to have been delivered: (i) upon receipt, when delivered personally; (ii) upon receipt, when sent by facsimile (provided confirmation of transmission is mechanically or electronically generated and kept on file by the sending party); or (iii) one (1) business day after deposit with a nationally recognized overnight delivery service, in each case properly addressed to the party to receive the same. The addresses and facsimile numbers for such communications shall be:

If to the Company, to: NetFabric Holdings, Inc.
67 Federal Road, Building A
Suite 300
Brookfield, CT 06804
Attention: Jeff Robinson
Telephone: (203) 775-1178
Facsimile: (203) 626-8366

With Copy to: Kirkpatrk & Lockhart Nicholson Graham LLP
201 South Biscayne Boulevard, Suite 2000
Miami, FL 33131-2399
Attention: Clayton E. Parker, Esq.
Telephone: (305) 539-3300
Facsimile: (305) 358-7095

If to an Investor, to its address and facsimile number on the Schedule of Investors attached hereto, with copies to such Investor's representatives as set forth on the Schedule of Investors or to such other address and/or facsimile number and/or to the attention of such other person as the recipient party has specified by written notice given to each other party five (5) days prior to the effectiveness of such change. Written confirmation of receipt (A) given by the recipient of such notice, consent, waiver or other communication, (B) mechanically or electronically generated by the sender's facsimile machine containing the time, date, recipient facsimile number and an image of the first page of such transmission or (C) provided by a courier or overnight courier service shall be rebuttable evidence of personal service, receipt by facsimile or receipt from a nationally recognized overnight delivery service in accordance with clause (i), (ii) or (iii) above, respectively.

(c) Failure of any party to exercise any right or remedy under this Agreement or otherwise, or delay by a party in exercising such right or remedy, shall not operate as a waiver thereof.

(d) The laws of the State of New Jersey shall govern all issues concerning the relative rights of the Company and the Investors as its stockholders. All other questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by the internal laws of the State of New Jersey, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New Jersey or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New Jersey. Each party hereby irrevocably submits to the non-exclusive jurisdiction of the Superior Courts of the State of New Jersey, sitting in Hudson County, New Jersey and federal courts for the District of New Jersey sitting Newark, New Jersey, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or

proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address for such notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. If any provision of this Agreement shall be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remainder of this Agreement in that jurisdiction or the validity or enforceability of any provision of this Agreement in any other jurisdiction. EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION HEREWITH OR ARISING OUT OF THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY.

(e) This Agreement, the Irrevocable Transfer Agent Instructions, the Securities Purchase Agreement and related documents including the Convertible Debenture and the Escrow Agreement dated the date hereof by and among the Company, the Investors set forth on the Schedule of Investors attached hereto, and David Gonzalez, Esq. (the "Escrow Agreement") and the Security Agreement dated the date hereof (the "Security Agreement") constitute the entire agreement among the parties hereto with respect to the subject matter hereof and thereof. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein and therein. This Agreement, the Irrevocable Transfer Agent Instructions, the Securities Purchase Agreement and related documents including the Convertible Debenture, the Escrow Agreement and the Security Agreement supersede all prior agreements and understandings among the parties hereto with respect to the subject matter hereof and thereof.

(f) This Agreement shall inure to the benefit of and be binding upon the permitted successors and assigns of each of the parties hereto.

(g) The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(h) This Agreement may be executed in identical counterparts, each of which shall be deemed an original but all of which shall constitute one and the same agreement. This Agreement, once executed by a party, may be delivered to the other party hereto by facsimile transmission of a copy of this Agreement bearing the signature of the party so delivering this Agreement.

(i) Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent and no rules of strict construction will be applied against any party.

(j) This Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns, and is not for the benefit of, nor may any provision hereof be enforced by, any other Person.

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IN WITNESS WHEREOF, the parties have caused this Investor Registration Rights Agreement to be duly executed as of day and year first above written.

COMPANY:
NETFABRIC HOLDINGS, INC.

By: /s/ Jeff Robinson

Name: Jeff Robinson
Title: Chairman and Chief Executive Officer

SCHEDULE I

SCHEDULE OF INVESTORS

NAME	SIGNATURE	ADDRESS/FACSIMILE NUMBER OF INVESTORS
Cornell Capital Partners, LP	By: Yorkville Advisors, LLC Its: General Partner By: /s/ Mark Angelo Name: Mark Angelo Its: Portfolio Manager	101 Hudson Street - Suite 3700 Jersey City, NJ 07303 Facsimile: (201) 985-8266
With a copy to:	Troy Rillo, Esq.	101 Hudson Street - Suite 3700 Jersey City, NJ 07302 Facsimile: (201) 985-8266

EXHIBIT A

FORM OF NOTICE OF EFFECTIVENESS
OF REGISTRATION STATEMENT

Attention:

Re: NETFABRIC HOLDINGS, INC.

Ladies and Gentlemen:

We are counsel to NetFabric Holdings, Inc., a Delaware corporation (the "Company"), and have represented the Company in connection with that certain Securities Purchase Agreement (the "Securities Purchase Agreement") entered into by and among the Company and the investors named therein (collectively, the "Investors") pursuant to which the Company issued to the Investors shares of its Common Stock, par value $0.001 per share (the "Common Stock"). Pursuant to the Purchase Agreement, the Company also has entered into a Registration Rights Agreement with the Investors (the "Investor Registration Rights Agreement") pursuant to which the Company agreed, among other things, to register the Registrable Securities (as defined in the Registration Rights Agreement) under the Securities Act of 1933, as amended (the "Securities Act"). In connection with the Company's obligations under the Registration Rights Agreement, on _____ ____, the Company filed a Registration Statement on Form _____ (File No. 333-_____) (the "Registration Statement") with the Securities and Exchange SEC (the "SEC") relating to the Registrable Securities which names each of the Investors as a selling stockholder there under.

In connection with the foregoing, we advise you that a member of the SEC's staff has advised us by telephone that the SEC has entered an order declaring the Registration Statement effective under the Securities Act at [ENTER TIME OF EFFECTIVENESS] on [ENTER DATE OF EFFECTIVENESS] and we have no knowledge, after telephonic inquiry of a member of the SEC's staff, that any stop order suspending its effectiveness has been issued or that any proceedings for that purpose are pending before, or threatened by, the SEC and the Registrable Securities are available for resale under the Securities Act pursuant to the Registration Statement.

Very truly yours,

[LAW FIRM]

By:
---

cc: [LIST NAMES OF INVESTORS]

ESCROW AGREEMENT

THIS ESCROW AGREEMENT (this "Agreement") is made and entered into as of October 27, 2005 NETFABRIC HOLDINGS, INC., a Delaware corporation (the "Company"); the Buyer(s) listed on the Securities Purchase Agreement, dated the date hereof (also referred to as the "Investor(s)"), and DAVID GONZALEZ, ESQ., as Escrow Agent hereunder (the "Escrow Agent").

BACKGROUND

WHEREAS, the Company and the Investor(s) have entered into a Securities Purchase Agreement (the "Securities Purchase Agreement"), dated as of the date hereof, pursuant to which the Company proposes to sell secured convertible debentures (the "Convertible Debentures") which shall be convertible into the Company's Common Stock, par value $0.001 per share (the "Common Stock"), for a total purchase price of up to One Million Six Hundred Fifty Thousand Dollars ($1,650,000). The Securities Purchase Agreement provides that the Investor(s) shall deposit the purchase amount in a segregated escrow account to be held by Escrow Agent in order to effectuate a disbursement to the Company at a closing to be held as set forth in the Securities Purchase Agreement (the "Closing").

WHEREAS, the Company intends to sell Convertible Securities (the "Offering").

WHEREAS, Escrow Agent has agreed to accept, hold, and disburse the funds deposited with it in accordance with the terms of this Agreement.

WHEREAS, in order to establish the escrow of funds and to effect the provisions of the Securities Purchase Agreement, the parties hereto have entered into this Agreement.

NOW THEREFORE, in consideration of the foregoing, it is hereby agreed as follows:

1. DEFINITIONS. The following terms shall have the following meanings when used herein:

a. "Escrow Funds" shall mean the funds deposited with Escrow Agent pursuant to this Agreement.

b. "Joint Written Direction" shall mean a written direction executed by the Investor(s) and the Company directing Escrow Agent to disburse all or a portion of the Escrow Funds or to take or refrain from taking any action pursuant to this Agreement.

c. "Escrow Period" shall begin with the commencement of the Offering and shall terminate upon the earlier to occur of the following dates:

(i) The date upon which Escrow Agent confirms that it has received in the Escrow Account all of the proceeds of the sale of the Convertible Debentures;

(ii) The expiration of twenty (20) days from the date of commencement of the Offering (unless extended by mutual written agreement between the Company and the Investor(s) with a copy of such extension to Escrow Agent); or

(iii) The date upon which a determination is made by the Company and the Investor(s) to terminate the Offering prior to the sale of all the Convertible Debentures.

During the Escrow Period, the Company and the Investor(s) are aware that they are not entitled to any funds received into escrow and no amounts deposited in the Escrow Account shall become the property of the Company or the Investor(s) or any other entity, or be subject to the debts of the Company or the Investor(s) or any other entity.

2. APPOINTMENT OF AND ACCEPTANCE BY ESCROW AGENT. The Investor(s) and the Company hereby appoint Escrow Agent to serve as Escrow Agent hereunder. Escrow Agent hereby accepts such appointment and, upon receipt by wire transfer of the Escrow Funds in accordance with Section 3 below, agrees to hold, invest and disburse the Escrow Funds in accordance with this Agreement.

a. The Company hereby acknowledges that the Escrow Agent is general counsel to the Investor(s), a partner in the general partner of the Investor(s), and counsel to the Investor(s) in connection with the transactions contemplated and referred herein. The Company agrees that in the event of any dispute arising in connection with this Escrow Agreement or otherwise in connection with any transaction or agreement contemplated and referred herein, the Escrow Agent shall be permitted to continue to represent the Investor(s) and the Company will not seek to disqualify such counsel.

3. CREATION OF ESCROW FUNDS. On or prior to the date of the commencement of the Offering, the parties shall establish an escrow account with the Escrow Agent, which escrow account shall be entitled as follows: NetFabric Holdings, Inc./Cornell Capital Partners, LP Escrow Account for the deposit of the Escrow Funds. The Investor(s) will instruct subscribers to wire funds to the account of the Escrow Agent as follows:

BANK: Wachovia, N.A. of New Jersey

ROUTING #: 031201467

ACCOUNT #: 2000014931134

NAME ON ACCOUNT: David Gonzalez Attorney Trust Account

NAME ON SUB-ACCOUNT: NetFabric Holdings, Inc./Cornell Capital Partners, LP Escrow Account

4. DEPOSITS INTO THE ESCROW ACCOUNT. The Investor(s) agrees that they shall promptly deliver funds for the payment of the Convertible Debentures to Escrow Agent for deposit in the Escrow Account.

5. DISBURSEMENTS FROM THE ESCROW ACCOUNT.

a. The Escrow Agent will continue to hold such funds until Cornell Capital Partners, LP on behalf of the Investor(s) and Company execute a Joint Written Direction directing the Escrow Agent to disburse the Escrow Funds pursuant to Joint Written Direction signed by the Company and the Investor(s). In disbursing such funds, Escrow Agent is authorized to rely upon such Joint Written Direction from the Company and the Investor(s) and may accept any signatory from the Company listed on the signature page to this Agreement and any signature from the Investor(s) that the Escrow Agent already has on file.

b. In the event Escrow Agent does not receive the amount of the Escrow Funds from the Investor(s), Escrow Agent shall notify the Company and the Investor(s). Upon receipt of payment instructions from the Company, Escrow Agent shall refund to each subscriber without interest the amount received from each Investor(s), without deduction, penalty, or expense to the subscriber. The purchase money returned to each subscriber shall be free and clear of any and all claims of the Company, the Investor(s) or any of their creditors.

c. In the event Escrow Agent does receive the amount of the Escrow Funds prior to expiration of the Escrow Period, in no event will the Escrow Funds be released to the Company until such amount is received by Escrow Agent in collected funds. For purposes of this Agreement, the term "collected funds" shall mean all funds received by Escrow Agent which have cleared normal banking channels and are in the form of cash.

6. COLLECTION PROCEDURE. Escrow Agent is hereby authorized to deposit the proceeds of each wire in the Escrow Account.

7. SUSPENSION OF PERFORMANCE: DISBURSEMENT INTO COURT. If at any time, there shall exist any dispute between the Company and the Investor(s) with respect to holding or disposition of any portion of the Escrow Funds or any other obligations of Escrow Agent hereunder, or if at any time Escrow Agent is unable to determine, to Escrow Agent's sole satisfaction, the proper disposition of any portion of the Escrow Funds or Escrow Agent's proper actions with respect to its obligations hereunder, or if the parties have not within thirty (30) days of the furnishing by Escrow Agent of a notice of resignation pursuant to Section 9 hereof, appointed a successor Escrow Agent to act hereunder, then Escrow Agent may, in its sole discretion, take either or both of the following actions:

a. suspend the performance of any of its obligations (including without limitation any disbursement obligations) under this Escrow Agreement until such dispute or uncertainty shall be resolved to the sole satisfaction of Escrow Agent or until a successor Escrow Agent shall be appointed (as the case may be); provided however, Escrow Agent shall continue to invest the Escrow Funds in accordance with Section 8 hereof; and/or

b. petition (by means of an interpleader action or any other appropriate method) any court of competent jurisdiction in any venue convenient to Escrow Agent, for instructions with respect to such dispute or uncertainty, and to the extent required by law, pay into such court, for holding and disposition in accordance with the instructions of such court, all funds held by it in the Escrow Funds, after deduction and payment to Escrow Agent of all fees

and expenses (including court costs and attorneys' fees) payable to, incurred by, or expected to be incurred by Escrow Agent in connection with performance of its duties and the exercise of its rights hereunder.

c. Escrow Agent shall have no liability to the Company, the Investor(s), or any person with respect to any such suspension of performance or disbursement into court, specifically including any liability or claimed liability that may arise, or be alleged to have arisen, out of or as a result of any delay in the disbursement of funds held in the Escrow Funds or any delay in with respect to any other action required or requested of Escrow Agent.

8. INVESTMENT OF ESCROW FUNDS. Escrow Agent shall deposit the Escrow Funds in a non-interest bearing account.

If Escrow Agent has not received a Joint Written Direction at any time that an investment decision must be made, Escrow Agent shall maintain the Escrow Funds, or such portion thereof, as to which no Joint Written Direction has been received, in a non-interest bearing account.

9. RESIGNATION AND REMOVAL OF ESCROW AGENT. Escrow Agent may resign from the performance of its duties hereunder at any time by giving thirty (30) days' prior written notice to the parties or may be removed, with or without cause, by the parties, acting jointly, by furnishing a Joint Written Direction to Escrow Agent, at any time by the giving of ten (10) days' prior written notice to Escrow Agent as provided herein below. Upon any such notice of resignation or removal, the representatives of the Investor(s) and the Company identified in Sections 13a.(iv) and 13b.(iv), below, jointly shall appoint a successor Escrow Agent hereunder, which shall be a commercial bank, trust company or other financial institution with a combined capital and surplus in excess of $10,000,000.00. Upon the acceptance in writing of any appointment of Escrow Agent hereunder by a successor Escrow Agent, such successor Escrow Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Escrow Agent, and the retiring Escrow Agent shall be discharged from its duties and obligations under this Escrow Agreement, but shall not be discharged from any liability for actions taken as Escrow Agent hereunder prior to such succession. After any retiring Escrow Agent's resignation or removal, the provisions of this Escrow Agreement shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Escrow Agent under this Escrow Agreement. The retiring Escrow Agent shall transmit all records pertaining to the Escrow Funds and shall pay all funds held by it in the Escrow Funds to the successor Escrow Agent, after making copies of such records as the retiring Escrow Agent deems advisable and after deduction and payment to the retiring Escrow Agent of all fees and expenses (including court costs and attorneys' fees) payable to, incurred by, or expected to be incurred by the retiring Escrow Agent in connection with the performance of its duties and the exercise of its rights hereunder.

10. LIABILITY OF ESCROW AGENT.

a. Escrow Agent shall have no liability or obligation with respect to the Escrow Funds except for Escrow Agent's willful misconduct or gross negligence. Escrow Agent's sole responsibility shall be for the safekeeping, investment, and disbursement of the Escrow Funds in accordance with the terms of this Agreement. Escrow Agent shall have no

implied duties or obligations and shall not be charged with knowledge or notice or any fact or circumstance not specifically set forth herein. Escrow Agent may rely upon any instrument, not only as to its due execution, validity and effectiveness, but also as to the truth and accuracy of any information contained herein, which Escrow Agent shall in good faith believe to be genuine, to have been signed or presented by the person or parties purporting to sign the same and conform to the provisions of this Agreement. In no event shall Escrow Agent be liable for incidental, indirect, special, and consequential or punitive damages. Escrow Agent shall not be obligated to take any legal action or commence any proceeding in connection with the Escrow Funds, any account in which Escrow Funds are deposited, this Agreement or the Purchase Agreement, or to appear in, prosecute or defend any such legal action or proceeding. Escrow Agent may consult legal counsel selected by it in any event of any dispute or question as to construction of any of the provisions hereof or of any other agreement or its duties hereunder, or relating to any dispute involving any party hereto, and shall incur no liability and shall be fully indemnified from any liability whatsoever in acting in accordance with the opinion or instructions of such counsel. The Company and the Investor(s) jointly and severally shall promptly pay, upon demand, the reasonable fees and expenses of any such counsel.

b. Escrow Agent is hereby authorized, in its sole discretion, to comply with orders issued or process entered by any court with respect to the Escrow Funds, without determination by Escrow Agent of such court's jurisdiction in the matter. If any portion of the Escrow Funds is at any time attached, garnished or levied upon under any court order, or in case the payment, assignment, transfer, conveyance or delivery of any such property shall be stayed or enjoined by any court order, or in any case any order judgment or decree shall be made or entered by any court affecting such property or any part thereof, then and in any such event, Escrow Agent is authorized, in its sole discretion, to rely upon and comply with any such order, writ judgment or decree which it is advised by legal counsel selected by it, binding upon it, without the need for appeal or other action; and if Escrow Agent complies with any such order, writ, judgment or decree, it shall not be liable to any of the parties hereto or to any other person or entity by reason of such compliance even though such order, writ judgment or decree may be subsequently reversed, modified, annulled, set aside or vacated.

11. INDEMNIFICATION OF ESCROW AGENT. From and at all times after the date of this Agreement, the parties jointly and severally, shall, to the fullest extent permitted by law and to the extent provided herein, indemnify and hold harmless Escrow Agent and each director, officer, employee, attorney, agent and affiliate of Escrow Agent (collectively, the "Indemnified Parties") against any and all actions, claims (whether or not valid), losses, damages, liabilities, costs and expenses of any kind or nature whatsoever (including without limitation reasonable attorney's fees, costs and expenses) incurred by or asserted against any of the Indemnified Parties from and after the date hereof, whether direct, indirect or consequential, as a result of or arising from or in any way relating to any claim, demand, suit, action, or proceeding (including any inquiry or investigation) by any person, including without limitation the parties to this Agreement, whether threatened or initiated, asserting a claim for any legal or equitable remedy against any person under any statute or regulation, including, but not limited to, any federal or state securities laws, or under any common law or equitable cause or otherwise, arising from or in connection with the negotiation, preparation, execution, performance or failure of performance of this Agreement or any transaction contemplated herein, whether or not any such Indemnified Party is a party to any such action or proceeding, suit or the target of any such inquiry or

investigation; provided, however, that no Indemnified Party shall have the right to be indemnified hereunder for liability finally determined by a court of competent jurisdiction, subject to no further appeal, to have resulted from the gross negligence or willful misconduct of such Indemnified Party. If any such action or claim shall be brought or asserted against any Indemnified Party, such Indemnified Party shall promptly notify the Company and the Investor(s) hereunder in writing, and the Investor(s) and the Company shall assume the defense thereof, including the employment of counsel and the payment of all expenses. Such Indemnified Party shall, in its sole discretion, have the right to employ separate counsel (who may be selected by such Indemnified Party in its sole discretion) in any such action and to participate and to participate in the defense thereof, and the fees and expenses of such counsel shall be paid by such Indemnified Party, except that the Investor(s) and/or the Company shall be required to pay such fees and expense if (a) the Investor(s) or the Company agree to pay such fees and expenses, or (b) the Investor(s) and/or the Company shall fail to assume the defense of such action or proceeding or shall fail, in the sole discretion of such Indemnified Party, to employ counsel reasonably satisfactory to the Indemnified Party in any such action or proceeding, (c) the Investor(s) and the Company are the plaintiff in any such action or proceeding or (d) the named or potential parties to any such action or proceeding (including any potentially impleaded parties) include both the Indemnified Party, the Company and/or the Investor(s) and the Indemnified Party shall have been advised by counsel that there may be one or more legal defenses available to it which are different from or additional to those available to the Company or the Investor(s). The Investor(s) and the Company shall be jointly and severally liable to pay fees and expenses of counsel pursuant to the preceding sentence, except that any obligation to pay under clause (a) shall apply only to the party so agreeing. All such fees and expenses payable by the Company and/or the Investor(s) pursuant to the foregoing sentence shall be paid from time to time as incurred, both in advance of and after the final disposition of such action or claim. The obligations of the parties under this section shall survive any termination of this Agreement, and resignation or removal of the Escrow Agent shall be independent of any obligation of Escrow Agent.

The parties agree that neither payment by the Company or the Investor(s) of any claim by Escrow Agent for indemnification hereunder shall impair, limit, modify, or affect, as between the Investor(s) and the Company, the respective rights and obligations of Investor(s), on the one hand, and the Company, on the other hand.

12. EXPENSES OF ESCROW AGENT. Except as set forth in Section 11 the Company shall reimburse Escrow Agent for all of its reasonable out-of-pocket expenses, including attorneys' fees, travel expenses, telephone and facsimile transmission costs, postage (including express mail and overnight delivery charges), copying charges and the like. All of the compensation and reimbursement obligations set forth in this Section shall be payable by the Company, upon demand by Escrow Agent. The obligations of the Company under this Section shall survive any termination of this Agreement and the resignation or removal of Escrow Agent.

13. WARRANTIES.

a. The Investor(s) makes the following representations and warranties to Escrow Agent:

(i) The Investor(s) has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder.

(ii) This Agreement has been duly approved by all necessary action of the Investor(s), including any necessary approval of the limited partner of the Investor(s) or necessary corporate approval, as applicable, has been executed by duly authorized officers of the Investor(s), enforceable in accordance with its terms.

(iii) The execution, delivery, and performance of the Investor(s) of this Agreement will not violate, conflict with, or cause a default under any agreement of limited partnership of Investor(s) or the articles of incorporation or bylaws of the Investor(s) (as applicable), any applicable law or regulation, any court order or administrative ruling or degree to which the Investor(s) is a party or any of its property is subject, or any agreement, contract, indenture, or other binding arrangement.

(iv) Mark Angelo has been duly appointed to act as the representative of the Investor(s) hereunder and has full power and authority to execute, deliver, and perform this Escrow Agreement, to execute and deliver any Joint Written Direction, to amend, modify, or waive any provision of this Agreement, and to take any and all other actions as the Investor(s)'s representative under this Agreement, all without further consent or direction form, or notice to, the Investor(s) or any other party.

(v) No party other than the parties hereto and the Investor(s)s have, or shall have, any lien, claim or security interest in the Escrow Funds or any part thereof. No financing statement under the Uniform Commercial Code is on file in any jurisdiction claiming a security interest in or describing (whether specifically or generally) the Escrow Funds or any part thereof.

(vi) All of the representations and warranties of the Investor(s) contained herein are true and complete as of the date hereof and will be true and complete at the time of any disbursement from the Escrow Funds.

b. The Company makes the following representations and warranties to the Escrow Agent:

(i) The Company is a corporation duly organized, validly existing, and in good standing under the laws of the State of Delaware and has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder.

(ii) This Agreement has been duly approved by all necessary corporate action of the Company, including any necessary shareholder approval, has been executed by duly authorized officers of the Company, enforceable in accordance with its terms.

(iii) The execution, delivery, and performance by the Company of this Agreement is in accordance with the Securities Purchase Agreement and will not violate, conflict with, or cause a default under the certificate of incorporation or bylaws of the Company, any applicable law or regulation, any court order or administrative ruling or decree to which the Company is a party or any of its property is subject, or any agreement, contract, indenture, or other binding arrangement, including without limitation to the Securities Purchase Agreement, to which the Company is a party.

(iv) Jeff Robinson has been duly appointed to act as the representative of the Company hereunder and has full power and authority to execute, deliver, and perform this Agreement, to execute and deliver any Joint Written Direction, to amend, modify or waive any provision of this Agreement and to take all other actions as the Company's Representative under this Agreement, all without further consent or direction from, or notice to, the Company or any other party.

(v) No party other than the parties hereto and the Investor(s)s have, or shall have, any lien, claim or security interest in the Escrow Funds or any part thereof. No financing statement under the Uniform Commercial Code is on file in any jurisdiction claiming a security interest in or describing (whether specifically or generally) the Escrow Funds or any part thereof.

(vi) All of the representations and warranties of the Company contained herein are true and complete as of the date hereof and will be true and complete at the time of any disbursement from the Escrow Funds.

14. CONSENT TO JURISDICTION AND VENUE. In the event that any party hereto commences a lawsuit or other proceeding relating to or arising from this Agreement, the parties hereto agree that the United States District Court for the District of New Jersey shall have the sole and exclusive jurisdiction over any such proceeding. If all such courts lack federal subject matter jurisdiction, the parties agree that the Superior Court Division of New Jersey, Chancery Division of Hudson County shall have sole and exclusive jurisdiction. Any of these courts shall be proper venue for any such lawsuit or judicial proceeding and the parties hereto waive any objection to such venue. The parties hereto consent to and agree to submit to the jurisdiction of any of the courts specified herein and agree to accept the service of process to vest personal jurisdiction over them in any of these courts.

15. NOTICE. All notices and other communications hereunder shall be in writing and shall be deemed to have been validly served, given or delivered five (5) days after deposit in the United States mails, by certified mail with return receipt requested and postage prepaid, when delivered personally, one (1) day delivered to any overnight courier, or when transmitted by facsimile transmission and upon confirmation of receipt and addressed to the party to be notified as follows:

If to Investor(s), to:

Cornell Capital Partners, LP
101 Hudson Street - Suite 3700
Jersey City, NJ 07302
Attention: Mark Angelo
Portfolio Manager
Telephone: (201) 985-8300
Facsimile: (201) 985-8266

If to Escrow Agent, to:

Troy Rillo, Esq.
101 Hudson Street - Suite 3700
Jersey City, NJ 07302
Telephone: (201) 985-8300
Facsimile: (201) 985-8266

If to the Company, to:

NetFabric Holdings, Inc.
67 Federal Road, Building A
Suite 300
Brookfield, CT 06804
Attention: Jeff Robinson
Telephone: (203) 775-1178
Facsimile: (270) 626-8366

With a copy to:

Kirkpatrick & Lockhart Nicholson Graham LLP
201 South Biscayne Boulevard Suite 2000
Miami, FL 33131-2399
Attention: Clayton E. Parker, Esq.
Telephone: (305) 539-3300
Facsimile: (305) 358-7095

Or to such other address as each party may designate for itself by like notice.

16. AMENDMENTS OR WAIVER. This Agreement may be changed, waived, discharged or terminated only by a writing signed by the parties hereto. No delay or omission by any party in exercising any right with respect hereto shall operate as waiver. A waiver on any one occasion shall not be construed as a bar to, or waiver of, any right or remedy on any future occasion.

17. SEVERABILITY. To the extent any provision of this Agreement is prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition, or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

18. GOVERNING LAW. This Agreement shall be construed and interpreted in accordance with the internal laws of the State of New Jersey without giving effect to the conflict of laws principles thereof.

19. ENTIRE AGREEMENT. This Agreement constitutes the entire Agreement between the parties relating to the holding, investment, and disbursement of the Escrow Funds and sets forth in their entirety the obligations and duties of the Escrow Agent with respect to the Escrow Funds.

20. BINDING EFFECT. All of the terms of this Agreement, as amended from time to time, shall be binding upon, inure to the benefit of and be enforceable by the respective heirs, successors and assigns of the Investor(s), the Company, or the Escrow Agent.

21. EXECUTION OF COUNTERPARTS. This Agreement and any Joint Written Direction may be executed in counterparts, which when so executed shall constitute one and same agreement or direction.

22. TERMINATION. Upon the first to occur of the disbursement of all amounts in the Escrow Funds pursuant to Joint Written Directions or the disbursement of all amounts in the Escrow Funds into court pursuant to Section 7 hereof, this Agreement shall terminate and Escrow Agent shall have no further obligation or liability whatsoever with respect to this Agreement or the Escrow Funds.

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IN WITNESS WHEREOF the parties have hereunto set their hands and seals the day and year above set forth.

NETFABRIC HOLDINGS, INC.

By: /s/ Jeff Robinson

Name: Jeff Robinson
Title: Chairman and Chief Executive Officer

CORNELL CAPITAL PARTNERS, LP

BY: YORKVILLE ADVISORS, LLC
ITS: GENERAL PARTNER

By: /s/ Mark Angelo

Name: Mark Angelo
Title: Portfolio Manager

By: /s/ David Gonzalez

Name: David Gonzalez, Esq.

AMENDED AND RESTATED SECURITY AGREEMENT

THIS AMENDED AND RESTATED SECURITY AGREEMENT (the "Agreement"), is entered into and made effective as of October 27, 2005, by and between NETFABRIC HOLDINGS, INC., a Delaware corporation with its principal place of business located at 67 Federal Road, Building A, Brookfield, CT 06804 (the "Company"), and the BUYER(S) listed on Schedule I attached to the Securities Purchase Agreement dated the date hereof (the "Secured Party").

WHEREAS, the Company issued to the Secured Party, as provided in the Securities Purchase Agreement dated July 1, 2005, and as amended pursuant to the letter agreement dated September 1, 2005 between the Company and the Secured Party, and the Secured Party purchased One Million Dollars ($1,000,000) of secured convertible debentures (the "Prior Convertible Debentures"). This Agreement shall amend and restate the Security Agreement between the Company and the Secured Party dated July 1, 2005;

WHEREAS, the Company has requested the Secured Party to make additional financing available to the Company;

WHEREAS, the Secured Party is willing to provide such additional financing on the condition that such additional financing is secured hereunder and under the UCC-1 filed on September 29, 2005 (#0002353238) filed in connection with the Securities Purchase Agreement dated July 1, 2004;

WHEREAS, the Company shall issue and sell to the Secured Party, as provided in the Securities Purchase Agreement of even date herewith between the Company and the Secured Party (the "Securities Purchase Agreement"), and the Secured Party shall purchase an Amended and Restated Secured Convertible Debenture in the original principal amount of One Million Six Hundred Fifty Thousand Dollars ($1,650,000), plus accrued and unpaid interest for the Prior Convertible Debentures through the date hereof in the amount of Eight Thousand One Hundred Sixty Dollars ($8,160) (the "Convertible Debenture"), which shall be convertible into shares of the Company's common stock, par value $0.001 (the "Common Stock") (as converted, the "Conversion Shares") in the respective amounts set forth opposite each Buyer(s) name on Schedule I attached to the Securities Purchase Agreement;

WHEREAS, to induce the Secured Party to enter into the transaction contemplated by the Securities Purchase Agreement, the Convertible Debenture, the Investor Registration Rights Agreement of even date herewith between the Company and the Secured Party (the "Investor Registration Rights Agreement"), the Officer Pledge and Escrow Agreement of even date herewith among the Company, Jeff Robinson, the Secured Party, and David Gonzalez, Esq., (the "Officer Pledge Agreement"), the Warrant and the Escrow Agreement of even date herewith among the Company, the Secured Party, and David Gonzalez, Esq. (the "Escrow Agreement"), and the Irrevocable Transfer Agent Instructions among the Company, the Secured Party, Securities Transfer Corporation, and David Gonzalez, Esq. (the "Transfer Agent Instructions") (collectively referred to as the "Transaction Documents"), the Company hereby grants to the Secured Party a security interest in and to the pledged property identified on Exhibit A hereto (collectively referred to as the "Pledged Property") until the satisfaction of the Obligations, as defined herein below.

NOW, THEREFORE, in consideration of the promises and the mutual covenants herein contained, and for other good and valuable consideration, the adequacy and receipt of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE 1.

DEFINITIONS AND INTERPRETATIONS

Section 1.1. Recitals.

The above recitals are true and correct and are incorporated herein, in their entirety, by this reference.

Section 1.2. Interpretations.

Nothing herein expressed or implied is intended or shall be construed to confer upon any person other than the Secured Party any right, remedy or claim under or by reason hereof.

Section 1.3. Obligations Secured.

The obligations secured hereby are any and all obligations of the Company now existing or hereinafter incurred to the Secured Party, whether oral or written and whether arising before, on or after the date hereof including, without limitation, those obligations of the Company to the Secured Party under the Prior Convertible Debentures, this Agreement, the Transaction Documents, and any other amounts now or hereafter owed to the Secured Party by the Company thereunder or hereunder (collectively, the "Obligations").

ARTICLE 2.

PLEDGED COLLATERAL, ADMINISTRATION OF COLLATERAL AND TERMINATION OF SECURITY INTEREST

Section 2.1. Pledged Property.

(a) Company hereby pledges to the Secured Party, and creates in the Secured Party for its benefit, a security interest for such time until the

Obligations are paid in full, in and to all of the property of the Company as set forth in Exhibit "A" attached hereto (collectively, the "Pledged Property"):

The Pledged Property, as set forth in Exhibit "A" attached hereto, and the products thereof and the proceeds of all such items are hereinafter collectively referred to as the "Pledged Collateral."

(b) Simultaneously with the execution and delivery of this Agreement, the Company shall make, execute, acknowledge, file, record and deliver to the Secured Party any documents reasonably requested by the Secured Party to perfect its security interest in the Pledged Property. Simultaneously

with the execution and delivery of this Agreement, the Company shall make, execute, acknowledge and deliver to the Secured Party such documents and instruments, including, without limitation, financing statements, certificates, affidavits and forms as may, in the Secured Party's reasonable judgment, be necessary to effectuate, complete or perfect, or to continue and preserve, the security interest of the Secured Party in the Pledged Property, and the Secured Party shall hold such documents and instruments as secured party, subject to the terms and conditions contained herein.

Section 2.2. Rights; Interests; Etc.

(a) So long as no Event of Default (as hereinafter defined) shall have occurred and be continuing:

(i) the Company shall be entitled to exercise any and all rights pertaining to the Pledged Property or any part thereof for any purpose not inconsistent with the terms hereof; and

(ii) the Company shall be entitled to receive and retain any and all payments paid or made in respect of the Pledged Property.

(b) Upon the occurrence and during the continuance of an Event of Default:

(i) All rights of the Company to exercise the rights which it would otherwise be entitled to exercise pursuant to Section 2.2(a)(i) hereof and to receive payments which it would otherwise be authorized to receive and retain pursuant to Section 2.2(a)(ii) hereof shall be suspended, and all such rights shall thereupon become vested in the Secured Party who shall thereupon have the sole right to exercise such rights and to receive and hold as Pledged Collateral such payments; provided, however, that if the Secured Party shall become entitled and shall elect to exercise its right to realize on the Pledged Collateral pursuant to Article 5 hereof, then all cash sums received by the Secured Party, or held by Company for the benefit of the Secured Party and paid over pursuant to Section 2.2(b)(ii) hereof, shall be applied against any outstanding Obligations; and

(ii) All interest, dividends, income and other payments and distributions which are received by the Company contrary to the provisions of Section 2.2(b)(i) hereof shall be received in trust for the benefit of the Secured Party, shall be segregated from other property of the Company and shall be forthwith paid over to the Secured Party; or

(iii) The Secured Party in its sole discretion shall be authorized to sell any or all of the Pledged Property at public or private sale in order to recoup all of the outstanding principal plus accrued interest owed pursuant to the Convertible Debenture as described herein

(c) An "Event of Default" shall be deemed to have occurred under this Agreement upon an Event of Default under the Convertible Debenture.

ARTICLE 3.

ATTORNEY-IN-FACT; PERFORMANCE

Section 3.1. Secured Party Appointed Attorney-In-Fact.

Upon the occurrence of an Event of Default, the Company hereby appoints the Secured Party as its attorney-in-fact, with full authority in the place and stead of the Company and in the name of the Company or otherwise, from time to time in the Secured Party's discretion to take any action and to execute any instrument which the Secured Party may reasonably deem necessary to accomplish the purposes of this Agreement, including, without limitation, to receive and collect all instruments made payable to the Company representing any payments in respect of the Pledged Collateral or any part thereof and to give full discharge for the same. The Secured Party may demand, collect, receipt for, settle, compromise, adjust, sue for, foreclose, or realize on the Pledged Property as and when the Secured Party may determine. To facilitate collection, the Secured Party may notify account debtors and obligors on any Pledged Property or Pledged Collateral to make payments directly to the Secured Party.

Section 3.2. Secured Party May Perform.

If the Company fails to perform any agreement contained herein, the Secured Party, at its option, may itself perform, or cause performance of, such agreement, and the expenses of the Secured Party incurred in connection therewith shall be included in the Obligations secured hereby and payable by the Company under Section 8.3.

ARTICLE 4.

REPRESENTATIONS AND WARRANTIES

Section 4.1. Authorization; Enforceability.

Each of the parties hereto represents and warrants that it has taken all action necessary to authorize the execution, delivery and performance of this Agreement and the transactions contemplated hereby; and upon execution and delivery, this Agreement shall constitute a valid and binding obligation of the respective party, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights or by the principles governing the availability of equitable remedies.

Section 4.2. Ownership of Pledged Property.

The Company warrants and represents that it is the legal and beneficial owner of the Pledged Property free and clear of any lien, security interest, option or other charge or encumbrance except for the security interest created by this Agreement.

ARTICLE 5.

DEFAULT; REMEDIES; SUBSTITUTE COLLATERAL

Section 5.1. Default and Remedies.

(a) If an Event of Default occurs, then in each such case the Secured Party may declare the Obligations to be due and payable immediately, by a notice in writing to the Company, and upon any such declaration, the Obligations shall become immediately due and payable.

(b) Upon the occurrence of an Event of Default, the Secured Party shall: (i) be entitled to receive all distributions with respect to the Pledged Collateral, (ii) to cause the Pledged Property to be transferred into the name of the Secured Party or its nominee, (iii) to dispose of the Pledged Property, and (iv) to realize upon any and all rights in the Pledged Property then held by the Secured Party.

Section 5.2. Method of Realizing Upon the Pledged Property: Other Remedies.

Upon the occurrence of an Event of Default, in addition to any rights and remedies available at law or in equity, the following provisions shall govern the Secured Party's right to realize upon the Pledged Property:

(a) Any item of the Pledged Property may be sold for cash or other value in any number of lots at brokers board, public auction or private sale and may be sold without demand, advertisement or notice (except that the Secured Party shall give the Company ten (10) days' prior written notice of the time and place or of the time after which a private sale may be made (the "Sale Notice")), which notice period is hereby agreed to be commercially reasonable. At any sale or sales of the Pledged Property, the Company may bid for and purchase the whole or any part of the Pledged Property and, upon compliance with the terms of such sale, may hold, exploit and dispose of the same without further accountability to the Secured Party. The Company will execute and deliver, or cause to be executed and delivered, such instruments, documents, assignments, waivers, certificates, and affidavits and supply or cause to be supplied such further information and take such further action as the Secured Party reasonably shall require in connection with any such sale.

(b) Any cash being held by the Secured Party as Pledged Collateral and all cash proceeds received by the Secured Party in respect of, sale of, collection from, or other realization upon all or any part of the Pledged Collateral shall be applied as follows:

(i) to the payment of all amounts due the Secured Party for the expenses reimbursable to it hereunder or owed to it pursuant to Section 8.3 hereof;

(ii) to the payment of the Obligations then due and unpaid.

(iii) the balance, if any, to the person or persons entitled thereto, including, without limitation, the Company.

(c) In addition to all of the rights and remedies which the Secured Party may have pursuant to this Agreement, the Secured Party shall have all of the rights and remedies provided by law, including, without limitation, those under the Uniform Commercial Code.

(i) If the Company fails to pay such amounts due upon the occurrence of an Event of Default which is continuing, then the Secured Party may institute a judicial proceeding for the collection of the sums so due and unpaid, may prosecute such proceeding to judgment or final decree and may enforce the same against the Company and collect the monies adjudged or decreed to be payable in the manner provided by law out of the property of Company, wherever situated.

(ii) The Company agrees that it shall be liable for any reasonable fees, expenses and costs incurred by the Secured Party in connection with enforcement, collection and preservation of the Transaction Documents, including, without limitation, reasonable legal fees and expenses, and such amounts shall be deemed included as Obligations secured hereby and payable as set forth in Section 8.3 hereof.

Section 5.3. Proofs of Claim.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relating to the Company or the property of the Company or of such other obligor or its creditors, the Secured Party (irrespective of whether the Obligations shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Secured Party shall have made any demand on the Company for the payment of the Obligations), subject to the rights of Previous Security Holders, shall be entitled and empowered, by intervention in such proceeding or otherwise:

(i) to file and prove a claim for the whole amount of the Obligations and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Secured Party (including any claim for the reasonable legal fees and expenses and other expenses paid or incurred by the Secured Party permitted hereunder and of the Secured Party allowed in such judicial proceeding), and

(ii) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same; and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by the Secured Party to make such payments to the Secured Party and, in the event that the Secured Party shall consent to the making of such payments directed to the Secured Party, to pay to the Secured Party any amounts for expenses due it hereunder.

Section 5.4. Duties Regarding Pledged Collateral.

The Secured Party shall have no duty as to the collection or protection of the Pledged Property or any income thereon or as to the preservation of any rights pertaining thereto, beyond the safe custody and reasonable care of any of the Pledged Property actually in the Secured Party's possession.

ARTICLE 6.

AFFIRMATIVE COVENANTS

The Company covenants and agrees that, from the date hereof and until the Obligations have been fully paid and satisfied, unless the Secured Party shall consent otherwise in writing (as provided in Section 8.4 hereof):

Section 6.1. Existence, Properties, Etc.

(a) The Company shall do, or cause to be done, all things, or proceed with due diligence with any actions or courses of action, that may be reasonably necessary (i) to maintain Company's due organization, valid existence and good standing under the laws of its state of incorporation, and (ii) to preserve and keep in full force and effect all qualifications, licenses and registrations in those jurisdictions in which the failure to do so could have a Material Adverse Effect (as defined below); and (b) the Company shall not do, or cause to be done, any act impairing the Company's corporate power or authority (i) to carry on the Company's business as now conducted, and (ii) to execute or deliver this Agreement or any other document delivered in connection herewith, including, without limitation, any UCC-1 Financing Statements required by the Secured Party to which it is or will be a party, or perform any of its obligations hereunder or thereunder. For purpose of this Agreement, the term "Material Adverse Effect" shall mean any material and adverse affect as determined by Secured Party in its sole discretion, whether individually or in the aggregate, upon (a) the Company's assets, business, operations, properties or condition, financial or otherwise; (b) the Company's to make payment as and when due of all or any part of the Obligations; or (c) the Pledged Property.

Section 6.2. Financial Statements and Reports.

The Company shall furnish to the Secured Party within a reasonable time such financial data as the Secured Party may reasonably request, including, without limitation, the following:

(a) The balance sheet of the Company as of the close of each fiscal year, the statement of earnings and retained earnings of the Company as of the close of such fiscal year, and statement of cash flows for the Company for such fiscal year, all in reasonable detail, prepared in accordance with generally accepted accounting principles consistently applied, certified by the chief executive and chief financial officers of the Company as being true and correct and accompanied by a certificate of the chief executive and chief financial officers of the Company, stating that the Company has kept, observed, performed and fulfilled each covenant, term and condition of this Agreement during such fiscal year and that no Event of Default hereunder has occurred and is continuing, or if an Event of Default has occurred and is continuing, specifying the nature of same, the period of existence of same and the action the Company proposes to take in connection therewith;

(b) A balance sheet of the Company as of the close of each month, and statement of earnings and retained earnings of the Company as of the close of such month, all in reasonable detail, and prepared substantially in accordance with generally accepted accounting principles consistently applied, certified by the chief executive and chief financial officers of the Company as being true and correct; and

(c) Copies of all accountants' reports and accompanying financial reports submitted to the Company by independent accountants in connection with each annual examination of the Company.

Section 6.3. Accounts and Reports.

The Company shall maintain a standard system of accounting in accordance with generally accepted accounting principles consistently applied and provide, at its sole expense, to the Secured Party the following:

(a) as soon as available, a copy of any notice or other communication alleging any nonpayment or other material breach or default, or any foreclosure or other action respecting any material portion of its assets and properties, received respecting any of the indebtedness of the Company in excess of $15,000 (other than the Obligations), or any demand or other request for payment under any guaranty, assumption, purchase agreement or similar agreement or arrangement respecting the indebtedness or obligations of others in excess of $15,000, including any received from any person acting on behalf of the Secured Party or beneficiary thereof; and

(b) within fifteen (15) days after the making of each submission or filing, a copy of any report, financial statement, notice or other document, whether periodic or otherwise, submitted to the shareholders of the Company, or submitted to or filed by the Company with any governmental authority involving or affecting (i) the Company that could have a Material Adverse Effect; (ii) the Obligations; (iii) any part of the Pledged Collateral; or (iv) any of the transactions contemplated in this Agreement or the Loan Instruments.

Section 6.4. Maintenance of Books and Records; Inspection.

The Company shall maintain its books, accounts and records in accordance with generally accepted accounting principles consistently applied, and permit the Secured Party, its officers and employees and any professionals designated by the Secured Party in writing, at any time to visit and inspect any of its properties (including but not limited to the collateral security described in the Transaction Documents and/or the Loan Instruments), corporate books and financial records, and to discuss its accounts, affairs and finances with any employee, officer or director thereof.

Section 6.5. Maintenance and Insurance.

(a) The Company shall maintain or cause to be maintained, at its own expense, all of its assets and properties in good working order and condition, making all necessary repairs thereto and renewals and replacements thereof.

(b) The Company shall maintain or cause to be maintained, at its own expense, insurance in form, substance and amounts (including deductibles), which the Company deems reasonably necessary to the Company's business, (i) adequate to insure all assets and properties of the Company, which assets and properties are of a character usually insured by persons engaged in the same or similar business against loss or damage resulting from fire or other risks included in an extended coverage policy; (ii) against public liability and other tort claims that may be incurred by the Company; (iii) as may be required by the Transaction Documents and/or applicable law and (iv) as may be reasonably requested by Secured Party, all with adequate, financially sound and reputable insurers.

Section 6.6. Contracts and Other Collateral.

The Company shall perform all of its obligations under or with respect to each instrument, receivable, contract and other intangible included in the Pledged Property to which the Company is now or hereafter will be party on a timely basis and in the manner therein required, including, without limitation, this Agreement.

Section 6.7. Defense of Collateral, Etc.

The Company shall defend and enforce its right, title and interest in and to any part of: (a) the Pledged Property; and (b) if not included within the Pledged Property, those assets and properties whose loss could have a Material Adverse Effect, the Company shall defend the Secured Party's right, title and interest in and to each and every part of the Pledged Property, each against all manner of claims and demands on a timely basis to the full extent permitted by applicable law.

Section 6.8. Payment of Debts, Taxes, Etc.

The Company shall pay, or cause to be paid, all of its indebtedness and other liabilities and perform, or cause to be performed, all of its obligations in accordance with the respective terms thereof, and pay and discharge, or cause to be paid or discharged, all taxes, assessments and other governmental charges and levies imposed upon it, upon any of its assets and properties on or before the last day on which the same may be paid without penalty, as well as pay all other lawful claims (whether for services, labor, materials, supplies or otherwise) as and when due

Section 6.9. Taxes and Assessments; Tax Indemnity.

The Company shall (a) file all tax returns and appropriate schedules thereto that are required to be filed under applicable law, prior to the date of delinquency, (b) pay and discharge all taxes, assessments and governmental charges or levies imposed upon the Company, upon its income and profits or upon any properties belonging to it, prior to the date on which penalties attach thereto, and (c) pay all taxes, assessments and governmental charges or levies that, if unpaid, might become a lien or charge upon any of its properties; provided, however, that the Company in good faith may contest any such tax, assessment, governmental charge or levy described in the foregoing clauses (b) and (c) so long as appropriate reserves are maintained with respect thereto.

Section 6.10. Compliance with Law and Other Agreements.

The Company shall maintain its business operations and property owned or used in connection therewith in compliance with (a) all applicable federal, state and local laws, regulations and ordinances governing such business operations and the use and ownership of such property, and (b) all agreements, licenses, franchises, indentures and mortgages to which the Company is a party or by which the Company or any of its properties is bound. Without limiting the foregoing, the Company shall pay all of its indebtedness promptly in accordance with the terms thereof.

Section 6.11. Notice of Default.

The Company shall give written notice to the Secured Party of the occurrence of any default or Event of Default under this Agreement, the Transaction Documents or any other Loan Instrument or any other agreement of Company for the payment of money, promptly upon the occurrence thereof.

Section 6.12. Notice of Litigation.

The Company shall give notice, in writing, to the Secured Party of (a) any actions, suits or proceedings wherein the amount at issue is in excess of $50,000, instituted by any persons against the Company, or affecting any of the assets of the Company, and (b) any dispute, not resolved within fifteen (15) days of the commencement thereof, between the Company on the one hand and any governmental or regulatory body on the other hand, which might reasonably be expected to have a Material Adverse Effect on the business operations or financial condition of the Company.

ARTICLE 7.

NEGATIVE COVENANTS

The Company covenants and agrees that, from the date hereof until the Obligations have been fully paid and satisfied, the Company shall not, unless the Secured Party shall consent otherwise in writing:

Section 7.1. Indebtedness.

The Company shall not directly or indirectly permit, create, incur, assume, permit to exist, increase, renew or extend on or after the date hereof any indebtedness on its part, including commitments, contingencies and credit availabilities, or apply for or offer or agree to do any of the foregoing (excluding any indebtedness of the Company to the Secured Party, trade accounts payable and accrued expenses incurred in the ordinary course of business and the endorsement of negotiable instruments payable to the Company, respectively for deposit or collection in the ordinary course of business).

Section 7.2. Liens and Encumbrances.

The Company shall not directly or indirectly make, create, incur, assume or permit to exist any assignment, transfer, pledge, mortgage, security interest or other lien or encumbrance of any nature in, to or against any part of the Pledged Property or of the Company's capital stock, or offer or agree to do so, or own or acquire or agree to acquire any asset or property of any character subject to any of the foregoing encumbrances (including any conditional sale contract or other title retention agreement), or assign, pledge or in any way transfer or encumber its right to receive any income or other distribution or proceeds from any part of the Pledged Property or the Company's capital stock; or enter into any sale-leaseback financing respecting any part of the Pledged Property as lessee, or cause or assist the inception or continuation of any of the foregoing.

Section 7.3. Certificate of Incorporation, By-Laws, Mergers, Consolidations, Acquisitions and Sales.

Without the prior express written consent of the Secured Party, the Company shall not: (a) Amend its Certificate of Incorporation or By-Laws; (b) issue or sell its stock, stock options, bonds, notes or other corporate securities or obligations; (c) be a party to any merger, consolidation or corporate reorganization, (d) purchase or otherwise acquire all or substantially all of the assets or stock of, or any partnership or joint venture interest in, any other person, firm or entity, (e) sell, transfer, convey, grant a security interest in or lease all or any substantial part of its assets, nor (f) create any subsidiaries nor convey any of its assets to any subsidiary.

Section 7.4. Management, Ownership.

The Company shall not materially change its ownership, executive staff or management without the prior written consent of the Secured Party. The ownership, executive staff and management of the Company are material factors in the Secured Party's willingness to institute and maintain a lending relationship with the Company.

Section 7.5. Dividends, Etc.

The Company shall not declare or pay any dividend of any kind, in cash or in property, on any class of its capital stock, nor purchase, redeem, retire or otherwise acquire for value any shares of such stock, nor make any distribution of any kind in respect thereof, nor make any return of capital to shareholders, nor make any payments in respect of any pension, profit sharing, retirement, stock option, stock bonus, incentive compensation or similar plan (except as required or permitted hereunder), without the prior written consent of the Secured Party.

Section 7.6. Guaranties; Loans.

The Company shall not guarantee nor be liable in any manner, whether directly or indirectly, or become contingently liable after the date of this Agreement in connection with the obligations or indebtedness of any person or persons, except for (i) the indebtedness currently secured by the liens identified on the Pledged Property identified on Exhibit A hereto and (ii) the endorsement of negotiable instruments payable to the Company for deposit or collection in the ordinary course of business. The Company shall not make any loan, advance or extension of credit to any person other than in the normal course of its business.

Section 7.7. Conduct of Business.

The Company will continue to engage, in an efficient and economical manner, in a business of the same general type as conducted by it on the date of this Agreement.

Section 7.8. Places of Business.

The location of the Company's chief place of business is 67 Federal Road, Building A, Brookfield, CT 06804. The Company shall not change the location of its chief place of business, chief executive office or any place of business disclosed to the Secured Party or move any of the Pledged Property from its current location without thirty (30) days' prior written notice to the Secured Party in each instance.

ARTICLE 8.

MISCELLANEOUS

Section 8.1. Notices.

All notices or other communications required or permitted to be given pursuant to this Agreement shall be in writing and shall be considered as duly given on: (a) the date of delivery, if delivered in person, by nationally recognized overnight delivery service or (b) five (5) days after mailing if mailed from within the continental United States by certified mail, return receipt requested to the party entitled to receive the same:

If to the Secured Party:
Cornell Capital Partners, LP
101 Hudson Street-Suite 3700
Jersey City, New Jersey 07302
Attention: Mark Angelo
Portfolio Manager
Telephone: (201) 986-8300
Facsimile: (201) 985-8266

With a copy to:
Troy Rillo, Esq.
101 Hudson Street, Suite 3700
Jersey City, NJ 07302
Telephone: (201) 985-8300
Facsimile: (201) 985-8266
Attention: Jeff Robinson

And if to the Company: NetFabric Holdings, Inc.
67 Federal Road, Building A
Suite 300
Brookfield, CT 06804
Telephone: (203) 775-1178
Facsimile: (270) 626-8366

With a copy to: Kirkpatrick & Lockhart Nicholson Graham LLP
201 South Biscayne Boulevard, Suite 2000
Miami, Florida 33131
Attention: Clayton E. Parker, Esq.
Telephone: (305) 539-3306
Facsimile: (305) 328-7095

Any party may change its address by giving notice to the other party stating its new address. Commencing on the tenth (10th) day after the giving of such notice, such newly designated address shall be such party's address for the purpose of all notices or other communications required or permitted to be given pursuant to this Agreement.

Section 8.2. Severability.

If any provision of this Agreement shall be held invalid or unenforceable, such invalidity or unenforceability shall attach only to such provision and shall not in any manner affect or render invalid or unenforceable any other severable provision of this Agreement, and this Agreement shall be carried out as if any such invalid or unenforceable provision were not contained herein.

Section 8.3. Expenses.

In the event of an Event of Default, the Company will pay to the Secured Party the amount of any and all reasonable expenses, including the reasonable fees and expenses of its counsel, which the Secured Party may incur in connection with: (i) the custody or preservation of, or the sale, collection from, or other realization upon, any of the Pledged Property; (ii) the exercise or enforcement of any of the rights of the Secured Party hereunder or (iii) the failure by the Company to perform or observe any of the provisions hereof.

Section 8.4. Waivers, Amendments, Etc.

The Secured Party's delay or failure at any time or times hereafter to require strict performance by Company of any undertakings, agreements or covenants shall not waiver, affect, or diminish any right of the Secured Party under this Agreement to demand strict compliance and performance herewith. Any waiver by the Secured Party of any Event of Default shall not waive or affect any other Event of Default, whether such Event of Default is prior or subsequent thereto and whether of the same or a different type. None of the undertakings, agreements and covenants of the Company contained in this Agreement, and no Event of Default, shall be deemed to have been waived by the Secured Party, nor may this Agreement be amended, changed or modified, unless such waiver, amendment, change or modification is evidenced by an instrument in writing specifying such waiver, amendment, change or modification and signed by the Secured Party.

Section 8.5. Continuing Security Interest.

This Agreement shall create a continuing security interest in the Pledged Property and shall: (i) remain in full force and effect until payment in full of the Obligations; and (ii) be binding upon the Company and its successors and heirs and (iii) inure to the benefit of the Secured Party and its successors and assigns. Upon the payment or satisfaction in full of the Obligations, the Company shall be entitled to the return, at its expense, of such of the Pledged Property as shall not have been sold in accordance with Section 5.2 hereof or otherwise applied pursuant to the terms hereof.

Section 8.6. Independent Representation.

Each party hereto acknowledges and agrees that it has received or has had the opportunity to receive independent legal counsel of its own choice and that it has been sufficiently apprised of its rights and responsibilities with regard to the substance of this Agreement.

Section 8.7. Applicable Law: Jurisdiction.

This Agreement shall be governed by and interpreted in accordance with the laws of the State of New Jersey without regard to the principles of conflict of laws. The parties further agree that any action between them shall be heard in Hudson County, New Jersey, and expressly consent to the jurisdiction and venue of the Superior Court of New Jersey, sitting in Hudson County and the United States District Court for the District of New Jersey sitting in Newark, New Jersey for the adjudication of any civil action asserted pursuant to this Paragraph.

Section 8.8. Waiver of Jury Trial.

AS A FURTHER INDUCEMENT FOR THE SECURED PARTY TO ENTER INTO THIS AGREEMENT AND TO MAKE THE FINANCIAL ACCOMMODATIONS TO THE COMPANY, THE COMPANY HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING RELATED IN ANY WAY TO THIS AGREEMENT AND/OR ANY AND ALL OTHER DOCUMENTS RELATED TO THIS TRANSACTION.

Section 8.9. Entire Agreement.

This Agreement constitutes the entire agreement among the parties and supersedes any prior agreement or understanding among them with respect to the subject matter hereof.

[SIGNATURE PAGES TO IMMEDIATELY FOLLOW]

IN WITNESS WHEREOF, the parties hereto have executed this Security Agreement as of the date first above written.

COMPANY:
NETFABRIC HOLDINGS, INC.

By: /s/ Jeff Robinson

Name: Jeff Robinson
Title: Chairman and Chief Executive Officer

SECURED PARTY:
CORNELL CAPITAL PARTNERS, LP

BY: YORKVILLE ADVISORS, LLC
ITS: GENERAL PARTNER

By: /s/ Mark Angelo

Name: Mark Angelo
Title: Portfolio Manager

EXHIBIT A
DEFINITION OF PLEDGED PROPERTY

For the purpose of securing prompt and complete payment and performance by the Company of all of the Obligations, the Company unconditionally and irrevocably hereby grants to the Secured Party a continuing security interest in and to, and lien upon, the following Pledged Property of the Company:

(a) all goods of the Company, including, without limitation, machinery, equipment, furniture, furnishings, fixtures, signs, lights, tools, parts, supplies and motor vehicles of every kind and description, now or hereafter owned by the Company or in which the Company may have or may hereafter acquire any interest, and all replacements, additions, accessions, substitutions and proceeds thereof, arising from the sale or disposition thereof, and where applicable, the proceeds of insurance and of any tort claims involving any of the foregoing;

(b) all inventory of the Company, including, but not limited to, all goods, wares, merchandise, parts, supplies, finished products, other tangible personal property, including such inventory as is temporarily out of Company's custody or possession and including any returns upon any accounts or other proceeds, including insurance proceeds, resulting from the sale or disposition of any of the foregoing;

(c) all contract rights and general intangibles of the Company, including, without limitation, goodwill, trademarks, trade styles, trade names, leasehold interests, partnership or joint venture interests, patents and patent applications, copyrights, deposit accounts whether now owned or hereafter created;

(d) all documents, warehouse receipts, instruments and chattel paper of the Company whether now owned or hereafter created;

(e) all accounts and other receivables, instruments or other forms of obligations and rights to payment of the Company (herein collectively referred to as "Accounts"), together with the proceeds thereof, all goods represented by such Accounts and all such goods that may be returned by the Company's customers, and all proceeds of any insurance thereon, and all guarantees, securities and liens which the Company may hold for the payment of any such Accounts including, without limitation, all rights of stoppage in transit, replevin and reclamation and as an unpaid vendor and/or lienor, all of which the Company represents and warrants will be bona fide and existing obligations of its respective customers, arising out of the sale of goods by the Company in the ordinary course of business;

(f) to the extent assignable, all of the Company's rights under all present and future authorizations, permits, licenses and franchises issued or granted in connection with the operations of any of its facilities;

(g) all products and proceeds (including, without limitation, insurance proceeds) from the above-described Pledged Property.

AMENDED AND RESTATED SUBSIDIARY SECURITY AGREEMENT

THIS AMENDED AND RESTATED SUBSIDIARY SECURITY AGREEMENT (the "Agreement"), is entered into and made effective as of October 27, 2005, by and between NETFABRIC CORPORATION, a Delaware corporation with its principal place of business at 67 Federal Road, Building A, Suite 300, Brookfield, CT 06804 (the "Company"), and Cornell Capital Partners, LP (the "Secured Party").

WHEREAS, the Company is a wholly owned subsidiary of NetFabric Holdings, Inc. (the "Parent");

WHEREAS, the Parent issued to the Secured Party, as provided in the Securities Purchase Agreement dated July 1, 2005, and as amended pursuant to the letter agreement dated September 1, 2005 between the Parent and the Secured Party, and the Secured Party purchased One Million Dollars ($1,000,000) of secured convertible debentures (the "Prior Convertible Debentures"). The Company entered into a Security Agreement with the Secured Party to secure the obligations of the Parent under the Prior Debentures. This Agreement shall amend and restate the Security Agreement between the Parent and the Secured Party dated July 1, 2005;

WHEREAS, the Parent has requested the Secured Party to make additional financing available to the Company;

WHEREAS, the Secured Party is willing to provide such additional financing on the condition that such additional financing is secured hereunder and under the UCC-1 filed (#53256931) in connection with the Security Agreement between the Company and the Secured Party dated July 1, 2004;

WHEREAS, on the date hereof, the Parent shall issue and sell to the Secured Party, as provided in the Securities Purchase Agreement dated the date hereof, and the Secured Party shall purchase an Amended and Restated Secured Convertible Debenture in the original principal amount of One Million Six Hundred Fifty Thousand Dollars ($1,650,000), plus accrued and unpaid interest for the Prior Debenture through the date hereof in the amount of Eight Thousand One Hundred Sixty Dollars ($8,160) (the "Convertible Debenture"), which shall be convertible into shares of common stock of the Parent, par value $0.001 (the "Common Stock") (as converted, the "Conversion Shares"), in the respective amounts set forth opposite each Buyer(s) name on Schedule I attached to the Securities Purchase Agreement;

WHEREAS, the Company shall benefit from the sale of the Convertible Debenture by the Parent to the Secured Party;

WHEREAS, to induce the Secured Party to enter into the transaction contemplated by the Securities Purchase Agreement, the Secured Convertible Debenture, the Investor Registration Rights Agreement, the Irrevocable Transfer Agent Instructions, and the Escrow Agreement (collectively referred to as the "Transaction Documents"), the Company hereby grants to the Secured Party a security interest in and to the Pledged Property (as defined below) until the satisfaction of the Obligations, as defined herein below.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, and for other good and valuable consideration, the adequacy and receipt of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE 1.

DEFINITIONS AND INTERPRETATIONS

Section 1.1. Recitals.

The above recitals are true and correct and are incorporated herein, in their entirety, by this reference.

Section 1.2. Interpretations.

Nothing herein expressed or implied is intended or shall be construed to confer upon any person other than the Secured Party any right, remedy or claim under or by reason hereof.

Section 1.3. Obligations Secured.

The obligations secured hereby are any and all obligations of the Company or the Parent now existing or hereinafter incurred to the Secured Party, whether oral or written and whether arising before, on or after the date hereof including, without limitation, those obligations of the Parent to the Secured Party under the Prior Convertible Debentures and the Transaction Documents, and any other amounts now or hereafter owed to the Secured Party by the Parent thereunder or hereunder (collectively, the "Obligations").

ARTICLE 2.

PLEDGED PROPERTY, ADMINISTRATION OF COLLATERAL AND TERMINATION OF SECURITY INTEREST

Section 2.1. Pledged Property.

(a) The Company hereby pledges to the Secured Party, and creates in the Secured Party for its benefit, a security interest for such time until the Obligations are paid in full, in and to all of the property of the Company as set forth in Exhibit "A" attached hereto and the products thereof and the

proceeds of all such items (collectively, the "Pledged Property"):

(b) Simultaneously with the execution and delivery of this Agreement, the Company shall make, execute, acknowledge, file, record and deliver to the Secured Party any documents reasonably requested by the Secured Party to perfect its security interest in the Pledged Property. Simultaneously with the execution and delivery of this Agreement, the Company shall make, execute, acknowledge and deliver to the Secured Party such documents and instruments, including, without limitation, financing statements, certificates, affidavits and forms as may, in the Secured Party's reasonable judgment, be necessary to effectuate, complete or perfect, or to continue and preserve, the security interest of the Secured Party in the Pledged Property, and the Secured Party shall hold such documents and instruments as secured party, subject to the terms and conditions contained herein.

Section 2.2. Rights; Interests; Etc.

(a) So long as no Event of Default (as hereinafter defined) shall have occurred and be continuing:

(i) the Company shall be entitled to exercise any and all rights pertaining to the Pledged Property or any part thereof for any purpose not inconsistent with the terms hereof; and

(ii) the Company shall be entitled to receive and retain any and all payments paid or made in respect of the Pledged Property.

(b) Upon the occurrence and during the continuance of an Event of Default:

(i) All rights of the Company to exercise the rights which it would otherwise be entitled to exercise pursuant to Section 2.2(a)(i) hereof and to receive payments which it would otherwise be authorized to receive and retain pursuant to Section 2.2(a)(ii) hereof shall be suspended, and all such rights shall thereupon become vested in the Secured Party who shall thereupon have the sole right to exercise such rights and to receive and hold as Pledged Property such payments; provided, however, that if the Secured Party shall become entitled and shall elect to exercise its right to realize on the Pledged Property pursuant to Article 5 hereof, then all cash sums received by the Secured Party, or held by Company for the benefit of the Secured Party and paid over pursuant to Section 2.2(b)(ii) hereof, shall be applied against any outstanding Obligations; and

(ii) All interest, dividends, income and other payments and distributions which are received by the Company contrary to the provisions of Section 2.2(b)(i) hereof shall be received in trust for the benefit of the Secured Party, shall be segregated from other property of the Company and shall be forthwith paid over to the Secured Party; or

(iii) The Secured Party in its sole discretion shall be authorized to sell any or all of the Pledged Property at public or private sale in order to recoup all of the outstanding principal plus accrued interest owed pursuant to the Convertible Debenture as described herein

(c) An "Event of Default" shall be deemed to have occurred under this Agreement upon an Event of Default under the Convertible Debenture.

ARTICLE 3.

ATTORNEY-IN-FACT; PERFORMANCE

Section 3.1. Secured Party Appointed Attorney-In-Fact.

Upon the occurrence of an Event of Default, the Company hereby appoints the Secured Party as its attorney-in-fact, with full authority in the place and stead of the Company and in the name of the Company or otherwise, from time to time in the Secured Party's discretion to take any action and to execute any instrument which the Secured Party may reasonably deem necessary to accomplish

the purposes of this Agreement, including, without limitation, to receive and collect all instruments made payable to the Company representing any payments in respect of the Pledged Property or any part thereof and to give full discharge for the same. The Secured Party may demand, collect, receipt for, settle, compromise, adjust, sue for, foreclose, or realize on the Pledged Property as and when the Secured Party may determine. To facilitate collection, the Secured Party may notify account debtors and obligors on any Pledged Property to make payments directly to the Secured Party.

Section 3.2. Secured Party May Perform.

If the Company fails to perform any agreement contained herein, the Secured Party, at its option, may itself perform, or cause performance of, such agreement, and the expenses of the Secured Party incurred in connection therewith shall be included in the Obligations secured hereby and payable by the Company under Section 8.3.

ARTICLE 4.

REPRESENTATIONS AND WARRANTIES

Section 4.1. Authorization; Enforceability.

Each of the parties hereto represents and warrants that it has taken all action necessary to authorize the execution, delivery and performance of this Agreement and the transactions contemplated hereby; and upon execution and delivery, this Agreement shall constitute a valid and binding obligation of the respective party, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights or by the principles governing the availability of equitable remedies.

Section 4.2. Ownership of Pledged Property.

The Company warrants and represents that it is the legal and beneficial owner of the Pledged Property free and clear of any lien, security interest, option or other charge or encumbrance except for the security interest created by this Agreement.

ARTICLE 5.

DEFAULT; REMEDIES; SUBSTITUTE COLLATERAL

Section 5.1. Default and Remedies.

(a) If an Event of Default occurs, then in each such case the Secured Party may declare the Obligations to be due and payable immediately, by a notice in writing to the Company, and upon any such declaration, the Obligations shall become immediately due and payable.

(b) Upon the occurrence of an Event of Default, the Secured Party shall: (i) be entitled to receive all distributions with respect to the Pledged Property, (ii) to cause the Pledged Property to be transferred into the name of the Secured Party or its nominee, (iii) to dispose of the Pledged Property, and (iv) to realize upon any and all rights in the Pledged Property then held by the Secured Party.

Section 5.2. Method of Realizing Upon the Pledged Property; Other Remedies.

Upon the occurrence of an Event of Default, in addition to any rights and remedies available at law or in equity, the following provisions shall govern the Secured Party's right to realize upon the Pledged Property:

(a) Any item of the Pledged Property may be sold for cash or other value in any number of lots at brokers board, public auction or private sale and may be sold without demand, advertisement or notice (except that the Secured Party shall give the Company ten (10) days' prior written notice of the time and place or of the time after which a private sale may be made (the "Sale Notice")), which notice period shall in any event is hereby agreed to be commercially reasonable. At any sale or sales of the Pledged Property, the Company may bid for and purchase the whole or any part of the Pledged Property and, upon compliance with the terms of such sale, may hold, exploit and dispose of the same without further accountability to the Secured Party. The Company will execute and deliver, or cause to be executed and delivered, such instruments, documents, assignments, waivers, certificates, and affidavits and supply or cause to be supplied such further information and take such further action as the Secured Party reasonably shall require in connection with any such sale.

(b) Any cash being held by the Secured Party as Pledged Property and all cash proceeds received by the Secured Party in respect of, sale of, collection from, or other realization upon all or any part of the Pledged Property shall be applied as follows:

(i) to the payment of all amounts due the Secured Party for the expenses reimbursable to it hereunder or owed to it pursuant to Section 8.3 hereof;

(ii) to the payment of the Obligations then due and unpaid.

(iii) the balance, if any, to the person or persons entitled thereto, including, without limitation, the Company.

(c) In addition to all of the rights and remedies which the Secured Party may have pursuant to this Agreement, the Secured Party shall have all of the rights and remedies provided by law, including, without limitation, those under the Uniform Commercial Code.

(i) If the Company fails to pay such amounts due upon the occurrence of an Event of Default which is continuing, then the Secured Party may institute a judicial proceeding for the collection of the sums so due and unpaid, may prosecute such proceeding to judgment or final decree and may enforce the same against the Company and collect the monies adjudged or decreed to be payable in the manner provided by law out of the property of Company, wherever situated. The Secured Party may proceed against the Company without proceeding first against any other party, including, without limitation, the Parent.

(ii) The Company agrees that it shall be liable for any reasonable fees, expenses and costs incurred by the Secured Party in connection with enforcement, collection and preservation of the Transaction Documents, including, without limitation, reasonable legal fees and expenses, and such amounts shall be deemed included as Obligations secured hereby and payable as set forth in Section 8.3 hereof.

Section 5.3. Proofs of Claim.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relating to the Company or the property of the Company or of such other obligor or its creditors, the Secured Party (irrespective of whether the Obligations shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Secured Party shall have made any demand on the Company for the payment of the Obligations), subject to the rights of Previous Security Holders, shall be entitled and empowered, by intervention in such proceeding or otherwise:

(i) to file and prove a claim for the whole amount of the Obligations and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Secured Party (including any claim for the reasonable legal fees and expenses and other expenses paid or incurred by the Secured Party permitted hereunder and of the Secured Party allowed in such judicial proceeding), and

(ii) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same; and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by the Secured Party to make such payments to the Secured Party and, in the event that the Secured Party shall consent to the making of such payments directed to the Secured Party, to pay to the Secured Party any amounts for expenses due it hereunder.

Section 5.4. Duties Regarding Pledged Property.

The Secured Party shall have no duty as to the collection or protection of the Pledged Property or any income thereon or as to the preservation of any rights pertaining thereto, beyond the safe custody and reasonable care of any of the Pledged Property actually in the Secured Party's possession.

ARTICLE 6.

AFFIRMATIVE COVENANTS

The Company covenants and agrees that, from the date hereof and until the Obligations have been fully paid and satisfied, unless the Secured Party shall consent otherwise in writing (as provided in Section 8.4 hereof):

Section 6.1. Existence, Properties, Etc.

(a) The Company shall do, or cause to be done, all things, or proceed with due diligence with any actions or courses of action, that may be reasonably necessary (i) to maintain Company's due organization, valid existence and good standing under the laws of its state of incorporation, and (ii) to preserve and keep in full force and effect all qualifications, licenses and

registrations in those jurisdictions in which the failure to do so could have a Material Adverse Effect (as defined below); and (b) the Company shall not do, or cause to be done, any act impairing the Company's corporate power or authority (i) to carry on the Company's business as now conducted, and (ii) to execute or deliver this Agreement or any other document delivered in connection herewith, including, without limitation, any UCC-1 Financing Statements required by the Secured Party (which other loan instruments collectively shall be referred to as the "Loan Instruments") to which it is or will be a party, or perform any of its obligations hereunder or thereunder. For purpose of this Agreement, the term "Material Adverse Effect" shall mean any material and adverse affect as determined by Secured Party in its reasonable discretion, whether individually or in the aggregate, upon (a) the Company's assets, business, operations, properties or condition, financial or otherwise; (b) the Company's to make payment as and when due of all or any part of the Obligations; or (c) the Pledged Property.

Section 6.2. Financial Statements and Reports.

The Company shall provide the Security Party with such financial data as the Secured Party may reasonably request, within a reasonable time after any such request, including, without limitation the following financial data:

(a) The balance sheet of the Company as of the close of each fiscal year, the statement of earnings and retained earnings of the Company as of the close of such fiscal year, and statement of cash flows for the Company for such fiscal year, all in reasonable detail, prepared in accordance with generally accepted accounting principles consistently applied, certified by the chief executive and chief financial officers of the Company as being true and correct and accompanied by a certificate of the chief executive and chief financial officers of the Company, stating that the Company has kept, observed, performed and fulfilled each covenant, term and condition of this Agreement and the other Loan Instruments during such fiscal year and that no Event of Default hereunder has occurred and is continuing, or if an Event of Default has occurred and is continuing, specifying the nature of same, the period of existence of same and the action the Company proposes to take in connection therewith;

(b) A balance sheet of the Company as of the close of each month, and statement of earnings and retained earnings of the Company as of the close of such month, all in reasonable detail, and prepared substantially in accordance with generally accepted accounting principles consistently applied, certified by the chief executive and chief financial officers of the Company as being true and correct; and

(c) Copies of all accountants' reports and accompanying financial reports submitted to the Company by independent accountants in connection with each annual examination of the Company.

Section 6.3. Accounts and Reports.

The Company shall maintain a standard system of accounting in accordance with generally accepted accounting principles consistently applied and provide, at its sole expense, to the Secured Party the following:

(a) as soon as available, a copy of any notice or other communication alleging any nonpayment or other material breach or default, or any foreclosure or other action respecting any material portion of its assets and properties, received respecting any of the indebtedness of the Company in excess of $50,000 (other than the Obligations), or any demand or other request for payment under any guaranty, assumption, purchase agreement or similar agreement or arrangement respecting the indebtedness or obligations of others in excess of $50,000, including any received from any person acting on behalf of the Secured Party or beneficiary thereof; and

(b) within fifteen (15) days after the making of each submission or filing, a copy of any report, financial statement, notice or other document, whether periodic or otherwise, submitted to the shareholders of the Company, or submitted to or filed by the Company with any governmental authority involving or affecting (i) the Company that could have a Material Adverse Effect; (ii) the Obligations; (iii) any part of the Pledged Property; or (iv) any of the transactions contemplated in this Agreement or the Loan Instruments.

Section 6.4. Maintenance of Books and Records; Inspection.

The Company shall maintain its books, accounts and records in accordance with generally accepted accounting principles consistently applied, and permit the Secured Party, its officers and employees and any professionals designated by the Secured Party in writing, at any time to visit and inspect any of its properties (including but not limited to the collateral security described in the Transaction Documents and/or the Loan Instruments), corporate books and financial records, and to discuss its accounts, affairs and finances with any employee, officer or director thereof.

Section 6.5. Maintenance and Insurance.

(a) The Company shall maintain or cause to be maintained, at its own expense, all of its assets and properties in good working order and condition, subject to ordinary wear and tear, making all necessary repairs thereto and renewals and replacements thereof.

(b) The Company shall maintain or cause to be maintained, at its own expense, insurance in form, substance and amounts (including deductibles), which the Company deems reasonably necessary to the Company's business, (i) adequate to insure all assets and properties of the Company, which assets and properties are of a character usually insured by persons engaged in the same or similar business against loss or damage resulting from fire or other risks included in an extended coverage policy; (ii) against public liability and other tort claims that may be incurred by the Company; (iii) as may be required by the Transaction Documents and/or the Loan Instruments or applicable law and (iv) as may be reasonably requested by Secured Party, all with adequate, financially sound and reputable insurers.

Section 6.6. Contracts and Other Collateral.

The Company shall perform all of its obligations under or with respect to each instrument, receivable, contract and other intangible included in the Pledged Property to which the Company is now or hereafter will be party on a timely basis and in the manner therein required, including, without limitation, this Agreement.

Section 6.7. Defense of Collateral, Etc.

The Company shall defend and enforce its right, title and interest in and to any part of: (a) the Pledged Property; and (b) if not included within the Pledged Property, those assets and properties whose loss could have a Material Adverse Effect, the Company shall defend the Secured Party's right, title and interest in and to each and every part of the Pledged Property, each against all manner of claims and demands on a timely basis to the full extent permitted by applicable law.

Section 6.8. Payment of Debts, Taxes, Etc.

The Company shall pay, or cause to be paid, all of its indebtedness and other liabilities and perform, or cause to be performed, all of its obligations in accordance with the respective terms thereof, and pay and discharge, or cause to be paid or discharged, all taxes, assessments and other governmental charges and levies imposed upon it, upon any of its assets and properties on or before the last day on which the same may be paid without penalty, as well as pay all other lawful claims (whether for services, labor, materials, supplies or otherwise) as and when due.

Section 6.9. Taxes and Assessments; Tax Indemnity.

The Company shall (a) file all tax returns and appropriate schedules thereto that are required to be filed under applicable law, prior to the date of delinquency, (b) pay and discharge all taxes, assessments and governmental charges or levies imposed upon the Company, upon its income and profits or upon any properties belonging to it, prior to the date on which penalties attach thereto, and (c) pay all taxes, assessments and governmental charges or levies that, if unpaid, might become a lien or charge upon any of its properties; provided, however, that the Company in good faith may contest any such tax, assessment, governmental charge or levy described in the foregoing clauses (b) and (c) so long as appropriate reserves are maintained with respect thereto.

Section 6.10. Compliance with Law and Other Agreements.

The Company shall maintain its business operations and property owned or used in connection therewith in compliance with (a) all applicable federal, state and local laws, regulations and ordinances governing such business operations and the use and ownership of such property, and (b) all agreements, licenses, franchises, indentures and mortgages to which the Company is a party or by which the Company or any of its properties is bound. Without limiting the foregoing, the Company shall pay all of its indebtedness promptly in accordance with the terms thereof.

Section 6.11. Notice of Default.

The Company shall give written notice to the Secured Party of the occurrence of any default or Event of Default under this Agreement, the Transaction Documents or any other Loan Instrument or any other agreement of Company for the payment of money, promptly upon the occurrence thereof.

Section 6.12. Notice of Litigation.

The Company shall give notice, in writing, to the Secured Party of (a) any actions, suits or proceedings wherein the amount at issue is in excess of $50,000, instituted by any persons against the Company, or affecting any of the assets of the Company, and (b) any dispute, not resolved within fifteen (15) days of the commencement thereof, between the Company on the one hand and any governmental or regulatory body on the other hand, which might reasonably be expected to have a Material Adverse Effect on the business operations or financial condition of the Company.

ARTICLE 7.

NEGATIVE COVENANTS

The Company covenants and agrees that, from the date hereof until the Obligations have been fully paid and satisfied, the Company shall not, unless the Secured Party shall consent otherwise in writing:

Section 7.1. Liens and Encumbrances.

The Company shall not directly or indirectly make, create, incur, assume or permit to exist any assignment, transfer, pledge, mortgage, security interest or other lien or encumbrance of any nature in, to or against any part of the Pledged Property or of the Company's capital stock, or offer or agree to do so, or own or acquire or agree to acquire any asset or property of any character subject to any of the foregoing encumbrances (including any conditional sale contract or other title retention agreement), or assign, pledge or in any way transfer or encumber its right to receive any income or other distribution or proceeds from any part of the Pledged Property or the Company's capital stock; or enter into any sale-leaseback financing respecting any part of the Pledged Property as lessee, or cause or assist the inception or continuation of any of the foregoing.

Section 7.2. Articles, By-Laws, Mergers, Consolidations, Acquisitions and Sales.

Without the prior express written consent of the Secured Party, which consent shall not be unreasonably withheld, the Company shall not: (a) Amend its Articles of Incorporation or By-Laws; (b) be a party to any merger, consolidation or corporate reorganization, (c) purchase or otherwise acquire all or substantially all of the assets or stock of, or any partnership or joint venture interest in, any other person, firm or entity, (d) sell, transfer, convey, grant a security interest in or lease all or any substantial part of its assets, nor (e) create any subsidiaries nor convey any of its assets to any subsidiary in excess of $200,000 in the aggregate.

Section 7.3. Management, Ownership.

The Company shall not materially change its ownership, executive staff or management without the prior written consent of the Secured Party. The ownership, executive staff and management of the Company are material factors in the Secured Party's willingness to institute and maintain a lending relationship with the Company.

Section 7.4. Dividends, Etc.

Except for dividends payable to the Parent, the Company shall not declare or pay any dividend of any kind, in cash or in property, on any class of its capital stock, nor purchase, redeem, retire or otherwise acquire for value any shares of such stock, nor make any distribution of any kind in respect thereof, nor make any return of capital to shareholders, nor make any payments in respect of any pension, profit sharing, retirement, stock option, stock bonus, incentive compensation or similar plan (except as required or permitted hereunder), without the prior written consent of the Secured Party, which consent shall not be unreasonably withheld.

Section 7.5. Conduct of Business.

The Company will continue to engage, in an efficient and economical manner, in a business of the same general type as conducted by it on the date of this Agreement.

Section 7.6. Places of Business.

The location of the Company's chief place of business is 67 Federal Road, Building A, Suite 300, Brookfield, CT 06804. The Company shall not change the location of its chief place of business, chief executive office or any place of business disclosed to the Secured Party or move any of the Pledged Property from its current location without thirty (30) days prior written notice to the Secured Party in each instance.

ARTICLE 8.

MISCELLANEOUS

Section 8.1. Notices.

All notices or other communications required or permitted to be given pursuant to this Agreement shall be in writing and shall be considered as duly given on: (a) the date of delivery, if delivered in person, by nationally recognized overnight delivery service or (b) five (5) days after mailing if mailed from within the continental United States by certified mail, return receipt requested to the party entitled to receive the same:

If to the Secured Party: Cornell Capital Partners, LP
101 Hudson Street, Suite 3700
Jersey City, New Jersey 07302
Attention: Mark Angelo
Portfolio Manager
Telephone: (201) 986-8300
Facsimile: (201) 985-8266

With copy to: Troy Rillo, Esq.
101 Hudson Street, Suite 3700
Jersey City, NJ 07302
Telephone: (201) 985-8300
Facsimile: (201) 985-8266

And if to the Company: NetFabric Corporation
67 Federal Road, Building A
Suite 300
Brookfield, CT 06804
Telephone: (203) 775-1178
Facsimile: (270) 626-8366

With a copy to: Kirkpatrick & Lockhart Nicholson Graham LLP
201 South Biscayne Boulevard, Suite 2000
Miami, Florida 33131
Attention: Clayton E. Parker, Esq.
Telephone: (305) 539-3306
Facsimile: (305) 328-7095

Any party may change its address by giving notice to the other party stating its new address. Commencing on the tenth (10th) day after the giving of such notice, such newly designated address shall be such party's address for the purpose of all notices or other communications required or permitted to be given pursuant to this Agreement.

Section 8.2. Severability.

If any provision of this Agreement shall be held invalid or unenforceable, such invalidity or unenforceability shall attach only to such provision and shall not in any manner affect or render invalid or unenforceable any other severable provision of this Agreement, and this Agreement shall be carried out as if any such invalid or unenforceable provision were not contained herein.

Section 8.3. Expenses.

In the event of an Event of Default, the Company will pay to the Secured Party the amount of any and all reasonable expenses, including the reasonable fees and expenses of its counsel, which the Secured Party may incur in connection with: (i) the custody or preservation of, or the sale, collection from, or other realization upon, any of the Pledged Property; (ii) the exercise or enforcement of any of the rights of the Secured Party hereunder or (iii) the failure by the Company to perform or observe any of the provisions hereof.

Section 8.4. Waivers, Amendments, Etc.

The Secured Party's delay or failure at any time or times hereafter to require strict performance by Company of any undertakings, agreements or covenants shall not waiver, affect, or diminish any right of the Secured Party under this Agreement to demand strict compliance and performance herewith. Any waiver by the Secured Party of any Event of Default shall not waive or affect any other Event of Default, whether such Event of Default is prior or subsequent thereto and whether of the same or a different type. None of the undertakings, agreements and covenants of the Company contained in this Agreement, and no Event of Default, shall be deemed to have been waived by the Secured Party, nor may this Agreement be amended, changed or modified, unless such waiver, amendment, change or modification is evidenced by an instrument in writing specifying such waiver, amendment, change or modification and signed by the Secured Party.

Section 8.5. Continuing Security Interest.

This Agreement shall create a continuing security interest in the Pledged Property and shall: (i) remain in full force and effect until payment in full of the Obligations; and (ii) be binding upon the Company and its successors and heirs and (iii) inure to the benefit of the Secured Party and its successors and assigns. Upon the payment or satisfaction in full of the Obligations, the Company shall be entitled to the return, at its expense, of such of the Pledged Property as shall not have been sold in accordance with Section 5.2 hereof or otherwise applied pursuant to the terms hereof.

Section 8.6. Independent Representation.

Each party hereto acknowledges and agrees that it has received or has had the opportunity to receive independent legal counsel of its own choice and that it has been sufficiently apprised of its rights and responsibilities with regard to the substance of this Agreement.

Section 8.7. Applicable Law: Jurisdiction.

This Agreement shall be governed by and interpreted in accordance with the laws of the State of New Jersey without regard to the principles of conflict of laws. The parties further agree that any action between them shall be heard in Hudson County, New Jersey, and expressly consent to the jurisdiction and venue of the Superior Court of New Jersey, sitting in Hudson County and the United States District Court for the District of New Jersey sitting in Newark, New Jersey for the adjudication of any civil action asserted pursuant to this Paragraph.

Section 8.8. Waiver of Jury Trial.

AS A FURTHER INDUCEMENT FOR THE SECURED PARTY TO ENTER INTO THIS AGREEMENT AND TO MAKE THE FINANCIAL ACCOMMODATIONS TO THE COMPANY, THE COMPANY HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING RELATED IN ANY WAY TO THIS AGREEMENT AND/OR ANY AND ALL OTHER DOCUMENTS RELATED TO THIS TRANSACTION.

Section 8.9. Entire Agreement.

This Agreement constitutes the entire agreement among the parties and supersedes any prior agreement or understanding among them with respect to the subject matter hereof.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

COMPANY:
NETFABRIC CORPORATION

By: /s/ Jeff Robinson

Name: Jeff Robinson
Title:

SECURED PARTY:
CORNELL CAPITAL PARTNERS, LP

BY: YORKVILLE ADVISORS, LLC
ITS: GENERAL PARTNER

By: /s/ Mark Angelo

Name: Mark Angelo
Title: Portfolio Manager

EXHIBIT A
DEFINITION OF PLEDGED PROPERTY

For the purpose of securing prompt and complete payment and performance by the Company of all of the Obligations, the Company unconditionally and irrevocably hereby grants to the Secured Party a continuing security interest in and to, and lien upon, the following Pledged Property of the Company:

(a) all goods of the Company, including, without limitation, machinery, equipment, furniture, furnishings, fixtures, signs, lights, tools, parts, supplies and motor vehicles of every kind and description, now or hereafter owned by the Company or in which the Company may have or may hereafter acquire any interest, and all replacements, additions, accessions, substitutions and proceeds thereof, arising from the sale or disposition thereof, and where applicable, the proceeds of insurance and of any tort claims involving any of the foregoing;

(b) all inventory of the Company, including, but not limited to, all goods, wares, merchandise, parts, supplies, finished products, other tangible personal property, including such inventory as is temporarily out of Company's custody or possession and including any returns upon any accounts or other proceeds, including insurance proceeds, resulting from the sale or disposition of any of the foregoing;

(c) all contract rights and general intangibles of the Company, including, without limitation, goodwill, trademarks, trade styles, trade names, leasehold interests, partnership or joint venture interests, patents and patent applications, copyrights, deposit accounts whether now owned or hereafter created;

(d) all documents, warehouse receipts, instruments and chattel paper of the Company whether now owned or hereafter created;

(e) all accounts and other receivables, instruments or other forms of obligations and rights to payment of the Company (herein collectively referred to as "Accounts"), together with the proceeds thereof, all goods represented by such Accounts and all such goods that may be returned by the Company's customers, and all proceeds of any insurance thereon, and all guarantees, securities and liens which the Company may hold for the payment of any such Accounts including, without limitation, all rights of stoppage in transit, replevin and reclamation and as an unpaid vendor and/or lienor, all of which the Company represents and warrants will be bona fide and existing obligations of its respective customers, arising out of the sale of goods by the Company in the ordinary course of business;

(f) to the extent assignable, all of the Company's rights under all present and future authorizations, permits, licenses and franchises issued or granted in connection with the operations of any of its facilities;

(g) all products and proceeds (including, without limitation, insurance proceeds) from the above-described Pledged Property.

AMENDED AND RESTATED SUBSIDIARY SECURITY AGREEMENT

THIS AMENDED AND RESTATED SUBSIDIARY SECURITY AGREEMENT (the "Agreement"), is entered into and made effective as of October 27, 2005, by and between UCA SERVICES, INC, a New Jersey corporation with its principal place of business at 3 Stewart Court, Denville, NJ 07834 (the "Company"), and Cornell Capital Partners, LP (the "Secured Party").

WHEREAS, the Company is a wholly owned subsidiary of NetFabric Holdings, Inc. (the "Parent");

WHEREAS, the Parent issued to the Secured Party, as provided in the Securities Purchase Agreement dated July 1, 2005, and as amended pursuant to the letter agreement dated September 1, 2005 between the Parent and the Secured Party, and the Secured Party purchased One Million Dollars ($1,000,000) of secured convertible debentures (the "Prior Convertible Debentures"). The Company entered into a Security Agreement with the Secured Party to secure the obligations of the Parent under the Prior Debentures. This Agreement shall amend and restate the Security Agreement between the Parent and the Secured Party dated July 1, 2005;

WHEREAS, the Parent has requested the Secured Party to make additional financing available to the Company;

WHEREAS, the Secured Party is willing to provide such additional financing on the condition that such additional financing is secured hereunder and under the UCC-1 filed on _____, 2005 (#_____) filed in connection with the Security Agreement between the Company and the Secured Party dated July 1, 2004;

WHEREAS, on the date hereof, the Parent shall issue and sell to the Secured Party, as provided in the Securities Purchase Agreement dated the date hereof, and the Secured Party shall purchase an Amended and Restated Secured Convertible Debenture in the original principal amount of One Million Six Hundred Fifty Thousand Dollars ($1,650,000), plus accrued and unpaid interest for the Prior Convertible Debentures through the date hereof in the amount of Eight Thousand One Hundred Sixty Dollars ($8,160) (the "Convertible Debenture"), which shall be convertible into shares of common stock of the Parent, par value $0.001 (the "Common Stock") (as converted, the "Conversion Shares"), in the respective amounts set forth opposite each Buyer(s) name on Schedule I attached to the Securities Purchase Agreement;

WHEREAS, the Company shall benefit from the sale of the Convertible Debenture by the Parent to the Secured Party;

WHEREAS, to induce the Secured Party to enter into the transaction contemplated by the Securities Purchase Agreement, the Secured Convertible Debenture, the Investor Registration Rights Agreement, the Irrevocable Transfer Agent Instructions, the Warrant and the Escrow Agreement (collectively referred to as the "Transaction Documents"), the Company hereby grants to the Secured Party a security interest in and to the Pledged Property (as defined below) until the satisfaction of the Obligations, as defined herein below.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, and for other good and valuable consideration, the adequacy and receipt of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE 1.

DEFINITIONS AND INTERPRETATIONS

Section 1.1. Recitals.

The above recitals are true and correct and are incorporated herein, in their entirety, by this reference.

Section 1.2. Interpretations.

Nothing herein expressed or implied is intended or shall be construed to confer upon any person other than the Secured Party any right, remedy or claim under or by reason hereof.

Section 1.3. Obligations Secured.

The obligations secured hereby are any and all obligations of the Company or the Parent now existing or hereinafter incurred to the Secured Party, whether oral or written and whether arising before, on or after the date hereof including, without limitation, those obligations of the Parent to the Secured Party under the Prior Convertible Debentures and the Transaction Documents, and any other amounts now or hereafter owed to the Secured Party by the Parent thereunder or hereunder (collectively, the "Obligations").

ARTICLE 2.

PLEDGED PROPERTY, ADMINISTRATION OF COLLATERAL AND TERMINATION OF SECURITY INTEREST

Section 2.1. Pledged Property.

(a) The Company hereby pledges to the Secured Party, and creates in the Secured Party for its benefit, a security interest for such time until the Obligations are paid in full, in and to all of the property of the Company as

set forth in Exhibit "A" attached hereto and the products thereof and the proceeds of all such items (collectively, the "Pledged Property"):

(b) Simultaneously with the execution and delivery of this Agreement, the Company shall make, execute, acknowledge, file, record and deliver to the Secured Party any documents reasonably requested by the Secured Party to perfect its security interest in the Pledged Property. Simultaneously with the execution and delivery of this Agreement, the Company shall make, execute, acknowledge and deliver to the Secured Party such documents and instruments, including, without limitation, financing statements, certificates, affidavits and forms as may, in the Secured Party's reasonable judgment, be necessary to effectuate, complete or perfect, or to continue and preserve, the security interest of the Secured Party in the Pledged Property, and the Secured Party shall hold such documents and instruments as secured party, subject to the terms and conditions contained herein.

Section 2.2. Rights; Interests; Etc.

(a) So long as no Event of Default (as hereinafter defined) shall have occurred and be continuing:

(i) the Company shall be entitled to exercise any and all rights pertaining to the Pledged Property or any part thereof for any purpose not inconsistent with the terms hereof; and

(ii) the Company shall be entitled to receive and retain any and all payments paid or made in respect of the Pledged Property.

(b) Upon the occurrence and during the continuance of an Event of Default:

(i) All rights of the Company to exercise the rights which it would otherwise be entitled to exercise pursuant to Section 2.2(a)(i) hereof and to receive payments which it would otherwise be authorized to receive and retain pursuant to Section 2.2(a)(ii) hereof shall be suspended, and all such rights shall thereupon become vested in the Secured Party who shall thereupon have the sole right to exercise such rights and to receive and hold as Pledged Property such payments; provided, however, that if the Secured Party shall become entitled and shall elect to exercise its right to realize on the Pledged Property pursuant to Article 5 hereof, then all cash sums received by the Secured Party, or held by Company for the benefit of the Secured Party and paid over pursuant to Section 2.2(b)(ii) hereof, shall be applied against any outstanding Obligations; and

(ii) All interest, dividends, income and other payments and distributions which are received by the Company contrary to the provisions of Section 2.2(b)(i) hereof shall be received in trust for the benefit of the Secured Party, shall be segregated from other property of the Company and shall be forthwith paid over to the Secured Party; or

(iii) The Secured Party in its sole discretion shall be authorized to sell any or all of the Pledged Property at public or private sale in order to recoup all of the outstanding principal plus accrued interest owed pursuant to the Convertible Debenture as described herein

(c) An "Event of Default" shall be deemed to have occurred under this Agreement upon an Event of Default under the Convertible Debenture.

ARTICLE 3.

ATTORNEY-IN-FACT; PERFORMANCE

Section 3.1. Secured Party Appointed Attorney-In-Fact.

Upon the occurrence of an Event of Default, the Company hereby appoints the Secured Party as its attorney-in-fact, with full authority in the place and stead of the Company and in the name of the Company or otherwise, from time to time in the Secured Party's discretion to take any action and to execute any instrument which the Secured Party may reasonably deem

necessary to accomplish the purposes of this Agreement, including, without limitation, to receive and collect all instruments made payable to the Company representing any payments in respect of the Pledged Property or any part thereof and to give full discharge for the same. The Secured Party may demand, collect, receipt for, settle, compromise, adjust, sue for, foreclose, or realize on the Pledged Property as and when the Secured Party may determine. To facilitate collection, the Secured Party may notify account debtors and obligors on any Pledged Property to make payments directly to the Secured Party.

Section 3.2. Secured Party May Perform.

If the Company fails to perform any agreement contained herein, the Secured Party, at its option, may itself perform, or cause performance of, such agreement, and the expenses of the Secured Party incurred in connection therewith shall be included in the Obligations secured hereby and payable by the Company under Section 8.3.

ARTICLE 4.

REPRESENTATIONS AND WARRANTIES

Section 4.1. Authorization; Enforceability.

Each of the parties hereto represents and warrants that it has taken all action necessary to authorize the execution, delivery and performance of this Agreement and the transactions contemplated hereby; and upon execution and delivery, this Agreement shall constitute a valid and binding obligation of the respective party, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights or by the principles governing the availability of equitable remedies.

Section 4.2. Ownership of Pledged Property.

The Company warrants and represents that it is the legal and beneficial owner of the Pledged Property free and clear of any lien, security interest, option or other charge or encumbrance except for the security interest created by this Agreement.

ARTICLE 5.

DEFAULT; REMEDIES; SUBSTITUTE COLLATERAL

Section 5.1. Default and Remedies.

(a) If an Event of Default occurs, then in each such case the Secured Party may declare the Obligations to be due and payable immediately, by a notice in writing to the Company, and upon any such declaration, the Obligations shall become immediately due and payable.

(b) Upon the occurrence of an Event of Default, the Secured Party shall: (i) be entitled to receive all distributions with respect to the Pledged Property, (ii) to cause the Pledged Property to be transferred into the name of the Secured Party or its nominee, (iii) to dispose of the Pledged Property, and (iv) to realize upon any and all rights in the Pledged Property then held by the Secured Party.

Section 5.2. Method of Realizing Upon the Pledged Property; Other Remedies.

Upon the occurrence of an Event of Default, in addition to any rights and remedies available at law or in equity, the following provisions shall govern the Secured Party's right to realize upon the Pledged Property:

(a) Any item of the Pledged Property may be sold for cash or other value in any number of lots at brokers board, public auction or private sale and may be sold without demand, advertisement or notice (except that the Secured Party shall give the Company ten (10) days' prior written notice of the time and place or of the time after which a private sale may be made (the "Sale Notice")), which notice period shall in any event is hereby agreed to be commercially reasonable. At any sale or sales of the Pledged Property, the Company may bid for and purchase the whole or any part of the Pledged Property and, upon compliance with the terms of such sale, may hold, exploit and dispose of the same without further accountability to the Secured Party. The Company will execute and deliver, or cause to be executed and delivered, such instruments, documents, assignments, waivers, certificates, and affidavits and supply or cause to be supplied such further information and take such further action as the Secured Party reasonably shall require in connection with any such sale.

(b) Any cash being held by the Secured Party as Pledged Property and all cash proceeds received by the Secured Party in respect of, sale of, collection from, or other realization upon all or any part of the Pledged Property shall be applied as follows:

(i) to the payment of all amounts due the Secured Party for the expenses reimbursable to it hereunder or owed to it pursuant to Section 8.3 hereof;

(ii) to the payment of the Obligations then due and unpaid.

(iii) the balance, if any, to the person or persons entitled thereto, including, without limitation, the Company.

(c) In addition to all of the rights and remedies which the Secured Party may have pursuant to this Agreement, the Secured Party shall have all of the rights and remedies provided by law, including, without limitation, those under the Uniform Commercial Code.

(i) If the Company fails to pay such amounts due upon the occurrence of an Event of Default which is continuing, then the Secured Party may institute a judicial proceeding for the collection of the sums so due and unpaid, may prosecute such proceeding to judgment or final decree and may enforce the same against the Company and collect the monies adjudged or decreed to be payable in the manner provided by law out of the property of Company, wherever situated. The Secured Party may proceed against the Company without proceeding first against any other party, including, without limitation, the Parent.

(ii) The Company agrees that it shall be liable for any reasonable fees, expenses and costs incurred by the Secured Party in connection with enforcement, collection and

preservation of the Transaction Documents, including, without limitation, reasonable legal fees and expenses, and such amounts shall be deemed included as Obligations secured hereby and payable as set forth in Section 8.3 hereof.

Section 5.3. Proofs of Claim.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relating to the Company or the property of the Company or of such other obligor or its creditors, the Secured Party (irrespective of whether the Obligations shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Secured Party shall have made any demand on the Company for the payment of the Obligations), subject to the rights of Previous Security Holders, shall be entitled and empowered, by intervention in such proceeding or otherwise:

(i) to file and prove a claim for the whole amount of the Obligations and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Secured Party (including any claim for the reasonable legal fees and expenses and other expenses paid or incurred by the Secured Party permitted hereunder and of the Secured Party allowed in such judicial proceeding), and

(ii) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same; and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by the Secured Party to make such payments to the Secured Party and, in the event that the Secured Party shall consent to the making of such payments directed to the Secured Party, to pay to the Secured Party any amounts for expenses due it hereunder.

Section 5.4. Duties Regarding Pledged Property.

The Secured Party shall have no duty as to the collection or protection of the Pledged Property or any income thereon or as to the preservation of any rights pertaining thereto, beyond the safe custody and reasonable care of any of the Pledged Property actually in the Secured Party's possession.

ARTICLE 6.

AFFIRMATIVE COVENANTS

The Company covenants and agrees that, from the date hereof and until the Obligations have been fully paid and satisfied, unless the Secured Party shall consent otherwise in writing (as provided in Section 8.4 hereof):

Section 6.1. Existence, Properties, Etc.

(a) The Company shall do, or cause to be done, all things, or proceed with due diligence with any actions or courses of action, that may be reasonably necessary (i) to maintain Company's due organization, valid existence and good standing under the laws of its state of

incorporation, and (ii) to preserve and keep in full force and effect all qualifications, licenses and registrations in those jurisdictions in which the failure to do so could have a Material Adverse Effect (as defined below); and (b) the Company shall not do, or cause to be done, any act impairing the Company's corporate power or authority (i) to carry on the Company's business as now conducted, and (ii) to execute or deliver this Agreement or any other document delivered in connection herewith, including, without limitation, any UCC-1 Financing Statements required by the Secured Party (which other loan instruments collectively shall be referred to as the "Loan Instruments") to which it is or will be a party, or perform any of its obligations hereunder or thereunder. For purpose of this Agreement, the term "Material Adverse Effect" shall mean any material and adverse affect as determined by Secured Party in its reasonable discretion, whether individually or in the aggregate, upon (a) the Company's assets, business, operations, properties or condition, financial or otherwise; (b) the Company's to make payment as and when due of all or any part of the Obligations; or (c) the Pledged Property.

Section 6.2. Financial Statements and Reports.

The Company shall provide the Security Party with such financial data as the Secured Party may reasonably request, within a reasonable time after any such request, including, without limitation the following financial data:

(a) The balance sheet of the Company as of the close of each fiscal year, the statement of earnings and retained earnings of the Company as of the close of such fiscal year, and statement of cash flows for the Company for such fiscal year, all in reasonable detail, prepared in accordance with generally accepted accounting principles consistently applied, certified by the chief executive and chief financial officers of the Company as being true and correct and accompanied by a certificate of the chief executive and chief financial officers of the Company, stating that the Company has kept, observed, performed and fulfilled each covenant, term and condition of this Agreement and the other Loan Instruments during such fiscal year and that no Event of Default hereunder has occurred and is continuing, or if an Event of Default has occurred and is continuing, specifying the nature of same, the period of existence of same and the action the Company proposes to take in connection therewith;

(b) A balance sheet of the Company as of the close of each month, and statement of earnings and retained earnings of the Company as of the close of such month, all in reasonable detail, and prepared substantially in accordance with generally accepted accounting principles consistently applied, certified by the chief executive and chief financial officers of the Company as being true and correct; and

(c) Copies of all accountants' reports and accompanying financial reports submitted to the Company by independent accountants in connection with each annual examination of the Company.

Section 6.3. Accounts and Reports.

The Company shall maintain a standard system of accounting in accordance with generally accepted accounting principles consistently applied and provide, at its sole expense, to the Secured Party the following:

(a) as soon as available, a copy of any notice or other communication alleging any nonpayment or other material breach or default, or any foreclosure or other action respecting any material portion of its assets and properties, received respecting any of the indebtedness of the Company in excess of $50,000 (other than the Obligations), or any demand or other request for payment under any guaranty, assumption, purchase agreement or similar agreement or arrangement respecting the indebtedness or obligations of others in excess of $50,000, including any received from any person acting on behalf of the Secured Party or beneficiary thereof; and

(b) within fifteen (15) days after the making of each submission or filing, a copy of any report, financial statement, notice or other document, whether periodic or otherwise, submitted to the shareholders of the Company, or submitted to or filed by the Company with any governmental authority involving or affecting (i) the Company that could have a Material Adverse Effect; (ii) the Obligations; (iii) any part of the Pledged Property; or (iv) any of the transactions contemplated in this Agreement or the Loan Instruments.

Section 6.4. Maintenance of Books and Records; Inspection.

The Company shall maintain its books, accounts and records in accordance with generally accepted accounting principles consistently applied, and permit the Secured Party, its officers and employees and any professionals designated by the Secured Party in writing, at any time to visit and inspect any of its properties (including but not limited to the collateral security described in the Transaction Documents and/or the Loan Instruments), corporate books and financial records, and to discuss its accounts, affairs and finances with any employee, officer or director thereof.

Section 6.5. Maintenance and Insurance.

(a) The Company shall maintain or cause to be maintained, at its own expense, all of its assets and properties in good working order and condition, subject to ordinary wear and tear, making all necessary repairs thereto and renewals and replacements thereof.

(b) The Company shall maintain or cause to be maintained, at its own expense, insurance in form, substance and amounts (including deductibles), which the Company deems reasonably necessary to the Company's business, (i) adequate to insure all assets and properties of the Company, which assets and properties are of a character usually insured by persons engaged in the same or similar business against loss or damage resulting from fire or other risks included in an extended coverage policy; (ii) against public liability and other tort claims that may be incurred by the Company; (iii) as may be required by the Transaction Documents and/or the Loan Instruments or applicable law and (iv) as may be reasonably requested by Secured Party, all with adequate, financially sound and reputable insurers.

Section 6.6. Contracts and Other Collateral.

The Company shall perform all of its obligations under or with respect to each instrument, receivable, contract and other intangible included in the Pledged Property to which the Company is now or hereafter will be party on a timely basis and in the manner therein required, including, without limitation, this Agreement.

Section 6.7. Defense of Collateral, Etc.

The Company shall defend and enforce its right, title and interest in and to any part of: (a) the Pledged Property; and (b) if not included within the Pledged Property, those assets and properties whose loss could have a Material Adverse Effect, the Company shall defend the Secured Party's right, title and interest in and to each and every part of the Pledged Property, each against all manner of claims and demands on a timely basis to the full extent permitted by applicable law.

Section 6.8. Payment of Debts, Taxes, Etc.

The Company shall pay, or cause to be paid, all of its indebtedness and other liabilities and perform, or cause to be performed, all of its obligations in accordance with the respective terms thereof, and pay and discharge, or cause to be paid or discharged, all taxes, assessments and other governmental charges and levies imposed upon it, upon any of its assets and properties on or before the last day on which the same may be paid without penalty, as well as pay all other lawful claims (whether for services, labor, materials, supplies or otherwise) as and when due.

Section 6.9. Taxes and Assessments; Tax Indemnity.

The Company shall (a) file all tax returns and appropriate schedules thereto that are required to be filed under applicable law, prior to the date of delinquency, (b) pay and discharge all taxes, assessments and governmental charges or levies imposed upon the Company, upon its income and profits or upon any properties belonging to it, prior to the date on which penalties attach thereto, and (c) pay all taxes, assessments and governmental charges or levies that, if unpaid, might become a lien or charge upon any of its properties; provided, however, that the Company in good faith may contest any such tax, assessment, governmental charge or levy described in the foregoing clauses (b) and (c) so long as appropriate reserves are maintained with respect thereto.

Section 6.10. Compliance with Law and Other Agreements.

The Company shall maintain its business operations and property owned or used in connection therewith in compliance with (a) all applicable federal, state and local laws, regulations and ordinances governing such business operations and the use and ownership of such property, and (b) all agreements, licenses, franchises, indentures and mortgages to which the Company is a party or by which the Company or any of its properties is bound. Without limiting the foregoing, the Company shall pay all of its indebtedness promptly in accordance with the terms thereof.

Section 6.11. Notice of Default.

The Company shall give written notice to the Secured Party of the occurrence of any default or Event of Default under this Agreement, the Transaction Documents or any other Loan Instrument or any other agreement of Company for the payment of money, promptly upon the occurrence thereof.

Section 6.12. Notice of Litigation.

The Company shall give notice, in writing, to the Secured Party of (a) any actions, suits or proceedings wherein the amount at issue is in excess of $50,000, instituted by any persons against the Company, or affecting any of the assets of the Company, and (b) any dispute, not resolved within fifteen (15) days of the commencement thereof, between the Company on the one hand and any governmental or regulatory body on the other hand, which might reasonably be expected to have a Material Adverse Effect on the business operations or financial condition of the Company.

ARTICLE 7.

NEGATIVE COVENANTS

The Company covenants and agrees that, from the date hereof until the Obligations have been fully paid and satisfied, the Company shall not, unless the Secured Party shall consent otherwise in writing:

Section 7.1. Liens and Encumbrances.

The Company shall not directly or indirectly make, create, incur, assume or permit to exist any assignment, transfer, pledge, mortgage, security interest or other lien or encumbrance of any nature in, to or against any part of the Pledged Property or of the Company's capital stock, or offer or agree to do so, or own or acquire or agree to acquire any asset or property of any character subject to any of the foregoing encumbrances (including any conditional sale contract or other title retention agreement), or assign, pledge or in any way transfer or encumber its right to receive any income or other distribution or proceeds from any part of the Pledged Property or the Company's capital stock; or enter into any sale-leaseback financing respecting any part of the Pledged Property as lessee, or cause or assist the inception or continuation of any of the foregoing.

Section 7.2. Articles, By-Laws, Mergers, Consolidations, Acquisitions and Sales.

Without the prior express written consent of the Secured Party, which consent shall not be unreasonably withheld, the Company shall not: (a) Amend its Articles of Incorporation or By-Laws; (b) be a party to any merger, consolidation or corporate reorganization, (c) purchase or otherwise acquire all or substantially all of the assets or stock of, or any partnership or joint venture interest in, any other person, firm or entity, (d) sell, transfer, convey, grant a security interest in or lease all or any substantial part of its assets, nor (e) create any subsidiaries nor convey any of its assets to any subsidiary in excess of $200,000 in the aggregate.

Section 7.3. Management, Ownership.

The Company shall not materially change its ownership, executive staff or management without the prior written consent of the Secured Party. The ownership, executive staff and management of the Company are material factors in the Secured Party's willingness to institute and maintain a lending relationship with the Company.

Section 7.4. Dividends, Etc.

Except for dividends payable to the Parent, the Company shall not declare or pay any dividend of any kind, in cash or in property, on any class of its capital stock, nor purchase, redeem, retire or otherwise acquire for value any shares of such stock, nor make any distribution of any kind in respect thereof, nor make any return of capital to shareholders, nor make any payments in respect of any pension, profit sharing, retirement, stock option, stock bonus, incentive compensation or similar plan (except as required or permitted hereunder), without the prior written consent of the Secured Party, which consent shall not be unreasonably withheld.

Section 7.5. Conduct of Business.

The Company will continue to engage, in an efficient and economical manner, in a business of the same general type as conducted by it on the date of this Agreement.

Section 7.6. Places of Business.

The location of the Company's chief place of business is 3 Stewart Court, Denville, NJ 07834. The Company shall not change the location of its chief place of business, chief executive office or any place of business disclosed to the Secured Party or move any of the Pledged Property from its current location without thirty (30) days prior written notice to the Secured Party in each instance.

ARTICLE 8.

MISCELLANEOUS

Section 8.1. Notices.

All notices or other communications required or permitted to be given pursuant to this Agreement shall be in writing and shall be considered as duly given on: (a) the date of delivery, if delivered in person, by nationally recognized overnight delivery service or (b) five (5) days after mailing if mailed from within the continental United States by certified mail, return receipt requested to the party entitled to receive the same:

If to the Secured Party: Cornell Capital Partners, LP
101 Hudson Street, Suite 3700
Jersey City, New Jersey 07302
Attention: Mark Angelo
Portfolio Manager
Telephone: (201) 986-8300
Facsimile: (201) 985-8266

With copy to: Troy Rillo, Esq.
101 Hudson Street, Suite 3700
Jersey City, NJ 07302
Telephone: (201) 985-8300
Facsimile: (201) 985-8266

And if to the Company: UCA Services, Inc.
3 Stewart Court
Denville, NJ 07834
Attention: Fahad Syed
Telephone: (973) 887-2758
Facsimile: (973) 887-7172

With a copy to: Kirkpatrick & Lockhart Nicholson Graham LLP
201 South Biscayne Boulevard, Suite 2000
Miami, Florida 33131
Attention: Clayton E. Parker, Esq.
Telephone: (305) 539-3306
Facsimile: (305) 328-7095

Any party may change its address by giving notice to the other party stating its new address. Commencing on the tenth (10th) day after the giving of such notice, such newly designated address shall be such party's address for the purpose of all notices or other communications required or permitted to be given pursuant to this Agreement.

Section 8.2. Severability.

If any provision of this Agreement shall be held invalid or unenforceable, such invalidity or unenforceability shall attach only to such provision and shall not in any manner affect or render invalid or unenforceable any other severable provision of this Agreement, and this Agreement shall be carried out as if any such invalid or unenforceable provision were not contained herein.

Section 8.3. Expenses.

In the event of an Event of Default, the Company will pay to the Secured Party the amount of any and all reasonable expenses, including the reasonable fees and expenses of its counsel, which the Secured Party may incur in connection with: (i) the custody or preservation of, or the sale, collection from, or other realization upon, any of the Pledged Property; (ii) the exercise or enforcement of any of the rights of the Secured Party hereunder or (iii) the failure by the Company to perform or observe any of the provisions hereof.

Section 8.4. Waivers, Amendments, Etc.

The Secured Party's delay or failure at any time or times hereafter to require strict performance by Company of any undertakings, agreements or covenants shall not waiver, affect, or diminish any right of the Secured Party under this Agreement to demand strict compliance and performance herewith. Any waiver by the Secured Party of any Event of Default shall not waive or affect any other Event of Default, whether such Event of Default is prior or subsequent thereto and whether of the same or a different type. None of the undertakings, agreements and covenants of the Company contained in this Agreement, and no Event of Default, shall be deemed to have been waived by the Secured Party, nor may this Agreement be amended,

changed or modified, unless such waiver, amendment, change or modification is evidenced by an instrument in writing specifying such waiver, amendment, change or modification and signed by the Secured Party.

Section 8.5. Continuing Security Interest.

This Agreement shall create a continuing security interest in the Pledged Property and shall: (i) remain in full force and effect until payment in full of the Obligations; and (ii) be binding upon the Company and its successors and heirs and (iii) inure to the benefit of the Secured Party and its successors and assigns. Upon the payment or satisfaction in full of the Obligations, the Company shall be entitled to the return, at its expense, of such of the Pledged Property as shall not have been sold in accordance with Section 5.2 hereof or otherwise applied pursuant to the terms hereof.

Section 8.6. Independent Representation.

Each party hereto acknowledges and agrees that it has received or has had the opportunity to receive independent legal counsel of its own choice and that it has been sufficiently apprised of its rights and responsibilities with regard to the substance of this Agreement.

Section 8.7. Applicable Law: Jurisdiction.

This Agreement shall be governed by and interpreted in accordance with the laws of the State of New Jersey without regard to the principles of conflict of laws. The parties further agree that any action between them shall be heard in Hudson County, New Jersey, and expressly consent to the jurisdiction and venue of the Superior Court of New Jersey, sitting in Hudson County and the United States District Court for the District of New Jersey sitting in Newark, New Jersey for the adjudication of any civil action asserted pursuant to this Paragraph.

Section 8.8. Waiver of Jury Trial.

AS A FURTHER INDUCEMENT FOR THE SECURED PARTY TO ENTER INTO THIS AGREEMENT AND TO MAKE THE FINANCIAL ACCOMMODATIONS TO THE COMPANY, THE COMPANY HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING RELATED IN ANY WAY TO THIS AGREEMENT AND/OR ANY AND ALL OTHER DOCUMENTS RELATED TO THIS TRANSACTION.

Section 8.9. Entire Agreement.

This Agreement constitutes the entire agreement among the parties and supersedes any prior agreement or understanding among them with respect to the subject matter hereof.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

COMPANY:
UCA SERVICES, INC.

By: /s/ Fahad Syed

Name: Fahad Syed
Title: Managing Director

SECURED PARTY:
CORNELL CAPITAL PARTNERS, LP

By: Yorkville Advisors, LLC
Its: General Partner

By: /s/ Mark Angelo

Name: Mark Angelo
Title: Portfolio Manager

EXHIBIT A
DEFINITION OF PLEDGED PROPERTY

For the purpose of securing prompt and complete payment and performance by the Company of all of the Obligations, the Company unconditionally and irrevocably hereby grants to the Secured Party a continuing security interest in and to, and lien upon, the following Pledged Property of the Company:

(a) all goods of the Company, including, without limitation, machinery, equipment, furniture, furnishings, fixtures, signs, lights, tools, parts, supplies and motor vehicles of every kind and description, now or hereafter owned by the Company or in which the Company may have or may hereafter acquire any interest, and all replacements, additions, accessions, substitutions and proceeds thereof, arising from the sale or disposition thereof, and where applicable, the proceeds of insurance and of any tort claims involving any of the foregoing;

(b) all inventory of the Company, including, but not limited to, all goods, wares, merchandise, parts, supplies, finished products, other tangible personal property, including such inventory as is temporarily out of Company's custody or possession and including any returns upon any accounts or other proceeds, including insurance proceeds, resulting from the sale or disposition of any of the foregoing;

(c) all contract rights and general intangibles of the Company, including, without limitation, goodwill, trademarks, trade styles, trade names, leasehold interests, partnership or joint venture interests, patents and patent applications, copyrights, deposit accounts whether now owned or hereafter created;

(d) all documents, warehouse receipts, instruments and chattel paper of the Company whether now owned or hereafter created;

(e) all accounts and other receivables, instruments or other forms of obligations and rights to payment of the Company (herein collectively referred to as "Accounts"), together with the proceeds thereof, all goods represented by such Accounts and all such goods that may be returned by the Company's customers, and all proceeds of any insurance thereon, and all guarantees, securities and liens which the Company may hold for the payment of any such Accounts including, without limitation, all rights of stoppage in transit, replevin and reclamation and as an unpaid vendor and/or lienor, all of which the Company represents and warrants will be bona fide and existing obligations of its respective customers, arising out of the sale of goods by the Company in the ordinary course of business;

(f) to the extent assignable, all of the Company's rights under all present and future authorizations, permits, licenses and franchises issued or granted in connection with the operations of any of its facilities;

(g) all products and proceeds (including, without limitation, insurance proceeds) from the above-described Pledged Property.

OFFICER PLEDGE AND ESCROW AGREEMENT

THIS OFFICER PLEDGE AND ESCROW AGREEMENT (the "Agreement") is made and entered into as of October 27, 2005 (the "Effective Date") by and among CORNELL CAPITAL PARTNERS, LP (the "Pledgee"), NETFABRIC HOLDING, INC., a Delaware corporation (the "Company"), JEFF ROBINSON (the "Pledgor"), and DAVID GONZALEZ, ESQ., as escrow agent ("Escrow Agent").

RECITALS:

WHEREAS, the Company shall issue and sell to the Secured Party, as provided in the Securities Purchase Agreement of even date herewith between the Company and the Secured Party (the "Securities Purchase Agreement"), and the Secured Party shall purchase up to One Million Six Hundred Fifty Thousand Dollars ($1,650,000) of secured convertible debentures (the "Convertible Debentures"), which shall be convertible into shares of the Company's common stock, par value $0.001 (the "Common Stock") (as converted, the "Conversion Shares") in the respective amounts set forth opposite each Buyer(s) name on Schedule I attached to the Securities Purchase Agreement;

WHEREAS, to induce the Secured Party to enter into the transaction contemplated by the Securities Purchase Agreement, the Convertible Debentures, the Investor Registration Rights Agreement of even date herewith between the Company and the Secured Party (the "Investor Registration Rights Agreement"), the Officer Pledge and Escrow Agreement of even date herewith among the Company, the Secured Party and David Gonzalez, Esq. (the "Pledge Agreement"), the Escrow Agreement of even date herewith among the Company, the Secured Party, and David Gonzalez, Esq. (the "Escrow Agreement"), and the Irrevocable Transfer Agent Instructions among the Company, the Secured Party, Securities Transfer Corporation and David Gonzalez, Esq. (the "Transfer Agent Instructions") (collectively referred to as the "Transaction Documents"), the Pledgor has agreed to irrevocably pledge to the Pledgee One Million Four Hundred Twenty Eight Thousand Five Hundred Seventy Two (1,428,572) shares (the "Pledged Shares") of common stock of the Company beneficially owned by the Pledgor, until the satisfaction of the Obligations, as defined herein below.

NOW, THEREFORE, in consideration of the mutual covenants, agreements, warranties, and representations herein contained, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

TERMS AND CONDITIONS

1. OBLIGATIONS SECURED. The obligations secured hereby are any and all obligations of the Company now existing or hereinafter incurred to the Secured Party, whether oral or written and whether arising before, on or after the date hereof including, without limitation, those obligations of the Company to the Secured Party under the Transaction Documents and any other amounts now or hereafter owed to the Secured Party by the Company thereunder (collectively, the "Obligations").

2. PLEDGE AND TRANSFER OF PLEDGED SHARES. The Pledgor hereby grants to Pledgee an irrevocable, first priority security interest in all Pledged Shares as security for the Company's Obligations. On or before the closing of the Transaction Documents, the Pledgor shall deliver to the Escrow Agent stock certificates representing the Pledged Shares, together with duly executed stock powers or other appropriate transfer documents with medallion bank guarantees and executed in blank by the Pledgor (the "Transfer Documents"), and such stock certificates and Transfer Documents shall be held by the Escrow Agent until the full payment of all Obligations due to the Pledgee, including the repayment of all amounts owed by the Company to the Pledgee under the Convertible Debentures (whether outstanding principal, interest, legal fees, or any other amounts owed to the Pledgee by the Company).

3. RIGHTS RELATING TO PLEDGED SHARES. Upon the occurrence of an Event of Default (as defined herein), the Pledgee shall be entitled to vote the Pledged Shares, receive dividends and other distributions thereon, and enjoy all other rights and privileges incident to the ownership of the number of Pledged Shares actually released from escrow in accordance with Section 6.1 hereof.

4. RELEASE OF PLEDGED SHARES FROM PLEDGE. Upon the full payment of all Obligations due to the Pledgee under the Transaction Documents, including the repayment of all amounts owed by the Company to the Pledgee under the Convertible Debenture (whether outstanding principal, interest, legal fees, and any other amounts owed to the Pledgee by the Company), the parties hereto shall notify the Escrow Agent to such effect in writing. Promptly upon receipt of such written notice, the Escrow Agent shall return to the Pledgor the Transfer Documents and the certificates representing the Pledged Shares (collectively the "Pledged Materials"), whereupon any and all rights of Pledgee in the Pledged Materials shall be terminated.

5. EVENT OF DEFAULT. An "Event of Default" shall be deemed to have occurred under this Agreement upon an Event of Default under any Transaction Document.

6. REMEDIES.

a. Upon and anytime after the occurrence of an Event of Default, the Pledgee shall have the right to provide written notice of such Event of Default (the "Default Notice") to the Escrow Agent, with a copy to the Pledgor. As soon as practicable after receipt of the Default Notice, the Escrow Agent shall deliver to Pledgee the Pledged Materials held by the Escrow Agent hereunder. Upon receipt of the Pledged Materials, the Pledgee shall have the right to (i) sell the Pledged Shares and to apply the proceeds of such sales, net of any

selling commissions, to the Obligations owed to the Pledgor by the Company under the Transaction Documents, including, without limitation, outstanding principal, interest, legal fees, and any other amounts owed to the Pledgee, and exercise all other rights and (ii) any and all remedies of a secured party with respect to such property as may be available under the Uniform Commercial Code as in effect in the State of New Jersey. To the extent that the net proceeds received by the Pledgee are insufficient to satisfy the Obligations in full, the Pledgee shall be entitled to a deficiency judgment against the Pledgor or the Company for such amount. The Pledgee shall have the absolute right to sell or dispose of the Pledged Shares in any manner it sees fit and shall have no liability to the Pledgor, the Company or any other party for selling or disposing of such Pledged Shares even if other methods of sales or dispositions would or allegedly would

result in greater proceeds than the method actually used. The Escrow Agent shall have the absolute right to disburse the Pledged Shares to the Pledgee in batches not to exceed 9.9% of the outstanding capital of the Company (which limit may be waived by the Pledgee providing not less than 65 days' prior written notice to the Escrow Agent).

b. Each right, power and remedy of the Pledgee provided for in this Agreement or any other Transaction Document shall be cumulative and concurrent and shall be in addition to every other such right, power or remedy. The exercise or beginning of the exercise by the Pledgee of any one or more of the rights, powers or remedies provided for in this Agreement or any other Transaction Document or now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by the Pledgee of all such other rights, powers or remedies, and no failure or delay on the part of the Pledgee to exercise any such right, power or remedy shall operate as a waiver thereof. No notice to or demand on the Pledgor in any case shall entitle it to any other or further notice or demand in similar or other circumstances or constitute a waiver of any of the rights of the Pledgee to any other further action in any circumstances without demand or notice. The Pledgee shall have the full power to enforce or to assign or contract is rights under this Agreement to a third party.

7. REPRESENTATIONS, WARRANTIES AND COVENANTS.

a. The Pledgor represents, warrants and covenants that:

(i) Pledgor is, and at the time when pledged hereunder will be, the legal, beneficial and record owner of, and has (and will have) good and valid title to, all Pledged Shares pledged hereunder, subject to no pledge, lien, mortgage, hypothecation, security interest, charge, option or other encumbrance whatsoever;

(ii) Pledgor has full power, authority and legal right to pledge all the Pledged Shares pledged pursuant to this Agreement; and

(iii) all the Pledged Shares have been duly and validly issued, are fully paid and non-assessable and are subject to no options to purchase or similar rights.

b. The Pledgor covenants and agrees to take all reasonable steps to defend the Pledgee's right, title and security interest in and to the Pledged Shares and the proceeds thereof against the claims and demands of all persons whomsoever (other than the Pledgee and the Escrow Agent); and the Pledgor covenants and agrees that it will have like title to and right to pledge any other property at any time hereafter pledged to the Pledgee as Collateral hereunder and will likewise take all reasonable steps to defend the right thereto and security interest therein of the Pledgee.

c. The Pledgor covenants and agrees to take no action which would violate or be inconsistent with any of the terms of any Transaction Document, or which would have the effect of impairing the position or interests of the Pledgee under any Transaction Document.

d. The Pledgor represents, warrants and covenants that (i) the Pledgor has been the beneficial owner of the Pledged Shares for a period of not less than two (2) years as computed in accordance with Rule 144(d) promulgated under the Securities Act of 1933, as amended, and (ii) this Agreement is made

with recourse. Upon an Event of Default, the Pledgee shall be deemed to have acquired the Pledged Shares on the date they were acquired by the Pledgor. The Pledgor is an "affiliate" of the Company, as such term is defined in Rule 144(a) promulgated under the Securities Act of 1933, as amended.

8. CONCERNING THE ESCROW AGENT.

a. The Escrow Agent undertakes to perform only such duties as are expressly set forth herein and no implied duties or obligations shall be read into this Agreement against the Escrow Agent.

b. The Escrow Agent may act in reliance upon any writing or instrument or signature which it, in good faith, believes to be genuine, may assume the validity and accuracy of any statement or assertion contained in such a writing or instrument, and may assume that any person purporting to give any writing, notice, advice or instructions in connection with the provisions hereof has been duly authorized to do so. The Escrow Agent shall not be liable in any manner for the sufficiency or correctness as to form, manner, and execution, or validity of any instrument deposited in this escrow, nor as to the identity, authority, or right of any person executing the same; and its duties hereunder shall be limited to the safekeeping of such certificates, monies, instruments, or other document received by it as such escrow holder, and for the disposition of the same in accordance with the written instruments accepted by it in the escrow.

c. Pledgee and the Pledgor hereby agree, to defend and indemnify the Escrow Agent and hold it harmless from any and all claims, liabilities, losses, actions, suits, or proceedings at law or in equity, or any other expenses, fees, or charges of any character or nature which it may incur or with which it may be threatened by reason of its acting as Escrow Agent under this Agreement; and in connection therewith, to indemnify the Escrow Agent against any and all expenses, including attorneys' fees and costs of defending any action, suit, or proceeding or resisting any claim (and any costs incurred by the Escrow Agent pursuant to Sections 6.4 or 6.5 hereof). The Escrow Agent shall be vested with a lien on all property deposited hereunder, for indemnification of attorneys' fees and court costs regarding any suit, proceeding or otherwise, or any other expenses, fees, or charges of any character or nature, which may be incurred by the Escrow Agent by reason of disputes arising between the makers of this escrow as to the correct interpretation of this Agreement and instructions given to the Escrow Agent hereunder, or otherwise, with the right of the Escrow Agent, regardless of the instructions aforesaid, to hold said property until and unless said additional expenses, fees, and charges shall be fully paid. Any fees and costs charged by the Escrow Agent for serving hereunder shall be paid by the Pledgor.

d. If any of the parties shall be in disagreement about the interpretation of this Agreement, or about the rights and obligations, or the propriety of any action contemplated by the Escrow Agent hereunder, the Escrow Agent may, at its sole discretion deposit the Pledged Materials with the Clerk of the United States District Court of New Jersey, sitting in Newark, New Jersey, and, upon notifying all parties concerned of such action, all liability on the part of the Escrow Agent shall fully cease and terminate. The Escrow Agent shall be indemnified by the Pledgor, the Company and Pledgee for all costs, including reasonable attorneys' fees in connection with the aforesaid proceeding, and shall be fully protected in suspending all or a part of its activities under this Agreement until a final decision or other settlement in the proceeding is received.

e. The Escrow Agent may consult with counsel of its own choice (and the costs of such counsel shall be paid by the Pledgor and Pledgee) and shall have full and complete authorization and protection for any action taken or suffered by it hereunder in good faith and in accordance with the opinion of such counsel. The Escrow Agent shall not be liable for any mistakes of fact or error of judgment, or for any actions or omissions of any kind, unless caused by its willful misconduct or gross negligence.

f. The Escrow Agent may resign upon ten (10) days' written notice to the parties in this Agreement. If a successor Escrow Agent is not appointed within this ten (10) day period, the Escrow Agent may petition a court of competent jurisdiction to name a successor.

9. CONFLICT WAIVER. The Pledgor hereby acknowledges that the Escrow Agent is general counsel to the Pledgee, a partner in the general partner of the Pledgee, and counsel to the Pledgee in connection with the transactions contemplated and referred herein. The Pledgor agrees that in the event of any dispute arising in connection with this Agreement or otherwise in connection with any transaction or agreement contemplated and referred herein, the Escrow Agent shall be permitted to continue to represent the Pledgee and the Pledgor will not seek to disqualify such counsel and waives any objection Pledgor might have with respect to the Escrow Agent acting as the Escrow Agent pursuant to this Agreement.

10. NOTICES. Unless otherwise provided herein, all demands, notices, consents, service of process, requests and other communications hereunder shall be in writing and shall be delivered in person or by overnight courier service, or mailed by certified mail, return receipt requested, addressed:

If to the Company, to:
NetFabric Holdings, Inc.
67 Federal Road, Building A
Suite 300
Brookfield, CT 06804
Telephone: (203) 775-1178
Facsimile: (270) 626-8366
Attention: Jeff Robinson

With a copy to:
Kirkpatrick & Lockhart Nicholson Graham LLP
201 South Biscayne Boulevard, Suite 2000
Miami, Florida 33131
Attention: Clayton E. Parker, Esq.
Telephone: (305) 539-3300
Facsimile: (305) 328-7095

If to the Pledgee: Cornell Capital Partners LP
101 Hudson Street, Suite 3700
Jersey City, NJ 07302
Attention: Mark A. Angelo
Telephone: (201) 985-8300
Facsimile: (201) 985-8744

With copy to: Cornell Capital Partners, LP
101 Hudson Street, Suite 3700
Jersey City, NJ 07302
Attention: Troy J. Rillo, Esquire
Telephone: (201) 985-8300
Facsimile: (201) 985-1964

If to the Pledgor: Net Farbic/UCA
3 Stewart Court
Deville, NJ 07834
Attention: Jeff Robinson
Telephone: (973) 887-2785
Facsimile: (973) 384-9062

Any such notice shall be effective (a) when delivered, if delivered by hand delivery or overnight courier service, or (b) five (5) days after deposit in the United States mail, as applicable.

11. BINDING EFFECT. All of the covenants and obligations contained herein shall be binding upon and shall inure to the benefit of the respective parties, their successors and assigns.

12. GOVERNING LAW; VENUE; SERVICE OF PROCESS. The validity, interpretation and performance of this Agreement shall be determined in accordance with the laws of the State of New Jersey applicable to contracts made and to be performed wholly within that state except to the extent that Federal law applies. The parties hereto agree that any disputes, claims, disagreements, lawsuits, actions or controversies of any type or nature whatsoever that, directly or indirectly, arise from or relate to this Agreement, including, without limitation, claims relating to the inducement, construction, performance or termination of this Agreement, shall be brought in the state superior courts located in Hudson County, New Jersey or Federal district courts located in Newark, New Jersey, and the parties hereto agree not to challenge the selection of that venue in any such proceeding for any reason, including, without limitation, on the grounds that such venue is an inconvenient forum. The parties hereto specifically agree that service of process may be made, and such service of process shall be effective if made, pursuant to Section 8 hereto.

13. ENFORCEMENT COSTS. If any legal action or other proceeding is brought for the enforcement of this Agreement, or because of an alleged dispute, breach, default or misrepresentation in connection with any provisions of this Agreement, the successful or prevailing party or parties shall be entitled to

recover reasonable attorneys' fees, court costs and all expenses even if not taxable as court costs (including, without limitation, all such fees, costs and expenses incident to appeals), incurred in that action or proceeding, in addition to any other relief to which such party or parties may be entitled.

14. REMEDIES CUMULATIVE. No remedy herein conferred upon any party is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law, in equity, by statute, or otherwise. No single or partial exercise by any party of any right, power or remedy hereunder shall preclude any other or further exercise thereof.

15. COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute the same instrument.

16. NO PENALTIES. No provision of this Agreement is to be interpreted as a penalty upon any party to this Agreement.

17. JURY TRIAL. EACH OF THE PLEDGEE AND THE PLEDGOR HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES THE RIGHT WHICH IT MAY HAVE TO A TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION BASED HEREON, OR ARISING OUT OF, UNDER OR IN ANY WAY CONNECTED WITH THE DEALINGS BETWEEN PLEDGEE AND PLEDGOR, THIS PLEDGE AND ESCROW AGREEMENT OR ANY DOCUMENT EXECUTED IN CONNECTION HEREWITH, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN) OR ACTIONS OF ANY PARTY HERETO OR THERETO IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER IN CONTRACT, TORT, EQUITY OR OTHERWISE.

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IN WITNESS WHEREOF, the parties hereto have duly executed this Officer Pledge and Escrow Agreement as of the date first above written.

CORNELL CAPITAL PARTNERS, LP

By: Yorkville Advisors, LLC
Its: General Partner

By: /s/ Mark Angelo

Name: Mark Angelo
Title: Portfolio Manager

PLEDGOR

By: /s/ Jeff Robonson

Name: Jeff Robonson

NETFABRIC HOLDING, INC.

By: /s/ Jeff Robinson

Name: Jeff Robinson
Title: Chairman and Chief Executive Officer

ESCROW AGENT

By: /s/ David Gonzalez

Name: David Gonzalez, Esq.

FOR VALUE RECEIVED, the Pledgor hereby unconditionally and absolutely guarantees the Company's Obligations (as defined above). This Agreement is made with recourse.

BY:

NAME: JEFF ROBINSON

IRREVOCABLE TRANSFER AGENT INSTRUCTIONS

October 27, 2005

Securities Transfer Corporation
2591 Dallas Parkway
Frisco, Texas 75034

Attention: George Johnson

RE: NETFABRIC HOLDINGS, INC.

Ladies and Gentlemen:

Reference is made to that certain Securities Purchase Agreement (the "Securities Purchase Agreement") of even date herewith by and between NetFabric Holdings, Inc., a Delaware corporation (the "Company"), and the Buyer set forth on Schedule I attached thereto (the "Buyer") and that certain Officer Pledge and Escrow Agreement (the "Officer Pledge Agreement") of even date herewith among the Company, the Buyer, Jeff Robinson, and the Escrow Agent. Pursuant to the Securities Purchase Agreement, the Company shall sell to the Buyers, an the Buyer shall purchase from the Company, convertible debentures (collectively, the "Debentures") in the aggregate principal amount of One Million Six Hundred Fifty Thousand Dollars ($1,650,000), plus accrued interest, which are convertible into shares of the Company's common stock, par value $0.001 per share (the "Common Stock"), at the Buyers discretion. The Company has also issued to the Buyer a warrant to purchase up to 560,000 shares of Common Stock, at the Buyer discretion ("Warrant"). These instructions relate to the following stock or proposed stock issuances or transfers:

1. The Company has agreed to issue to the Buyers up to 16,500,000 shares of the Company's Common Stock upon conversion of the Debentures ("Conversion Shares") plus the shares of Common Stock to be issued to the Buyers upon conversion of accrued interest and liquidated damages into Common Stock (the "Interest Shares").

2. Jeff Robinson has prepared stock certificates representing 1,428,572 shares (the "Escrowed Shares") of the Common Stock, which has been delivered to the Escrow Agent pursuant to the Officer Pledge Agreement.

3. Up to 560,000 shares of Common Stock to be issued upon the exercise of the Warrant ("Warrant Shares").

This letter shall serve as our irrevocable authorization and direction to Securities Transfer Corporation (the "Transfer Agent") to do the following:

1. Conversion Shares.

   a. Instructions Applicable to Transfer Agent. With respect to the Conversion Shares and the Interest Shares, the Transfer Agent shall issue the Conversion Shares and the Interest Shares to the Buyers from time to time upon delivery to the Transfer Agent of a properly completed and duly executed Conversion Notice (the "Conversion Notice"), in the form attached hereto as Exhibit I, delivered on behalf of the Company to the Transfer Agent by the Escrow Agent. Upon receipt of a Conversion Notice, the Transfer Agent shall within three (3) Trading Days thereafter (i) issue and surrender to a common carrier for overnight delivery to the address as specified in the Conversion Notice, a certificate, registered in the name of the Buyers or their designees, for the number of shares of Common Stock to which the Buyers shall be entitled as set forth in the Conversion Notice or (ii) provided Transfer Agent are participating in The Depository Trust Company ("DTC") Fast Automated Securities Transfer Program, upon the request of the Buyers, credit such aggregate number of shares of Common Stock to which the Buyers shall be entitled to the Buyers' or their designees' balance account with DTC through its Deposit Withdrawal At Custodian ("DWAC") system provided the Buyers causes its bank or broker to initiate the DWAC transaction. For purposes hereof "Trading Day" shall mean any day on which the Nasdaq Market is open for customary trading.

   b. The Company hereby confirms to the Transfer Agent and the Buyers that certificates representing the Conversion Shares shall not bear any legend restricting transfer and should not be subject to any stop-transfer restrictions and shall otherwise be freely transferable on the books and records of the Company; provided that counsel to the Company delivers (i) the Notice of Effectiveness set forth in Exhibit II attached hereto and (ii) an opinion of counsel in the form set forth in Exhibit III attached hereto, and that if the Conversion Shares and the Interest Shares are not registered for sale under the Securities Act of 1933, as amended, then the certificates for the Conversion Shares and Interest Shares shall bear the following legend:

      "THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES HAVE BEEN ACQUIRED FOR INVESTMENT AND MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED IN THE ABSENCE OF AN EFFECTIVE

REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS, OR AN OPINION OF COUNSEL, IN A FORM REASONABLY ACCEPTABLE TO THE COMPANY, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR APPLICABLE STATE SECURITIES LAWS OR UNLESS SOLD PURSUANT TO RULE 144 UNDER SAID ACT."

c. In the event that counsel to the Company fails or refuses to render an opinion as required to issue the Conversion Shares in accordance with the preceding paragraph (either with or without restrictive legends, as applicable), then the Company irrevocably and expressly authorizes counsel to the Buyers to render such opinion. The Transfer Agent shall accept and be entitled to rely on such opinion for the purposes of issuing the Conversion Shares.

d. Instructions Applicable to Escrow Agent. Upon the Escrow Agent's receipt of a properly completed conversion notice substantially in the form attached as an exhibit to the Debentures, the Escrow Agent shall, within one (1) Trading Day thereafter, send to the Transfer Agent a Conversion Notice in the form attached hereto as Exhibit I, which shall constitute an irrevocable instruction to the Transfer Agent to process such Conversion Notice in accordance with the terms of these instructions.

2. Escrowed Shares.

a. With respect to the Escrowed Shares, upon an event of default as set forth in the Officer Pledge Agreement, the Escrow Agent shall send written notice to the Transfer Agent ("Escrow Notice") to transfer such number of Escrow Shares as set forth in the Escrow Notice to the Buyers. Upon receipt of an Escrow Notice, the Transfer Agent shall promptly transfer such number of Escrow Shares to the Buyers as shall be set forth in the Escrow Notice delivered to the Transfer Agent by the Escrow Agent. Further, the Transfer Agent shall promptly transfer such shares from the Buyers to any subsequent transferee promptly upon receipt of written notice from the Buyers or their counsel. If the Escrow Shares are not registered for sale under the Securities Act of 1933, as amended, then the certificates for the Escrow Shares shall bear the legend set forth in Section 1b.

b. In the event that counsel to the Company fails or refuses to render an opinion as may be required by the Transfer Agent to affect a transfer of the Escrow Shares (either with or without restrictive legends, as applicable), then the Company irrevocably and expressly authorizes counsel to the Buyers to render such opinion. The Transfer Agent shall accept and be entitles to rely on such opinion for the purpose of transferring the Escrow Shares.

3. Warrant Shares.

a. Instructions Applicable to Transfer Agent. With respect to the Warrant Shares, the Transfer Agent shall issue the Warrant Shares to the Buyer from time to time upon delivery to the Transfer Agent of a properly completed and duly executed notice of the Buyer's election to exercise the Warrant (the "Exercise Notice"), in the form attached hereto as Exhibit I, specifying the number of Warrant Shares to be issued, delivered on behalf of the Company to the Transfer Agent by the David Gonzalez, Esq., as escrow agent (the "Escrow Agent"). Upon receipt of an Exercise Notice, the Transfer Agent shall use its best efforts to within three (3) Trading Days thereafter (i) issue and surrender to a common carrier for overnight delivery to the address as specified in the Exercise Notice, a certificate, registered in the name of the Buyer or its designees, for the number of shares of Common Stock to which the Buyer shall be entitled as set forth in the Exercise Notice or (ii) provided Transfer Agent are participating in The Depository Trust Company ("DTC") Fast Automated Securities Transfer Program, upon the request of the Buyer, credit such aggregate number of shares of Common Stock to which the Buyer shall be entitled to the Buyer's or its designees' balance account with DTC through its Deposit Withdrawal At Custodian ("DWAC") system provided the Buyer causes its bank or broker to initiate the DWAC transaction. For purposes hereof "Trading DAY" shall mean any day on which the Nasdaq Market is open for customary trading.

The Company hereby confirms to the Transfer Agent and Cornell that certificates representing the Warrant Shares shall not bear any legend restricting transfer and should not be subject to any stop-transfer restrictions and shall otherwise be freely transferable on the books and records of the Company; provided that counsel to the Company delivers (i) the Notice of Effectiveness set forth in Exhibit II attached hereto and (ii) an opinion of counsel in the form set forth in Exhibit III attached hereto, and that if the Warrant Shares are not registered for sale under the Securities Act of 1933, as amended, then the certificates for the Warrant Shares shall bear the restrictive legend referenced above in Section 1b.

b. In the event that counsel to the Company fails or refuses to render an opinion as required to issue the Warrant Shares in accordance with the preceding paragraph (either with or without restrictive legends, as applicable), then the Company irrevocably and expressly authorizes counsel to the Buyer to render such opinion. The Transfer Agent shall accept and be entitled to rely on such opinion for the purposes of issuing the Warrant Shares.

c. Instructions Applicable to Escrow Agent. Upon the Escrow Agent's receipt of a properly completed exercise notice substantially in the form attached as an exhibit to the Warrant and the Aggregate Exercise Price (as defined in the Warrant), the Escrow Agent shall, within one (1) Trading Day thereafter, send to the Transfer Agent an Exercise Notice in the form attached hereto as Exhibit I, which shall constitute an irrevocable instruction to the Transfer Agent to process such Exercise Notice in accordance with the terms of these instructions.

4. All Shares.

a. The Transfer Agent shall reserve for issuance to the Buyer the Conversion Shares, the Escrowed Shares, and the Warrant Shares. All such shares shall remain in reserve with the Transfer Agent until the Buyers provides the Transfer Agent instructions that the shares or any part of them shall be taken out of reserve and shall no longer be subject to the terms of these instructions.

b. The Transfer Agent shall rely exclusively on the Conversion Notice, the Escrow Notice, or the Exercise Notice and shall have no liability for relying on such instructions. Any Conversion Notice, Escrow Notice, or Exercise Notice delivered hereunder shall constitute an irrevocable instruction to the Transfer Agent to process such notice or notices in accordance with the terms thereof. Such notice or notices may be transmitted to the Transfer Agent by facsimile or any commercially reasonable method.

c. The Company hereby confirms to the Transfer Agent and the Buyers that no instructions other than as contemplated herein will be given to Transfer Agent by the Company with respect to the matters referenced herein. The Company hereby authorizes the Transfer Agent, and the Transfer Agent shall be obligated, to disregard any contrary instructions received by or on behalf of the Company.

Certain Notice Regarding the Escrow Agent. The Company and the Transfer Agent hereby acknowledge that the Escrow Agent is general counsel to the Buyers, a partner of the general partner of the Buyers and counsel to the Buyers in connection with the transactions contemplated and referred herein. The Company and the Transfer Agent agree that in the event of any dispute arising in connection with this Agreement or otherwise in connection with any transaction or agreement contemplated and referred herein, the Escrow Agent shall be permitted to continue to represent the Buyers and neither the Company nor the Transfer Agent will seek to disqualify such counsel.

The Company hereby agrees that it shall not replace the Transfer Agent as the Company's transfer agent without the prior written consent of the Buyers.

The Transfer Agent may cease to provide any issuance or transfer agent services as contemplated by this agreement if the Company is not current in all its outstanding payment obligations for services provided by the Transfer Agent during the last thirty (30) day period, provided, however, that the Buyer may pay for the cost associated with any issuances, or transfers of stock contemplated by this agreement, and the Transfer Agent shall then continue to provide issuance and transfer agent services as stipulated by this agreement. The Transfer Agent shall provide ten days' advance written notice to the Buyer before any attempt by the Transfer Agent to cease to provide any issuance or transfer agent services as contemplated by this agreement shall become effective. Upon notice that the Transfer Agent is resigning, the Company shall have the obligation to retain a new transfer agent that will agree to be bound by the terms of this agreement.

The Company herby confirms that while any portion of the Debentures remain unpaid and unconverted the Company and the Transfer Agent shall not, without the prior consent of the Buyers, (i) issue any Common Stock or preferred stock with or without consideration, (ii) issue any Preferred Stock, warrant, option, right, contract, call, or other security or instrument granting the holder thereof the right to acquire Common Stock with or without consideration, (iii) issue any S-8 shares of the Company's Common Stock, except to register up to 9,000,000 shares of common stock issued pursuant to the Obligor's 2005 stock option plan. Notwithstanding the forgoing, the Company shall be entitled to issue or sell up to $5,000,000 of shares of Common Stock or Preferred Stock for a consideration per share of up to 20% below the closing Bid Price of the Common Stock determined immediately prior to its issuance, without first obtaining the prior written consent of the Buyers provided that the Company obtains lock up agreements from the purchasers in connection with such an issuance for a period of at least one year from the date of issuance of such stock.

The Company and the Transfer Agent hereby acknowledge and confirm that complying with the terms of this Agreement does not and shall not prohibit the Transfer Agent from satisfying any and all fiduciary responsibilities and duties it may owe to the Company.

The Company and the Transfer Agent acknowledge that the Buyers is relying on the representations and covenants made by the Company and the Transfer Agent hereunder and are a material inducement to the Buyers purchasing convertible debentures under the Securities Purchase Agreement. The Company and the Transfer Agent further acknowledge that without such representations and covenants of the Company and the Transfer Agent made hereunder, the Buyers would not purchase the Debentures.

Each party hereto specifically acknowledges and agrees that in the event of a breach or threatened breach by a party hereto of any provision hereof, the Buyers will be irreparably damaged and that damages at law would be an inadequate remedy if these Irrevocable Transfer Agent Instructions were not specifically enforced. Therefore, in the event of a breach or threatened breach by a party hereto, including, without limitation, the attempted termination of the agency relationship created by this instrument, the Buyers shall be entitled, in addition to all other rights or remedies, to an injunction restraining such breach, without being required to show any actual damage or to post any bond or other security, and/or to a decree for specific performance of the provisions of these Irrevocable Transfer Agent Instructions.

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IN WITNESS WHEREOF, the parties have caused this letter agreement regarding Irrevocable Transfer Agent Instructions to be duly executed and delivered as of the date first written above.

COMPANY:

NETFABRIC HOLDINGS, INC.

By: /s/ Jeff Robinson

Name: Jeff Robinson
Title: Chairman and Chief Executive Officer

/s/ David Gonzalez

David Gonzalez, Esq.

SECURITIES TRANSFER CORPORATION

By:_____
Name:_____
Title:_____

SCHEDULE I

SCHEDULE OF BUYERS

NAME	SIGNATURE	ADDRESS/FACSIMILE NUMBER OF BUYERS
Cornell Capital Partners, LP	By: Yorkville Advisors, LLC Its: General Partner By: /s/ Mark Angelo Name: Mark Angelo Its: Portfolio Manager	101 Hudson Street - Suite 3700 Jersey City, NJ 07303 Facsimile: (201) 985-8266

SCHEDULE I-1

EXHIBIT I

TO IRREVOCABLE TRANSFER AGENT INSTRUCTIONS

FORM OF CONVERSION NOTICE

Reference is made to the Securities Purchase Agreement (the "Securities Purchase Agreement") between NetFabric Holdings, Inc., (the "Company"), and the Buyers set forth on Schedule I attached thereto dated October 27, 2005. In accordance with and pursuant to the Securities Purchase Agreement, the undersigned hereby elects to convert convertible debentures into shares of common stock, par value $0.001 per share (the "Common Stock"), of the Company for the amount indicated below as of the date specified below.

Conversion Date: _____

Amount to be converted: $_____

Conversion Price: $_____

Shares of Common Stock Issuable: _____

Amount of Debenture unconverted: $_____

Amount of Interest Converted: $_____

Conversion Price of Interest: $_____

Shares of Common Stock Issuable: _____

Amount of Liquidated Damages: $_____

Conversion Price of Liquidated Damages: $_____

Shares of Common Stock Issuable: _____

Total Number of shares of Common Stock to be issued: _____

Please issue the shares of Common Stock in the following name and to the following address:

Issue to: _____

Authorized Signature: _____

Name: _____

Title: _____

Phone #: _____

Broker DTC Participant Code: _____

Account Number*: _____

* NOTE THAT RECEIVING BROKER MUST INITIATE TRANSACTION ON DWAC SYSTEM.

EXHIBIT II

TO IRREVOCABLE TRANSFER AGENT INSTRUCTIONS

FORM OF NOTICE OF EFFECTIVENESS
OF REGISTRATION STATEMENT

_____, 2005

Securities Transfer Corporation
2591 Dallas Parkway
Frisco, Texas 75034

Attention: George Johnson

RE: NETFABRIC HOLDINGS, INC.

Ladies and Gentlemen:

We are counsel to NetFabric Holdings, Inc., (the "Company"), and have represented the Company in connection with that certain Securities Purchase Agreement, dated as of October 27, 2005 (the "Securities Purchase Agreement"), entered into by and among the Company and the Buyers set forth on Schedule I attached thereto (collectively the "Buyers") pursuant to which the Company has agreed to sell to the Buyers up to One Million Six Hundred Fifty Thousand Dollars ($1,650,000) of secured convertible debentures, which shall be convertible into shares (the "Conversion Shares") of the Company's common stock, par value $0.001 per share (the "Common Stock"), in accordance with the terms of the Securities Purchase Agreement. Pursuant to the Securities Purchase Agreement, the Company also has entered into an Investor Registration Rights Agreement, dated as of October 27, 2005, with the Buyers (the "Investor Registration Rights Agreement") pursuant to which the Company agreed, among other things, to register the Conversion Shares under the Securities Act of 1933, as amended (the "1933 Act"). In connection with the Company's obligations under the Securities Purchase Agreement and the Registration Rights Agreement, on _____ ____, 2005, the Company filed a Registration Statement (File No. ___-_____) (the "Registration Statement") with the Securities and Exchange Commission (the "SEC") relating to the sale of the Conversion Shares.

In connection with the foregoing, we advise the Transfer Agent that a member of the SEC's staff has advised us by telephone that the SEC has entered an order declaring the Registration Statement effective under the 1933 Act at ____ P.M. on _____, 2005 and we have no knowledge, after telephonic inquiry of a member of the SEC's staff, that any stop order suspending its effectiveness has been issued or that any proceedings for that purpose are pending before, or threatened by, the SEC and the Conversion Shares are available for sale under the 1933 Act pursuant to the Registration Statement.

The Buyers has confirmed it shall comply with all securities laws and regulations applicable to it including applicable prospectus delivery requirements upon sale of the Conversion Shares.

Very truly yours,

By: ----------

EXHIBIT II-2

EXHIBIT III

TO IRREVOCABLE TRANSFER AGENT INSTRUCTIONS

FORM OF OPINION

_____ 2005

VIA FACSIMILE AND REGULAR MAIL

Securities Transfer Corporation
2591 Dallas Parkway
Frisco, Texas 75034

Attention: George Johnson

RE: NETFABRIC HOLDINGS, INC.

Ladies and Gentlemen:

We have acted as special counsel to NetFabric Holdings, Inc. (the "Company"), in connection with the registration of _____shares (the "Shares") of its common stock with the Securities and Exchange Commission (the "SEC"). We have not acted as your counsel. This opinion is given at the request and with the consent of the Company.

In rendering this opinion we have relied on the accuracy of the Company's Registration Statement on Form SB-2, as amended (the "Registration Statement"), filed by the Company with the SEC on _____ ___, 2005. The Company filed the Registration Statement on behalf of certain selling stockholders (the "Selling Stockholders"). This opinion relates solely to the Selling Shareholders listed on Exhibit "A" hereto and number of Shares set forth opposite such Selling Stockholders' names. The SEC declared the Registration Statement effective on _____ ___, 2005.

We understand that the Selling Stockholders acquired the Shares in a private offering exempt from registration under the Securities Act of 1933, as amended. Information regarding the Shares to be sold by the Selling Shareholders is contained under the heading "Selling Stockholders" in the Registration Statement, which information is incorporated herein by reference. This opinion does not relate to the issuance of the Shares to the Selling Stockholders. The opinions set forth herein relate solely to the sale or transfer by the Selling Stockholders pursuant to the Registration Statement under the Federal laws of the United States of America. We do not express any opinion concerning any law of any state or other jurisdiction.

In rendering this opinion we have relied upon the accuracy of the foregoing statements.

Based on the foregoing, it is our opinion that the Shares have been registered with the Securities and Exchange Commission under the Securities Act of 1933, as amended, and that Securities Transfer Corp. may remove the restrictive legends contained on the Shares. This opinion relates solely to the number of Shares set forth opposite the Selling Stockholders listed on Exhibit "A" hereto.

This opinion is furnished to Securities Transfer Corp. specifically in connection with the issuance of the Shares, and solely for your information and benefit. This letter may not be relied upon by Securities Transfer Corp. in any other connection, and it may not be relied upon by any other person or entity for any purpose without our prior written consent. This opinion may not be assigned, quoted or used without our prior written consent. The opinions set forth herein are rendered as of the date hereof and we will not supplement this opinion with respect to changes in the law or factual matters subsequent to the date hereof.

Very truly yours,

EXHIBIT III-2

EXHIBIT "A"

(LIST OF SELLING STOCKHOLDERS)

NAME:	NO. OF SHARES:

EXHIBIT A-1

NEITHER THIS DEBENTURE NOR THE SECURITIES INTO WHICH THIS DEBENTURE IS CONVERTIBLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS.

No. CCP-4 $1,658,160

NETFABRIC HOLDINGS, INC.

AMENDED AND RESTATED SECURED CONVERTIBLE DEBENTURE

DUE OCTOBER 27, 2008

This Amended and Restated Secured Convertible Debenture (the "Debenture") is issued by NETFABRIC HOLDINGS, INC., a Delaware corporation (the "Obligor"), to CORNELL CAPITAL PARTNERS, LP (the "Holder"), pursuant to that certain Securities Purchase Agreement (the "Securities Purchase Agreement") of even date herewith. The Company issued to the Holder (i) on July 1, 2005 a secured debenture in the amount of Four Hundred Thousand Dollars ($400,000) (the "July 2005 Debenture"), (ii) on September 1, 2005, a secured debenture in the amount of Fifty Thousand Dollars ($50,000) (the "September 2005 Debenture"), and (iii) on October 6, 2005, a secured debenture in the amount of Five Hundred Fifty Thousand Dollars ($550,000), of which $150,000 was funded on October 6, 2005 and $400,000 was funded on October 13, 2005 (the "October 2005 Debenture") (collectively referred to as the "Prior Debentures"). This Debenture is being re-issued to consolidate the Prior Debentures plus accrued and unpaid interest to the date hereof ($6,555,56 as and for interest on the July 2005 Debenture, $388.89 as and for interest on the September 2005 Debenture and $1,215.27 as and for interest on the October 2005 Debenture) and to reflect the additional funding in the amount of Six Hundred Fifty Thousand Dollars ($650,000), for the total principal of One Million Six Hundred Fifty Eight Thousand One Hundred Sixty Dollars ($1,658,160).

FOR VALUE RECEIVED, the Obligor hereby promises to pay to the Holder or its successors and assigns the principal sum of One Million Six Hundred Fifty Eight Thousand One Hundred Sixty Dollars ($1,658,160) together with accrued but unpaid interest on or before October 27, 2008 (the "Maturity Date") in accordance with the following terms:

Interest. Interest shall accrue on the outstanding principal balance hereof at an annual rate equal to five percent (5%). Interest shall be calculated on the basis of a 360-day year and the actual number of days elapsed, to the extent permitted by applicable law. Interest hereunder will be paid to

the Holder or its assignee (as defined in Section 4) in whose name this Debenture is registered on the records of the Obligor regarding registration and transfers of Debentures (the "Debenture Register").

Right of Redemption. The Obligor at its option shall have the right, with three (3) business days advance written notice (the "Redemption Notice"), to redeem a portion or all amounts outstanding under this Debenture prior to the Maturity Date. The Obligor shall pay an amount equal to the principal amount outstanding and accrued interest being redeemed, plus a redemption premium of fifteen percent (15%) ("Redemption Premium") of the amount redeemed (collectively referred to as the "Redemption Amount"). The Obligor shall deliver to the Holder the Redemption Amount on the third (3rd) business day after the Redemption Notice.

Notwithstanding the foregoing in the event that the Obligor has elected to redeem a portion of the outstanding principal amount and accrued interest under this Debenture the Holder shall still be entitled to effectuate Conversions as contemplated hereunder.

Security Agreements. This Debenture is secured an Amended and Restated Security Agreement between the Obligor and the Holder of even date herewith (the "Security Agreement"), an Officer Pledge and Escrow Agreement ("Officer Pledge Agreement") of even date herewith among the Obligor, the Holder, the Pledgor and the Escrow Agent and Amended and Restated Subsidiary Security Agreements between the Holder and NetFabric Corporation, and UCA Services, Inc., both wholly-owned subsidiaries of the Obligor (collectively, the Subsidiary Security Agreements).

Consent of Holder to Sell Capital Stock or Grant Security Interests. So long as any of the principal amount or interest on this Debenture remains unpaid and unconverted, the Obligor shall not, without the prior consent of the Holder, (i) issue or sell any common stock or preferred stock with or without consideration, (ii) issue or sell any preferred stock, warrant, option, right, contract, call, or other security or instrument granting the holder thereof the right to acquire common stock with or without consideration, (iii) enter into any security instrument granting the holder a security interest in any of the assets of the Obligor, or (iv) file any registration statements on Form S-8, except to register up to 9,000,000 shares of Common Stock issued pursuant to the Obligor's 2005 stock option plan. Notwithstanding the forgoing, the Obligor shall be entitled to issue or sell up to $5,000,000 of shares of common stock or preferred stock for a consideration per share of up to 20% below the closing bid

price of the Common Stock determined immediately prior to its issuance, without first obtaining the prior written consent of the Holder provided that the Company obtains lock up agreements from the purchasers in connection with such an issuance for a period of at least one year from the date of issuance of such stock.

This Debenture is subject to the following additional provisions:

Section 1. This Debenture is exchangeable for an equal aggregate principal amount of Debentures of different authorized denominations, as requested by the Holder surrendering the same. No service charge will be made for such registration of transfer or exchange.

Section 2. Events of Default.

(a) An "Event of Default", wherever used herein, means any one of the following events (whatever the reason and whether it shall be voluntary or involuntary or effected by operation of law or pursuant to any judgment, decree or order of any court, or any order, rule or regulation of any administrative or governmental body):

(i) Any default in the payment of the principal of, interest on or other charges in respect of this Debenture, free of any claim of subordination, as and when the same shall become due and payable (whether on a Conversion Date or the Maturity Date or by acceleration or otherwise) which is not cured within five (5) days of written notice of such default;

(ii) The Obligor shall fail to observe or perform any other covenant, agreement or warranty contained in, or otherwise commit any breach or default of any provision of this Debenture (except as may be covered by Section 2(a)(i) hereof) or any Transaction Document (as defined in Section 4) which is not cured within fifteen (15) days of written notice of such default;

(iii) The Obligor or any subsidiary of the Obligor shall commence, or there shall be commenced against the Obligor or any subsidiary of the Obligor under any applicable bankruptcy or insolvency laws as now or hereafter in effect or any successor thereto, or the Obligor or any subsidiary of the Obligor commences any other proceeding under any reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction whether now or hereafter in effect relating to the Obligor or any subsidiary of the Obligor or there is commenced against the Obligor or any subsidiary of the Obligor any such bankruptcy, insolvency or other proceeding which remains undismissed for a period of 61 days; or the Obligor or any subsidiary of the Obligor is adjudicated insolvent or bankrupt; or any order of relief or other order approving any such case or proceeding is entered; or the Obligor or any subsidiary of the Obligor suffers any appointment of any custodian, private or court appointed receiver or the like for it or any substantial part of its property which continues undischarged or unstayed for a period of sixty one (61) days; or the Obligor or any subsidiary of the Obligor makes a general assignment for the benefit of creditors; or the Obligor or any subsidiary of the Obligor shall fail to pay, or shall state that it is unable to pay, or shall be unable to pay, its debts generally as they become due; or the Obligor or any subsidiary of the Obligor shall call a meeting of its creditors with a view to arranging a composition, adjustment or restructuring of its debts; or the Obligor or any subsidiary of the Obligor shall by any act or failure to act expressly indicate its consent to, approval of or acquiescence in any of the foregoing; or any corporate or other action is taken by the Obligor or any subsidiary of the Obligor for the purpose of effecting any of the foregoing;

(iv) The Obligor or any subsidiary of the Obligor shall default in any of its obligations under any other debenture or any mortgage, credit agreement or other facility, indenture agreement, factoring agreement or other instrument under which there may be issued, or by which there may be secured or evidenced any indebtedness for borrowed money or money due under any long term leasing or factoring arrangement of the Obligor or any subsidiary of the Obligor in an amount exceeding $100,000, whether such indebtedness now exists or shall hereafter be created and such default shall result in such indebtedness becoming or being declared due and payable prior to the date on which it would otherwise become due and payable;

(v) The Common Stock shall cease to be quoted for trading or listed for trading on either the Nasdaq OTC Bulletin Board ("OTC"), Nasdaq SmallCap Market, New York Stock Exchange, American Stock Exchange or the Nasdaq National Market (each, a "Subsequent Market") and shall not again be quoted or listed for trading thereon within five (5) Trading Days of such delisting;

(vi) The Obligor or any subsidiary of the Obligor shall be a party to any Change of Control Transaction (as defined in Section 4);

(vii) The Obligor shall fail to file the Underlying Shares Registration Statement (as defined in Section 4) with the Commission (as defined in Section 4), or the Underlying Shares Registration Statement shall not have been declared effective by the Commission, in each case within the time periods set forth in the Registration Rights Agreement of even date herewith between the Obligor and the Holder;

(viii) If the effectiveness of the Underlying Shares Registration Statement lapses for any reason or the Holder shall not be permitted to resell the shares of Common Stock underlying this Debenture under the Underlying Shares Registration Statement, in either case, for more than five (5) consecutive Trading Days or an aggregate of eight Trading Days (which need not be consecutive Trading Days);

(ix) The Obligor shall fail for any reason to deliver Common Stock certificates to a Holder prior to the fifth (5th) Trading Day after a Conversion Date or the Obligor shall provide notice to the Holder, including by way of public announcement, at any time, of its intention not to comply with requests for conversions of this Debenture in accordance with the terms hereof;

(x) The Obligor shall fail for any reason to deliver the payment in cash pursuant to a Buy-In (as defined herein) within fifteen (15) days after notice is claimed delivered hereunder;

(b) During the time that any portion of this Debenture is outstanding, if any Event of Default has occurred, the full principal amount of this Debenture, together with interest and other amounts owing in respect thereof, to the date of acceleration shall become at the Holder's election, immediately due and payable in cash, provided however, the Holder may request (but shall have no obligation to request) payment of such amounts in Common Stock of the Obligor. If an Event of Default occurs and remains uncured, the Conversion Price shall be reduced to Ten Cents ($0.10). In addition to any other remedies, the Holder shall have the right (but not the obligation) to convert this Debenture at any time after (x) an Event of Default or (y) the Maturity Date at the Conversion Price then in-effect. The Holder need not provide and the Obligor hereby waives any presentment, demand, protest or other notice of any kind, and the Holder may immediately and without expiration of any grace period enforce any and all of its rights and remedies hereunder and all other remedies available to it under applicable law. Such declaration may be rescinded and annulled by Holder at any

time prior to payment hereunder. No such rescission or annulment shall affect any subsequent Event of Default or impair any right consequent thereon. Upon an Event of Default, notwithstanding any other provision of this Debenture or any Transaction Document, the Holder shall have no obligation to comply with or adhere to any limitations, if any, on the conversion of this Debenture or the sale of the Underlying Shares.

Section 3. Conversion.

(a) (i) Conversion at Option of Holder.

(A) This Debenture shall be convertible into shares of Common Stock at the option of the Holder, in whole or in part at any time and from time to time, after the Original Issue Date (as defined in Section 4) (subject to the limitations on conversion set forth in Section 3(a)(ii) hereof). The number of shares of Common Stock issuable upon a conversion hereunder equals the quotient obtained by dividing (x) the outstanding amount of this Debenture to be converted by (y) the Conversion Price (as defined in Section 3(c)(i)). The Obligor shall deliver Common Stock certificates to the Holder prior to the Fifth (5th) Trading Day after a Conversion Date.

(B) Notwithstanding anything to the contrary contained herein, if on any Conversion Date: (1) the number of shares of Common Stock at the time authorized, unissued and unreserved for all purposes, or held as treasury stock, is insufficient to pay principal and interest hereunder in shares of Common Stock; (2) the Common Stock is not listed or quoted for trading on the OTC or on a Subsequent Market; (3) the Obligor has failed to timely satisfy its conversion; or (4) the issuance of such shares of Common Stock would result in a violation of Section 3(a)(ii), then, at the option of the Holder, the Obligor, in lieu of delivering shares of Common Stock pursuant to Section 3(a)(i)(A), shall deliver, within three (3) Trading Days of each applicable Conversion Date, an amount in cash equal to the product of the outstanding principal amount to be converted plus any interest due therein divided by the Conversion Price and multiplied by the highest closing price of the stock from date of the conversion notice till the date that such cash payment is made.

Further, if the Obligor shall not have delivered any cash due in respect of conversion of this Debenture or as payment of interest thereon by the fifth (5th) Trading Day after the Conversion Date, the Holder may, by notice to the Obligor, require the Obligor to issue shares of Common Stock pursuant to Section 3(c), except that for such purpose the Conversion Price applicable thereto shall be the lesser of the Conversion Price on the Conversion Date and the Conversion Price on the date of such Holder demand. Any such shares will be subject to the provisions of this Section.

(C) The Holder shall effect conversions by delivering to the Obligor a completed notice in the form attached hereto as Exhibit A (a "Conversion Notice"). The date on which a Conversion Notice is delivered is the "Conversion Date." Unless the Holder is converting the entire principal amount outstanding under this Debenture, the Holder is not required to physically surrender this Debenture to the Obligor in order to effect conversions. Conversions hereunder shall have the effect of lowering the outstanding principal amount of this Debenture plus all accrued and unpaid interest thereon in an amount equal to the applicable conversion. The Holder and the Obligor shall maintain records showing the principal amount converted and the date of such conversions. In the event of any dispute or discrepancy, the records of the Holder shall be controlling and determinative in the absence of manifest error.

(ii) Certain Conversion Restrictions.

(A) A Holder may not convert this Debenture or receive shares of Common Stock as payment of interest hereunder to the extent such conversion or receipt of such interest payment would result in the Holder, together with any affiliate thereof, beneficially owning (as determined in accordance with Section 13(d) of the Exchange Act and the rules promulgated thereunder) in excess of 4.9% of the then issued and outstanding shares of Common Stock, including shares issuable upon conversion of, and payment of interest on, this Debenture held by such Holder after application of this Section. Since the Holder will not be obligated to report to the Obligor the number of shares of Common Stock it may hold at the time of a conversion hereunder, unless the conversion at issue would result in the issuance of shares of Common Stock in excess of 4.9% of the then outstanding shares of Common Stock without regard to any other shares which may be beneficially owned by the Holder or an affiliate thereof, the Holder shall have the authority and obligation to determine whether the restriction contained in this Section will limit any particular conversion hereunder and to the extent that the Holder determines that the limitation contained in this Section applies, the determination of which portion of the principal amount of this Debenture is convertible shall be the responsibility and obligation of the Holder. If the Holder has delivered a Conversion Notice for a principal amount of this Debenture that, without regard to any other shares that the Holder or its affiliates may beneficially own, would result in the issuance in excess of the permitted amount hereunder, the Obligor shall notify the Holder of this fact and shall honor the conversion for the maximum principal amount permitted to be converted on such Conversion Date in accordance with the periods described in Section 3(a)(i)(A) and, at the option of the Holder, either retain any principal amount tendered for conversion in excess of the permitted amount hereunder for future conversions or return such excess principal amount to the Holder. The provisions of this Section may be waived by a Holder (but only as to itself and not to any other Holder) upon not less than 65 days prior notice to the Obligor. Other Holders shall be unaffected by any such waiver.

(b) (i) Nothing herein shall limit a Holder's right to pursue actual damages or declare an Event of Default pursuant to Section 2 herein for the Obligor 's failure to deliver certificates representing shares of Common Stock upon conversion within the period specified herein and such Holder shall have the right to pursue all remedies available to it at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief, in each case without the need to post a bond or provide other security. The exercise of any such rights shall not prohibit the Holder from seeking to enforce damages pursuant to any other Section hereof or under applicable law.

(ii) In addition to any other rights available to the Holder, if the Obligor fails to deliver to the Holder such certificate or certificates pursuant to Section 3(a)(i)(A) by the fifth (5th) Trading Day after the Conversion Date, and if after such fifth (5th) Trading Day the Holder purchases (in an open market transaction or otherwise) Common Stock to deliver in satisfaction of a sale by such Holder of the Underlying Shares which the Holder anticipated receiving upon such conversion (a "Buy-In"), then the Obligor shall (A) pay in

cash to the Holder (in addition to any remedies available to or elected by the Holder) the amount by which (x) the Holder's total purchase price (including brokerage commissions, if any) for the Common Stock so purchased exceeds (y) the product of (1) the aggregate number of shares of Common Stock that such Holder anticipated receiving from the conversion at issue multiplied by (2) the market price of the Common Stock at the time of the sale giving rise to such purchase obligation and (B) at the option of the Holder, either reissue a Debenture in the principal amount equal to the principal amount of the attempted conversion or deliver to the Holder the number of shares of Common Stock that would have been issued had the Obligor timely complied with its delivery requirements under Section 3(a)(i)(A). For example, if the Holder purchases Common Stock having a total purchase price of $11,000 to cover a Buy-In with respect to an attempted conversion of Debentures with respect to which the market price of the Underlying Shares on the date of conversion was a total of $10,000 under clause (A) of the immediately preceding sentence, the Obligor shall be required to pay the Holder $1,000. The Holder shall provide the Obligor written notice indicating the amounts payable to the Holder in respect of the Buy-In.

(c) (i) The Holder is entitled, at its option, to convert, and sell on the same day, at any time, until payment in full of this Debenture, all or any part of the principal amount of the Debenture, plus accrued interest, into shares of the Company's common stock, par value $0.001 per share, at the price per share equal to the lesser of (a) an amount equal to One Dollar ($1.00) (the "Fixed Price") or (b) an amount equal to ninety five percent (95%) of the lowest Closing Bid Price of the Common Stock for the thirty (30) trading days immediately preceding the Conversion Date (the "Closing Bid Conversion Price") which may be adjusted pursuant to the other terms of this Debenture. Subparagraphs (a) and (b) above are individually referred to as a "Conversion Price." Notwithstanding the foregoing, the Holder shall limit conversion of this Debenture to $250,000 per calendar month for so long as no Event of Default has occurred hereunder only if the Holder coverts pursuant to the Closing Bid Conversion Price under this Section. Such limitation on conversion shall not apply if the Holder coverts pursuant to the Fixed Price.

(ii) If the Obligor, at any time while this Debenture is outstanding, shall (a) pay a stock dividend or otherwise make a distribution or distributions on shares of its Common Stock or any other equity or equity equivalent securities payable in shares of Common Stock, (b) subdivide outstanding shares of Common Stock into a larger number of shares, (c) combine (including by way of reverse stock split) outstanding shares of Common Stock into a smaller number of shares, or (d) issue by reclassification of shares of the Common Stock any shares of capital stock of the Obligor, then the Fixed Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding before such event and of which the denominator shall be the number of shares of Common Stock outstanding after such event. Any adjustment made pursuant to this Section shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

(iii) If the Obligor, at any time while this Debenture is outstanding, shall issue rights, options or warrants to all holders of Common Stock (and not to the Holder) entitling them to subscribe for or purchase shares of Common Stock at a price per share less than the Fixed Price, then the Fixed Price shall be multiplied by a fraction, of which the denominator shall be the number of shares of the Common Stock (excluding treasury shares, if any) outstanding on the date of issuance of such rights or warrants (plus the number

of additional shares of Common Stock offered for subscription or purchase), and of which the numerator shall be the number of shares of the Common Stock (excluding treasury shares, if any) outstanding on the date of issuance of such rights or warrants, plus the number of shares which the aggregate offering price of the total number of shares so offered would purchase at the Fixed Price. Such adjustment shall be made whenever such rights or warrants are issued, and shall become effective immediately after the record date for the determination of stockholders entitled to receive such rights, options or warrants. However, upon the expiration of any such right, option or warrant to purchase shares of the Common Stock the issuance of which resulted in an adjustment in the Fixed Price pursuant to this Section, if any such right, option or warrant shall expire and shall not have been exercised, the Fixed Price shall immediately upon such expiration be recomputed and effective immediately upon such expiration be increased to the price which it would have been (but reflecting any other adjustments in the Fixed Price made pursuant to the provisions of this Section after the issuance of such rights or warrants) had the adjustment of the Fixed Price made upon the issuance of such rights, options or warrants been made on the basis of offering for subscription or purchase only that number of shares of the Common Stock actually purchased upon the exercise of such rights, options or warrants actually exercised.

(iv) If the Obligor or any subsidiary thereof, as applicable, at any time while this Debenture is outstanding, shall issue shares of Common Stock or rights, warrants, options or other securities or debt that are convertible into or exchangeable for shares of Common Stock ("Common Stock Equivalents") entitling any Person to acquire shares of Common Stock, at a price per share less than the Fixed Price (if the holder of the Common Stock or Common Stock Equivalent so issued shall at any time, whether by operation of purchase price adjustments, reset provisions, floating conversion, exercise or exchange prices or otherwise, or due to warrants, options or rights per share which is issued in connection with such issuance, be entitled to receive shares of Common Stock at a price per share which is less than the Fixed Price, such issuance shall be deemed to have occurred for less than the Fixed Price), then, at the sole option of the Holder, the Fixed Price shall be adjusted to mirror the conversion, exchange or purchase price for such Common Stock or Common Stock Equivalents (including any reset provisions thereof) at issue. Such adjustment shall be made whenever such Common Stock or Common Stock Equivalents are issued. The Obligor shall notify the Holder in writing, no later than one (1) business day following the issuance of any Common Stock or Common Stock Equivalent subject to this Section, indicating therein the applicable issuance price, or of applicable reset price, exchange price, conversion price and other pricing terms. No adjustment under this Section shall be made as a result of issuances and exercises of options to purchase shares of Common Stock issued for compensatory purposes pursuant to any of the Obligor's stock option or stock purchase plans.

(v) If the Obligor, at any time while this Debenture is outstanding, shall distribute to all holders of Common Stock (and not to the Holder) evidences of its indebtedness or assets or rights or warrants to subscribe for or purchase any security, then in each such case the Fixed Price at which this Debenture shall thereafter be convertible shall be determined by multiplying the Fixed Price in effect immediately prior to the record date fixed for determination of stockholders entitled to receive such distribution by a fraction of which the denominator shall be the Closing Bid Price determined as

of the record date mentioned above, and of which the numerator shall be such Closing Bid Price on such record date less the then fair market value at such record date of the portion of such assets or evidence of indebtedness so distributed applicable to one outstanding share of the Common Stock as determined by the Board of Directors in good faith. In either case the adjustments shall be described in a statement provided to the Holder of the portion of assets or evidences of indebtedness so distributed or such subscription rights applicable to one share of Common Stock. Such adjustment shall be made whenever any such distribution is made and shall become effective immediately after the record date mentioned above.

(vi) In case of any reclassification of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is converted into other securities, cash or property, the Holder shall have the right thereafter to, at its option, (A) convert the then outstanding principal amount, together with all accrued but unpaid interest and any other amounts then owing hereunder in respect of this Debenture into the shares of stock and other securities, cash and property receivable upon or deemed to be held by holders of the Common Stock following such reclassification or share exchange, and the Holder of this Debenture shall be entitled upon such event to receive such amount of securities, cash or property as the shares of the Common Stock of the Obligor into which the then outstanding principal amount, together with all accrued but unpaid interest and any other amounts then owing hereunder in respect of this Debenture could have been converted immediately prior to such reclassification or share exchange would have been entitled, or (B) require the Obligor to prepay the outstanding principal amount of this Debenture, plus all interest and other amounts due and payable thereon. The entire prepayment price shall be paid in cash. This provision shall similarly apply to successive reclassifications or share exchanges.

(vii) The Obligor shall maintain a share reserve of not less than one hundred percent (100%) of the shares of Common Stock issuable upon conversion of this Debenture; and within three (3) Business Days following the receipt by the Obligor of a Holder's notice that such minimum number of Underlying Shares is not so reserved, the Obligor shall promptly reserve a sufficient number of shares of Common Stock to comply with such requirement.

(viii) All calculations under this Section 3 shall be rounded up to the nearest $0.001 of a share.

(ix) Whenever the Fixed Price is adjusted pursuant to Section 3 hereof, the Obligor shall promptly mail to the Holder a notice setting forth the Fixed Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment.

(x) If (A) the Obligor shall declare a dividend (or any other distribution) on the Common Stock; (B) the Obligor shall declare a special nonrecurring cash dividend on or a redemption of the Common Stock; (C) the Obligor shall authorize the granting to all holders of the Common Stock rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights; (D) the approval of any stockholders of the Obligor shall be required in connection with any reclassification of the Common Stock, any consolidation or merger to which the Obligor is a party, any sale or transfer of all or substantially all of the assets of the Obligor, of any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property; or (E) the Obligor shall authorize the voluntary

or involuntary dissolution, liquidation or winding up of the affairs of the Obligor; then, in each case, the Obligor shall cause to be filed at each office or agency maintained for the purpose of conversion of this Debenture, and shall cause to be mailed to the Holder at its last address as it shall appear upon the stock books of the Obligor, at least twenty (20) calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of the Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange, provided, that the failure to mail such notice or any defect therein or in the mailing thereof shall not affect the validity of the corporate action required to be specified in such notice. The Holder is entitled to convert this Debenture during the 20-day calendar period commencing the date of such notice to the effective date of the event triggering such notice.

(xi) In case of any (1) merger or consolidation of the Obligor or any subsidiary of the Obligor with or into another Person, or (2) sale by the Obligor or any subsidiary of the Obligor of more than one-half of the assets of the Obligor in one or a series of related transactions, a Holder shall have the right to (A) exercise any rights under Section 2(b), (B) convert the aggregate amount of this Debenture then outstanding into the shares of stock and other securities, cash and property receivable upon or deemed to be held by holders of Common Stock following such merger, consolidation or sale, and such Holder shall be entitled upon such event or series of related events to receive such amount of securities, cash and property as the shares of Common Stock into which such aggregate principal amount of this Debenture could have been converted immediately prior to such merger, consolidation or sales would have been entitled, or (C) in the case of a merger or consolidation, require the surviving entity to issue to the Holder a convertible Debenture with a principal amount equal to the aggregate principal amount of this Debenture then held by such Holder, plus all accrued and unpaid interest and other amounts owing thereon, which such newly issued convertible Debenture shall have terms identical (including with respect to conversion) to the terms of this Debenture, and shall be entitled to all of the rights and privileges of the Holder of this Debenture set forth herein and the agreements pursuant to which this Debentures were issued. In the case of clause (C), the conversion price applicable for the newly issued shares of convertible preferred stock or convertible Debentures shall be based upon the amount of securities, cash and property that each share of Common Stock would receive in such transaction and the Conversion Price in effect immediately prior to the effectiveness or closing date for such transaction. The terms of any such merger, sale or consolidation shall include such terms so as to continue to give the Holder the right to receive the securities, cash and property set forth in this Section upon any conversion or redemption following such event. This provision shall similarly apply to successive such events.

(d) The Obligor covenants that it will at all times reserve and keep available out of its authorized and unissued shares of Common Stock solely for the purpose of issuance upon conversion of this Debenture and payment of interest on this Debenture, each as herein provided, free from preemptive rights or any other actual contingent purchase rights of persons other than the Holder,

not less than such number of shares of the Common Stock as shall (subject to any additional requirements of the Obligor as to reservation of such shares set forth in this Debenture) be issuable (taking into account the adjustments and restrictions of Sections 2(b) and 3(c)) upon the conversion of the outstanding principal amount of this Debenture and payment of interest hereunder. The Obligor covenants that all shares of Common Stock that shall be so issuable shall, upon issue, be duly and validly authorized, issued and fully paid, nonassessable and, if the Underlying Shares Registration Statement has been declared effective under the Securities Act, registered for public sale in accordance with such Underlying Shares Registration Statement.

(e) Upon a conversion hereunder the Obligor shall not be required to issue stock certificates representing fractions of shares of the Common Stock, but may if otherwise permitted, make a cash payment in respect of any final fraction of a share based on the Closing Bid Price at such time. If the Obligor elects not, or is unable, to make such a cash payment, the Holder shall be entitled to receive, in lieu of the final fraction of a share, one whole share of Common Stock.

(f) The issuance of certificates for shares of the Common Stock on conversion of this Debenture shall be made without charge to the Holder thereof for any documentary stamp or similar taxes that may be payable in respect of the issue or delivery of such certificate, provided that the Obligor shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any such certificate upon conversion in a name other than that of the Holder of such Debenture so converted and the Obligor shall not be required to issue or deliver such certificates unless or until the person or persons requesting the issuance thereof shall have paid to the Obligor the amount of such tax or shall have established to the satisfaction of the Obligor that such tax has been paid.

(g) Any notices, consents, waivers or other communications required or permitted to be given under the terms hereof must be in writing and will be deemed to have been delivered: (i) upon receipt, when delivered personally; (ii) upon receipt, when sent by facsimile (provided confirmation of transmission is mechanically or electronically generated and kept on file by the sending party); or (iii) one (1) trading day after deposit with a nationally recognized overnight delivery service, in each case properly addressed to the party to receive the same. The addresses and facsimile numbers for such communications shall be:

If to the Company, to:
NetFabric Holdings, Inc.
67 Federal Road, Building A
Suite 300
Brookfield, CT 06804
Telephone: (203) 775-1178
Facsimile: (270) 626-8366

With a copy to:
Kirkpatrick & Lockhart Nicholson Graham LLP
201 South Biscayne Boulevard, Suite 2000
Miami, Florida 33131
Attention: Clayton E. Parker, Esq.
Telephone: (305) 539-3306
Facsimile: (305) 328-7095

If to the Holder: Cornell Capital Partners, LP
101 Hudson Street, Suite 3700
Jersey City, NJ 07303
Attention: Mark Angelo
Telephone: (201) 985-8300

With a copy to: Troy Rillo, Esq.
101 Hudson Street - Suite 3700
Jersey City, NJ 07302
Telephone: (201) 985-8300
Facsimile: (201) 985-8266

or at such other address and/or facsimile number and/or to the attention of such other person as the recipient party has specified by written notice given to each other party three (3) business days prior to the effectiveness of such change. Written confirmation of receipt (i) given by the recipient of such notice, consent, waiver or other communication, (ii) mechanically or electronically generated by the sender's facsimile machine containing the time, date, recipient facsimile number and an image of the first page of such transmission or (iii) provided by a nationally recognized overnight delivery service, shall be rebuttable evidence of personal service, receipt by facsimile or receipt from a nationally recognized overnight delivery service in accordance with clause (i), (ii) or (iii) above, respectively.

Section 4. Definitions. For the purposes hereof, the following terms shall have the following meanings:

"Business Day" means any day except Saturday, Sunday and any day which shall be a federal legal holiday in the United States or a day on which banking institutions are authorized or required by law or other government action to close.

"Change of Control Transaction" means the occurrence of (a) an acquisition after the date hereof by an individual or legal entity or "group" (as described in Rule 13d-5(b)(1) promulgated under the Exchange Act) of effective control (whether through legal or beneficial ownership of capital stock of the Obligor, by contract or otherwise) of in excess of fifty percent (50%) of the voting securities of the Obligor (except that the acquisition of voting securities by the Holder shall not constitute a Change of Control Transaction for purposes hereof), (b) a replacement at one time or over time of more than one-half of the members of the board of directors of the Obligor which is not approved by a majority of those individuals who are members of the board of directors on the date hereof (or by those individuals who are serving as members of the board of directors on any date whose nomination to the board of directors was approved by

a majority of the members of the board of directors who are members on the date hereof), (c) the merger, consolidation or sale of fifty percent (50%) or more of the assets of the Obligor or any subsidiary of the Obligor in one or a series of related transactions with or into another entity, or (d) the execution by the Obligor of an agreement to which the Obligor is a party or by which it is bound, providing for any of the events set forth above in (a), (b) or (c).

"Commission" means the Securities and Exchange Commission.

"Common Stock" means the common stock, par value $0.001, of the Obligor and stock of any other class into which such shares may hereafter be changed or reclassified.

"Conversion Date" shall mean the date upon which the Holder gives the Obligor notice of their intention to effectuate a conversion of this Debenture into shares of the Company's Common Stock as outlined herein.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Original Issue Date" shall mean the date of the first issuance of this Debenture regardless of the number of transfers and regardless of the number of instruments, which may be issued to evidence such Debenture.

"Closing Bid Price" means the price per share in the last reported trade of the Common Stock on the OTC or on the exchange which the Common Stock is then listed as quoted by Bloomberg, LP.

"Person" means a corporation, an association, a partnership, organization, a business, an individual, a government or political subdivision thereof or a governmental agency.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Trading Day" means a day on which the shares of Common Stock are quoted on the OTC or quoted or traded on such Subsequent Market on which the shares of Common Stock are then quoted or listed; provided, that in the event that the shares of Common Stock are not listed or quoted, then Trading Day shall mean a Business Day.

"Transaction Documents" means the Securities Purchase Agreement or any other agreement delivered in connection with the Securities Purchase Agreement, including, without limitation, the Officer's Pledge Agreement, the Amended and Restated Security Agreement, the Amended and Restated Subsidiary Security Agreements, the Investor Registration Rights Agreement, the Escrow Agreement, the Irrevocable Transfer Agent Instructions and the Warrant.

"Underlying Shares" means the shares of Common Stock issuable upon conversion of this Debenture or as payment of interest in accordance with the terms hereof.

"Underlying Shares Registration Statement" means a registration statement meeting the requirements set forth in the Registration Rights Agreement, covering among other things the resale of the Underlying Shares and naming the Holder as a "selling stockholder" thereunder.

Section 5. Except as expressly provided herein, no provision of this Debenture shall alter or impair the obligations of the Obligor, which are absolute and unconditional, to pay the principal of, interest and other charges (if any) on, this Debenture at the time, place, and rate, and in the coin or currency, herein prescribed. This Debenture is a direct obligation of the Obligor. This Debenture ranks pari passu with all other Debentures now or hereafter issued under the terms set forth herein. As long as this Debenture is outstanding, the Obligor shall not and shall cause their subsidiaries not to, without the consent of the Holder, (i) amend its certificate of incorporation, bylaws or other charter documents so as to adversely affect any rights of the Holder; (ii) repay, repurchase or offer to repay, repurchase or otherwise acquire shares of its Common Stock or other equity securities other than as to the Underlying Shares to the extent permitted or required under the Transaction Documents; or (iii) enter into any agreement with respect to any of the foregoing.

Section 6. This Debenture shall not entitle the Holder to any of the rights of a stockholder of the Obligor, including without limitation, the right to vote, to receive dividends and other distributions, or to receive any notice of, or to attend, meetings of stockholders or any other proceedings of the Obligor, unless and to the extent converted into shares of Common Stock in accordance with the terms hereof.

Section 7. If this Debenture is mutilated, lost, stolen or destroyed, the Obligor shall execute and deliver, in exchange and substitution for and upon cancellation of the mutilated Debenture, or in lieu of or in substitution for a lost, stolen or destroyed Debenture, a new Debenture for the principal amount of this Debenture so mutilated, lost, stolen or destroyed but only upon receipt of evidence of such loss, theft or destruction of such Debenture, and of the ownership hereof, and indemnity, if requested, all reasonably satisfactory to the Obligor.

Section 8. No indebtedness of the Obligor is senior to this Debenture in right of payment, whether with respect to interest, damages or upon liquidation or dissolution or otherwise. Without the Holder's consent, the Obligor will not and will not permit any of their subsidiaries to, directly or indirectly, enter into, create, incur, assume or suffer to exist any indebtedness of any kind, on or with respect to any of its property or assets now owned or hereafter acquired or any interest therein or any income or profits there from that is senior in any respect to the obligations of the Obligor under this Debenture.

Section 9. This Debenture shall be governed by and construed in accordance with the laws of the State of New Jersey, without giving effect to conflicts of laws thereof. Each of the parties consents to the jurisdiction of the Superior Courts of the State of New Jersey sitting in Hudson County, New Jersey and the U.S. District Court for the District of New Jersey sitting in Newark, New Jersey in connection with any dispute arising under this Debenture and hereby waives, to the maximum extent permitted by law, any objection, including any objection based on forum non conveniens to the bringing of any such proceeding in such jurisdictions.

Section 10. If the Obligor fails to strictly comply with the terms of this Debenture, then the Obligor shall reimburse the Holder promptly for all fees, costs and expenses, including, without limitation, attorneys' fees and expenses incurred by the Holder in any action in connection with this Debenture, including, without limitation, those incurred: (i) during any workout, attempted workout, and/or in connection with the rendering of legal advice as to the Holder's rights, remedies and obligations, (ii) collecting any sums which become due to the Holder, (iii) defending or prosecuting any proceeding or any counterclaim to any proceeding or appeal; or (iv) the protection, preservation or enforcement of any rights or remedies of the Holder.

Section 11. Any waiver by the Holder of a breach of any provision of this Debenture shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Debenture. The failure of the Holder to insist upon strict adherence to any term of this Debenture on one or more occasions shall not be considered a waiver or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Debenture. Any waiver must be in writing.

Section 12. If any provision of this Debenture is invalid, illegal or unenforceable, the balance of this Debenture shall remain in effect, and if any provision is inapplicable to any person or circumstance, it shall nevertheless remain applicable to all other persons and circumstances. If it shall be found that any interest or other amount deemed interest due hereunder shall violate applicable laws governing usury, the applicable rate of interest due hereunder shall automatically be lowered to equal the maximum permitted rate of interest. The Obligor covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law or other law which would prohibit or forgive the Obligor from paying all or any portion of the principal of or interest on this Debenture as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this indenture, and the Obligor (to the extent it may lawfully do so) hereby expressly waives all benefits or advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impeded the execution of any power herein granted to the Holder, but will suffer and permit the execution of every such as though no such law has been enacted.

Section 13. Whenever any payment or other obligation hereunder shall be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day.

Section 14. THE PARTIES HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT ANY OF THEM MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY TRANSACTION DOCUMENT OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE PARTIES' ACCEPTANCE OF THIS AGREEMENT.

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IN WITNESS WHEREOF, the Obligor has caused this Secured Convertible Debenture to be duly executed by a duly authorized officer as of the date set forth above.

NETFABRIC HOLDINGS, INC.

By: /s/ Jeff Robinson

Name: Jeff Robinson
Title: Chairman and Chief Executive Officer

EXHIBIT "A"

NOTICE OF CONVERSION

(TO BE EXECUTED BY THE HOLDER IN ORDER TO CONVERT THE DEBENTURE)

TO:

The undersigned hereby irrevocably elects to convert $ of the principal amount of the above Debenture into Shares of Common Stock of NetFabric Holdings, Inc., according to the conditions stated therein, as of the Conversion Date written below.

CONVERSION DATE: _____

APPLICABLE CONVERSION PRICE: _____

SIGNATURE: _____

NAME: _____

ADDRESS: _____

AMOUNT TO BE CONVERTED: $_____

AMOUNT OF DEBENTURE UNCONVERTED: $_____

CONVERSION PRICE PER SHARE: $_____

NUMBER OF SHARES OF COMMON STOCK TO BE ISSUED: _____

PLEASE ISSUE THE SHARES OF COMMON STOCK IN THE FOLLOWING NAME AND TO THE FOLLOWING ADDRESS: _____

ISSUE TO: _____

AUTHORIZED SIGNATURE: _____

NAME: _____

TITLE: _____

PHONE NUMBER: _____

BROKER DTC PARTICIPANT CODE: _____

ACCOUNT NUMBER: _____

NETFABRIC
DOMESTIC DISTRIBUTION AGREEMENT

This Agreement between **NetFabric Corporation**, a Delaware corporation with principal offices at 67 Federal Road, Building A, Suite 300, Brookfield, CT, 06804 ("NetFabric") and **Williams Telecommunications Corp** ("Distributor"), a corporation, whose address is 5610 Kennedy Road, Mississaugua, Ontario, L4Z2A9, shall be effective as of the date of execution by NetFabric ("Effective Date").

In consideration of the representations, warranties, covenants and agreements set forth herein and intending to be mutually bound, the parties hereto agree as follows:

1. DEFINITIONS

Capitalized terms shall have the meaning set forth in Exhibit A, attached hereto and incorporated herein by this reference.

2. DISTRIBUTION RIGHTS

2.1 During the term of this Agreement, NetFabric grants to Distributor the non-exclusive right and license to distribute the Products to Resellers and Customers located in the Territory, as defined on Exhibit A hereto. Pursuant to the terms hereof, NetFabric shall sell to Distributor, and Distributor shall purchase from NetFabric, the Products set forth on Exhibit B hereto ordered by Distributor at the Purchase Prices and upon the Payment Terms described below.

2.2 NetFabric reserves the right at any time to discontinue the production or distribution of any of its Products, to modify the design of or upgrade its Products or any part of its Products and to change its service, warranty, or other policies, upon thirty (30) days written notice to Distributor.

2.3 NetFabric also reserves the right to add products to or delete products from Exhibit B upon thirty (30) days written notice to Distributor.

3. PRICE

3.1 The current Products, Discounts, and Suggested List Prices are set forth on Exhibit B hereto. NetFabric reserves the right to change Exhibit B upon thirty (30) days written notice to Distributor.

3.2 Payments to NetFabric with respect to all products received by Distributor shall be made by Distributor in US dollars, free of withholding, within thirty (30) days of the date of NetFabric 's invoice. Such payment must be a

certified check if any preceding check is returned to NetFabric for insufficient funds.

3.3 NetFabric's prices do not include any foreign, federal, state or local sales, use, value added or other taxes, customs duties, or similar tariffs and fees which NetFabric may be required to pay or collect upon the delivery of the Products or upon collection of the price. Should any tax or levy be made, Distributor agrees to pay such tax or levy and indemnify NetFabric for any claim for such tax or levy demanded. Distributor covenants to NetFabric that all Products acquired hereunder will be for redistribution in the ordinary course of Distributor's business, and Distributor agrees to provide NetFabric with appropriate resale certificate numbers and other documentation satisfactory for the applicable taxing authorities to substantiate any claim of exemption from any such taxes or fees.

3.4 Notwithstanding any other provision in this Agreement to the contrary, Distributor shall not be deemed in default if it withholds any specific amount to NetFabric because of a legitimate dispute between the parties as to that specific amount, pending the resolution of the disputed amount.

4. STOCK BALANCING

Distributor may return Products to NetFabric, including 100% of discontinued Products, as follows: (a) Returns shall be made each quarter, at one time in the month immediately following the end of the quarter; (b) except as may be agreed by the parties, from time-to-time, returns shall not exceed 20% of the previous quarter's purchases; and (c) returns shall be accepted on a dollar-for-dollar reorder basis, as follows: Distributor shall request a Return Merchandise Authorization ("RMA") number, offering offsetting purchase order(s) with a total value equal to or greater than the aggregate purchase price of the Products to be returned. The offsetting purchase order(s) may include one or more orders already placed and not yet shipped, provided such orders were placed in the same month as the RMA request. Upon receipt of the purchase order(s), NetFabric shall issue the RMA number, which must accompany the return shipment. NetFabric agrees not to ship against the offered purchase order(s) until it has approved the RMA. To be eligible for return, Products must be new, unused and in their original, sealed packaging. However, no return will be authorized by NetFabric if, at the time of the requested return, Distributor is in default or breach of any provision of this Agreement, including failure to comply with any applicable credit terms or delinquency in any payment to NetFabric, subject to Distributor's right of withhold under section 3.4.

5. ORDERS AND SHIPPING

5.1 Upon receipt of an order by Distributor, NetFabric shall use reasonable efforts to deliver such order to Distributor within ten (10) days of the date of such

order. Orders shall be shipped F.O.B. NetFabric in accordance with the Distributor's reasonable instructions. Distributor shall use its best efforts in placing orders at least four (4) weeks in advance of the requested ship date. NetFabric requests that orders be placed at least four (4) weeks in advance of the requested date for shipment but in no event shall any order be placed more than ninety (90) days in advance of the requested ship date. All risk of loss or damage to the Products will pass to Distributor upon delivery by NetFabric to the carrier, freight forwarder, or Distributor, whichever occurs first. NetFabric shall ship orders to Distributor at least as promptly as NetFabric ships any other orders received at or about the same time. Should orders for Products exceed NetFabric's available inventory, NetFabric may allocate its available inventory and make deliveries on a basis NetFabric deems equitable, in its sole discretion, and without liability to Distributor on account of the method of allocation chosen or its implementation. In any event, NetFabric will not be liable for any damages, direct, consequential, special or otherwise, to Distributor or to any other person for failure to deliver or for any delay or error in delivery of Products.

5.2 NetFabric reserves the right to cancel any orders placed by Distributor and accepted by NetFabric or to refuse or delay shipment thereof, if Distributor (i) fails to make any payment as provided in this Agreement or under the terms of payment set forth in any invoice or otherwise agreed to by NetFabric and Distributor, (ii) fails to meet reasonable credit or financial requirements established by NetFabric, including any limitations on allowable credit, or (iii) otherwise fails to comply with the terms and conditions of this Agreement. No such cancellation, refusal or delay will be deemed a termination (unless NetFabric so advises Distributor) or breach of this Agreement by NetFabric.

6. MARKETING COLLATERAL, TRAINING AND POS DATA

6.1 NetFabric agrees to provide reasonable training and sales collateral materials as needed, and to provide sales training for Distributor's staff, at times mutually agreed upon by NetFabric. In addition, NetFabric agrees to provide units of each NetFabric Product at cost for in-house training, resources library and technical support use; such units, as well as any "NFR" units (i.e., Products that may not be resold to end users), may not be redistributed for any reason, except for special promotional "NFR" units that are offered to Distributor in exchange for Distributor's purchase of specified Products. Distribution of such Product units in violation of the foregoing will constitute a material breach of this Agreement. When a new Product or new version is released, units of the new Product or new version will also be provided by NetFabric to Distributor.

6.2 Distributor will provide NetFabric within seven business (7) days after the end of each calendar month, a written or electronic report and computer media data files, including POS data, (in a format, style and manner approved by NetFabric) showing, for such month, i) Distributor's current inventory levels for

each of the Products. From time-to-time, Distributor will provide NetFabric with any other information it may reasonably require regarding the sale of Products.

7. ADVANCE NOTICE

In the event that NetFabric shall sell any additional Product not set forth on Exhibit B which is offered by NetFabric through comparable wholesale distributors. NetFabric shall make reasonable efforts to notify Distributor not less than thirty (30) days in advance of such event and, in any event, at least as quickly as NetFabric notifies any other Distributor.

8. NOTICE

Any notices hereunder to be given by either party to the other shall be in writing and sent by certified mail to each party's address as set forth above, with a courtesy copy to the General Counsel, and sent to the attention of the Senior Buyer or Product Manager as applicable if sent to Distributor, and to the attention of the VP of Sales, if sent to NetFabric.

9. DEFECTIVE PRODUCTS

9.1 Distributor will accept and will require its Resellers to accept the return of any Product by an end user due to the end user's failure to agree to the terms of the End user License accompanying such Products, provided that the disk package of such Product is returned unopened. Distributor may also return any opened units of defective Product which have been returned by end users in accordance with the warranty set forth in the End user License accompanying the Product. Transportation charges for the return of such Products shall be borne by NetFabric. Such returns must be accompanied by a purchase order for replacement Products equal in value to the purchase price paid by Distributor for the returned Products. The offsetting purchase order(s) may include one or more orders already placed and not yet shipped, provided such orders were placed in the same month as the RMA request.

9.2 NetFabric provides a limited warranty to end users of the Products. Distributor will make no other warranty on NetFabric's behalf. EXCEPT FOR SUCH WARRANTY, THE PRODUCTS ARE PROVIDED WITHOUT WARRANTY OF ANY KIND, EITHER EXPRESS OR IMPLIED. NETFABRIC DOES NOT WARRANT THAT THE FUNCTIONS CONTAINED IN THE PRODUCTS WILL BE UNINTERRUPTED OR ERROR FREE. NETFABRIC DISCLAIMS ALL OTHER WARRANTIES AND CONDITIONS, EITHER EXPRESS OR IMPLIED INCLUDING THE WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

10. INDEMNIFICATION

10.1 Indemnification of Distributor.

NetFabric agrees that, if notified promptly in writing and given sole control of the defense and all related settlement negotiations, and if Distributor cooperates and provides reasonable assistance, NetFabric will defend Distributor against any claim based on an allegation that (i) a Product supplied hereunder infringes a copyright, trademark, or state trade secret right within the Territory, (ii) a Product supplied hereunder caused property damage or the death of or a personal injury to, any person, arising out of or resulting in any way from any defect in a Product, (iii) NetFabric violated any United States law, statute or ordinance or any United States governmental or administrative order, rule or regulation with regard to the Product or its manufacture, possession, use or sale or (iv) arises from NetFabric's acts, omissions or misrepresentations with respect to the Products to the extent that NetFabric would have been found liable by a court if the claim had been made directly against NetFabric. NetFabric will pay any resulting costs, damages and attorneys' fees finally awarded by a court with respect to any such claims. Distributor agrees that, if the Products in the inventory of Distributor, or the operation thereof, become, or in NetFabric's opinion are likely to become, the subject of such a claim, Distributor will permit NetFabric, at NetFabric's option and expense, to, among other things, procure the right for Distributor to continue marketing and using such Products, or to replace or modify them so that they become non-infringing. If neither of the foregoing alternatives is available on terms that NetFabric in its sole discretion deems reasonable, Distributor will return such Products on written request from NetFabric. NetFabric will grant Distributor a credit equal to the price paid by Distributor for such returned Products, as adjusted for discounts, returns and credits actually given, provided that such returned Products are in an undamaged condition. NetFabric will have no obligation to Distributor with respect to infringement of patents, copyrights, trademarks or trade secrets or other proprietary rights beyond that stated in this Section 10.1

10.2. Indemnification of NetFabric

Distributor agrees to indemnify and hold harmless NetFabric, its affiliates, employees and agents, against any and all claims and liabilities (including reasonable attorney's fees and costs of litigation) arising from Distributor's acts, omissions or misrepresentations, regardless of the form of action.

11 TERM AND TERMINATION

11.1 Unless this Agreement is terminated as provided below, the rights and obligations of Distributor and NetFabric hereunder shall be effective for a term of one year from the effective date and will automatically renew, for additional one-year terms, upon each anniversary of the effective date.

11.2 Either party hereto may terminate this Agreement upon (a) thirty (30) days written notice to the other following any material breach or omission by the other with respect to any term, representation, warranty, condition, or covenant hereof and (b) the failure of such other party to cure such breach or omission prior to the expiration of such thirty (30) day period, provided that in the event Distributor defaults in any payment due NetFabric such notice period prior to termination will be reduced to ten (10) days.

11.3 Distributor or NetFabric may terminate this Agreement at will, at any time during the term of this Agreement, with or without cause, by written notice given to the other party not less than ninety (90) days prior to the effective date of such termination.

11.4 Upon termination or expiration of this Agreement, Distributor shall submit to NetFabric within ten (10) days after the effective date of termination or expiration, a list of all Products in Distributor's inventory. If NetFabric terminates this Agreement in accordance with Section 11.3 or if Distributor terminates this Agreement in accordance with Section 11.2, NetFabric shall repurchase all such Products, if they are in new and original condition. If Distributor terminates this Agreement in accordance with Section 11.3 or if NetFabric terminates this Agreement in accordance with Section 11.2, NetFabric may, at its option, repurchase any such Products, if they are in new and original condition. In such case, NetFabric will pay Distributor the actual price Distributor paid for such Products, subtracting any amounts then owing to NetFabric.

11.5 In the event NetFabric issues a notice of termination due to Distributor's breach of this Agreement, NetFabric will be entitled to reject all or part of any orders received from Distributor after notice but prior to the effective date of termination. In the event a notice of termination is issued by either party, NetFabric may limit monthly shipments to Distributor during the notice period to Distributor's average monthly shipments from NetFabric during the twelve (12) months prior to the date of notice of termination. Notwithstanding any credit terms made available to Distributor prior to the date of a termination notice, any Products shipped thereafter will be paid for by certified or cashier's check prior to shipment. The due dates of all outstanding invoices to Distributor for the Products will be accelerated automatically so they become due and payable on the effective date of termination, even if longer terms had been provided previously. All orders or portions thereof remaining unshipped as of the effective date of termination will automatically be canceled and any unused MDF will be forfeited.

11.6 DISTRIBUTOR AND NETFABRIC EACH WAIVE ANY RIGHT IT MAY HAVE TO RECEIVE ANY COMPENSATION OR REPARATIONS ON TERMINATION OR EXPIRATION OF THIS AGREEMENT IN ACCORDANCE WITH ITS TERMS.

11.7 The termination or expiration of this Agreement shall not affect any rights of either party with respect to any breach of this Agreement, any rights under Section 10 (Indemnification) hereof or Distributor's rights to market and promote Distributor's inventory of Products as provided in Section 11.4 above. In addition the following Sections shall survive any termination of this Agreement: 3.3, 4, 9.1, 9.2, 11.6, 12, 13, 14.5 and 14.7.

12. LIMITATION OF LIABILITY

12.1 NOTWITHSTANDING ANY OTHER PROVISION IN THIS AGREEMENT OR OTHERWISE, NEITHER PARTY SHALL BE LIABLE TO THE OTHER OR TO AN END-USER UNDER ANY THEORY FOR ANY INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING DAMAGES FOR LOSS OF BUSINESS OR LOSS OF PROFITS) OR THE COST OF PROCUREMENT OF SUBSTITUTE GOODS OR SERVICES, EVEN IF THAT PARTY OR ITS REPRESENTATIVES HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

12.2 No action arising out of or related to this Agreement, regardless of form, may be brought by Distributor more than one (1) year after the cause of action has accrued.

13. TRADEMARKS, TRADE NAMES AND COPYRIGHTS

13.1 During the term of this Agreement, Distributor is authorized by NetFabric to use the trademarks NetFabric uses for the Products solely in connection with Distributor's advertisement, promotion and distribution of the Products. Distributor's use of such trademarks and logos will be in accordance with NetFabric's policies in effect from time to time, including but not limited to trademark usage policies.

13.2 As both a covenant by Distributor and a condition of NetFabric's authorization of Distributor's distribution, Distributor will include on each copy of any materials that it creates regarding or referring to the Products all trademark, copyright and other notices of proprietary rights included by NetFabric on the Products or requested to be so included by NetFabric from time to time. Distributor agrees not to alter, erase, deface or obscure any such notice on anything provided by NetFabric.

13.3 Distributor has paid no consideration for the use of NetFabric's trademarks, logos, copyrights, trade secrets, trade names or designations, and nothing contained in this Agreement will give Distributor any interest in any of them. Distributor acknowledges that NetFabric owns and retains all copyrights and other proprietary rights in all the Products, and agrees that it will not at any time during or after this Agreement assert or claim any interest in or do anything that may adversely affect the validity or enforceability of any trademark, trade

name, trade secret, copyright or logo belonging to or licensed to NetFabric (including, without limitation, any act, or assistance to any act, which may infringe or lead to the infringement of any copyright in the Products) or attempt to grant any right therein. Distributor agrees not to attach any additional trademarks, logos, trade designations or other legends to any Product without the prior written consent of NetFabric. Distributor further agrees not to affix any NetFabric trademark, logo or trade name to any non-NetFabric product.

13.4 Except to the extent permitted pursuant to Section 11.4 hereof, upon expiration or termination of this Agreement, Distributor will forthwith cease all display, advertising and use of all NetFabric names, marks, logos and designations and will not thereafter use, advertise or display any name, make or logo which is, or any part of which is, similar to or confusing with any such designation associated with any Product.

13.5 Distributor agrees to cooperate without charge in NetFabric's efforts to protect its proprietary rights. Distributor agrees to notify NetFabric of any breach of NetFabric's proprietary rights that comes to Distributor's attention.

14. OTHER TERMS AND PROVISIONS

14.1 Product Discontinuation. NetFabric shall provide Distributor with thirty (30) days written notice prior to discontinuation of any Product. Distributor may return such discontinued Products in accordance with Section 4 hereof.

14.2 This Agreement and the Exhibits A and B attached hereto contain all the Agreements, understanding, representations, conditions, warranties and covenants, and constitutes the sole and entire agreement between the parties hereto pertaining to the subject matter hereof and supersedes all prior communications or agreements, written or oral. This Agreement may not be released or modified except by the mutual written consent of both Distributor and NetFabric as attested to by an instrument signed by an officer of each of them.

14.3 NetFabric and Distributor are each independent entities and neither party shall be, nor represent itself to be, a franchisor, franchisee, joint venturer, partner, master, servant, principal, agent or legal representative of the other party for any purpose whatsoever.

14.4 If any provision of this Agreement is declared invalid or unenforceable, the remaining provisions of this Agreement shall remain in full force and effect.

14.5 All terms, conditions, or provisions which may appear as preprinted language or otherwise be inserted within any purchase order, confirmation or invoice for any Product shall be of no force (unless mutually agreed upon by both

parties) and effect notwithstanding the execution of such purchase order or other document subsequent to the date of this Agreement.

14.6 The rights and liabilities of the parties hereto will bind and inure to the benefit of their respective assignees, successors, executors and administrators, as the case may be; provided, that, as the license from NetFabric hereunder is personal to Distributor, Distributor may not sublicense, assign or transfer any of its rights, privileges or obligations hereunder either in whole or in part, without the prior written consent of NetFabric. Nor shall an assignment or transfer of the Agreement and the licenses granted herein be affected by operation of law, such as for example, by merger, consolidation, sale of the business or assets, or by acquisition of a majority of the voting stock of Distributor by a third party, without the prior written consent of NetFabric. NetFabric, in a like manner, shall not assign nor transfer the Agreement without the prior written consent of Distributor. However, NetFabric may assign this Agreement, without prior consent of Distributor, to a third party through merger, acquisition or purchase of all or substantially all of the securities or assets of NetFabric. Any attempted assignment in violation of the provisions of this Section 14.6 will be void.

14.7 In the event any litigation is brought by either party in connection with this Agreement, the prevailing party in such litigation will be entitled to recover from the other party all the costs, attorney's fees and other expenses incurred by such prevailing party in the litigation.

14.8 Waiver by either Distributor or NetFabric of one or more terms, conditions, or defaults of this Agreement shall not constitute a waiver of the remaining terms and conditions or of any future defaults of this Agreements.

14.9 The validity, interpretation and performance of this Agreement shall be controlled by and construed under the laws of the State of New York excluding that body of laws controlling conflict of laws.

* * * * *

NETFABRIC, INC.	**DISTRIBUTOR**
By: Jeff Robinson	By:
Name: JEFF ROBINSON	Name: Jim Williams
Title: PRESIDENT	Title: President
Date: Nov 29th 2004	Date: Nov 26 04

Exhibit A

For the purpose of this Agreement, the following terms shall have the meanings set forth below:

1. "Discounts" shall mean the discounts set forth in Exhibit B from the Suggested List Price of such Product.

2. "Distributor" shall mean Distributor and any parent, subsidiary or affiliated corporations it may have during the term hereof, and any person or entity purchasing Products from NetFabric for sale to Retailers.

3. "Intellectual Rights" shall mean any rights relating to any trademark, trade name, service mark, copyright, trade secret, invention, industrial model, patent, process, technology, know-how or design.

4. "Inventory" shall mean at any time all units of Product (a) in Distributor's inventory, (b) ordered by Distributor but not yet received by Distributor at such time, or (c) returned by Resellers to Distributor within 180 days of such time.

5. "Payment Terms" relating to any Product shall mean "net 30", defined as requiring payment to arrive in NetFabric's account by the 30th calendar day after NetFabric ships the Product.

6. "Purchase Price" of any Product shall mean the difference between (a) the applicable Suggested List Price, and (b) the product of the applicable Discount and Suggested List Price of such Product.

7. "Resellers" shall mean persons or entities who purchase Products from Distributor and resell Product to end-users. "Customers" shall mean persons or entities who purchase Products from Distributor for their own use.

8 "Return Price" for any unit of Product shall mean the amount originally billed Distributor for such unit less any rebates or amounts under Section 2.2 with respect to such unit actually paid or credited by NetFabric to Distributor.

9. "Suggested List Price" of any Product shall mean the retail sales price of such Product as suggested by NetFabric to retailers and set forth in Exhibit B.

10. "Territory" means the United States, Canada and Mexico.

Exhibit 21.1

Subsidiaries of NETFABRIC HOLDINGS, INC.

Name	Jurisdiction of incorporation
NETFABRIC CORPORATION	Delaware
UCA SERVICES, INC.	New Jersey

Exhibit 23.2

Consent of Independent Registered Public Accounting Firm

We consent to the inclusion in this registration statement on Form SB-2, of our report dated March 30, 2005, except for the matter discussed in Note 12, as to which the date is April 7, 2005, on our audit of the consolidated financial statements of NetFabric Holdings, Inc. (formerly Houston Operating Company) as of December 31, 2004 and 2003 and for each of the years then ended and for the period from inception (January 1, 2003) to December 31, 2004, which report contains an explanatory paragraph related to the Company's ability to continue as a going concern. We also consent to the inclusion of our report dated July 29, 2005 on our audit of the financial statements of UCA Services, Inc. as of December 31, 2004 and 2003 and for each of the years then ended and for the period from inception (June 1, 2003) to December 31, 2003, and for the period from January 1, 2003 to May 31, 2003, as well as to the reference to our Firm under the caption "Experts."

/s/ J. H. Cohn LLP
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Jericho, New York
October 31, 2005