UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-KSB/A
(Amendment No.1)

(Mark One)

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

for the fiscal year ended December 31, 2006

OR

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

Commission File Number: 0-21419

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

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

Three Stewart Court, Denville, New Jersey	07834
(Address of Principal Executive Offices)	(Zip Code)

(973) 887-2785
(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:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $.001 Par Value	Over-the-Counter Bulletin Board

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. |_|

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes |X| No |_|

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of the 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. |X|

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

State issuer's revenues for its most recent fiscal year. $17,599,303

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked prices of such common equity, as of a specified date within the past 60 days. $2,231,528 as of March 14, 2007.

APPLICABLE ONLY TO CORPORATE REGISTRANTS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date. 75,663,883 shares of Common Stock, $0.001 par value, outstanding as of March 14, 2007.

Transitional Small Business Disclosure Format (Check One): Yes |_| No |X|

EXPLANATORY NOTE

This Form 10-KSB/A filing amends disclosure in the notes to our consolidated financial statements and Exhibit 32.2, of the Form 10-KSB filed by NetFabric Holdings, Inc. (the "Company') on April 16, 2007.

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 the April 16, 2007 filing date, or earlier as indicated, and has not been updated in this amended filing.

ITEM 13. EXHIBITS.

A.	Exhibits
Exhibit 2.1	Share Exchange Agreement between the Company, NetFabric, NetFabric's shareholders and Littlehampton LLC, dated December 9, 2004. (1)
Exhibit 2.2	Share Exchange Agreement between the Company, UCA Services, Inc. and all of the Shareholders of UCA Services, Inc. dated 20, 2005. (4)
Exhibit 3.1	Articles of Incorporation (12)
Exhibit 3.2	By-Laws. (7)
Exhibit 10.1	Letter Agreement between Houston Operating Company, NetFabric Corporation, Macrocom Investors, LLC and Littlehampton Investments, LLC, dated March 25, 2005. (3)
Exhibit 10.2	Financing Agreement between NetFabric and Macrocom, dated July 22, 2004. (1)
Exhibit 10.3	Loan Agreement between NetFabric and Macrocom, dated October 14, 2004. (1)
Exhibit 10.4	Amendment to Financing and Loan Agreement between NetFabric and Macrocom, dated December 2, 2004. (1)
Exhibit 10.5	Distribution Agreement between NetFabric and Williams, dated November 29, 2004. (1)
Exhibit 10.6	Lease Agreement between NetFabric and Silvermine, dated January 1, 2004. (1)
Exhibit 10.7	2005 Stock Option Plan. (2)
Exhibit 10.8	Agreement with Macrocom Investors, LLC for Convertible Debentures dated July 19, 2005. (5)
Exhibit 10.9	Warrant, dated as October 27, 2005, issued by the Company to Cornell Capital Partners, LP. (6)
Exhibit 10.10	Securities Purchase Agreement, dated as of October 27, 2005, by and between the Company and Cornell Capital Partners, LP. (6)
Exhibit 10.11	Investor Registration Rights Agreement, dated as of October 27, 2005, by and between the Company and Cornell Capital Partners, LP. (6)

Exhibit 10.12 Escrow Agreement, dated as of October 27, 2005, by and among the Company, Cornell Capital Partners, LP and David Gonzalez, Esq., as escrow agent pursuant to the Securities Purchase Agreement. (6)

Exhibit 10.13 Amended and Restated Security Agreement, dated as of October 27, 2005, by and between the Company and Cornell Capital Partners, LP. (6)

Exhibit 10.14 Amended and Restated Security Agreement, dated as of October 27, 2005, by and between the Company and Cornell Capital Partners, LP. (6)

Exhibit 10.15 Amended and Restated Security Agreement, dated as of October 27, 2005, by and between UCA Services, Inc. and Cornell Capital Partners, LP. (6)

Exhibit 10.16 Officer Pledge and Escrow Agreement, dated as of October 27, 2005, by and among the Company, Cornell Capital Partners, LP and David Gonzalez, Esq., as escrow agent. (6)

Exhibit 10.17 Form of Secured Convertible Debenture issued to Cornell Capital Partners, LP dated October 27, 2005. (6)

Exhibit 10.18 Employment Agreement with Fahad Syed. (7)

Exhibit 10.19 Amendment of The Share Exchange Agreement dated February 13, 2006 by and among NetFabric, Holdings, Inc. UCA Services, Inc. and UCA Shareholders. (8)

Exhibit 10.20 Security Agreement, dated February 10, 2006, by and between the Company and Laurus Master Fund, Ltd.

Exhibit 10.21 Secured Convertible Note, dated February 10, 2006, by and between the Company and Laurus Master Fund, Ltd. (9)

Exhibit 10.22 Secured Non-Convertible Note, dated February 10, 2006, by and between the Company and Laurus Master Fund, Ltd. (9)

Exhibit 10.22 Option, dated February 10, 2006, by the Company. (9)

Exhibit 10.23 Registration Rights Agreement, dated February 10, 2006, by and between the Company and Laurus Master Fund, Ltd. (9)

Exhibit 10.24 Subsidiary Guaranty, dated February 10, 2006 from NetFabric Corporation and UCA Services, Inc. (9)

Exhibit 10.25 Letter agreement, dated February 10, 2006 between the Company and Laurus Master Fund. (9)

Exhibit 10.27 Form of Convertible Debenture dated April 19, 2006 issued by the Company. (10)

Exhibit 10.28 Form of Warrant, dated April 19, 2006 issued by the Company. (10)

Exhibit 10.28 Agreement and Plan of Acquisition by and between Intrusion Detection Technologies, Inc., UTEK Corporation and NetFabric Holdings, Inc. (11)

Exhibit 14.1 Code of Business Conduct and Ethics. (3)

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.

(1) Filed as an Exhibit to the Company's 8-K filed on December 15, 2004.

(2) Filed with Schedule 14C Information on March 21, 2005.

(3) Filed as an Exhibit to the Company's 10K/A filed on December 19, 2005.

(4) Filed as an Exhibit to the Company's Form 8-K on May 26, 2005

(5) Filed as an Exhibit on the Company's 8-K filed on July 25, 2006.

(6) Filed as an Exhibit on the Company's SB-2 on November 2, 2005

(7) Filed as an Exhibit on the Company's 10KSB filed on April 15, 2006

(8) Filed as an Exhibit to the Company's Form 8_8K filed on February 15, 2006

(9) Filed as an Exhibit to the Company's Form 8-K filed on February 15, 2006

(10) Filed as an Exhibit to the Company's Form 8-K filed on April 19, 2006

(11) Filed as an Exhibit to the Company's Form 8-K filed on August 16, 2006

(12) Filed with Schedule 14C Information on October 24, 2006

SIGNATURES

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

Date: August 31, 2007

/s/ FAHAD SYED

Fahad Syed, Chairman and
Chief Executive Officer
(principal executive officer)

In accordance with the Exchange Act, 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: August 31, 2007

/s/ FAHAD SYED

Fahad Syed, Chairman
and Chief Executive Officer
(principal executive officer)

Date: August 31, 2007

/s/ VASAN THATHAM

Vasan Thatham, Chief Financial
Officer (principal accounting officer)

Date: August 31, 2007

/s/ JOSEPH PERNO

Joseph Perno, Director

Date: August 31, 2007

/s/ CHARLOTTE G. DENENBERG

Charlotte G. Denenberg, Director

NETFABRIC HOLDINGS INC AND SUBSIDIARIES

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
NetFabric Holdings, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheet of NetFabric Holdings, Inc. and Subsidiaries as of December 31, 2006, and the related consolidated statements of operations, stockholders' equity and cash flows for the year then ended. 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 audit.

We conducted our audit 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 audit provides 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 NetFabric Holdings, Inc. and Subsidiaries as of December 31, 2006 and their consolidated results of operations and their cash flows for the year then ended, in conformity with United States generally accepted accounting principles.

As discussed in Note 11 to the consolidated financial statements, the Company changed the manner in which it accounts for stock-based compensation in 2006.

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 has had net losses from inception and has a working capital deficiency. 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.

GOLDSTEIN GOLUB KESSLER LLP
New York, New York
April 13, 2007

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
NetFabric Holdings Inc. and Subsidiaries

We have audited the accompanying consolidated statements of operations, stockholders' equity (deficit) and cash flow of NetFabric Holdings Inc. and, subsidiaries, formerly Houston Operating Company ("NetFabric") for the year ended December 31, 2005. 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 audit.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, NetFabric's results of operations, and cash flows for the year ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

The accompanying 2005 consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the 2005 consolidated financial statements, the Company has had net losses from inception and has a working capital deficiency. 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 2005 consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ J.H. Cohn LLP

Jericho, New York
April 17, 2006 except for Note 3
as to which the date is March 30, 2007

NETFABRIC HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	DECEMBER 31, 2006
ASSETS	
Cash	$ 13,437
Trade accounts receivable, net	2,149,680
Due from related party	--
Prepaid expenses and other current assets	5,110
Total current assets	2,168,227
Property and equipment, net	197,215
Goodwill	13,982,451
Other intangibles, net	879,702
Other assets	55,028
TOTAL ASSETS	$ 17,282,623
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES:	
Bridge loans, net of unamortized discount	$ --
Convertible debentures, net of unamortized discounts	685,169
Note payable to officer, net of unamortized discount	150,001
Loans and advances from officer and stockholders	--
Accounts payable and accrued liabilities	3,747,807
Accrued compensation	338,283
Deferred revenues and customer advances	--
Revolving note, net of unamortized discount	1,014,249
Total current liabilities	5,935,509
Derivative financial instruments	--
Convertible debentures, net of unamortized discount	--
Convertible note, net of unamortized discount	443,430
Total liabilities	6,378,939
COMMITMENTS AND CONTINGENCIES	
STOCKHOLDERS' EQUITY:	
Common Stock, $.001 par value, authorized shares 200,000,000 and 100,000,000 respectively, 75,023,883 and 62,44,357 shares issued and outstanding, respectively	75,024
Additional paid-in capital	36,201,479
Deferred employee compensation	
Accumulated deficit	(25,372,819)
Total stockholders' equity	10,903,684
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 17,282,623

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

NETFABRIC HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS

	YEAR ENDED DECEMBER 31,2006	YEAR ENDED DECEMBER 31, 2005
Revenues	$ 17,599,303	$ 12,540,984
OPERATING EXPENSES:		
Direct employee compensation and consultant expenses (includes share based compensation of $22,792 and $0)	13,352,858	9,257,320
Selling, general and administrative expenses (includes share based compensation of $606,574 and $0)	6,272,570	4,530,313
Non-cash charge for dispute settlements	9,492,070	--
In process research and development	160,000	--
Depreciation and amortization	344,846	171,916
Total operating expenses	29,622,344	13,959,549
Loss from operations	(12,023,041)	(1,418,565)
OTHER INCOME / (EXPENSE):		
Amortization of debt discounts and debt issuance costs	(2,819,289)	(1,197,277)
Interest and bank charges	(316,439)	(103,888)
Gain/(charge) on derivative financial instruments	336,352	(2,131,109)
Debt extinguishment costs	(1,773,181)	100,758
Total other income / (expense)	(4,572,557)	(3,331,516)
Loss before provision for income taxes	(16,595,598)	(4,750,081)
Provision for income taxes	--	--
LOSS FROM CONTINUING OPERATIONS	(16,595,598)	(4,750,081)
DISCONTINUED OPERATIONS:		
Loss from operations of discontinued operations	(474,411)	(2,031,904)
NET LOSS	$(17,070,009)	$ (6,781,985)
Net loss from continuing operations per common share, basic and diluted	$ (0.24)	$ (0.09)
Net loss from discontinued operations per common share, basic and diluted	$ (0.01)	$ (0.04)
Net loss per common share, basic and diluted	$ (0.25)	$ (0.13)
Weighted average number of shares outstanding, basic and diluted	68,056,366	52,735,122

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

NETFABRIC HOLDINGS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	COMMON STOCK SHARES	COMMON STOCK PAR VALUE	ADDITIONAL PAID-IN CAPITAL
Balances at December 31, 2004	34,652,204	$34,652	$ 1,216,523
Sale of common stock to investors, net of offerings costs $368,683	2,000,000	2,000	629,317
Settlement of bridge loan with common stock	1,000,000	1,000	499,000
Issuance of shares in connection with acquisition	24,096,154	24,096	13,798,904
Allocation of value to warrants in connection with bridge loan			392,196
Deferred employee stock option compensation			67,500
Amortization of deferred employee stock option compensation			
Issuance of shares in connection with SEDA, net	249,999	250	349,313
Issuance of shares in connection with convertible debentures	450,000	450	155,608
Issuance of warrants in connection with convertible debentures			395,333
Allocation of value of beneficial conversion feature in connection with convertible debentures			416,509
Reclassification of financial instrument			
Net loss			
Balances at December 31, 2005	62,448,357	62,448	16,657,804
Issuance of common shares in connection with settlement of payables	60,526	61	57,439
Value of contributions from shareholder in connection with settlement of disputes	--	--	9,492,070
Employee share-based compensation	--	--	493,762
Reclassification of deferred employee stock option compensation	--	--	(36,478)
Allocation of value to beneficial conversion feature in connection with issuance of convertible note	--	--	511,577
Issuance of options and warrants in connection with debt financing	--	--	1,432,743
Reissuance of warrants in connection with debt extinguishment	--	--	372,353
Reclassification of derivative financial instrument relating to beneficial conversion feature	--	--	804,307
Reclassification of derivative financial instrument relating to warrants	--	--	2,946,858
Settlement of bridge loans with common stock	2,500,000	2,500	1,622,500
Conversion of convertible debenture issued to officer with common stock	500,000	500	129,500
Issuance of shares in connection with extension of convertible debenture to officer	100,000	100	29,900
Allocation of value to beneficial conversion feature issued in connection with issuance of convertible debenture	--	--	322,755
Allocation of value for warrants issued in connection with convertible debentures	--	--	133,969
Allocation of value for common shares issued in connection with convertible debentures	525,000	525	164,510
Allocation of value for warrants issued in connection with extension of convertible debentures	--	--	115,908
Allocation of value of common shares issued in connection with extension of convertible debentures	350,000	350	55,992
Issuance of common shares for services	290,000	290	40,744
Issuance of warrants for services	--	--	51,516
Issuance of shares for licensing agreement acquisition, cash and services	8,250,000	8,250	801,750
Net loss	--	--	
BALANCES AT December 31, 2006	75,023,883	75,024	36,201,479

[TABLE CONTINUED]

	DEFERRED COMPENSATION	ACCUMULATED DEFICIT	TOTAL STOCKHOLDERS' EQUITY
Balances at December 31, 2004		($1,520,825)	$ (269,650)
Sale of common stock to investors, net of offerings costs $368,683			631,317
Settlement of bridge loan with common stock			500,000
Issuance of shares in connection with acquisition			13,823,000
Allocation of value to warrants in connection with bridge loan			392,196
Deferred employee stock option compensation	(67,500)		--
Amortization of deferred employee stock option compensation	31,022		31,022
Issuance of shares in connection with SEDA, net			349,563
Issuance of shares in connection with convertible debentures			156,058
Issuance of warrants in connection with convertible debentures			395,333
Allocation of value of beneficial conversion feature in connection with convertible debentures			416,509
Reclassification of financial instrument			
Net loss		(6,781,985)	(6,781,985)
Balances at December 31, 2005	(36,478)	(8,302,810)	8,380,964

Issuance of common shares in connection with settlement of payables			57,500
Value of contributions from shareholder in connection with settlement of disputes			9,492,070
Employee share-based compensation			493,762
Reclassification of deferred employee stock option compensation	36,478		--
Allocation of value to beneficial conversion feature in connection with issuance of convertible note			511,577
Issuance of options and warrants in connection with debt financing			1,432,743
Reissuance of warrants in connection with debt extinguishment			372,353
Reclassification of derivative financial instrument relating to beneficial conversion feature			804,307
Reclassification of derivative financial instrument relating to warrants			2,946,858
Settlement of bridge loans with common stock			1,625,000
Conversion of convertible debenture issued to officer with common stock			130,000
Issuance of shares in connection with extension of convertible debenture to officer			30,000
Allocation of value to beneficial conversion feature issued in connection with issuance of convertible debenture			322,755
Allocation of value for warrants issued in connection with convertible debentures			133,969
Allocation of value for common shares issued in connection with convertible debentures			165,035
Allocation of value for warrants issued in connection with extension of convertible debentures			115,908
Allocation of value of common shares issued in connection with extension of convertible debentures			56,342
Issuance of common shares for services			41,034
Issuance of warrants for services			51,516
Issuance of shares for licensing agreement acquisition, cash and services			810,000
Net loss		(17,070,009)	(17,070,009)
BALANCES AT December 31, 2006	--	(25,372,819)	10,903,684

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

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

	Year ended December 2006	Year ended December 2005
OPERATING ACTIVITIES		
Net loss	$(17,070,009)	$(6,781,985)
Loss from discontinued operations	474,411	2,031,904
Adjustments to reconcile net loss to net cash used in operating activities:		
Non-cash charge for common stock issued for rent		50,000
Non-cash charge for interest expense	22,500	--
Non-cash charge for settlement of disputes	9,492,070	--
Non-cash charge in connection with settlement of debt	1,152,104	--
Non-cash charge for in process R&D	160,000	--
Non-cash charge for reissuance of warrants in connection with debt extinguishment	372,353	--
Non-cash charge for shares issued in connection with the SEDA		349,563
Non-cash charge for share based compensation	629,366	51,648
Common stock issued for services	150,000	
Non-cash gain on debt extinguishment	(32,638)	(100,758)
Non-cash gain on derivative financial instrument	(336,352)	2,131,109
Allowance for bad debts	107,344	206,694
Allowance for inventory obsolescence		248,742
Impairment of fixed assets		111,536
Amortization of debt discounts	2,819,289	1,197,277
Depreciation and amortization	344,846	171,916
Changes in operating assets and liabilities:		
Inventory		(176,717)
Trade accounts receivable	(59,479)	(124,643)
Due from related party	84,712	(192,056)
Prepaid expenses and other current assets	29,956	30,139
Other assets	(47,098)	22,864
Accounts payable and accrued liabilities	796,496	553,988
Accrued compensation	(42,439)	160,357
Deferred revenues and advances	(66,019)	(1,032,648)
Net cash provided by continuing operations	(1,018,587)	(1,091,070)
Net cash used in discontinued operations	(454,344)	(1,954,879)
Net cash used in operating activities	(1,472,931)	(3,045,949)
INVESTING ACTIVITIES		
Direct acquisition costs of UCA Services	--	(187,000)
Purchases of property and equipment	(132,667)	(120,845)
Net cash provided by (used in) investing activities	(132,677)	(307,845)
FINANCING ACTIVITIES		
Proceeds from issuance of common stock	--	1,000,000
Loans and advances from stockholders and officers	--	270,000
Repayment of note to officer	(200,000)	--
Convertible debentures issued	950,000	100,000
Repayments of bridge loans	(500,000)	--
Proceeds (repayment) of convertible debentures	(1,658,160)	1,951,160
Cash received for issuance of stock	500,000	
Proceeds from issuance of revolving note, net	1,417,852	--
Proceeds from issuance of convertible note, net	1,430,500	--
Debt issuance costs	(60,697)	(25,545)
Repayment of convertible debenture	(100,000)	
Repayment of loans from officer and director	(170,000)	--
Net cash provided by financing activities	1,609,495	3,295,615
Net increase in cash	3,897	(58,179)
Cash at beginning of year	9,540	67,719
Cash at end of year	$ 13,437	$ 9,540
Supplemental cash flow information:		
Cash paid for interest expense	$ 261,000	$ 31,250
Cash paid for income taxes	$ --	$ --

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

NOTE 1. NATURE OF BUSINESS AND MANAGEMENT'S PLANS

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

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

On May 20, 2005, Holdings entered into and closed on a share exchange agreement ("Exchange Agreement"), whereby Holdings acquired all of the issued and outstanding shares of UCA Services, Inc. ("UCA Services"), a New Jersey company, from its shareholders in exchange for the issuance of 24,096,154 shares of common stock of Holdings (see Note 7). Holdings emerged from the development stage upon the acquisition of UCA Services.

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

Management's plans

The accompanying consolidated financial statements have been prepared on a going concern basis. As shown in the accompanying consolidated financial statements, the Company has incurred accumulated losses totaling $25,372,819 and has a working capital deficit of $3,767,282 at December 31, 2006. 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 plans and satisfy its current and long-term obligations on a timely basis. The Company believes that it will be able to complete the necessary steps in order to meet its cash requirements throughout fiscal 2007 and continue its business development efforts.

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

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

Basis of Presentation of Consolidated Financial Statements and Estimates

The consolidated financial statements include the accounts of Holdings and its wholly-owned subsidiaries. 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 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 the value and allocation of purchase price in business combinations, provisions for bad debts, depreciable/amortizable lives, impairment of goodwill and other 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 and financial instruments and other reserves. Because of the uncertainty inherent in such estimates, actual results may differ from these estimates.

Reclassifications

Certain reclassifications have been made in the 2005 consolidated financial statements to conform to the current presentation.

Revenue Recognition

In accordance with the Securities and Exchange Commission ("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.

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

Billings and collections in excess of revenue recognized are classified as deferred revenue.

Allowance for Doubtful Accounts

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. These estimated losses are based upon historical bad debts, specific customer creditworthiness and current economic trends. If the financial condition of a customer deteriorates, resulting in the customer's inability to make payments within approved credit terms, additional allowances may be required. The Company performs credit evaluations of its customers' financial condition on a regular basis, and has not experienced any material bad debt losses to date. The Company recorded allowances for bad debts of $107,344 and $206,694 during years ended December 31, 2006 and 2005, respectively. As of December 31, 2006 and 2005, doubtful allowance balances were $321,555 and $206,694, respectively

Cash and Cash Equivalents

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

Property and Equipment

Property and equipment, consisting principally of computer equipment and furniture and fixtures, 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
Furniture and fixtures	7 years
Leasehold improvements	Lesser of life of lease or useful life

Repairs and maintenance are charged to operations as incurred. When assets are retired or otherwise disposed of, the cost and accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is reported in the period realized.

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. During 2005, the Company recognized approximately $112,000 of impairments of fixed assets in selling, general and administrative expenses for the year ended December 31, 2005.

Concentrations of Credit Risk

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

The Company's services have been provided primarily to a limited number of clients located in a variety of industries. During the year ended December 31, 2006, the Company had revenues from 2 clients representing 46% (35% and 11%, respectively) of the revenues during the year. The Company had revenues from 2 clients representing 40% (30% and 10%, respectively) of revenues during the year ended December 31, 2005.

The Company generally does not require its clients to provide collateral. Additionally, the Company is subject to a concentration of credit risk with respect to its accounts receivable. At December 31, 2006, the Company had one client accounting for 36% of total gross accounts receivable. The Company had 3 clients accounting for 45% (25%, 10% and 10%, respectively) of total gross accounts receivable as of December 31, 2005.

Goodwill

Goodwill represents the Company's allocation of the cost to acquire UCA Services in excess of the fair value of net assets acquired. The purchase price and its allocation, to reflect the fair values of assets acquired and liabilities assumed, have been based upon management's evaluation using accepted valuation methodologies.

Under SFAS No. 142 "Goodwill and Other Intangible Assets" ("SFAS No. 142"), goodwill is not amortized but is reviewed for impairment annually. The Company performs its annual goodwill impairment testing, by reporting units, in the second quarter of each year, or more frequently if events or changes in circumstances indicate that goodwill may be impaired. Application of the goodwill impairment test requires significant judgments including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term rate of growth for UCA Services, period over which cash flows will occur, and determination of UCA Services cost of capital. Changes in these estimates and assumptions could materially affect the determination of fair value and/or conclusions on goodwill impairment for UCA Services. Goodwill at December 31, 2006 and 2005 was $13,982,451.

Intangibles

Intangible assets are accounted for under the provisions of SFAS No. 142. Intangible assets arise from business combinations and consist of customer relationships and restricted covenants related to employment agreements that are amortized, on a straight-line basis, over periods of up to six years. The Company follows the impairment provisions and disclosure requirements of SFAS No. 142. Accordingly intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets at December 31, 2006 and 2005 were $879,702 and $1,099,717, respectively.

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 or principal amounts presented in the balance sheets at December 31, 2006 and 2005.

The Company accounts for derivative instruments in accordance with SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities," as amended, ("SFAS No. 133") which establishes accounting and reporting standards for derivative instruments and hedging activities, including certain derivative instruments imbedded in other financial instruments or contracts and requires recognition of all derivatives on the balance sheet at fair value. Accounting for the changes in the fair value of the derivative instruments depends on whether the derivatives qualify as hedge relationships and the types of the relationships designated are based on the exposures hedged. Changes in the fair value of derivative instruments which are not designated as hedges are recognized in earnings as other income (loss).

The Company has issued financial instruments which have required a determination of the fair value of certain related derivatives, where quoted market prices were not published or readily available at the date of issuance. The Company bases its fair value determinations on an evaluation of the facts and circumstances and valuation techniques that require judgments and estimates.

Share-Based Compensation Expense

On January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment," ("SFAS 123(R)") which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors based on estimated fair values. SFAS 123(R) supersedes the Company's previous accounting under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") for periods beginning in fiscal 2006. In March 2005, the SEC issued Staff Accounting Bulletin No. 107 ("SAB 107") relating to SFAS 123(R). The Company has applied the provisions of SAB 107 in its adoption of SFAS 123(R).

SFAS 123(R) requires companies to estimate the fair value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in the Company's consolidated statements of operations. Prior to the adoption of SFAS 123(R), the Company accounted for stock-based awards to employees and directors using the intrinsic value method in accordance with APB 25 as allowed under Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). Under the intrinsic value method, stock-based compensation expense was recognized in the Company's consolidated statement of operations based on the difference between the exercise price of the Company's stock options granted to employees and directors, and the fair market value of the underlying stock at the date of grant.

The historical volatility of Company's stock is used as the basis for the volatility assumption. The Company has never paid cash dividends, and does not currently intend to pay cash dividends, and thus assumed a 0% dividend yield

The Company adopted SFAS 123(R) using the modified prospective transition method, which requires the application of the accounting standard as of January 1, 2006, the first day of the Company's fiscal year. The Company's consolidated financial statements as of and for the year ended December 31, 2006 reflect the impact of adoption of SFAS 123(R). In accordance with the modified prospective transition method, the Company's consolidated financial statements for prior periods have not been restated to reflect, and do not include, the impact of adoption of SFAS 123(R).

Share-based compensation expense recognized under SFAS 123(R) for the year ended December 31, 2006 was $493,762. Share-based compensation expense recognized in the Company's consolidated statements of operations for the year ended December 31, 2006 includes compensation expense for share-based payment awards granted prior to, but not yet vested as of December 31, 2005, based on the grant-date fair value estimated in accordance with the provisions of SFAS 123.

SFAS 123(R) requires forfeitures to be estimated at the time of grant in order to estimate the amount of share-based awards that will ultimately vest. As there were only a nominal amount of option holders as of January 1, 2006, management evaluated each of the grants outstanding upon adoption of SFAS 123(R) to determine an appropriate forfeiture rate. Based on this evaluation and considering options which were cancelled during management's evaluation in the year ended December 31, 2006, the Company adjusted the value of the options outstanding as of January 1, 2006 for actual cancellations during the year ended December 31, 2006. After adjusting for the value such cancellations, management determined that a forfeiture rate was not required for the remaining outstanding option grants. This determination was based principally on the nature of the option holders' involvement with the Company and the quantity held by such individuals. In the Company's pro forma information required under SFAS 123 for the periods prior to fiscal year 2006, the Company accounted for forfeitures as they occurred. Effectively, for all periods presented forfeitures have been accounted for as they occurred.

On November 10, 2005, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position No. FAS 123(R)-3 "Transition Election Related to Accounting for Tax Effects of Share-Based Payment Awards." The Company has elected to adopt the alternative transition method provided in the FASB Staff Position for calculating the tax effects of stock-based compensation pursuant to SFAS 123(R).

The net loss for the year ended December 31, 2005 includes compensation charges related to options granted to employees based on the intrinsic value method. The following table illustrates the pro forma effect on net loss and net loss per common share assuming the Company had applied the fair value recognition provisions of SFAS 123, as amended by SFAS No. 148, "Accounting for Stock-Based Compensation--Transition and Disclosure" ("SFAS 148"), instead of the intrinsic value method under APB No. 25, to stock based employee compensation for the year ended December 31, 2005:

	Year ended December 31, 2005
Net loss, as reported	$(6,781,985)
Stock-based employee compensation recorded	31,022
Sub-total	(6,750,963)
Stock-based employee compensation expense determined under fair value method	648,890
Pro forma net loss, as adjusted	$(7,399,853)
Loss per share:	
Basic and diluted- as reported	$ (0.13)
Basic and diluted- pro forma	$ (0.14)

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, 2006 and 2005 exclude potentially issuable common shares of approximately 19,581,124 and 12,940,807, 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.

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. In 2006, we discontinued VoIP segment and operate in one segment. Accordingly, 2005 financial statement presentation has been reclassified.

Recent Accounting Pronouncements

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

In September 2006, the SEC issued Staff Accounting Bulletin ("SAB") No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements," which provides interpretive guidance regarding the consideration given to prior year misstatements when determining materiality in current year financial statements. SAB No. 108 is effective for fiscal years ending after November 15, 2006 and had no impact on our consolidated financial statements.

In June 2006, the FASB issued FASB Interpretation No. (FIN) 48, "Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109" (FIN 48), which clarifies the accounting for uncertainty in income taxes recognized in accordance with SFAS No. 109, "Accounting for Income Taxes." This Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken, or expected to be taken, on a tax return. This Interpretation also provides guidance on derecognition, classification, interest, penalties, accounting in interim periods, disclosure and transition. The evaluation of a tax position in accordance with this Interpretation is a two-step process. The first step will determine if it is more likely than not that a tax position will be sustained upon examination and should therefore be recognized. The second step will measure a tax position that meets the more likely than not recognition threshold to determine the amount of benefit to recognize in the financial statements. This Interpretation is effective for fiscal years beginning after December 15, 2006. We do not expect the impact of this Statement to have a material effect on our consolidated financial statements.

NOTE 3. DISCONTINUED OPERATIONS

On May 5, 2006, the Company announced its decision to exit from the hardware-based VoIP communications product line (including resale of transport services) that is targeted at SMB's. In accordance with Statement of Financial Accounting Standards No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets", ("SFAS No. 144"), the Company recorded loss from discontinued operations of $474,411 for the year ended December 31, 2006. The Company has reclassified prior period results to conform with the current period presentation. Accordingly, $2,031,904 for the year ended December 2005, has been classified as loss from discontinued operations. Revenues from VoIP operations have been nominal in all periods presented and operating expenses are the losses reported.

NOTE 4 PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following at December 31, 2006 and 2005:

	2006	2005
Equipment	$ 443,029	$ 395,664
Lease improvements	54,631	54,631
Furniture and fixtures	103,490	59,498
	601,149	509,793
Less: Accumulated depreciation and amortization	(403,934)	(344,809)
	$ 197,215	$ 164,984

A depreciation and amortization expense was $80,369 and $111,901 for the years ended December 31, 2006 and 2005, respectively.

NOTE 5. INTANGIBLE ASSETS

The Company's intangible assets consisting of customer contacts and restricted covenants related to employment agreements were acquired and accounted for using the purchase method of accounting. The following table summarizes the net asset value for each intangible asset category as of December 31, 2006:

	Amortization Period	Gross Asset Value	Accumulated Amortization	Net Asset Value
Customer relationship	6 years	$1,153,424	($312,385)	$841,039
Covenants not to compete	3 years	83,333	(44,670)	38,663
		$1,236,757	($357,055)	$879,702

The following table summarizes the net asset value for each intangible asset category as of December 31, 2005:

	Amortization Period	Gross Asset Value	Accumulated Amortization	Net Asset Value
Customer relationships	6 years	$1,153,424	$(120,148)	$1,033,276
Covenants not to compete	3 years	83,333	(16,892)	66,441
		$1,236,757	$(137,040)	$1,099,717

Amortization expense was $ 220,015 and $137,040 for the years ended December 31, 2006 and 2005, respectively.

The Company did not have any intangibles prior to the acquisition of UCA Services in May 2005.

Estimated amortization expense related to intangible assets subject to amortization at December 31, 2006 for each of the years in the five-year period ending December 31, 2011:

2007	$220,015
2008	203,122
2009	192,237
2010	192,237
2011	72,091
	$879,702

NOTE 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following at December 31, 2006 and 2005:

	2006	2005
Trade accounts payable	$3,435,748	$2,693,113
Accrued professional fees	218,000	168,741
Accrued interest payable	94,059	126,556
	$3,747,807	$2,988,410

Accounts payable and accrued expenses related to discontinued operations approximate $163,000 and $191,000 at December 31, 2006 and 2005, respectively.

NOTE 7. ACQUISITION

The Company acquired UCA Services on May 20, 2005. Pursuant to the terms of the Exchange Agreement, Holdings acquired all of the issued and outstanding shares of UCA Services from the UCA Services' shareholders in exchange for the issuance of 24,096,154 shares of common stock of the Company. The acquisition was accounted for as a business combination with the Company as the acquirer. Under the purchase method of accounting, the assets and liabilities of UCA Services acquired by the are recorded as of the acquisition date at their respective fair values, and added to those of the Company, and the results of UCA Services have been included with those of the Company since the date of acquisition.

The purchase price of $14,010,000 consists of $13,823,000 of common stock, $187,000 of acquisition costs, the assumption of $1,209,208 of net liabilities and the recognition of $1,236,757 of intangibles assets associated with customer relationships and non-compete covenants of employment agreements. Pursuant to accepted valuation methodologies, the Company determined the fair value of Holdings' common stock issued in exchange for the shares of UCA Services.

The determination of the purchase price and its allocation to the fair values of the assets acquired and liabilities assumed as reflected in the consolidated financial statements have been based on the Company's evaluation using accepted valuation methodologies. The fair value of the assets acquired and liabilities assumed in the acquisition of UCA Services are as follows:

Accounts receivable	$ 2,153,968
Other assets and equipment	190,602
Customer relationship intangible	1,153,424
Non-compete intangible	83,333
Accounts payable and accrued expenses	(2,481,077)
Deferred revenue and advances	(1,072,701)
Net assets acquired	$ 27,549

The Company recorded goodwill of $13,982,451 as a result of the cost in excess of the net assets acquired of UCA Services. Any charge to expense related such goodwill will not be deductible for tax purposes.

Summarized below are the pro forma unaudited results of operations for the year ended December 31, 2005 as if the results of UCA Services were included for the entire period presented. The pro forma results may not be indicative of the results that would have occurred if the acquisition had been completed at the beginning of the period presented or which may be obtained in the future:

	For the year ended December 31, 2005
Revenues	$19,422,620
Net loss	(7,666,058)
Basic and diluted net loss common share	$ (0.12)
Weighted average common shares outstanding	61,911,465

NOTE 8. TECHNOLOGY LICENSE ACQUISITION

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

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

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

NOTE 9. DEBT FINANCINGS

Debt financings consist of the following as of December 31, 2006 and 2005:

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

	2005		
	Principal	Unamortized debt discount	Net
Macrocom Bridge Loan II, due October 2006	$ 500,000	($58,875)	$ 441,125
Macrocom Convertible Debenture	500,000	(194,444)	305,556
Convertible Debenture payable to stockholder and officer	100,000	(38,890)	61,110
Cornell Convertible Debenture	1,658,160	(1,046,101)	612,059
Note payable to officer	200,000	(99,059)	100,941
Loans and advances from stockholders	202,639		202,639
	$3,160,799	($1,437,369)	$1,723,430

2006 Convertible Debentures

On April 19, 2006, the Company sold Convertible Debentures (the " 2006 Convertible Debentures") in the face amount of $500,000 to five individuals (the "Debenture Holders" or a "Debenture Holder") including $150,000 face value to an officer and director, and $50,000 face value to a stockholder of the Company. The 2006 Convertible Debentures bear interest at 8% and were due originally on June 15, 2006. At the option of the Debenture Holders, the 2006 Convertible Debentures can be converted into shares of the Company's common stock at a conversion price of $.50 per share. In connection with the sale, the Company issued warrants to two Debenture Holders to acquire an aggregate of 200,000 shares of its common stock with a nominal exercise price. The warrants expire in three years from the date of issuance. The remaining three Debenture Holders received an aggregate of 225,000 shares of the Company's common stock as additional consideration. In connection with the issuance of the debt to the three Debenture Holders the Company has agreed to place 3,000,000 shares of its common stock as collateral with an escrow agent. No collateral has been issued for the 2006 Convertible Debentures issued to the officer and director and to the stockholder.

The Company used the proceeds from the sale of the April 2006 Debentures to repay $500,000 due to the Macrocom Investors, LLC ("Macrocom") pursuant to a Macrocom Debenture (herein defined) issued in July of 2005.

The Company allocated the $500,000 of proceeds received from the 2006 Convertible Debentures to debt, warrants and stock instruments issued based on the then computed relative fair values. The fair value of the shares issued was $168,750 which resulted in a relative fair value of $103,271. The warrants issued were valued using a Black-Scholes option-pricing model with the following assumptions: (1) common stock fair value of $0.75 per share (2) expected volatility of 71.26%, (3) risk-free interest rate of 4.86%, (4) life of 3 years and (5) no dividend, which resulted in a fair value of $148,271 and a relative fair value of $90,739. Additionally, the resulting relative fair value allocated to the debt component was used to measure the intrinsic value of the embedded conversion option of the 2006 Convertible Debentures which resulted in a beneficial conversion feature with a fair value of $444,010. The relative fair value of $305,990 was recorded to additional paid-in capital. The value of the beneficial conversion feature was limited to the amount of the proceeds allocated to the debt component of the 2006 Convertible Debentures. The aggregate amounts allocated to the warrants, stock instruments and beneficial conversion feature, of $500,000 were recorded as a debt discount at the date of issuance of the 2006 Convertible Debentures and were amortized to interest expense using the interest method over the originally stated term of the 2006 Convertible Debentures. During the year ended December 31, 2006, $500,000 of discount was accreted and recorded as amortization of debt discounts and debt issuance costs included in the accompanying consolidated statements of operations.

In June 2006, the Company and the Debenture Holders entered into an agreement to extend the term of the 2006 Convertible Debentures to September 15, 2006. In exchange for the extension, the Company issued to the holders an aggregate of 150,000 shares of its common stock and warrants to acquire an aggregate of 400,000 shares of its common stock with a nominal exercise price. The warrants expire in three years from the date of issuance. The relative fair value of the shares of common stock and warrants approximated $137,201 and was recorded as additional discount and is being amortized over the new term of the 2006 Convertible Debentures. For the year December 31, 2006, $137,201 of debt discount was accreted and recorded as amortization of debt discounts.

In September 2006, the Company repaid 2006 Convertible Debentures in the face amount of $100,000 and entered into an agreement with other Debenture Holders to extend the term of the remaining 2006 Convertible Debentures to December 15, 2006. In exchange for the extension, the Company issued to the holders an aggregate of 200,000 shares of its common stock and warrants to acquire an aggregate of 200,000 shares of its common stock with a nominal exercise price. The warrants expire in three years from the date of issuance. The relative fair value of the shares of common stock and warrants approximated $35,049 and was recorded as additional discount and is being amortized over the new term of the 2006 Convertible Debentures. For the year ended December 31, 2006, $35,049, of debt discount was accreted and recorded as amortization of debt discounts

During the three months ended December 31, 2006, the Company sold to three individuals Convertible Debentures in the aggregate face amount of $300,000. The Debentures bear interest at 8% and are due in January 2007. At the option of the Debenture holder, the Debentures can be converted into shares of the Company's common stock at a conversion price of $.50 per share. In connection with the sale, the Company issued warrants to individuals to acquire an aggregate of 400,000 shares of the Company's common stock with a nominal exercise price. The warrants expire three years from the date of issuance. The relative fair value of the shares of common stock and warrants approximated $43,230 and was recorded as additional discount and is being amortized over the new term of the 2006 Convertible Debentures. For the year ended December 31, 2006, $28,398, of debt discount was accreted and recorded as amortization of debt discounts.

In January and February of 2007, the Company repaid five of the seven 2006 Convertible Debentures in the aggregate face amount of $500,000. In December 2006, the Company and the officer and director and the stockholders agreed to extend the term of two of 2006 Convertible Debentures in the face amount of $200,000 to April 30, 2007.

Stockholder Convertible Debenture

On June 8, 2006, the Company sold a Convertible Debenture in the face amount of $150,000 to a stockholder (the "Stockholder Convertible Debenture"). The Stockholder Convertible Debenture bears interest at 8% and was due on August 4, 2006. At the option of the holder, the Stockholder Convertible Debenture can be converted into shares of the Company's common stock at a conversion price of $.50 per share. In connection with the sale, the Company issued 300,000 shares of its common stock as additional consideration.

The Company allocated the $150,000 of proceeds received from the Stockholder Convertible Debenture based on the computed relative fair values of the debt and stock instruments issued. The fair value of the common stock issued was $105,000 which resulted in a relative fair value of $61,764. Additionally, the resulting relative fair value allocated to the debt component was used to measure the intrinsic value of the embedded conversion option of the Stockholder Convertible Debenture which resulted in a beneficial conversion feature of $16,765 recorded to additional paid-in capital. The aggregate amounts allocated to the stock instruments and beneficial conversion feature, of $78,529 were recorded as a debt discount at the date of issuance of the Stockholder Convertible Debenture and are being amortized to interest expense using the interest method over the stated term of the Stockholder Convertible Debenture. During the year s ended December 31, 2006, $78,529, of debt discount was accreted and recorded as amortization of debt discounts. In August 2006, the Company and the stockholder agreed to extend the maturity of the Stockholder Convertible Debenture to December 15, 2006 without any additional consideration. In December 2006, the Company and the stockholder agreed to further extend the maturity of the Stockholder Convertible Debenture to April 30, 2007 without any additional consideration.

Laurus Convertible Non Convertible Financings

On February 14, 2006, the Company entered into a Security Agreement, dated February 10, 2006 with Laurus Master Fund, Ltd ("Laurus"). Under the Security Agreement, Laurus purchased from the Company a Secured Convertible Note from the Company with a maturity date of February 10, 2009 (the "Laurus Convertible Note") in the aggregate principal amount of $1,500,000 and a Secured Non-Convertible Revolving Note ("Laurus Revolving Note"), in the aggregate principal amount of $1,500,000. The Laurus Convertible Note and the Laurus Revolving Note are collectively the "Laurus Notes". The Company's ability to receive financing under the Laurus Notes is based on an advance rate equal to 90% of eligible accounts receivable, as defined.

However, Laurus has agreed to provide the Company an over advance until July 30, 2007. Through December 31, 2006 $1,500,000 was advanced for the Laurus Convertible Note and $1,487,353 was advanced for the Laurus Revolving Note. The Laurus Convertible Note has a three-year term, and bears interest at 1% above the prime rate, with a minimum interest rate of 8%. Laurus has the option, at any time until February 9, 2009 to convert all or any portion of the Laurus Convertible Note and accrued interest into shares of the Company's common stock at a conversion price of $0.91 per share. The Company has the option, to repay the Laurus Convertible Note by paying Laurus the principal amount, accrued interest and a certain redemption premium, as defined.

The Laurus Revolving Note has a three-year term and bears interest at 1% above the prime rate, with a minimum interest rate of 8%.

In connection with the Laurus Notes, the Company issued to Laurus an option (the "Laurus Option") to purchase up to 4,256,550 shares of the Company's common stock at an exercise price of $0.001 per share. Additionally, the Company and Laurus entered into a registration rights agreement (the " Laurus Registration Rights Agreement") covering the registration of common stock underlying the Laurus Convertible Note and the Laurus Option.

The Company's obligations under the Laurus Notes are secured by first liens on all assets of the Company, and Laurus may accelerate all obligations under the Laurus Notes upon an event of default.

The Company allocated the $1,500,000 of proceeds from the Laurus Convertible Note based on the computed relative fair values of the debt and stock instruments issued. The Laurus Options were valued using a Black-Scholes option-pricing model with the following assumptions: (1) common stock fair value of $0.95 per share (2) expected volatility of 71.26%, (3) risk-free interest rate of 4.59%, (4) life of 10 years and (5) no dividend, which resulted in a fair value of $2,569,546 for the Laurus Options. The resulting relative fair value of the Laurus Options was $918,923. Accordingly, the resulting relative fair value allocated to the debt component of $511,577 was used to measure the intrinsic value of the embedded conversion option of $1,054,357 which resulted in a beneficial conversion feature of $511,577 recorded to additional paid-in capital. The aggregate amounts allocated to the Laurus Options and beneficial conversion feature, of $1,430,500 were recorded as a debt discount at the date of issuance of the Laurus Convertible Notes and are being amortized to interest expense using the interest method over the three-year term. For the year ended December 31, 2006, $443,431 of debt discount was accreted and recorded as amortization of debt discounts.

The Company allocated the $1,028,000 of proceeds from the Laurus Revolving Note based on the computed relative fair values of the debt and Laurus Options. The Laurus Options were valued using a Black-Scholes option-pricing model with the following assumptions: (1) common stock fair value of $0.95 per share (2) expected volatility of 71.26%, (3) risk-free interest rate of 4.59%, (4) life of 10 years and (5) no dividend, which resulted in a fair value of $1,471,494 for the options. The resulting relative fair value of the Laurus Options was $513,820. Accordingly, the resulting relative fair value allocated to the debt component was $275,680. The aggregate amount allocated to the options of $513,820 was recorded as a debt discount at the date of issuance of the Laurus Notes and are being amortized to interest expense using the interest method three-year term. For the year ended December 31, 2006, $110,217 of debt discount was accreted and recorded as amortization of debt discounts.

Transaction fees of $139,000 paid to Laurus and its affiliates in connection with the Laurus Notes were netted against the proceeds and considered in the calculation of the beneficial conversion feature and accreted over the term of notes. Financing costs of $20,696 paid to third parties associated with the Laurus Notes are included as debt issuance costs in other assets and amortized over the term of the debt.

The Company utilized approximately $1.9 million of the initial borrowing from Laurus to repay all amounts owed under the October Cornell Debenture.

Cornell Convertible Debentures

On July 5, 2005, the Company entered into an agreement pursuant to which the Company was to sell Cornell Capital Partners, LP ("Cornell") secured convertible debentures in the aggregate principal amount of $1,000,000, which are convertible, at Cornell's discretion, into common stock of the Company. A $400,000 debenture was funded in July 2005, and a $50,000 debenture was funded in September 2005 (collectively the "Original Cornell Debentures"). In connection with the Original Cornell Debentures, the Company issued Cornell warrants to acquire 560,000 shares of its common stock at an exercise price of $0.50 per share as additional consideration. The Original Cornell Debentures could have been redeemed at the Company's option at any time, in whole or in part prior to maturity at a redemption premium of 15% of the principal amount redeemed in addition to principal and accrued interest.

On October 27, 2005, at the same time as the Termination Agreement for the SEDA (Note 10), the Company entered into a Securities Purchase Agreement (the "Securities Purchase Agreement") with Cornell whereby the Company and Cornell agreed to amend and consolidate all of the Original Convertible Debentures, and related accrued interest of $8,160, issued to Cornell through October 26, 2005 into one new secured convertible debenture in the principal amount of $1,658,160 (the "October Cornell Debenture"). The October Cornell Debentures had the same terms and provisions of the Original Cornell Debentures except that the October Cornell Debentures no longer had a fixed conversion by the holder but is convertible at the option of the holder at the lesser of (i) $1.00 or (ii) an amount equal to 95% of the lowest closing bid price of the Company's common stock for the 30 trading days immediately proceeding the conversion date. Pursuant to the Securities Purchase Agreement, Cornell funded the remaining $1,200,000 balance of October Cornell Debenture on October 27, 2005. The October Cornell Debenture was repaid in full in February 2006 (the "Cornell Repayment"), with the proceeds received from a new debt financing described below.

As a result of the change in the conversion terms of the October Convertible Debenture on October 27, 2005, the Company determined that the embedded conversion feature of the October Cornell Debenture became subject to the provisions of SFAS No. 133 and therefore the Company accounted for the embedded conversion feature as a liability in accordance with the guidance of EITF 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock"("EITF 00-19"). Accordingly, the Company recorded the fair value of the embedded conversion feature of $784,784 as a non-current liability on its balance sheet as of October 27, 2005 and a portion of the amounts previously recorded to additional paid-in capital as part of the Original Cornell Debentures were reclassified from equity to liabilities. For the year ended December 31, 2006, the Company recorded a gain in value for derivative financial instruments through the date of repayment of $201,754 related to the change in fair value of the embedded conversion feature which is recorded in the accompanying consolidated statement of operations. Through December 31, 2005 the Company recorded a charge for derivative financial instruments of $221,277 related to the change in fair value of the embedded conversion feature which is recorded in the accompanying consolidated statement of operations. The fair value of the embedded conversion feature liability was $1,006,061 as of December 31, 2005. As a result of the Cornell Repayment, the value of the embedded conversion feature was reclassified to additional paid-in capital in February 2006.

After the allocation of value to the embedded conversion feature of the October Cornell Debenture the Company allocated the remaining $873,376 principal amount of the total $1,658,160 October Cornell Debenture based on the computed relative fair values of the debt and warrant components, which resulted in additional debt discounts of $210,665. As a result of the Cornell Repayment, the remaining unamortized debt discounts were amortized as of the date of the Cornell Repayment. Accordingly, $1,046,101 of amortization expense related to discount on the October Cornell Debentures was recorded in the accompanying consolidated statement of operations during the year December 31, 2006.

As part of the Cornell Repayment, the Company paid an early redemption premium charge of $248,724, calculated based on 15% of the principal amount redeemed, which is included in Debt extinguishment costs on the accompanying consolidated statement of operations for the year ended December 31, 2006. In connection with the Cornell Repayment, the Company also agreed to reduce the exercise price of the 560,000 warrants previously issued to Cornell from $0.50 to $0.40. The change in exercise price of the warrants was treated as a new issuance of warrants and was valued using the Black Scholes option-pricing model with the following assumptions: (1) common stock fair value of $0.95 per share, (2) expected volatility of 71.26%, (3) risk-free interest rate of 4.62%, (4) life of 2.71 years and (5) no dividend. The change in exercise price resulted in a fair value of $372,353 for the warrants which was charged to debt extinguishment costs on the accompanying consolidated statement of operations for the year ended December 31, 2006.

The Company and Cornell entered into a Registration Rights Agreement (the "Cornell Registration Rights") related to the October Cornell Debenture. As a result of the Cornell Repayment, the Company's obligations under the Cornell Registration Rights were terminated.

Macrocom Convertible Debentures

On July 19, 2005, the Company issued a convertible debenture in the amount of $500,000 to Macrocom (the "Macrocom Debenture"). The Macrocom Debenture bore interest at 5% per annum and was due on April 15, 2006. At the option of Macrocom, the Macrocom Debenture could have been converted into shares of the Company's common stock at a conversion price of $.50 per share. The Company also issued Macrocom warrants to acquire 1,000,000 shares of the Company's common stock at an exercise price of $1.50 per share. The warrants expire in three years from the date of issuance. Additionally, the Company issued 375,000 shares of the Company's common stock to Macrocom as additional consideration. As collateral for the Macrocom Debenture, the Company placed 5,000,000 shares of its common stock with an escrow agent.

The Company allocated the $500,000 of proceeds received from the Macrocom Debenture to the debt, warrants and stock instruments issued based on the then computed relative fair values. Additionally, the resulting relative fair value allocated to the debt component was used to measure the intrinsic value of the embedded conversion option of the Macrocom Debenture which resulted in a beneficial conversion feature recorded to additional paid-in capital. The value of the beneficial conversion feature was limited to the amount of the proceeds allocated to the debt component of the Macrocom Debenture. The aggregate amounts allocated to the warrants, stock instruments and beneficial conversion feature, of $500,000 were recorded as a debt discount at the date of issuance of the Macrocom Debenture and were charged to interest expense using the interest method over the stated term of the Macrocom Debenture. During the year ended December 31, 2006, $194,444 of debt discount was accreted and recorded as amortization of debt discounts. During year ended December 31, 2005, $305,556 of discount was accreted and recorded as debt discount resulting in a carrying value of $305,556 on the Macrocom Debenture at December 31, 2005. In April 2006, the Macrocom Debenture was repaid in full from the proceeds of the April 2006 Debenture debt financing.

Macrocom Bridge Loans

In July 2004, Macrocom provided a loan ("Loan I of the "First Loan") to the Company in the amount of $500,000 due in January of 2005. The Company had the option to repay the principal in cash or in kind by issuing 1,000,000 common shares. In January, the Company repaid the loan by issuing 1,000,000 shares of common stock.

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 $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 could 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 was payable in cash on the Second Due Date. In addition, in December 2004 the Company issued to Macrocom 250,000 shares of its common stock with a fair value of $144,000 as additional consideration for the Second Loan. As noted below, on the Second Due Date in April 2005 Macrocom did not request repayment or conversion of such debt into shares of the Company's common stock.

As a result of the Loan I and Loan II financing transactions, total debt discounts of $411,403 were recorded on Loan I and Loan II (the "Bridge Loans") during 2004, including the value of the beneficial conversion feature of $187,801 on Loan II. During the years ended December 31, 2005, $250,341 of the discounts were amortized on the accompanying consolidated statements of operations.

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

On October 10, 2005 Macrocom did not require repayment or conversion of Loan II into shares of the Company's common stock. The Company and Macrocom agreed to extend the due date for Loan II until October 10, 2006. As a result of the modification of the term, a debt discount of $100,758 was recorded on October 10, 2005 on Loan II which was being amortized from October 11, 2005 through October 10, 2006. During the year ended December 31, 2006, $58,875, of debt discount was accreted and recorded as amortization of debt discounts. During the year ended December 31, 2005, $41,883 of the discount was amortized in the accompanying consolidated statements of operations.

On May 24, 2006 the Company entered into a Waiver and Agreement to Convert (the "Waiver Agreement") with Macrocom. Pursuant to the Waiver Agreement, Macrocom agreed to convert Loan II issued by the Company in the principal amount of $500,000, including all interest accrued thereon, into 1,000,000 shares of restricted common stock of the Company. In addition, Macrocom and the Company agreed to waive and release each other from any claims in connection with Loan II and all other agreements executed to date between Macrocom and the Company. In exchange for the Waiver Agreement and the Loan II conversion, the Company agreed to issue to an additional 1,500,000 shares additional shares of its restricted common stock. The fair value of the additional consideration was $1,125,000 and the amount was charged to operations during the year December 31, 2006 as debt extinguishment costs.

Stockholder And Officer Convertible Debentures

On July 19, 2005, the Company agreed with a stockholder, and an entity affiliated with a former officer of the Company, that aggregate advances of $100,000 made in June 2005 from the stockholder and an entity affiliated with the former officer to the Company be structured as convertible debentures in the face amount of $50,000 each ("Related Party Convertible Debentures"). The Related Party Convertible Debentures were sold on substantially similar terms as the Macrocom Debenture and, accordingly, bear interest at 5% per annum, and were originally due on April 15, 2006. At the option of the holder, the Related Party Convertible Debentures may be converted into shares of the Company's common stock at a conversion price of $.50 per share. Additionally, in connection with the sale of the Related Party Convertible Debentures, the Company issued warrants to each holder to acquire 200,000 shares (or 100,000 each debenture) of the Company's common stock at an exercise price of $1.50 per share which expire in three years from the date of issuance. The Company also issued 75,000 shares (or 37,500 for each debenture) of the Company's common stock to the stockholder and the entity affiliated with an officer as additional consideration. The Company did not provide any collateral.

The Company allocated the $100,000 of proceeds received from the Related Party Convertible Debentures based on the computed relative fair values of the debt, warrant and stock instruments issued. Accordingly, the resulting relative fair value allocated to the debt component was used to measure the intrinsic value of the embedded conversion option of the Related Party Convertible Debentures which resulted in a beneficial conversion feature recorded to additional paid-in capital. The aggregate amounts allocated to the warrants, stock instruments and beneficial conversion feature of $100,000 were recorded as a debt discount at the date of issuance of the Related Party Convertible Debentures and were amortized to interest expense using the interest method over the original stated term of the Related Party Convertible Debentures. During the year ended December 31, 2006, $38,890 of debt discount was accreted and recorded as amortization of debt discounts. During year ended December 31, 2005, $61,112 of debt discount was accreted and recorded as amortization of debt discount resulting in a carrying value of $61,112 on the Related Party Convertible Debentures at December 31, 2005.

In April 2006, one holder of Related Party Convertible Debentures in the face amount of $50,000 converted the Related Party Debentures into 100,000 shares of the Company's common stock and the other holders in the face amount of $50,000 entered into an extension agreement with the Company to extend the due date of the debenture to September 15, 2006. In connection with the extension, the Company issued 100,000 share of its common stock as additional consideration. The fair value of the shares of common stock was $75,000 which resulted in a relative fair value of $30,000 which was recorded as additional discount and are being amortized over the new term of the Related Party Convertible Debentures. For the year ended December 31, 2006, $30,000, of debt discount was accreted and recorded as amortization of debt discounts.

In September 2006, the holder which the Company entered into a previous extension of Related Party Convertible Debentures in the face amount of $50,000 converted the Related Party Convertible Debentures into 100,000 shares of the Company common stock. In exchange for the conversion, the Company issued to the holder of Related Party Convertible Debentures an additional 300,000 shares of restricted common stock of the Company to the holder. The fair value of the additional consideration was $27,104 and the amount was charged to operations during the year ended December 31, 2006 as debt extinguishment costs.

Note Payable Officer

An officer of the Company and an employee of UCA Services, advanced $200,000 to the Company during 2005. In December 2005, the Company and the employee entered into a Promissory Note (the" Employee Note") related to the advance. The Employee Note bears interest at a rate of 5% per annum and a fee of $10,000 is due to the employee at maturity. The principal balance of the Employee Note together with accrued and unpaid interest and the fee were due and payable in one installment on January 31, 2006. The Company repaid the principal and interest in February 2006. In connection with the Employee Note, on December 8, 2005 the Company's Board of Directors authorized for issuance warrants to the employee to acquire 300,000 shares of our common stock at an exercise price of $1.00 per share. The warrants were issued on January 24, 2006 and expire on January 24, 2009. During the year ended December 31, 2005, $42,796 of the discount was amortized on the accompanying consolidated statements of operations.

NOTE 10. STOCKHOLDERS' EQUITY

COMMON STOCK

Pursuant to a 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 its common stock to Michael Millon, resulting in aggregate proceeds of $1,000,000 for $0.50 per share. Additionally, under this arrangement, Macrocom received warrants to purchase 2,000,000 shares of common stock at a purchase price of $1,500,000. The warrants expired in December 2006. We also issued 250,000 shares to Michael Millon as consideration for arranging the Macrocom financing.

On July 5, 2005, the Company entered into a Standby Equity Distribution Agreement (the "SEDA") with Cornell. Pursuant to the SEDA, the Company was, at its discretion, to periodically sell to Cornell shares of common stock, for a total purchase price of up to $10,000,000). On July 5, 2005, in connection with the SEDA, Cornell received a commitment fee of 680,000 shares of common stock from the Company. In addition, the Company issued to Newbridge Securities Corporation ("Newbridge") 7,142 shares of common stock under a placement agent agreement in connection with the SEDA. In October 2005, the Company and Cornell agreed to terminate the SEDA and for Cornell to provide only financing to the Company through the issuance of the October Cornell Debentures (see Note 9). The Company and Cornell entered into a Termination Agreement on October 27, 2005 (the "Termination Agreement") which terminated all of the rights and obligations of both the Company and Cornell under the SEDA. Pursuant to the Termination Agreement, the Company agreed to allow Cornell to retain 242,857 shares of the Company's common stock that was previously issued to Cornell as part of the commitment fee under the SEDA and Cornell agreed to return the balance of the commitment fee consisting of certificates representing 437,143 shares of the common stock of the Company within ten (10) business days of the Termination Agreement.

The $340,000 fair value of the 242,857 commitment shares issued and retained by Cornell was accounted for as a terminated offering expense and charged to selling, general and administrative expense for the year ended December 31, 2005. Similarly the $10,000 fair value of the common stock issued to Newbridge was charged to operations during the year ended December 31, 2005.

The Company issued 50,000 shares of common stock to Macrocom in January 2006 in settlement of accrued interest of $25,000 for the Macrocom Bridge Loan II due on October 10, 2006. Based on the fair value of shares, $22,500 was charged to operations as additional interest.

In January 2006, the Company issued 10,526 shares of its Common Stock to a vendor to offset outstanding trade payables of $10,000.

In May 2006, the Company entered into a consulting agreement with an unaffiliated entity that agreed to provide new technology acquisition services to the Company and amended the consulting agreement in August 2006. Pursuant to the consulting agreement, the Company issued the consultant 40,000 shares of its common stock. The Company had initially issued the consultant 160,000 shares of common stock but the consultant surrendered 120,000 of the previously issued shares pursuant to an amendment of the agreement. The fair value of the shares is charged to operations as consulting expense. For the year ended December 31, 2006, $11,034 was charged to operations.

In November 2006, the Company entered into a consulting agreement with an unaffiliated entity. Pursuant to the consulting agreement, the Company issued the consultant 250,000 shares of its common stock. The fair value of the shares $30,000 was charged to operations as consulting expense during the year ended December 31, 2006.

In October 2006, the Company's board of directors approved an amendment to the Certificate of Incorporation to increase the number authorized common stock to 200 million shares. The change will become effective on or about November 16, 2006 following a written consent of the shareholders.

CONTRACT TERMINATION

In January 2006, the Company and a consultant to the Company terminated a services arrangement whereby the consultant was to provide services to the Company over a certain future period. In connection with the termination of this arrangement, an individual who is an officer, director and stockholder of the Company transferred one million shares of the Company's common stock owned by the officer, director and stockholder into escrow. The shares will be held in escrow for a period of up to five years during which the consultant will have the option to purchase the shares for an aggregate of $10,000 or $0.01 per share. As a result, the consultant released the Company from all liabilities. The Company has accounted for the settlement as an expense in the Company's financial statements as a non-cash charge for dispute settlements based on the value of the option of $0.94 per share on the date of settlement, with a corresponding credit to contributed (paid-in) capital from the officer, director and stockholder during the year ended December 31, 2006. The option was valued using a Black-Scholes option-pricing model with the following assumptions: (1) common stock fair value of $0.95 per share, (2) expected volatility of 71.26%, (3) risk-free interest rate of 4.59%, (4) life of 5 years and (5) no dividend, which resulted in a fair value of $942,070.

EXCHANGE AGREEMENT AMENDMENT

During January and February 2006, the former shareholders of UCA Services with whom the Company previously entered into an Exchange Agreement related to the acquisition of UCA Services (See Note 7) and the Company entered into negotiations related to a dispute over compliance with the provisions of the Exchange Agreement.

In connection with the discussions, the Company and the former UCA shareholders entered into an Amendment to the Exchange Agreement ("Exchange Amendment") which was executed in February 2006. The Exchange Amendment provides that an individual who is an officer, director and stockholder of the Company transfer 9,000,000 shares (fair value of approximately $8,550,000) of the Company's common stock owned by such individual to the former shareholders of UCA. This arrangement was structured whereby the individual surrendered his shares to the Company, and the Company reissued such shares to the former UCA shareholders.

Since the settlement was not a contingency associated with the acquisition of UCA Services, the Company accounted for the shares transferred by the individuals as an expense, based on the value of the shares, in the Company's consolidated financial statements with a corresponding credit to contributed (paid-in) capital by the individual during the year ended December 31, 2006. Management determined the fair value of the shares issued based on the quoted market price of the Company's common stock on the date of settlement.

Warrants

Outstanding warrant securities consist of the following at December 31, 2006 and 2005:

	December 31, 2006 Warrants	Exercise Price	Expiration
Laurus	4,256,550	$0.001	See (1)
Macrocom	1,000,000	$1.50	July 2008
Cornell Warrants	560,000	$0.40	October 2008
2006Convertible Debenture Financing	1,350,000	$0.01	April to November 2009
Others including officer, director and stockholder	1,966,137	$0.15 to $0.82	December 2008 to June 2011
	9,132,687		

	December 31, 2005 Warrants	Exercise Price	Expiration
Macrocom	3,000,000	$0.75 to $1.50	December 2006 to July 2008
Cornell Warrants	560,000	$0.40	October 2008
Others including officer, director and stockholder	1,653,637	$0.15 to $1.50	December 2008 to January 2009
	5,213,637		

(1) No expiration.

Since the conversion of the October Cornell Debenture (see Note 9) could result in a conversion into an indeterminable number of shares common stock, in October 2005 the Company determined that under the guidance of EITF 00-19, the Company could not conclude that it had sufficient authorized and unissued shares to settle any warrants or options issued to non-employees. Therefore in October 2005, the Company reclassified the fair value of all warrants and options issued to non-employees that were outstanding as of October 27, 2005 from equity to liabilities. The fair value of the Company's warrants and options issued to non-employees was estimated at approximately $3,065,000 on October 27, 2005 using a Black-Scholes option pricing model for each of the individual securities.

As a result, the Company incurred a charge of approximately $2,035,000 on October 27, 2005, which was computed based on the difference between the fair value of the securities and the value of the securities as of October 27, 2005 which had previously been recorded to additional paid-in capital. On December 31, 2005, the fair value of the warrants and options issued to non-employees was re-measured and estimated at $2,940,000 using a Black-Scholes option pricing model for each of the individual securities. For the year December 31, 2006, the Company recorded a gain of $134,598 on derivative financial instruments related to the change in the fair value of the warrants through the repayment date.

The liability for warrants and options issued to non-employees was reclassified to additional paid-in capital upon the Cornell Repayment in February 2006, which terminated Cornell's conversion rights.

In June 2006, the Company entered into a consulting agreement with an unaffiliated entity that agreed to provide investment banking services to the Company. Pursuant to the agreement, the Company issued the consultant warrants to acquire 312,500 share of its common stock at $0.82 per share that vested over 60 day period.. The warrants expire five years from the date of issuance. The fair value of the vested warrants is being charged to operations as a consulting expense. The fair value of the warrants were measured using a Black-Scholes option-pricing model with the following assumptions: (1) quoted market price of the Company's common stock at the end of each month during the vesting period (2) expected volatility of 71% (3) risk-free interest rate in the range of 4.72% to 5.10% (4) life of 5 years and (5) no dividend,, which resulted in a fair value of $51516, for the warrants. For the year ended December 31, 2006, $51,516 was charged to operations for such services.

NOTE 11. STOCK-BASED COMPENSATION

As a result of the Share Exchange, on March 3, 2005, the Board of Directors adopted the 2005 Stock Option and Grant Plan (the "Plan") pursuant to which 9,000,000 shares of common stock were reserved for issuance upon exercise of options. The purpose of the Plan is to encourage and enable the employees, directors and consultants of the Company upon whose judgment, initiative and efforts the Company largely depends for the successful conduct of its business to acquire a proprietary interest in the Company. The Plan became effective on April 19, 2005.

From time to time, the Company issues 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 approve 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 stock options granted is generally 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.

The fair value of each stock option award is estimated using a Black-Scholes option pricing model based on the assumptions in the table below. The assumption for expected term is based on evaluations of expected future employee exercise behavior. The risk-free interest rate is based on the U.S. Treasury rates at the date of grant with maturity dates approximately equal to the expected term at the grant date. The historical volatility of comparables companies' stock is used as the basis for the volatility assumption. The Company has never paid cash dividends, and does not currently intend to pay cash dividends, and thus assumed a 0% dividend yield.

	Years ended	
	December 31, 2006	December 31, 2005
Expected dividend yield	0.0%	0.0%
Expected stock price volatility	71.260%	100.000%
Risk-free interest rate	4.59% to 4.92%	3.97% to 4.21%
Expected life of options (in years)	5	5

The following is a summary of the Company's stock option activity for the years ended December 31, 2006 and 2005:

	Options	Weighted Average Exercise Price	Weighted Average Fair value
Outstanding, December 31, 2004	4,008,889	$0.15	$0.12
Options granted	1,125,000	1.81	1.38
Options exercised			
Options cancelled	(1,264,879)	0.15	0.12
Outstanding, December 31, 2005	3,869,010	0.63	0.48
Options granted	3,850,000	0.36	0.21
Options exercised			
Options cancelled	(618,925)	1.57	1.19
Outstanding, December 31, 2006	7,100,085	$0.41	$0.27
Exercisable, December 31, 2006	2,824,578	$0.41	$0.31
Exercisable, December 31, 2006	1,868,741	$0.43	$0.33

The following table summarizes information about stock options outstanding and exercisable at December 31, 2005

	Outstanding			Exercisable		
Range of exercise Price	Number of options	Average Exercise Price	Weighted remaining contractual life	Number of options	Average exercise price	Weighted remaining contractual life
$0.15 to $0.34	2,575,085	$0.15	7.0	2,343,328	$0.15	7.0
$0.35 to $0.50	3,725,000	$0.35	9.6			
$0.51 and above	800,000	$1.49	8.4	481,250	$1.67	8.3
	7,100,085	$0.41	8.5	2,824,578	$0.41	7.2

Nonvested share activity under the Plans was as follows:

	Options	Average grant date fair value
Nonvested at December 31, 2005	2,000,269	$0.63
Granted	3,850,000	$0.21
Vested	(992,918)	$0.39
Cancelled	(581,844)	$1.27
Nonvested at December 31, 2006	4,275,507	$0.25

As of December 31, 2006, the unvested portion of share-based compensation expense attributable to employees and directors stock options and the period in which such expense is expected to vest and be recognized is as follows:

Year ending December 31, 2007	$370,982
Year ending December 31, 2008	349,680
Year ending December 31, 2009	180,607
Year ending December 31, 2010	4,883
	$906,153

As of December 31, 2006 options outstanding and vested did not have any intrinsic value.

12. COMMITMENTS AND CONTINGENCIES

Leases

The Company leases three office spaces under operating leases. The future minimum cash commitments as of December 31, 2006 under such operating leases are as follows:

Year	Amount
2007	$152,448
2008	190,185
2009	191,254
2010	142,058
2011	138,997
Thereafter	138,997
	$953,939

As discussed in Note 13, the Company subleases certain office space under an agreement with UCA Global, Inc. ("Global"), whereby the Company pays rent based on the proportion of square footage occupied by the Company in the Global office facility. The agreement provides that the sublease term of three years begins on August 2, 2005. Pursuant to entering into a lease for a new office premises, the Company has terminated the sublease arrangement effective April 2007.

The Company has an employment agreement with an officer which will expire in May 2008, subject to automatic successive one year renewals unless either we or the employee gives notice of intention not to renew the agreement. The agreement provides for an annual base salary of $150,000, with specified annual increases to the base salary. Pursuant to the employment agreement, if the Company terminates the officer's employment without cause or good reason, as defined in the employment agreement, the Company will be obligated to pay a termination benefit equal to the remaining annual base salary during the initial term of the employment agreement.

Rent expense incurred with Global during the years ended December 31, 2006 and 2005 was $127,500 and $79,123, respectively, and is included in selling, general and administrative expense on the accompanying statements of operations. Rent expense inclusive of rent paid to Global was $221,250 and $212,080 for the years ended December 31, 2006 and 2005, respectively

NOTE 13. RELATED PARTY TRANSACTIONS

Loans and advances payable to stockholders and directors on the accompanying consolidated balance sheet at December 31, 2005 represent amounts owed to stockholders and directors of the Company for advances of cash provided to the Company. Convertible debentures payable to stockholders and directors represent amounts received by the Company pursuant to a financing arrangement (see Note 9).

The Company subleases certain office space and incurs occupancy related costs under an agreement with UCA Global, Inc. ("Global"), an entity affiliated with a shareholder of the Company, whereby the Company pays rent and other occupancy costs based on the proportion of square footage occupied by the Company in the Global's office facility. Rent and occupancy expenses incurred by the Company under this agreement, which commenced on May 20, 2005, during the years ended December 31, 2006 and 2005 was, $127,500 and $79,123, respectively, and is included in selling, general and administrative expense on the accompanying statements of operations.

In the normal course of business, the Company performed services and an entity affiliated with the Company' stockholders, in the amount of $ 68,000 and $141,000, respectively during the years ended December 31, 2006 and 2005. As of December 31, 2006 approximately $235,000 was owed to the Company, including amounts owed to UCA Services prior to the acquisition and a full allowance is provided due to uncertainty of the recovery of the amount.

NOTE 14. INCOME TAXES

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

	2006	2005
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, 2006 and 2005 are as follows:

	2006	2005
Operating loss carryforwards	$ 6,740,000	$ 2,560,000
Reserves and allowances	627,000	43,706
Valuation allowance	(7,367,000)	(2,603,706)
Net deferred tax assets	$ --	$ --

The Company had net operating loss carryforwards of approximately $6,700,000 at December 31, 2006, which expire through 2026. The tax benefit of these losses has been completely offset by a valuation allowance due to the uncertainty of its realization. Internal Revenue Code Section 382 provides for limitations on the use of net operating loss carryforwards in years subsequent to a more than 50% change in ownership (as defined by Section 382), which limitations can significantly impact the Company's ability to utilize its net operating loss carryforwards. As a result of the sale of the shares in private offering and issuance of shares for acquisition and other transactions, and changes in ownership may have occurred which might result in limitations on the utilization of the net operating loss carryforwards. The extent of any limitations as a result of changes in ownership has not been determined by the Company.

NOTE 15. SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES

	For the Years ended December 31,	
	2006	2005
Settlement of bridge loan with common stock	$ 500,000	$ 500,000
Non-cash offering costs, netted against proceeds from sales of common stock	$ --	$ 368,683
Common stock issued in the acquisition of UCA services	$ --	$13,823,000
Discount on bridge loans relating to warrants	--	$ 392,196
Discount on convertible debentures relating to warrants	--	$ 392,897
Deferred employee stock option compensation	--	$ 67,500
Discount on convertible debentures relating to shares	--	$ 156,058
Discount on convertible debentures relating to beneficial Conversion feature	--	$ 142,709
Discount on revolving note relating to warrants	$ 513,820	$ --
Discount on convertible note relating to warrants	$ 918,923	$ --
Discount on convertible debt relating to beneficial conversion feature	$ 511,577	--
Issuance of common shares in connection with settlement of payables	$ 35,000	$ --
Discount on convertible debenture due to officer relating to common stock	$ 30,000	$ --
Discount on convertible debenture due to a stockholder relating to common stock	$ 61,765	$ --
Discount on convertible debenture due to a stockholder relating to beneficial conversion feature	$ 16,765	$ --
Discount on 2006 Debentures relating to common stock	$ 103,272	$ --
Discount on 2006 Debentures relating to warrants	$ 133,969	$ --
Discount on 2006 Debentures relating to beneficial conversion feature	$ 305,990	$ --
Discount on 2006 Debentures extension relating to warrants	$ 115,908	$ --
Discount on 2006 Debentures extension relating to common stock	$ 56,342	$ --
Conversion of convertible debenture issued to stockholder and officer with common stock	$ 130,000	$ --
Common stock issued for technology licensing acquisition	$ 660,000	--
Discount on note payable issued to officer	--	$ 141,855
Gain on modification of debt	--	$ 100,758
Options issued to employees	$ 489,480	
Common Stock issued for services	$ 41,034	
Warrants and options issued for services	$ 55,798	
Common Stock issued for inducement to convert bridge loan	$1,125,000	
Derivative financial instrument related beneficial conversion feature credited	$ 804,307	
Derivative financial instrument related to warrants	$2,946,858	
Common stock issued for services	$ 150,000	

NOTE 16. SUBSEQUENT EVENTS (unaudited)

In February 2007, the Company entered into a placement agency agreement with an unaffiliated entity and consulting agreement with an unaffiliated individual. Pursuant to the agreements, the Company issued an aggregate of 640,000 shares of its common stock.

Exhibit 21.1 Subsidiaries Of NetFabric Holdings, Inc.

Name	Jurisdiction of Incorporation
NetFabric Corporation	Delaware
UCA Services, Inc.	New Jersey
Intrusion Detection Technologies, Inc.	Florida
NetFabric Technologies India PVT Limited.	India

EXHIBIT 31.1

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

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

1. I have reviewed this annual report on Form 10-KSB/A of NetFabric Holdings, Inc. (the" Company").

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

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

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

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

b) [Reserved]

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

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

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

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

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

August 31, 2007

/s/ Fahad Syed

Name: Fahad Syed
Title: Chairman and Chief Executive Officer

EXHIBIT 31.2

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

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

1. I have reviewed this annual report on Form 10-KSB/A of NetFabric Holdings, Inc. (the" Company").

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

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

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

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

b) [Reserved]

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

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

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

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

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

August 31, 2007

/s/ Vasan Thatham

Name: Vasan Thatham
Title: Chief Financial Officer

EXHIBIT 32.1

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

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of NetFabric Holdings, Inc. (the" Company") on Form 10-KSB/A for the fiscal year ended December 31, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Fahad Syed Chairman and Chief Executive Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

August 31, 2007

/s/ Fahad Syed

Name: Fahad Syed Title: Chairman and Chief Executive Officer

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

EXHIBIT 32.2

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

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of NetFabric Holdings, Inc. (the "Company") on Form 10-KSB/A for the fiscal year ended December 31, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Vasan Thatham, Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

August 31, 2007

/s/ Vasan Thatham

Name: Vasan Thatham
Title: Chief Financial Officer

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

August 31, 2007

Ms. Tia Jenkins
Senior Assistant Chief Accountant
Office of Emerging Growth Companies
Division of Corporate Finance
U.S Securities and Exchange Commission
100 F Street N.E.
Mail Stop 3561
Washington, D.C. 20549-4561

Re: NetFabric Holdings, Inc.
Form 10-KSB
Filed April 16, 2007
File No. 000-31553

Dear Ms. Jenkins:

On behalf of NetFabric Holdings, Inc., ("NetFabric" or the "Company"), we hereby submit NetFabric's responses to the comments of the staff (the "Staff") of the Securities and Exchange Commission (the "Commission") set forth in the Staff's letter, dated August 2, 2007, regarding the above referenced Form 10-KSB.

For the convenience of the Staff, each of the Staff's comments is included herein and is followed by the corresponding response of NetFabric. References herein to "we," "us" and "our" refer to NetFabric unless the context indicates otherwise.

Form 10-KSB For Fiscal Year Ended December 31, 2006

Notes to Consolidated Financial Statements

Note 7 - Acquisition, F-18

1. We note your disclosure regarding an independent valuation of UCA Services, Inc. in conjunction with the acquisition. Please revise to name the expert who performed the independent valuation or revise your disclosures to eliminate all references to the use of experts and/or independent valuations. Please note that, in the event that an independent valuation expert or other expert is named herein and you file a Form S-8, a consent of such expert must be filed.

   Response:

   The Company has revised such disclosure in Note 7 of the Notes to Financial Statements, page F- 18 of the Form 10-KSB

Note 8 - Technology License Acquisition, F-19

2. We note your disclosure regarding an independent valuation of Intrusion Detection Technologies, Inc, in conjunction with the acquisition. Please revise to name the expert who performed the independent valuation or revise your disclosures to eliminate all references to the use of experts and/or independent valuations. Please note that, in the event that an independent valuation expert or other expert is named herein and you file a Form S-8, consent of such expert must be filed.

   Response:

   The Company has revised such disclosure in Note 8 of the Notes to Financial Statements, page F-19 of the Form 10-KSB

Note 9 - Debt Financings

2006 Convertible Debentures, F-2I

3. We note that the termination date for the 2006 Convertible Debentures was extended twice during 2006. As consideration for each of these extensions, you issued the holders shares of your common stock and warrants to purchase shares of your common stock. It appears from your disclosure that the relative fair value and not the fair value of these instruments were amortized over the remaining term of the debt. Please cite the specific authoritative literature you utilized to support your accounting treatment.

   Response:

The instruments extended/ reissued twice in 2006 were convertible debentures. The Company applied the provisions of EITF 00-27 "Application of Issue No.98-5 to Certain Convertible Instruments" for accounting the extensions of 2006 Convertible Debentures. First, the Company determined the fair value of detachable instruments issued in the transaction. As a next step, pursuant to paragraph 5 of EITF 00-27, the Company allocated the proceeds received in the financing to convertible instruments and other detachable instruments on a relative fair value basis. Thereafter, the Issue 98-5 Model was applied to the amount allocated to the convertible instrument, and an effective conversion price was calculated and used to measure the intrinsic value, if any, of the embedded conversion option. The Company applied paragraph 7 of EITF 00-27 to

evaluate whether the convertible instrument has intrinsic value, which was essential to allocate the proceeds on a relative fair value to various instruments issued in the transaction. This treatment has additional support in Paragraph 32 of EITF 00-27, where the carrying amount the old debt equals the proceeds received for the new convertible instrument and any intrinsic value of the embedded conversion option in the new debt should be measured and accounted for under Issue 98-5 based on the proceeds received for that instrument.

Laurus Convertible Non-Convertible Financings, F-23

4. Please provide a detailed discussion of why the debt discount associated with the Laurus Convertible Debt was recorded at $1,430,500 and not $1,500,000. It would appear that the value of the beneficial conversion feature of $1,454,357 would be capped at the relative fair value of the debt of $581,077, not $511,577, considering the relative fair value of the options was calculated to be $918,923.

   Response:

   The Company paid a transaction fee of $139,000 to Laurus Master Fund ("Laurus") and its affiliates, investors. Of this $69,500 was allocated to the Laurus Convertible Debt. These were fees paid to the investor and not to third parties other than investor. In accordance with paragraph 22 of EITF 00-27, amounts paid to the investor when a transaction is consummated were reduced from the proceeds received by the Company thereby affecting the calculation of the intrinsic value of the embedded options. Gross proceeds of $1,500,000 were reduced to $1,430,500 for the transaction fees of $69,500 allocated. Based on the relative fair values, $511,577 was allocated to debt and $918,923 to warrants. The intrinsic value of the embedded conversion option was capped at the amount of debt or $511,577 in accordance with Paragraph 6 of EITF 98-5 "Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios".

5. It appears that the relative fair value of the options was recorded as a debt discount from the proceeds of the Laurus Revolving Note. Please note that when equity instruments are issued to secure borrowing capacity (i.e., revolving note, line of credit) the full fair value of the equity instruments should be charged to debt issue costs and amortized over the term of the loan. Please revise.

   Response:

   The Company accounted for the options issued to Laurus as a part of Laurus Revolving Note in accordance with Accounting Principles Board Opinion No. 14 "Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants". The options issued to Laurus were detachable options. In accordance with paragraph 16 of APB 14, portion of the proceeds of the debt securities issued with detachable stock purchase options was allocated to options and treated as paid-in capital and debt discount. The fair value of the options was determined and as prescribed by Paragraph 16 of APB 14, the allocation was made based on the relative fair values of the two securities at the time of issuance.

   Further, the options were issued to investors and not to a third party and is not considered an issuance cost. Therefore, it was valued as a component of the transaction along with other instruments pursuant to paragraph 22 of EITF 00-27.

Stockholder and Officer Convertible Debentures, F-27

6. We note that the termination date for one of the Related Party Convertible Debentures was extended to September 15, 2006. As consideration for the extension, you issued the holder 100,000shares of your common stock. It appears from your disclosure that the relative fair value and not the fair value of the common stock was amortized over the remaining term of the debt. Please cite the specific authoritative literature you utilized to support your accounting treatment.

   Response:

   The Company applied the provisions of EITF 00-27 "Application of Issue No.98-5 to Certain Convertible Instruments" for accounting the extension of the Related Party Convertible Debenture. First the Company determined the fair value of detachable instruments issued in the transaction. As a next step, pursuant to paragraph 5 of EITF 00-27, the Company allocated the proceeds received in the financing to convertible instruments and other detachable instruments on a relative fair value. Thereafter, the Issue 98-5 Model was applied to the amount allocated to the convertible instrument, and an effective conversion price was calculated and used to measure the intrinsic value, if any, of the embedded conversion option. The Company applied paragraph 7 of EITF 00-27 to evaluate whether the convertible instrument has intrinsic value, which was essential to allocate the proceeds on a relative fair value to various instruments issued in the transaction. This treatment has additional support in Paragraph 32 of EITF 00-27, where the carrying amount the old debt equals the proceeds received for the new convertible instrument and any intrinsic value of the embedded conversion option in the new debt should be measured and accounted for under Issue 98-5 based on the proceeds received for that instrument.

Note 10 -Stockholders' Equity

Warrants, F-31

7. We note that, in June 2006, you entered into a consulting agreement with an unaffiliated entity to which you issued warrants to acquire 312,500 shares of your common stock. Please provide a detailed discussion of how the company determined the measurement date for the warrants considering the number of warrants issued may not be fixed as they vest over a specified term in the consulting agreement. In addition, please disclose the valuation model utilized and the process for estimating the fair value of these instruments under the fair value approach. Please refer to the guidance in EITF 96-18 and SFAS No. 123(R).

Response:

In June 2006, the Company entered into a consulting agreement with an unaffiliated entity to provide services to the Company. Pursuant to the agreement, the Company issued the consultant warrants to acquire 312,500 shares of its common stock that vested over 60 day period. In accordance with EITF 96-18 "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring or in Conjunction with Selling, Goods or Services" ("EITF 96-18"), the vesting period per agreement was used to determine the measurement date, the date at which the consultant's performance of services was complete. This was a situation where quantity and terms were known up front. Based on the guidance provided in EITF 96-18, the Company recognized the cost of the services during the financial reporting periods as the warrants were vested. The fair warrants were valued using a Black-Scholes option-pricing model with the following assumptions: (1) quoted market price of the Company's stock at the end of each month during the vesting period (2) expected volatility of 71%, (3) risk-free interest rate that ranged from 4.72% to 5.10% (4) life of 5 years and (5) no dividend, which resulted in a fair value of $51,516 for the warrants.

The Company has revised such disclosure in Note 10 of the Notes to Financial Statements, page F-31 of the Form 10-KSB.

Exhibit 32.2 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted
- ---
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- --

8. Please amend Exhibit 32.2 to state that the certification signed by Vasan Thatham, Chief Financial Officer, is for the annual report of NetFabric Holdings, Inc. on Form I0-KSB for the fiscal year-ended December 31, 2006.

Response:

The Company has amended Exhibit 32.2 to comply with the Staff comments.

Exchange Act Filings

9. Please amend your other Exchange Act filings to reflect comments above.

Response:

The Company has amended its filings as noted above.

The Company hereby acknowledges the following:

- the Company is responsible for the adequacy and accuracy of the disclosure in the filing;

- Staff comments or changes to disclosure in response to Staff comments do not foreclose the Commission from taking any action with respect to the filing; and

- the Company may not assert Staff comments as a defense in any proceeding initiated by the Commission or any person wider the federal securities laws of the United States.

Sincerely,

/s/ Vasan Thatham

Vasan Thatham

cc: Via Facsimile

Fahad Syed
NetFabric Holdings, Inc.
Facsimile: (973) 384-9061