UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-KSB/A

(Amendment No.1)

|X| ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the fiscal year ended December 31, 2004

|_| TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

Commission file number:

HOUSTON OPERATING COMPANY
(Name of Small Business Issuer in Its Charter)

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

67 Federal Road, Building A
Suite 300
Brookfield, CT 06804
(Address and Telephone Number of Principal Executive Offices and Principal Place of Business)

(203) 775-1178
(Issuer's telephone number, including area code)

Securities registered under Section 12(b) of the Exchange Act: NONE.

Securities registered under Section 12(g) of the Exchange Act: Common Stock, $.001 par value

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the past 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
|X| YES |_| NO

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. |_|

State issuer's revenues for its most recent fiscal year: $612

The aggregate market value of the voting stock held by non-affiliates per the closing stock price of December 31, 2004 is $6,921,822.

As of December 31, 2004, 35,652,204 shares of common stock of the issuer were outstanding.

EXPLANATORY NOTE

This amendment No.1 to our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2004 filed with Securities and Exchange Commission on March 31, 2005 is filed solely to: (i) amend Part I, Item 1 and 2; (ii) amend Part II, Item 6; (iii) revise footnotes to the financial statements and (iv) amend Part III, Item 10 and 11. Included herewith are certifications filed as Exhibit 31.1, 31.2, 32.1 and 32.2, which have been re executed as of the date of this amendment.

This amendment does not include any material changes in our financial statements other than expanded footnote disclosure. All other information in the originally filed Form 10-KSB was presented as of March 31, 2005 filing date, or earlier as indicated, and has not been updated in this amended filing.

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PART I

From time to time, including in this annual report on Form 10-KSB, Houston Operating Company (the "Company" or "we") may publish forward-looking statements relating to such matters as anticipated financial performance, business prospects, future operations, new products, research and development activities and similar matters. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. In order to comply with the terms of the safe harbor, we note that a variety of factors could cause our actual results to differ materially from the anticipated results or other expectations expressed in our forward-looking statements. The risks and uncertainties that may affect the operations, performance, development and results of our business include, without limitation, the following: general economic and business conditions, both nationally and in our markets; our expectations and estimates concerning future financial performance, financing plans, acquisitions or mergers, and the impact of competition; our ability to implement our acquisition and growth strategy; anticipated trends in our business; advances in technologies; and, other risk factors set forth under "Risk Factors" beginning on page 15 in this report.

ITEM 1. DESCRIPTION OF BUSINESS

Overview

Houston Operating Company ("HOC") was incorporated in Delaware in August of 1989, and has not had operations since before 2002. NetFabric Corporation ("NetFabric") was incorporated in the State of Delaware on December 17, 2002, as a new corporation and not as a result of a material re-classification, merger, consolidation, purchase or divestiture. On December 9, 2004, HOC 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. At the closing, which occurred at the same time as the execution of the acquisition agreement, HOC acquired all of the issued and outstanding capital stock of NetFabric from the Stockholders in exchange for an aggregate of 32,137,032 newly-issued shares of the Company's common stock . In this report, "we," "us," "our company," "the Company," and "our" refer to Houston Operating Company and its consolidated subsidiary NetFabric unless the context requires otherwise.

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.

Description of Business

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 develop and sell a family of IP appliances that simplify the incorporation of any telephone system into a company's IP infrastructure while reducing the cost of telephone calls. Our products deliver productivity gains to small and medium sized businesses with cost reductions while maintaining PSTN class reliability and ease of use.

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 plan of operations over the next 12 months is to 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.

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.

The Company's 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: FUSION 4x4 and 12x8. NetFabric completed development and certification of the FUSION 4x4 product line - the product is currently available for sale. Development on the FUSION 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 completed in. Immediately following product certification of the FUSION 12x8, the company will begin volume production and begin booking revenue.. However, if the FUSION 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 provides 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.

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.

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.

Manufacturing and Component Supply

We use Kimchuk, Inc. for our manufacturing operations. Our relationship with Kimchuk is not formalized in a written agreement, but is determined by the parties on a manufacturing lot-by-lot basis. We provide Kimchuk with a non-binding rolling 90-day forecast of its manufacturing needs. Each month, we communicate by purchase order to Kimchuk the products and number of our 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 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.

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.

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.

Employees

As of December 31, 2004, the Company directly employs approximately 12 people in the United States of America. Our employees are not represented by labor unions or collective bargaining agreements. We have not experienced any work stoppages anywhere, and consider our relations with our employees to be good.

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. 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 for the year ended December 31, 2004. In addition, we had a working capital deficit of $853,317 at December 31, 2004. 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 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, which means that our current liabilities exceeded our current assets on December 31, 2004 by $853,317. 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 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.

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. Nazam 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 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.

ITEM 2. DESCRIPTION OF PROPERTY

Description of Property

Our headquarters are located at 67 Federal Road, Building A, Suite 300, in Brookfield, CT. We lease office space under a two-year operating lease with Silvermine Investors, LLC ("Silvermine"), 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, the Company has 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, the Company 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.

ITEM 3. LEGAL PROCEEDINGS

Legal Proceedings

The Company is currently not a party to any legal proceedings.

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

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

A. Our Common Stock is quoted on the NASD's Over-the-Counter Bulletin Board under the trading symbol "HOOC" The Company was formed in Delaware in August 1989, and has been quoted on the NASD's Over-the-Counter Bulletin Board since March of 2001. The following table sets forth the range of high and low closing sales prices (based on transaction data as reported by The NASDAQ SmallCap Market and the NASD's Over-the-Counter Bulletin Board) for each fiscal quarter during the periods indicated.

	High	Low
YEAR ENDING DECEMBER 31, 2004		
First Quarter	$0.20	$0.20
Second Quarter	$0.20	$0.20
Third Quarter	$0.20	$0.20
Fourth Quarter	$3.20	$0.20
YEAR ENDED DECEMBER 31, 2003		
First Quarter	$0.35	$0.35
Second Quarter	$0.35	$0.35
Third Quarter	$0.35	$0.20
Fourth Quarter	$0.20	$0.20

At December 31, 2004, the number of stockholders of record was approximately 434 (excluding beneficial owners and any shares held in street name or by nominees).

We have not paid any dividends upon our common stock. The payment of common stock dividends, if any, in the future rests within the discretion of our board of directors and will depend, among other things, upon our earnings, capital requirements and financial condition, as well as other relevant factors.

Recent Sales of Unregistered Securities; Use of Proceeds From Registered Securities

During the three months ended December 31, 2004;

On October 14, 2004, we entered into a loan agreement with Macrocom which was amended on December 2, 2004, whereby Macrocom agreed to loan an additional $500,000 to us, due on April 10, 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 December 9, 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.

In December 2004 Macrocom entered into a commitment with us to purchase our common stock 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. We also issued 250,000 shares to Michael Millon as consideration for arranging the Macrocom financing.

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

Equity Plan Compensation Information

The following table sets forth information as of December 31, 2004 regarding compensation plans under which our equity securities are authorized for issuance.

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)	4,008,889	$0.15	4,991,111
Equity compensation plans not approved by equity holders(2)	1,153,637	0.15	0
Total	5,162,526	$0.15	4,991,111

(1) Pursuant to the NetFabric's 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.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Review of Operations

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

Our independent registered public accounting firm has indicated in their report dated March 30, 2005 on our December 31, 2004 financial statements that we are in the development stage, have had net losses from inception and has working capital and net capital deficiencies. Their report indicates that these matters raise substantial doubt about our ability to continue on a going concern. Our plan with regard to this matter is discussed elsewhere in this document. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Corporate History

Houston Operating Company 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. On December 9, 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.

Overview

We are a provider of hardware and services to the burgeoning sector of the telecom industry that utilizes the Internet for telephone and data communications. Specifically, we offer distributed Voice over Internet Protocol (VoIP) platforms, as well as Services over IP (SoIP) solutions, that provide small to mid-sized Businesses (SMBs) and Enterprise Branch Offices (EBOs) with a flexible migration path to an all-IP infrastructure. We market and sell our products to SMBs through Value Added Resellers (VARs), Service Providers and OEM relationships, and will sell to Fortune 500 Enterprise Branch Office (EBO) customers, through a direct consultative sales organization. To date, our operations have generated very minimal revenues. Further, there can be no assurance that we will generate meaningful revenues from our VoIP operations in the future.

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

As previously noted, the December 9, 2004 acquisition has been accounted for as a reverse merge whereby NetFabric was treated as the accounting acquirer. A summary of the results for the years ended December 31, 2004 and 2003 is as follows:

	2004	2003
Revenues	$ 612	$ 0
Cost of Goods Sold	3,126	0
Expenses	1,499,746	18,565
Net Loss	1,502,260	18,565
Net Loss per Common Share	$ 0.05	$ 0.00

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

Total Expenses. Total expenses for the twelve months ending December 31, 2004 were $1,499,746 compared to $18,565 for the twelve months ending December 31, 2003. This is related to our 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 ending December 31, 2004 were $395,452 compared to $0 for the twelve months ending 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 ending December 31, 2004 were $638,330 compared to $8,720 for the twelve months ending 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 ending December 31, 2004 were $189,150 compared to $3,500 for the twelve months ending 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 ending December 31, 2004 were $93,238 compared to $6,097 for the twelve months ending 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 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 $0.00 for 2003 to $0.05 for 2004.

Liquidity and Capital Resources. As of December 31, 2004 we had cash of approximately $68,000. Our operating activities used approximately $1,014,000 of cash for the year ended 2004 as opposed to approximately $17,000 for the same period in 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 shareholder 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. 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.

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.

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 October 14, 2004, we entered into a loan agreement with Macrocom which was amended on December 2, 2004, whereby Macrocom agreed to loan an additional $500,000 to us, due on April 10, 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. We are in negotiation with Macrocom to extend the maturity of the loan.

In December 2004 Macrocom entered into a commitment with us to purchase our common stock 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. We also issued 250,000 shares to Michael Millon as consideration for arranging the Macrocom financing.

Our business strategy calls for growth internally as well as through acquisitions. To this end, we intend to invest substantial funds to increase its sales and marketing resources in order to grow revenues. In order to implement this strategy, we will require additional funding for personnel, capital expenditures and other expenses, as well as for working capital purposes. If adequate funds are not available on acceptable terms, then we may not be able to meet our business objectives for expansion.

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

Management's plans in this regard include, but are not limited to current discussions and negotiations with a number of additional financing alternatives, one or more of which it believes will be able to successfully close to provide necessary working capital, while maintaining sensitivity to shareholder dilution issues. However, there can be no assurance that we will generate sufficient revenues to provide positive cash flows from operations or that sufficient capital will be available, when required or at terms favorable to us, to permit us to realize our plans. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

To fund the Company's operations for the remainder of fiscal 2005, we need to raise additional financing and generate cash flows from its operations. Should additional cash flows not be available, we believe that we would have the ability to restructure our operations and if necessary initiate significant reductions in expenses. In addition, we will have to negotiate with its lenders to extend the repayment dates of our indebtedness. There can be no assurance, however, that we will be able to successfully restructure our operations or debt obligations in the event we fail to obtain additional financing.

Critical Accounting Policies

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

We believes the following critical accounting policies affect our judgment and estimates used in preparation of our consolidated financial statements.

Revenue Recognition

We derive 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.

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

Both VARs and distributors have limited rights to return products to us but must obtain prior approval from us before returning products, consistently with common industry practice. We have no obligation to accept the return of any unsold products. If required, we accrue 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. We have no obligation to provide service, repair, counseling or other assistance to any customers of the VARs or distributors unless we have 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 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. We perform credit evaluations of its customers' financial condition on a regular basis, and has not experienced any material bad debt losses to date.

Inventory

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

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 our third-party collaboration efforts. The amounts charged to R&D in 2004 and 2003 were $395,452 and $0, respectively.

Warranties

We provide a basic limited warranty for its products for one year. We 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 our warranty liability include the number of installed units, historical and anticipated rates of warranty claims and cost per claim. We will periodically assess the adequacy of its recorded warranty liabilities and adjust the amounts as necessary.

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 ("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. 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.

Recent Accounting Pronouncements

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. We have 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. We do 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 for interim or annual periods beginning after June 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. We are 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 our 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 our financial position and results of operations.

Our business faces risks. These risks include those described below and may include additional risks of which we are not currently aware or which we currently do not believe are material. If any of the events or circumstances described in the following risks actually occurs, our business, financial condition or results of operations could be adversely affected. These risks should be read in conjunction with the other information set forth in this report.

ITEM 7. FINANCIAL STATEMENTS

The financial statements appear in a separate section of this report following Part III.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS 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.

ITEM 8A. CONTROLS AND PROCEDURES

(A) Evaluation Of Disclosure Controls And Procedures

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's Principal Executive Officer and Principal Financial Officer of the effectiveness of the design and operation of the Company's disclosure controls and procedures. The Company's disclosure controls and procedures are designed to provide a reasonable level of assurance of achieving the Company's disclosure control objectives. The Company's Principal Executive Officer and Principal Financial Officer have concluded that the Company's disclosure controls and procedures are, in fact, effective at this reasonable assurance level as of the period covered. In addition, the Company reviewed its internal controls, and there have been no changes in its internal controls during the Company's last fiscal quarter or in other factors that have materially affected, or are reasonably likely to materially affect those controls subsequent to the date of their last evaluation or from the end of the reporting period to the date of this Form 10-KSB/A.

(B) Changes In Internal Controls Over Financial Reporting

In connection with the evaluation of the Company's internal controls during the Company's fourth fiscal quarter ended December 31, 2004, the Company's Principal Executive Officer and Principal Financial Officer have determined that there are no changes to the Company's internal controls over financial reporting that has materially affected, or is reasonably likely to materially effect, the Company's internal controls over financial reporting.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS

Set forth below are the names of our directors and officers, their ages, all positions and offices that they hold with us, the period during which they have served as such, and their business experience during at least the last five years.

Name	Age	Position Held	Experience
Jeff I. Robinson	52	Chairman, President and CEO	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 June 1994 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 1987 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.
Richard R. Howard	55	Director	Mr. Howard has been a Director of the Company 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 management 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	58	Director	Ms. Denenberg has been a Director of the Company 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 to June 2000) and as Vice President and Chief Technology Officer (July 2000 to June 2002). Metromedia Fiber Network Services was engaged in design, installation and maintenance of inner-city and intra-city optical networks.

Madelyn M. DeMatteo	57	Director	Ms. Madelyn DeMatteo has been a Director of the Company 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 in 1970 and her JD from University of Connecticut in 1973.
Walter Carozza(1)	50	Chief Financial Officer	Mr. Carozza has been the Chief Financial Officer of NetFabric since August 2004. 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. For the past five years he has been employed as a Manager of the General Partner of East River Ventures, a venture capital firm based in New York City.
Philip Barak(1)	52	VP Finance	Mr. Barak has been the VP of Finance of NetFabric since January 2003. He holds a BS in Accounting from Rider University and is a Certified Public Accountant and a member of the AICPA and NYSSCPA. For the past five years he has been employed as a General Partner and Chief Financial Officer of Nazem & Company, a venture capital firm founded in 1976.
Victoria Desidero	44	VP Marketing	Ms. Desidero has been the VP Marketing of NetFabric since June 2004. For the past five years she had been employed as the VP Marketing for Merlot Communications.

(1) These individuals are part-time employees of the Company. The Company intends to hire a full time CFO and/or other individuals by the end of the second quarter of 2005 to replace these individuals.

BOARD OF DIRECTORS

Our directors are elected annually to serve until the next annual meeting of shareholders or until successors are duly elected and qualified. Our board of directors has created a Compensation Committee and an Audit Committee.

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 adopted a Code of Ethics for all our employees. We shall, without charge, provide to any person, upon request, a copy of its Code of Ethics. All such requests should be mailed to: 67 Federal Road, Building A, Suite 300, Brookfield, CT 06804.

Compensation of Directors

Our independent Directors will receive an initial grant of Stock Options to purchase 125,000 shares of Stock with an exercise price equal to the Fair Market Value. The Option 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 the 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 Director's are also reimbursed for out-of-pocket expenses in connection with attendance at Board of Directors' and/or 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 (Chairman) and Mr. Richard Howard.

ITEM 10. 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 year indicated, with respect to services rendered by such persons to us and our subsidiary

Summary Compensation Table

		Annual Compensation			Long-Term Compensation			
Name and Principal Position	Year (1)	Salary ($)	Bonus ($)	Other Annual Compensation ($)	Restricted Stock Awards ($)	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

(1) No compensation was paid in 2002 and 2003 by NetFabric. NetFabric was incorporated in December 2002 and began business operations in January 2004.

(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	% of Total Options Granted to Employees in Fiscal Period	Exercise Price per Share	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, 2004

On March 3, 2005, our Board of Directors adopted the 2005 Stock Option and Grant Plan (the "Plan"). The purpose of the Plan is to encourage and enable our employees, directors and consultants upon whose judgment, initiative and efforts we largely depend for the successful conduct of our business to acquire a proprietary interest in the Company. On the acquisition date all NetFabric outstanding stock options were exchanged for our options., Prior to that we not maintain a stock option plan. As a of the acquisition, our the board of directors and the shareholders have approved the creation of a 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. On March 22, 2005, the Company filed Form 14C with the SEC to, among other things, adopt the Company's 2005 Stock Option Plan. This adoption will be effective April 15, 2005.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table set forth information regarding beneficial ownership of our common stock as of March 24, 2005 (i) by each person who is known by us to beneficially own more than 5% of our common stock; (ii) by each of our officers and directors; and (iii) by all of our officers and directors as a group:

Name & Address of Beneficial Owner	Office, If Any	Amount & Nature of Beneficial Ownership	Percent of Class
Jeff Robinson c/o NetFabric Corporation 67 Federal Road Building A, Suite 300 Brookfield, CT 06804	Chairman and CEO	14,832,476(1)	39.4.4%
Fred Nazem 44 East 73rd Street New York, New York 10021		14,832,477(1)	39.4%
Walter Carozza c/o NetFabric Corporation 67 Federal Road Building A, Suite 300 Brookfield, CT 06804	CFO	824,026(2)	2.20%
Philip Barak c/o NetFabric Corporation 67 Federal Road Building A, Suite 300 Brookfield, CT 06804	VP Finance	247,208(3)	*
Victoria Desidero c/o NetFabric Corporation 67 Federal Road Building A, Suite 300 Brookfield, CT 06804	VP Marketing	98,883(4)	*
Madelyn M. DeMatteo c/o NetFabric Corporation 67 Federal Road Building A, Suite 300 Brookfield, CT 06804	Director	15,625(5)	*
Charlotte G. Denenberg c/o NetFabric Corporation 67 Federal Road Building A, Suite 300 Brookfield, CT 06804	Director	15,625(5)	*
Richard F. Howard c/o NetFabric Corporation 67 Federal Road Building A, Suite 300 Brookfield, CT 06804	Director	15,625(5)	*
Macrocom Investors, LLC 1365 York Avenue, 28B New York, NY 10021		3,750,000(6)	9.2%
All Directors and Officers as a Group (7 Persons)		16,049,468 (7)	41.4%

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* Less than 1%.

(1) Includes 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.

(2) Includes 494,416 shares issuable upon exercise of options and 164,805 shares issuable upon exercise of warrants.

(3) Includes 247,208 shares issuable upon exercise of options.

(4) Includes 98,883 shares issuable upon exercise of options.
(5) Includes 15,625shares issuable upon exercise of options.
(6) Includes 2,000,000 shares issuable upon exercise of warrants and 1,000,000 shares issuable upon conversion of convertible debentures.
(7) Includes 887,382 shares issuable upon exercise of options 164,805 shares issuable upon exercise warrants.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

ITEM 13. EXHIBITS AND REPORTS

A.	Exhibits
Exhibit 2	Share Exchange Agreement between the Company, NetFabric, NetFabric's shareholders and Littlehampton LLC, dated December 9, 2004 #
Exhibit 10.1	Letter Agreement between Houston Operating Company and NetFabric Corporation and Macrocom Investors, LLC and Littlehampton Investments, LLC, dated March 25, 2005 *
Exhibit 10.2	Financing Agreement between NetFabric and Macrocom, dated July 22, 2004 #
Exhibit 10.3	Loan Agreement between NetFabric and Macrocom, dated October 14, 2004 #
Exhibit 10.4	Amendment to Financing and Loan Agreement between NetFabric and Macrocom, dated December 2, 2004 #
Exhibit 10.5	Distribution Agreement between NetFabric and Williams, dated November 29, 2004 #
Exhibit 10.6	Lease Agreement between NetFabric and Silvermine, dated January 1, 2004 #
Exhibit 10.7	2005 Stock Option Plan ##
Exhibit 14.1	Code of Business Conduct and Ethics *
Exhibit 21.1	Subsidiaries of the Registrant *
Exhibit 31.1	Rule 13a-14(a)/15d-14(a) Certification (CEO)*
Exhibit 31.2	Rule 13a-14(a)/15d-14(a) Certification (CFO)*
Exhibit 32.1	Section 1350 Certification (CEO)*
Exhibit 32.2	Section 1350 Certification (CFO)*

* Filed herewith.
# Filed as an Exhibit to the Company's 8-K filed on December 15, 2004.
Filed with Schedule 14C Information on March 21, 2005.

B. Reports:

Form 8K was filed by the Company with the SEC on December 15, 2004 to announce the acquisition between it and NetFabric Corporation.

Form 8K/A was filed by the Company with the SEC on February 24, 2005 to provide the financial statements of NetFabric Corporation as they related to the Acquisition.

Form 14C was filed by the Company with the SEC on March 22, 2005 to adopt the 2005 Stock Option Plan.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the fees billed by our independent auditors, Michael Johnson and Company and J.H. Cohn, LLP for the fiscal years ended December 31, 2004 and 2003:

	FY 2004	FY 2003
Audit fees and quarterly reviews	$ 61,000	
All other fees:		
Tax return preparation	0	
Audit related services	0	
Non-audit related services		
Total Fees	$ 61,000	$ --

The Audit Committee considered and determined that the services performed for "financial information systems design and implementation fees" and "all other fees" are compatible with maintaining the independence of the independent auditors.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditor

The Audit Committee is responsible for pre-approving all audit and permitted non-audit services to be performed for us by our independent auditor as outlined in its Audit Committee charter. Prior to engagement of the independent auditor for each year's audit, management or the independent auditor submits to the Audit Committee for approval an aggregate request of services expected to be rendered during the year, which the Audit Committee pre-approves. During the year, circumstances may arise when it may become necessary to engage the independent auditor for additional services not contemplated in the original pre-approval. In those circumstances, the Audit Committee requires specific pre-approval before engaging the independent auditor. The Audit Committee does not delegate to management its responsibility to pre-approve services performed by the independent auditor.

SIGNATURES

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

Date: December 19, 2005	/s/ JEFF ROBINSON Jeff Robinson Chairman, President and Chief Executive Officer (principal executive officer)

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

Date: December 19, 2005	/s/ JEFF ROBINSON Jeff Robinson Chairman, President and Chief Executive Officer (principal executive officer)
Date: December 19, 2005	/s/ VASAN THATHAM Vasan Thatham, Chief Financial Officer (principal accounting officer)
Date: December 19, 2005	/s/ MADELYN DEMATTEO Madelyn DeMatteo, Director
Date: December 19, 2005	/s/ CHARLOTTE G. DENENBERG Charlotte G. Denenberg, Director
Date: December 19, 2005	/s/ FAHAD SYED Fahad Syed, Director

HOUSTON OPERATING COMPANY

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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 result 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)

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	--
TOTALS	$ 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
TOTALS	$ 812,321	$ 26,162

See Notes to Consolidated Financial Statements.

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

	2002	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.

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		Additional	Deficit Accumulated During the Development	Total Stockholders' Equity
	Shares	Par Value	Paid-In Capital	Stage	(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

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

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	For The Year Ended 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.

Exhibit 10.1

67 Federal Road
Building A, Suite 300
Brookfield
CT 06804

March 25, 2005

Via Email

Mr. Michael Millon
Macrocom Investors, LLC

Dear Michael:

This letter will confirm our understanding with respect to the Finance Agreement between Macrocom Investors, LLC and NetFabric Corporation ("NetFabric") of July 22, 2004 ("Agreement") with respect to the shell company that you brought to us.

Specifically, under the terms of that agreement, it was agreed and understood that Macrocom Investors, LLC or a company formed by you would either bring to NetFabric a shell for purchase or purchase a shell and propose it to NetFabric as a vehicle for merger or acquisition. In either event, the shell was subject to acceptance by NetFabric after it conducted its own due diligence, and you were to be compensated in post-closing stock of the shell company used for such merger or acquisition.

As it happened, Littlehampton Investments, LLC, ("Littlehampton") a company formed by you, purchased a controlling interest in Houston Operating Company ("HOC") and proposed HOC as the company for merger with NetFabric. We conducted our due diligence, agreed to merge with HOC and proceeded to closing on December 9, 2004. At the time of the merger, Littlehampton had and retained 1,000,000 shares of post-closing stock of HOC as a result of its previous purchase of the shell, which purchase NetFabric was not a party to, and you received no other compensation for the providing the shell to NetFabric.

As a result, you have received all compensation due to you under the terms of the Agreement for bringing the company, HOC, to NetFabric for purposes of the merger transaction.

Please confirm your above understanding of the above by signing a copy of this letter and returning an original to me for our files.

Sincerely,

Walter Carozza
CFO, Houston Operating Company and NetFabric Corporation

Understood and agreed to:

- ------------------------------
Michael Millon, for Macrocom Investors, LLC
and Littlehampton Investments, LLC

Exhibit 14.1

HOUSTON OPERATING COMPANY

CODE OF BUSINESS CONDUCT AND ETHICS

Adopted March 3, 2005

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I. INTRODUCTION

This Code of Business Conduct and Ethics helps ensure compliance with legal requirements and our standards of business conduct. All Company employees are expected to read and understand this Code of Business Conduct and Ethics, uphold these standards in day-to-day activities, comply with all applicable policies and procedures, and ensure that all agents and contractors are aware of, understand and adhere to these standards.

Because the principles described in this Code of Business Conduct and Ethics are general in nature, you should also review all applicable Company policies and procedures for more specific instruction, and contact the Human Resources Department if you have any questions.

Nothing in this Code of Business Conduct and Ethics, in any company policies and procedures, or in other related communications (verbal or written) creates or implies an employment contract or term of employment.

We are committed to continuously reviewing and updating our policies and procedures. Therefore, this Code of Business Conduct and Ethics is subject to modification. This Code of Business Conduct and Ethics supersedes all other such codes, policies, procedures, instructions, practices, rules or written or verbal representations to the extent they are inconsistent.

Please sign the acknowledgment form at the end of this Code of Business Conduct and Ethics and return the form to the Human Resources Department indicating that you have received, read, understand and agree to comply with the Code of Business Conduct and Ethics.

The signed acknowledgment form will be located in your personnel file.

II. COMPLIANCE IS EVERYONE'S BUSINESS

Ethical business conduct is critical to our business. As an employee, your responsibility is to respect and adhere to these practices. Many of these practices reflect legal or regulatory requirements. Violations of these laws and regulations can create significant liability for you, the Company, its directors, officers, and other employees.

Part of your job and ethical responsibility is to help enforce this Code of Business Conduct and Ethics. You should be alert to possible violations and report possible violations to the Human Resources Department.

You must cooperate in any internal or external investigations of possible violations.

Reprisal, threats, retribution or retaliation against any person who has in good faith reported a violation or a suspected violation of law, this Code of Business Conduct or other Company policies, or against any person who is assisting in any investigation or process with respect to such a violation, is prohibited.

Violations of law, this Code of Business Conduct and Ethics, or other Company policies or procedures should be reported to the Human Resources Department.

t 0 0 Violations of law, this Code of Business Conduct and Ethics or other Company policies or procedures by Company employees can lead to disciplinary action up to and including termination.

In trying to determine whether any given action is appropriate, use the following test. Imagine that the words you are using or the action you are taking is going to be fully disclosed in the media with all the details, including your photo. If you are uncomfortable with the idea of this information being made public, perhaps you should think again about your words or your course of action.

In all cases, if you are unsure about the appropriateness of an event or action, please seek assistance in interpreting the requirements of these practices by contacting the Human Resources Department.

III. YOUR RESPONSIBILITIES TO THE COMPANY AND ITS STOCKHOLDERS

A. General Standards of Conduct

The Company expects all employees, agents and contractors to exercise good judgment to ensure the safety and welfare of employees, agents and contractors and to maintain a cooperative, efficient, positive, harmonious and productive work environment and business organization. These standards apply while working on our premises, at offsite locations where our business is being conducted, at Company-sponsored business and social events, or at any other place where you are a representative of the Company. Employees, agents or contractors who engage in misconduct or whose performance is unsatisfactory may be subject to corrective action, up to and including termination. You should review our employment handbook for more detailed information.

B. Applicable Laws

All Company employees, agents and contractors must comply with all applicable laws, regulations, rules and regulatory orders. Company employees located outside of the United States must comply with laws, regulations, rules and regulatory orders of the United States, including the Foreign Corrupt Practices Act and the U.S. Export Control Act, in addition to applicable local laws. Each employee, agent and contractor must acquire appropriate knowledge of the requirements relating to his or her duties sufficient to enable him or her to recognize potential dangers and to know when to seek advice from your supervisors on specific Company policies and procedures. Violations of laws, regulations, rules and orders may subject the employee, agent or contractor to individual criminal or civil liability, as well as to discipline by the Company. Such individual violations may also subject the Company to civil or criminal liability or the loss of business.

C. Conflicts of Interest

Each of us has a responsibility to the Company, our stockholders and each other.

Although this duty does not prevent us from engaging in personal transactions and investments, it does demand that we avoid situations where a conflict of interest might occur or appear to occur. The Company is subject to scrutiny from many different individuals and organizations.

We should always strive to avoid even the appearance of impropriety.

t 0 0 What constitutes conflict of interest? A conflict of interest exists where the interests or benefits of one person or entity conflict with the interests or benefits of the Company.

Examples include:

(i) Employment/Outside Employment. In consideration of your employment with the Company, you are expected to devote your full attention to the business interests of the Company. You are prohibited from engaging in any activity that interferes with your performance or responsibilities to the Company or is otherwise in conflict with or prejudicial to the Company. Our policies prohibit any employee from accepting simultaneous employment with a Company supplier, customer, developer or competitor, or from taking part in any activity that enhances or supports a competitor's position. Additionally, you must disclose to the Company any interest that you have that may conflict with the business of the Company. If you have any questions on this requirement, you should contact your supervisor or the Human Resources Department.

(ii) Outside Directorships. It is a conflict of interest to serve as a director of any company that competes with the Company. Although you may serve as a director of a Company supplier, customer, developer, or other business partner, our policy requires that you first obtain approval from the Company's Human Resources Department before accepting a directorship. Any compensation you receive should be commensurate to your responsibilities. Such approval may be conditioned upon the completion of specified actions.

(iii) Business Interests. If you are considering investing in a Company customer, supplier or competitor, you must first take great care to ensure that these investments do not compromise your responsibilities to the Company. Many factors should be considered in determining whether a conflict exists, including the size and nature of the investment; your ability to influence the Company's decisions; your access to confidential information of the Company or of the other company; and the nature of the relationship between the Company and the other company.

(iv) Related Parties. As a general rule, you should avoid conducting Company business with a relative or significant other, or with a business in which a relative or significant other is associated in any significant role. Relatives include spouse, sister, brother, daughter, son, mother, father, grandparents, aunts, uncles, nieces, nephews, cousins, step relationships, and in-laws. Significant others include persons living in a spousal (including same sex) or familial fashion with an employee.

If such a related party transaction is unavoidable, you must fully disclose the nature of the related party transaction to the Company's Chief Financial Officer. If determined to be material to the Company by the Chief Financial Officer, the Company's Audit Committee must review and approve in writing in advance such related party transactions. The most significant related party transactions, particularly those involving the Company's directors or executive officers, must be reviewed and approved in writing in advance by the Company's Board of Directors. The Company must report all such material related party transactions under applicable accounting rules, federal securities laws, and SEC rules and regulations, and securities market rules. Any dealings with a related party must be conducted in such a way that no preferential treatment is given to this business.

The Company discourages the employment of relatives and significant others in positions or assignments within the same department and prohibits the employment of such individuals in positions that have a financial dependence or influence (e.g., an auditing or control relationship, or a supervisor/subordinate relationship). The purpose of this policy is to prevent the organizational impairment and conflicts that are a likely outcome of the employment of relatives or significant others, especially in a supervisor/subordinate relationship. If a question arises about whether a relationship is covered by this policy, the Human Resources Department is responsible for determining whether an applicant or transferee's acknowledged relationship is covered by this policy. The Human Resources Department shall advise all affected applicants and transferees of this policy. Willful withholding of information regarding a prohibited relationship/reporting arrangement may be subject to corrective action, up to and including termination. If a prohibited relationship exists or develops between two employees, the employee in the senior position must bring this to the attention of his/her supervisor. The Company retains the prerogative to separate the individuals at the earliest possible time, either by reassignment or by termination, if necessary.

(v) Other Situations. Because other conflicts of interest may arise, it would be impractical to attempt to list all possible situations. If a proposed transaction or situation raises any questions or doubts in your mind you should consult the Human Resources Department.

D. Corporate Opportunities

Employees, officers and directors may not exploit for their own personal gain opportunities that are discovered through the use of corporate property, information or position unless the opportunity is disclosed fully in writing to the Company's Board of Directors and the Board of Directors declines to pursue such opportunity.

E. Protecting the Company's Confidential Information

The Company's confidential information is a valuable asset. The Company's confidential information includes our database of customer contacts; details regarding our equipment procurement sources; names and lists of customers, suppliers and employees; and financial information. This information is the property of the Company and may be protected by patent, trademark, copyright and trade secret laws. All confidential information must be used for Company business purposes only. Every employee, agent and contractor must safeguard it.

THIS RESPONSIBILITY INCLUDES NOT DISCLOSING THE COMPANY CONFIDENTIAL INFORMATION SUCH AS INFORMATION REGARDING THE COMPANY'S PRODUCTS OR BUSINESS OVER THE INTERNET.

You are also responsible for properly labeling any and all documentation shared with or correspondence sent to the Company's counsel as "Attorney-Client Privileged". This responsibility includes the safeguarding, securing and proper disposal of confidential information in accordance with the Company's policy on Maintaining and Managing Records set forth in Section III.I of this Code of Business Conduct and Ethics. This obligation extends to confidential information of third parties, which the Company has rightfully received under Non-Disclosure Agreements. See the Company's policy dealing with Handling Confidential Information of Others set forth in Section IV.D of this Code of Business Conduct and Ethics.

(i) Proprietary Information and Invention Agreement. When you joined the Company, you signed an agreement to protect and hold confidential the Company's proprietary information. This agreement remains in effect for as long as you work for the Company and after you leave the Company. Under this agreement, you may not disclose the Company's confidential information to anyone or use it to benefit anyone other than the Company without the prior written consent of an authorized Company officer.

(ii) Disclosure of Company Confidential Information. To further the Company's business, from time to time our confidential information may be disclosed to potential business partners. However, such disclosure should never be done without carefully considering its potential benefits and risks. If you determine in consultation with your manager and other appropriate Company management that disclosure of confidential information is necessary, you must then contact your supervisor to ensure that an appropriate written nondisclosure agreement is signed prior to the disclosure. The Company has standard nondisclosure agreements suitable for most disclosures. You must not sign a third party's nondisclosure agreement or accept changes to the Company's standard nondisclosure agreements without review and approval by your supervisor. In addition, all Company materials that contain Company confidential information, including presentations, must be reviewed and approved by your supervisor prior to publication or use.

Furthermore, any employee publication or publicly made statement that might be perceived or construed as attributable to the Company, made outside the scope of his or her employment with the Company, must be reviewed and approved in writing in advance by your supervisor and must include the Company's standard disclaimer that the publication or statement represents the views of the specific author and not of the Company.

(iii) Requests by Regulatory Authorities. The Company and its employees, agents and contractors must cooperate with appropriate government inquiries and investigations. In this context, however, it is important to protect the legal rights of the Company with respect to its confidential information. All government requests for information, documents or investigative interviews must be referred to the Company's Chief Financial Officer. No financial information may be disclosed without the prior approval of the Chief Financial Officer.

(iv) Company Spokespeople. Specific policies have been established regarding who may communicate information to the press and the financial analyst community. All inquiries or calls from the press and financial analysts should be referred to the Chief Financial Officer or Investor Relations Department. The Company has designated its CEO, CFO and Investor Relations Department as official Company spokespeople for financial matters. The Company has designated its Investor Relations Department as official Company spokespeople for marketing, technical and other such information. These designees are the only people who may communicate with the press on behalf of the Company.

F. Obligations Under Securities Laws -"Insider" Trading

Obligations under the U.S. securities laws apply to everyone. In the normal course of business, officers, directors, employees, agents, contractors and consultants of the Company may come into possession of significant, sensitive information. This information is the property of the Company you have been entrusted with it. You may not profit from it by buying or selling securities yourself, or passing on the information to others to enable them to profit or for them to profit on your behalf. The purpose of this policy is both to inform you of your legal responsibilities and to make clear to you that the misuse of sensitive information is contrary to Company policy and U.S. securities laws.

Insider trading is a crime, penalized by fines of up to $5,000,000 and 20 years in jail for individuals. In addition, the SEC may seek the imposition of a civil penalty of up to three times the profits made or losses avoided from the trading. Insider traders must also disgorge any profits made, and are often subjected to an injunction against future violations. Finally, insider traders may be subjected to civil liability in private lawsuits.

Employers and other controlling persons (including supervisory personnel) are also at risk under U.S. securities laws. Controlling persons may, among other things, face penalties of the greater of $5,000,000 or three times the profits made or losses avoided by the trader if they recklessly fail to take preventive steps to control insider trading.

Thus, it is important both to you and the Company that insider-trading violations not occur. You should be aware that stock market surveillance techniques are becoming increasingly sophisticated, and the chance that U.S. federal or other regulatory authorities will detect and prosecute even small-level trading is significant. Insider trading rules are strictly enforced, even in instances when the financial transactions seem small. You should contact the Chief Financial Officer if you are unsure as to whether or not you are free to trade.

The Company has imposed a trading blackout period on members of the Board of Directors, executive officers and certain designated employees who, as a consequence of their position with the Company, are more likely to be exposed to material nonpublic information about the Company. These directors, executive officers and employees generally may not trade in Company securities during the blackout periods.

For more details, and to determine if you are restricted from trading during trading Blackout periods, you should review the Company's Insider Trading Compliance Program. You can request a copy of this policy from the Human Resources Department. You should take a few minutes to read the Insider Trading Compliance Program carefully, paying particular attention to the specific policies and the potential criminal and civil liability and/or disciplinary action for insider trading violations. Employees, agents and contractors of the Company who violate this Policy are also be subject to disciplinary action by the Company, which may include termination of employment or of business relationship. All questions regarding the Company's Insider Trading Compliance Program should be directed to the Company's Chief Financial Officer.

G. Prohibition Against Short Selling of Company Stock

No Company director, officer or other employee, may, directly or indirectly, sell any equity security, including derivatives, of the Company if he or she (1) does not own the security sold, or (2) if he or she owns the security, but does not deliver it against such sale (otherwise known as a "short sale against the box") within twenty days thereafter, or does not within five days after such sale deposit it in the mails or other usual channels of transportation. No Company director, officer or other employee, may engage in short sales. A short sale, as defined in this policy, means any transaction whereby one may benefit from a decline in the Company's stock price. While law from engaging in short sales of Company's securities does not prohibit employees who are not executive officers or directors, the Company has adopted as policy that employees may not do so.

H. Use of Company's Assets

(i) General. Protecting the Company's assets is a key fiduciary responsibility of every employee, agent and contractor. Care should be taken to ensure that assets are not misappropriated, loaned to others, or sold or donated, without appropriate authorization. All Company employees, agents and contractors are responsible for the proper use of Company assets, and must safeguard such assets against loss, damage, misuse or theft.

Employees, agents or contractors who violate any aspect of this policy or who demonstrate poor judgment in the manner in which they use any Company asset may be subject to disciplinary action, up to and including termination of employment or business relationship at the Company's sole discretion. Company equipment and assets are to be used for Company business purposes only. Employees, agents and contractors may not use Company assets for personal use, nor may they allow any other person to use Company assets. Employees who have any questions regarding this policy should bring them to the attention of the Company's Human Resources Department.

(ii) Physical Access Control. The Company has and will continue to develop procedures covering physical access control to ensure privacy of communications, maintenance of the security of the Company communication equipment, and safeguard Company assets from theft, misuse and destruction. You are personally responsible for complying with the level of access control that has been implemented in the facility where you work on a permanent or temporary basis. You must not defeat or cause to be defeated the purpose for which the access control was implemented.

(iii) Company Funds. Every Company employee is personally responsible for all Company funds over which he or she exercises control. Company agents and contractors should not be allowed to exercise control over Company funds. Company funds must be used only for Company business purposes. Every Company employee, agent and contractor must take reasonable steps to ensure that the Company receives good value for Company funds spent, and must maintain accurate and timely records of each and every expenditure. Expense reports must be accurate and submitted in a timely manner. Company employees, agents and contractors must not use Company funds for any personal purpose.

(iv) Computers and Other Equipment. The Company strives to furnish employees with the equipment necessary to efficiently and effectively do their jobs. You must care for that equipment and to use it responsibly only for Company business purposes. If you use Company equipment at your home or off site, take precautions to protect it from theft or damage, just as if it were your own. If the Company no longer employs you, you must immediately return all Company equipment. While computers and other electronic devices are made accessible to employees to assist them to perform their jobs and to promote Company's interests, all such computers and electronic devices, whether used entirely or partially on the Company's premises or with the aid of the Company's equipment or resources, must remain fully accessible to the Company and, to the maximum extent permitted by law, will remain the sole and exclusive property of the Company.

Employees, agents and contractors should not maintain any expectation of privacy with respect to information transmitted over, received by, or stored in any electronic communications device owned, leased, or operated in whole or in part by or on behalf of the Company. To the extent permitted by applicable law, the Company retains the right to gain access to any information received by, transmitted by, or stored in any such electronic communications device, by and through its employees, agents, contractors, or representatives, at any time, either with or without an employee's or third party's knowledge, consent or approval.

(v) Software. All software used by employees to conduct Company business must be appropriately licensed. Never make or use illegal or unauthorized copies of any software, whether in the office, at home, or on the road, since doing so may constitute copyright infringement and may expose you and the Company to potential civil and criminal liability. In addition, use of illegal or unauthorized copies of software may subject the employee to disciplinary action, up to and including termination. The Company's IT Department will inspect Company computers periodically to verify that only approved and licensed software has been installed. Any non-licensed/supported software will be removed.

(vi) Electronic Usage. The purpose of this policy is to make certain that employees utilize electronic communication devices in a legal, ethical, and appropriate manner. This policy addresses the Company's responsibilities and concerns regarding the fair and proper use of all electronic communications devices within the organization, including computers, e-mail, connections to the Internet, intranet and extranet and any other public or private networks, voice mail, video conferencing, facsimiles, and telephones. Posting or discussing information concerning the Company's products or business on the Internet without the prior written consent of the Company's Chief Financial Officer is prohibited. Any other form of electronic communication used by employees currently or in the future is also intended to be encompassed under this policy. It is not possible to identify every standard and rule applicable to the use of electronic communications devices. Employees are therefore encouraged to use sound judgment whenever using any feature of our communications systems. You are expected to review, understand and follow such policies and procedures.

I. Maintaining and Managing Records

t 0 0 The purpose of this policy is to set forth and convey the Company's business and legal requirements in managing records, including all recorded information regardless of medium or characteristics. Records include paper documents, CDs, computer hard disks, email, floppy disks, microfiche, microfilm or all other media. Local, state, federal, foreign and other applicable laws, rules and regulations to retain certain records and to follow specific guidelines in managing its records require the Company. Civil and criminal penalties for failure to comply with such guidelines can be severe for employees, agents, contractors and the Company, and failure to comply with such guidelines may subject the employee, agent or contractor to disciplinary action, up to and including termination of employment or business relationship at the Company's sole discretion. All original executed documents that evidence contractual commitments or other obligations of the Company must be forwarded to the Chief Financial Officer promptly upon completion. Such documents will be maintained and retained in accordance with the Company's record retention policies

J. Records on Legal Hold.

A legal hold suspends all document destruction procedures in order to preserve appropriate records under special circumstances, such as litigation or government investigations. The Company's counsel determines and identifies what types of Company records or documents are required to be placed under a legal hold. Every Company employee, agent and contractor must comply with this policy. Failure to comply with this policy may subject the employee, agent or contractor to disciplinary action, up to and including termination of employment or business relationship at the Company's sole discretion.

The Chief Financial Officer or counsel will notify you if a legal hold is placed on records for which you are responsible. You then must preserve and protect the necessary records in accordance with instructions from the Company's Chief Financial Officer.

RECORDS OR SUPPORTING DOCUMENTS THAT HAVE BEEN PLACED UNDER A LEGAL HOLD MUST NOT BE DESTROYED, ALTERED OR MODIFIED UNDER ANY CIRCUMSTANCES.

A legal hold remains effective until it is officially released in writing by the Company's counsel or Chief Financial Officer.

If you are unsure whether a document has been placed under a legal hold, you should preserve and protect that document while you check with the Company's counsel or Chief Financial Officer. If you have any questions about this policy you should contact the Company's counsel of Chief Financial Officer.

K. Payment Practices

(i) Accounting Practices. The Company's responsibilities to its stockholders and the investing public require that all transactions be fully and accurately recorded in the Company's books and records in compliance with all applicable laws. False or misleading entries, unrecorded funds or assets, or payments without appropriate supporting documentation and approval are strictly prohibited and violate Company policy and the law.

Additionally, all documentation supporting a transaction should fully and accurately describe the nature of the transaction and be processed in a timely fashion.

(ii) Political Contributions. The Company reserves the right to communicate its position on important issues to elected representatives and other government officials. It is the Company's policy to comply fully with all local, state, federal, foreign and other applicable laws, rules and regulations regarding political contributions. The Company's funds or assets must not be used for, or be contributed to, political campaigns or political practices under any circumstances without the prior written approval of the Company's Chief Financial Officer and, if required, the Board of Directors.

(iii) Prohibition of Inducements. Under no circumstances may employees, agents or contractors offer to pay, make payment, promise to pay, or issue authorization to pay any money, gift, or anything of value to customers, vendors, consultants, etc. that is perceived as intended, directly or indirectly, to improperly influence any business decision, any act or failure to act, any commitment of fraud, or opportunity for the commission of any fraud. Inexpensive gifts, infrequent business meals, celebratory events and entertainment, provided that they are not excessive or create an appearance of impropriety, do not violate this policy. Questions regarding whether a particular payment or gift violates this policy should be directed to Human Resources.

L. Foreign Corrupt Practices Act.

The Company requires full compliance with the Foreign Corrupt Practices Act (FCPA) by all of its employees, agents, and contractors.

The anti-bribery and corrupt payment provisions of the FCPA make illegal any corrupt offer, payment, promise to pay, or authorization to pay any money, gift, or anything of value to any foreign official, or any foreign political party, candidate or official, for the purpose of: influencing any act or failure to act, in the official capacity of that foreign official or party; or inducing the foreign official or party to use influence to affect a decision of a foreign government or agency, in order to obtain or retain business for anyone, or direct business to anyone.

All Company employees, agents and contractors whether located in Canada or the United States or abroad, are responsible for FCPA compliance and the procedures to ensure FCPA compliance. All managers and supervisory personnel are expected to monitor continued compliance with the FCPA to ensure compliance with the highest moral, ethical and professional standards of the Company. FCPA compliance includes the Company's policy on Maintaining and Managing Records in Section III.I of this Code of Business Conduct and Ethics.

Laws in most countries outside of the United States also prohibit or restrict government officials or employees of government agencies from receiving payments, entertainment, or gifts for the purpose of winning or keeping business. No contract or agreement may be made with any business in which a government official or employee holds a significant interest, without the prior approval of the Company's General Counsel.

M. Export Controls

A number of countries maintain controls on the destinations to which products or software may be exported. Some of the strictest export controls are maintained by the United States against countries that the U.S. government considers unfriendly or as supporting international terrorism. The U.S. regulations are complex and apply both to exports from the United States and to exports of products from other countries, when those products contain U.S.-origin components or technology. Software created in the United States is subject to these regulations even if duplicated and packaged abroad. In some circumstances, an oral presentation containing technical data made to foreign nationals in the United States may constitute a controlled export. The Chief Financial Officer can provide you with guidance on which countries are prohibited destinations for Company products or whether a proposed technical presentation to foreign nationals may require a U.S. Government license.

IV. RESPONSIBILITIES TO OUR CUSTOMERS AND OUR SUPPLIERS

A. Customer Relationships

If your job puts you in contact with any Company customers or potential customers, it is critical for you to remember that you represent the Company to the people with whom you are dealing. Act in a manner that creates value for our customers and helps to build a relationship based upon trust. The Company and its employees have provided products and services for many years and have built up significant goodwill over that time. This goodwill is one of our most important assets, and the Company employees, agents and contractors must act to preserve and enhance our reputation.

B. Payments or Gifts from Others

Under no circumstances may employees, agents or contractors accept any offer, payment, promise to pay, or authorization to pay any money, gift, or anything of value from customers, vendors, consultants, etc. that is perceived as intended, directly or indirectly, to influence any business decision, any act or failure to act, any commitment of fraud, or opportunity for the commission of any fraud. Inexpensive gifts, infrequent business meals, celebratory events and entertainment, provided that they are not excessive or create an appearance of impropriety, do not violate this policy. Questions regarding whether a particular payment or gift violates this policy are to be directed to Human Resources.

Gifts given by the Company to suppliers or customers or received from suppliers or customers should always be appropriate to the circumstances and should never be of a kind that could create an appearance of impropriety. The nature and cost must always be accurately recorded in the Company's books and records.

C. Publications of Others

The Company subscribes to many publications that help employees do their jobs better. These include newsletters, reference works, online reference services, magazines, books, and other digital and printed works. Copyright law generally protects these works, and their unauthorized copying and distribution constitute copyright infringement. You must first obtain the consent of the publisher of a publication before copying publications or significant parts of them. When in doubt about whether you may copy a publication, consult the Chief Financial Officer.

D. Handling the Confidential Information of Others

The Company has many kinds of business relationships with many companies and individuals. Sometimes, they will volunteer confidential information about their products or business plans to induce the Company to enter into a business relationship. At other times, we may request that a third party provide confidential information to permit the Company to evaluate a potential business relationship with that party. Whatever the situation, we must take special care to handle the confidential information of others responsibly. We handle such confidential information in accordance with our agreements with such third parties. See also the Company's policy on Maintaining and Managing Records in Section III.I of this Code of Business Conduct and Ethics.

(i) Appropriate Nondisclosure Agreements. Confidential information may take many forms. An oral presentation about a company's product development plans may contain protected trade secrets. A customer list or employee list may be a protected trade secret. A demo of an alpha version of a company's new software may contain information protected by trade secret and copyright laws.

You should never accept information offered by a third party that is represented as confidential, or which appears from the context or circumstances to be confidential, unless an appropriate nondisclosure agreement has been signed with the party offering the information.

THE CHIEF FINANCIAL OFFICER CAN PROVIDE NONDISCLOSURE AGREEMENTS TO FIT ANY PARTICULAR SITUATION, AND WILL COORDINATE APPROPRIATE EXECUTION OF SUCH AGREEMENTS ON BEHALF OF THE COMPANY.

Even after a nondisclosure agreement is in place, you should accept only the information necessary to accomplish the purpose of receiving it, such as a decision on whether to proceed to negotiate a deal. If more detailed or extensive confidential information is offered and it is not necessary, for your immediate purposes, it should be refused.

(ii) Need-to-Know. Once a third party's confidential information has been disclosed to the Company, we have an obligation to abide by the terms of the relevant nondisclosure agreement and limit its use to the specific purpose for which it was disclosed and to disseminate it only to other Company employees with a need to know the information. Every employee, agent and contractor involved in a potential business relationship with a third party must understand and strictly observe the restrictions on the use and handling of confidential information. When in doubt, consult the Chief Financial Officer.

(iii) Notes and Reports. When reviewing the confidential information of a third party under a nondisclosure agreement, it is natural to take notes or prepare reports summarizing the results of the review and, based partly on those notes or reports, to draw conclusions about the suitability of a business relationship. Notes or reports, however, can include confidential information disclosed by the other party and so should be retained only long enough to complete the evaluation of the potential business relationship. Subsequently, they should be either destroyed or turned over to the Chief Financial Officer for safekeeping or destruction. They should be treated just as any other disclosure of confidential information is treated: marked as confidential and distributed only to those the Company employees with a need to know.

(iv) Competitive Information. You should never attempt to obtain a competitor's confidential information by improper means, and you should especially never contact a competitor regarding their confidential information. While the Company may, and does, employ former employees of competitors, we recognize and respect the obligations of those employees not to use or disclose the confidential information of their former employers.

E. Selecting Suppliers

The Company's suppliers make significant contributions to our success. To create an environment where our suppliers have an incentive to work with the Company, they must be confident that they will be treated lawfully and in an ethical manner. The Company's policy is to purchase supplies based on need, quality, service, price and terms and conditions. The Company's policy is to select significant suppliers or enter into significant supplier agreements though a competitive bid process where possible. Under no circumstances should any Company employee, agent or contractor attempt to coerce suppliers in any way. The confidential information of a supplier is entitled to the same protection as that of any other third party and must not be received before an appropriate nondisclosure agreement has been signed. A supplier's performance should never be discussed with anyone outside the Company. A supplier to the Company is generally free to sell its products or services to any other party, including competitors of the Company. In some cases where the products or services have been designed, fabricated, or developed to our specifications the agreement between the parties may contain restrictions on sales.

F. Government Relations

It is the Company's policy to comply fully with all applicable laws and regulations governing contact and dealings with government employees and public officials, and to adhere to high ethical, moral and legal standards of business conduct. This policy includes strict compliance with all local, state, federal, foreign and other applicable laws, rules and regulations.

If you have any questions concerning government relations you should contact the Company's Chief Financial Officer.

G. Lobbying

Employees, agents or contractors whose work requires lobbying communication with any member or employee of a legislative body or with any government official or employee in the formulation of legislation must have prior written approval of such activity from the Company's General Counsel. Activity covered by this policy includes meetings with legislators or members of their staffs or with senior executive branch officials. Preparation, research, and other background activities that are done in support of lobbying communication are also covered by this policy even if the communication ultimately is not made.

H. Government Contracts

It is the Company's policy to comply fully with all applicable laws and regulations that apply to government contracting. It is also necessary to strictly adhere to all terms and conditions of any contract with local, state, federal, foreign or other applicable governments.

The Company's Chief Financial Officer must review and approve all contracts with any government entity.

I. Free and Fair Competition

Most countries have well-developed bodies of law designed to encourage and protect free and fair competition. The Company is committed to obeying both the letter and spirit of these laws. The consequences of not doing so can be severe for all of us.

These laws often regulate the Company's relationships with its distributors, resellers, dealers, and customers. Competition laws generally address the following areas: pricing practices (including price discrimination), discounting, terms of sale, credit terms, promotional allowances, secret rebates, exclusive dealerships or distributorships, product bundling, restrictions on carrying competing products, termination, and many other practices.

Competition laws also govern, usually quite strictly, relationships between the Company and its competitors. As a general rule, contacts with competitors should be limited and should always avoid subjects such as prices or other terms and conditions of sale, customers, and suppliers. Employees, agents or contractors of the Company may not knowingly make false or misleading statements regarding its competitors or the products of its competitors, customers or suppliers. Participating with competitors in a trade association or in a standards creation body is acceptable when the association has been properly established, has a legitimate purpose, and has limited its activities to that purpose.

t 0 0 No employee, agent or contractor shall at any time or under any circumstances enter into an agreement or understanding, written or oral, express or implied, with any competitor concerning prices, discounts, other terms or conditions of sale, profits or profit margins, costs, allocation of product or geographic markets, allocation of customers, limitations on production, boycotts of customers or suppliers, or bids or the intent to bid or even discuss or exchange information on these subjects. In some cases, legitimate joint ventures with competitors may permit exceptions to these rules as may bona fide purchases from or sales to competitors on non-competitive products, but the Company's Chief Financial Officer must review all such proposed ventures in advance. These prohibitions are absolute and strict observance is required.

Collusion among competitors is illegal, and the consequences of a violation are severe. Although the spirit of these laws, known as "antitrust," "competition," or "consumer protection" or unfair competition laws, is straightforward, their application to particular situations can be quite complex. To ensure that the Company complies fully with these laws, each of us should have a basic knowledge of them and should involve our Human Resources Department early on when questionable situations arise.

J. Industrial Espionage

It is the Company's policy to lawfully compete in the marketplace. This commitment to fairness includes respecting the rights of our competitors and abiding by all applicable laws in the course of competing. The purpose of this policy is to maintain the Company's reputation as a lawful competitor and to help ensure the integrity of the competitive marketplace. The Company expects its competitors to respect our rights to compete lawfully in the marketplace, and we must respect their rights equally. Company employees, agents and contractors may not steal or unlawfully use the information, material, products, intellectual property, or proprietary or confidential information of anyone including suppliers, customers, business partners or competitors.

V. WAIVERS

t 0 0 Any waiver of any provision of this Code of Business Conduct and Ethics for a member of the Company's Board of Directors or an executive officer must be approved in writing by the Company's Board of Directors and promptly disclosed. Any waiver of any provision of this Code of Business Conduct and Ethics with respect any other employee, agent or contractor must be approved in writing by the Company's Chief Financial Officer.

VI. DISCIPLINARY ACTIONS

The matters covered in this Code of Business Conduct and Ethics are of the utmost importance to the Company, its stockholders and its business partners, and are essential to the Company's ability to conduct its business in accordance with its stated values. We expect all of our employees, agents, contractors and consultants to adhere to these rules in carrying out their duties for the Company.

The Company will take appropriate action against any employee, agent, contractor or consultant whose actions are found to violate these policies or any other policies of the Company. Disciplinary actions may include immediate termination of employment or business relationship at the Company's sole discretion. Where the Company has suffered a loss, it may pursue its remedies against the individuals or entities responsible. Where laws have been violated, the Company will cooperate fully with the appropriate authorities.

* * *

VII. ACKNOWLEDGMENT OF RECEIPT OF CODE OF BUSINESS CONDUCT AND ETHICS

I have received and read the Company's Code of Business Conduct and Ethics. I understand the standards and policies contained in the Company Code of Business Conduct and Ethics and understand that there may be additional policies or laws specific to my job. I further agree to comply with the Company Code of Business Conduct and Ethics.

If I have questions concerning the meaning or application of the Company Code of Business Conduct and Ethics, any Company policies, or the legal and regulatory requirements applicable to my job, I know I can consult my manager, the Human Resources Department or the Chief Financial Officer, knowing that my questions or reports to these sources will be maintained in confidence. I acknowledge that I may report violations of the Code of Business Conduct and Ethics to the Human Resources Department or the Chief Financial Officer.

Signature: _____________________________
Name:
Date:

Please sign and return this form to the Human Resources Department.

Exhibit 21

Subsidiary of Houston Operating Company

Name	Jurisdiction of incorporation
NETFABRIC CORPORATION	Delaware

RULE 13A-14(a)/15D-14(a)
CERTIFICATION

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

1. I have reviewed this 10-KSB/A Report of Netfabric, Inc.;

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

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

4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the small business issuer and have:

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

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under NetFabric's supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

(d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

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

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

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

December 19, 2005 By: /s/ Jeff Robinson

Jeff Robinson
President and Chief Executive Officer

EXHIBIT 31.2

RULE 13A-14(a)/15D-14(a)
CERTIFICATION

I, Vasan Thatham, Chief Financial Officer certify that:

1. I have reviewed this 10-KSB/A Report of NetFabric, Inc.;

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

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

4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the small business issuer and have:

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

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under NetFabric's supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

(d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

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

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

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

December 19, 2005

By: /s/ Vasan Thatham

Vasan Thatham
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF DISCLOSURE PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of NetFabric, Inc. (the "Company") on Form 10-KSB/A for the year ended December 31, 2004 as filed with the United States Securities and Exchange Commission on the date hereof (the "Report"). I, Jeff Robinson, President and Chief Executive Officer of the Company, certify, pursuant to 18 USC section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge and belief:

(1) I am the certifying Officer and I have reviewed the report being filed;

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

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

(4) I and the other certifying officers are responsible for establishing and maintaining disclosure controls and procedures (as such term is defined in paragraph (c) of this section) for the issuer and have:

i. Designed such disclosure controls and procedures to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made know to them by others within those entities, particularly during the period in which the periodic reports are being prepared;

ii. Evaluated the effectiveness of the issuer's disclosure controls and procedures as of a date within 90 days prior to the filing date of the report ("Evaluation Date"); and

iii. Presented in the report their conclusions about the effectiveness of the disclosure controls and procedures based on their evaluation as of the Evaluation Date;

(5) I and the other certifying officers have disclosed, based on their most recent evaluation, to the issuer's auditors and the audit committee of the Board of Directors (or persons fulfilling the equivalent function);

i. All significant deficiencies in the design or operation of t 6 0 internal controls which could adversely affect the issuer's ability to record, process, summarize and report financial data and have identified for the issuer's auditors any material weaknesses in internal controls; and ii. Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal controls; and

(6) I and the other certifying officers have indicated in the report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

December 19, 2005 By: /s/ Jeff Robinson

Jeff Robinson
President and Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION OF DISCLOSURE PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of NetFabric, Inc. (the "Company") on Form 10-KSB/A for the year ended December 31, 2004 as filed with the United States Securities and Exchange Commission on the date hereof (the "Report"). I, Vasan Thatham, Chief Financial Officer of the Company, certify, pursuant to 18 USC section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge and belief:

(1) I am the certifying Officer and I have reviewed the report being filed;

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

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

(4) I and the other certifying officers are responsible for establishing and maintaining disclosure controls and procedures (as such term is defined in paragraph (c) of this section) for the issuer and have:

i. Designed such disclosure controls and procedures to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made know to them by others within those entities, particularly during the period in which the periodic reports are being prepared;

ii. Evaluated the effectiveness of the issuer's disclosure controls and procedures as of a date within 90 days prior to the filing date of the report ("Evaluation Date"); and

iii. Presented in the report their conclusions about the effectiveness of the disclosure controls and procedures based on their evaluation as of the Evaluation Date;

(5) I and the other certifying officers have disclosed, based on their most recent evaluation, to the issuer's auditors and the audit committee of the Board of Directors (or persons fulfilling the equivalent function);

i. All significant deficiencies in the design or operation of internal controls which could adversely affect the issuer's ability to record, process, summarize and report financial data and have identified for the issuer's auditors any material weaknesses in internal controls; and ii. Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal controls; and

(6) I and the other certifying officers have indicated in the report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

December 19, 2005 By: /s/ Vasan Thatham

Vasan Thatham
Chief Financial Officer