

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) December 15, 2004
(December 9, 2004)

HOUSTON OPERATING COMPANY
(Exact name of registrant as specified in its charter)

Delaware (State of Incorporation)	000-31553 (Commission File Number)	76-0307819 (IRS Employer Identification No.)
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67 Federal Road
Building A
Suite 300
Brookfield, CT 06804
(Address of principal executive offices)

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

11145 West Rockland Drive
Littleton, CO 80127
(Former Name or Former Address if Changed Since Last Report)

ITEM 2.01. COMPLETION OF ACQUISITION OR DISPOSITION OF ASSETS

On December 9, 2004, (the "Closing Date") Houston Operating Company (the "Company") entered into an Exchange Agreement (the "Acquisition Agreement") with all of the stockholders (the "Stockholders") of NetFabric Corporation ("NetFabric"). At the Closing, which occurred at the same time as the execution of the Acquisition Agreement the Company acquired all of the issued and outstanding capital stock of NetFabric from the Stockholders in exchange for an aggregate of 32,137,032 newly-issued shares of the Company's Common Stock (the "Acquisition"). Immediately prior to the closing of the Acquisition, the Company and Littlehampton Investments, LLC cancelled a total of 6,030,000 shares of common stock of the Company held by Littlehampton Investments, LLC.

Today, the Company is also filing with the Securities and Exchange Commission an Information Statement complying with Rule 14f-1 under the Securities Exchange Act of 1934 that describes a change in a majority of the Company's board of directors that is occurring in connection with the change of control of the Company that is described in this report. The current directors of the Company will resign and three directors of NetFabric will immediately become the new directors of the Company. The directors of NetFabric will join the Board of Directors effective upon the 10th day following the mailing of such information statement to the stockholders of the Company.

Following is disclosure regarding NetFabric. From and after the Closing Date, the operations of NetFabric shall be the only operations of the Company.

DESCRIPTION OF BUSINESS

GENERAL

NetFabric was incorporated in the State of Delaware on December 17, 2002, as a new corporation and not as a result of a material re-classification, merger, consolidation, purchase or divestiture.

NetFabric develops and sells a family of Internet Protocol ("IP") appliances that simplify the incorporation of any telephone system into a company's IP infrastructure while reducing the cost of telephone calls. NetFabric's products deliver productivity gains to small and medium sized businesses ("SMB" or "SMBs") with cost reductions while maintaining Public Switched Telephone Network ("PSTN") class reliability and ease of use. The market for NetFabric's products is a multi-billion dollar marketplace and NetFabric, to its knowledge, is the first company to introduce Customer Premise Equipment ("CPE") that transforms the affordable and available consumer Voice over Internet Protocol ("VoIP") services from many providers into one that is reliable enough to be used in a business environment. Additionally, this CPE provides an applications platform

for the distributed deployment of network services that add substantially to the value of VoIP to both the end-user and service provider.

NETFABRIC'S PRODUCTS

FUSION PRODUCT FAMILY

NetFabric's FUSION product family, which today includes the FUSION 4x4 and FUSION 12x8, (together, the "FUSION Product Family") uses an external VoIP gateway to facilitate its use with any service provider utilizing any VoIP call control protocol.

FUSION 4X4 - STANDARD FUNCTIONALITY

NetFabric's FUSION 4x4 product offers 4 trunks (i.e., lines that come into a company's premises from the outside network whether from the Public Switched Telephone Network or a VoIP service provider's network) and 4 lines (i.e., connections on the customer premises side of the company's network usually coming from the Private Branch Exchange ("PBX") or Key System). This product also includes an intelligent call router that uses least cost router algorithms plus Quality-of-Service ("QoS") measurement. QoS enables the traditional telephone network to be used as a safety net when the VoIP network is impaired to ensure that telephone calls will go through so long as PSTN service is available. The system also ensures that emergency (e.g., 911) calls are automatically routed to the proper authorities and provides the location of the caller via the PSTN lines the customer maintains. Properly routing emergency calls can be an issue with VoIP deployments if a customer does not manually register its geographic location with the proper authorities.

The FUSION 4x4 product also features a "call state server" that generates "informational events" in the form of IP packets. Local or remote clients can subscribe to this service which can be used for simple name and number pop-up, through client record pop-ups in Customer Relationship Management ("CRM") or other database packages such as Microsoft Outlook.

The FUSION 4x4 also features an integrated time client that uses network timeservers for accurate call logs. This product also has a fail-safe with power outage connecting trunk 1 to line 1, trunk 2 to line 2, etc. The FUSION 4x4 uses network based administration to simplify either local or remote configuration of the unit.

FUSION 12X8 - STANDARD FUNCTIONALITY

The FUSION 12x8 product contains all of the functionality of the FUSION 4x4 product plus additional capabilities. The FUSION 12x8 product features port expansion. This product provides additional VoIP lines without sacrificing any of the current analog connections. The FUSION 12x8 offers 12 trunks into an 8 line PBX. The FUSION 12x8 also features dial plan translation, which allows calls to be routed automatically to different providers and make the dialed number correspond to the service provider's parameters. For example, a local call dialed as 755-1178 is routed over the PSTN telephone network unchanged, but

if it is routed over VoIP, the number is modified by FUSION to 1-203-755-1178 (i.e., includes all 11 digits required by a VoIP provider).

OPTIONAL FEATURES AND APPLICATIONS FOR FUSION

NetFabric's FUSION Product Family may also include an optional call validation interface for "Do Not Call" and similar applications. FUSION can connect to call validation servers across an IP network connection. This feature allows for enterprise-wide deployment of call control policies to any legacy PBX or even to discrete telephones.

SOFTWARE APPLICATIONS

The FUSION Product Family distinguishes itself by having a range of applications that run in association with the hardware. This adds versatility and value in the IP telephony market that is akin to the one enjoyed by the personal computer in the office software market.

The majority of NetFabric's software is either browser-based or written in Java for platform independent deployment, allowing customers to run Windows, Macintosh or Linux seamlessly with NetFabric software. NetFabric's initial software portfolio comprises a standard software application package that is shipped with every hardware unit and two optional applications packages, as described below.

STANDARD SOFTWARE APPLICATION PACKAGE

The standard software application package includes a simple graphical user interface that allows for configuring the FUSION product within the existing telephone system to route calls the way the business chooses to route them - for instance, local calls to the PSTN and long-distance calls to the VoIP provider. The standard package also includes a network time client that provides accurate and automatic setting of the internal clock. Network accessible call logs are also included in the standard package to provide for the listing of all inbound and outbound calls on either PSTN or VoIP trunks.

The time client is used for accurate record keeping. The call log also provides information regarding the number of rings occurring before the call is answered or abandoned which is useful for assessing the performance of customer support and sales groups of service organizations. The log can be customized by the end-user and utilized for input to billing packages.

CALL STATE CLIENT

The call state client software package includes the features of the standard software package plus pop up caller ID with name, number and trunk. This feature identifies the caller and allows the appropriate person to receive the call or direct the call to voice mail. The call state client package also includes a call monitor, which displays names and/or number of inbound and outbound calls on any trunk of the PBX and also displays the length of the call, which is effective for the remote monitoring of branch offices and customer support facilities. This package also interfaces with CRM packages for client record

pop-up. This package is usually associated with very high-end systems but is now available at a cost-effective price.

CALL VALIDATION CLIENT

The call validation client software package provides dialogs with an external database to check whether the current call is allowed to proceed or whether it should be dropped. This function may be used, for example, by businesses for the direct implementation of the "Do Not Call" requirement that is now a federal mandate. The call validation client software allows tracking of all calls and lists those calls that were blocked. Many companies are required to track calls in this manner in order to show the efforts they are making to comply with the law.

PRODUCT STRATEGY

NetFabric's product strategy assumes that SMBs will use a VoIP service provider for branch-to-branch and long distance calling. VoIP service providers have been unable to penetrate the SMB market because of perceived issues with cost, reliability, ease of use, quality of service and potential Emergency 911 problems. NetFabric's products solve these and other problems and deliver customers a fast return on their investment in NetFabric's products that can be measured in months rather than years.

NetFabric's product strategy has two phases, which are described below:

PHASE 1 - THE FUSION PRODUCT FAMILY

Phase 1 of NetFabric's product strategy involves creating products that provide reliable access to VoIP services with the use of an external VoIP gateway. The use of an external gateway obviates the need to have each and every service provider port their authentication, billing, and monitoring code across to NetFabric's products. Furthermore these gateways are either provided for a nominal fee or even free of charge, and thus the end-user has a very cost-effective way to work with any service provider. The FUSION Product Family includes the following:

- o Call router
- o Call state client
- o Call validation client
- o Network accessible call logs

These products deliver several benefits to SMB customers. These products use VoIP to reduce the cost of telephone calls. The use of VoIP is also a method of better accommodating remote workers and a way of seamlessly integrating separate branch offices. These products provide access to call state services for productivity enhancements such as client record pop up, call logs and call monitoring. In addition, NetFabric's FUSION Product Family allows for simple deployment of a broad array of new, easily customized services that couple

telephone and data systems such as the "Do Not Call" register, the "VIP" call pop-up, and easy to access logs of all incoming and outgoing calls made by the business.

The FUSION 4x4 moved into production in early 2004 and won a "Best of Show" award at its introduction at the February 2004 Internet Telephony Conference and Expo in Miami.

PHASE 2 - ADVANCED PRODUCT FAMILY

Phase 2 of NetFabric's product strategy - the "Advanced Product Family" - provides a tightly integrated solution coupled with a more sophisticated applications platform. NetFabric is presently developing this Advanced Product Family and intends for this highly integrated unit to be the service provider's "product of choice" in the deployment of their voice services to SMBs.

THE MARKET

MARKET DESCRIPTION

Companies generally seek to improve productivity and reduce costs. Major productivity and cost-reduction improvements have been achieved in recent years through the use of IP data networks.

Some examples of the use of IP data networks to realize productivity improvements include the coupling and integration of a website to accounting and other backend systems; the use of a virtual private network to integrate the data infrastructures of various offices and remote workers; and, the use of IP data networks to enable e-mail and instant messaging for general communications.

All of these applications and services run on an IP infrastructure that ensures that different vendors' hardware and software are operationally compatible. Today's business infrastructure is about inter-operation and is rapidly moving away from proprietary technology or products.

However, one major element in practically every company's infrastructure that is not only proprietary but is usually isolated from the business data system is the telephone system. This fact will become an increasing liability to companies that do not upgrade, since they will fail to realize several benefits that would be achieved by integrating the telephone system with other business data systems.

By integrating a business's telephone system with its data system the business would obtain more flexible and lower cost communications that can seamlessly couple branch offices and remote workers. In addition, the business will be able to easily control call routing from traditional software applications running anywhere on the network. For example, this use of traditional software applications could ensure that a company complies with the new federal "Do Not Call" list and help that company to avoid fines or lawsuits. Similarly,

businesses can tie in the routing of calls with a schedule that is kept in applications such as Microsoft Outlook. Both of these applications are simple to implement with an IP based system but are difficult to implement with legacy products. Another benefit achieved by integrating the telephone system with data systems is that the telephone system will be able to drive computer applications through facilities such as speech recognition and speech synthesis. Interactive voice response systems can be more intelligent and may become an alternate portal into the company alongside the website.

IP telephony is the vehicle for integrating telephone systems and data systems. Just as the personal computer was not a "next generation typewriter," the IP telephone system is not the next generation of the PBX. Integrating voice as an application within the corporate information systems will be essential to remain competitive in the present business environment.

Why are smaller enterprises not adopting IP telephone systems to reap these benefits? The use of IP telephone systems is well established in large enterprises. Large enterprises have information technology organizations and can bring the necessary financial and intellectual resources to bear on the migration to IP telephony. The solutions from Cisco and others require considerable cost and a high level of networking expertise to both install and maintain these IP telephone systems. Despite these issues, large companies have achieved significant returns on their investment in IP telephony.

Although IP telephony has been broadly adopted by large enterprises, it has largely failed to make the same in-roads into the SMB. The lack of success with the SMB centers on the absence of an information technology organization and frequently poor or variable quality wide-area data connections, making the use of IP telephone systems unreliable. Additionally, capital expenditure and maintenance issues associated with an IP PBX are often perceived as prohibitively high, which is due in part to the lack of networking skills in the Value Added Reseller ("VAR") and the usually small companies that provide telephone systems, wiring and other services to the SMBs ("Interconnects").

Given these issues, the overwhelming majority of SMBs continue to employ traditional telephone systems. NetFabric believes that SMBs need a solution that retains the reliability of the installed PSTN system while offering a cost-effective VoIP solution. Therefore, NetFabric develops and sells a family of telephony IP appliances that are reliable, cost-effective, and easy to install, and which provide VARs and Interconnects with the ability to sell new products in the VoIP space along with their existing telephony services. NetFabric products also appeal to the SMB because they avoid the large capital costs and risks of a complete upgrade to an IP telephone system, while receiving the majority of the benefits of an IP solution and maintaining PSTN reliability.

MARKET SIZE

The size of the US small and medium sized business market for NetFabric products is estimated to be in excess of \$3.3 billion. The market was estimated in the following manner:

- 1) Using US Government's census data to determine business demographics
- 2) Making assumptions that the number of extensions per trunk increases as the size of the company increases
- 3) Estimating from the number of trunks and average selling price for NetFabric products, the potential market size

NetFabric will focus its sales and marketing efforts on companies with fewer than 100 employees (the "NetFabric Market"). Taking the average end-user price of NetFabric products and dividing that by the number of PBX trunks served in the NetFabric Market, the Company can derive the potential revenue generated per trunk, and thus for the NetFabric Market as a whole. Using this approach, the US domestic market for the hardware component alone of NetFabric products exceeds \$3.3 billion.

Employees	Number of Firms	Total Employees	Employees line(1)	Trunks(1)	Revenue(2)
1 to 4	2,697,839	5,630,017	1.0	5,630,017	\$844,502,550
5 to 9	1,019,105	6,698,077	1.5	4,465,384	\$669,807,600
10 to 19	616,064	8,274,541	2.0	4,137,270	\$620,590,500
20 to 99	518,258	20,370,447	2.5	8,148,178	\$1,222,226,700
				TOTAL SMB MARKET	\$3,357,127,350
100 to 499	85,304	16,410,367	3.0	5,470,122	
500 to 999	8,572	5,906,266	3.5	1,687,504	
1,000 to 1,499	2,854	3,474,455	4.0	868,613	
1,500 to 2,499	2,307	4,419,771	4.5	982,171	
2,500 to 4,999	1,706	5,904,452	5.0	1,180,890	
5,000 to 9,999	871	6,064,760	5.5	1,102,683	

Source: US Government 2001 Business Census: <http://www.census.gov/epcd/www/smallbus.html>

(1) NetFabric estimate

(2) Assumes an average selling price per trunk of \$150

It should be clearly understood that the Company can only expect to penetrate a percentage of this \$3.3 billion market, as not every SMB is going to purchase a NetFabric product. In addition to hardware revenue the Company has developed and will continue to develop software and service offerings, which the Company expects will generate additional revenue with higher margins and lower distribution costs. Also, with the introduction of the Advanced Product Family the potential revenue per trunk could be higher. This is a result of the increased functionality that is contained in the Advanced Product Family.

Finally, NetFabric products may be attractive to large companies that have multiple or branch offices, as a cost-effective solution for providing internal communications, which would therefore generate additional revenue for the Company.

PRODUCT SALES AND DISTRIBUTION

SALES CHANNELS

The Company primarily employs an indirect sales model that comprises the following:

- o Master Distributors
- o Service Providers
- o Original Equipment Manufacturers ("OEM")
- o Retailers

Master Distributors sell primarily to VARs and Interconnects ("Master Distributors"). Although Master Distributors represent an attractive distribution channel initially, since the Company believes they represent the easiest distribution partner group to penetrate, the Company believes they are limited in their ability to scale longer term. The Company currently works with the following Master Distributors:

- o Williams Telecommunications Corp. (www.williamsglobal.com) ("Williams")
- o ABP Technology, Inc. (www.abptech.com) ("ABP")
- o CoMatrix, Inc. (www.comatrix.com) ("CoMatrix")

Service Providers are potentially the largest long-term sales channel for NetFabric. NetFabric is currently in negotiation with a broad range of Service Providers from small companies such as Broadvoice, Inc. to national providers including major long distance carriers and notable Regional Bell Operating Companies (RBOC). Ultimately, the NetFabric seeks to have its products become the standard for major service providers to deploy services to SMB customers.

OEMs represent another major long-term revenue stream for NetFabric. Existing PBX or other telecom equipment vendors might add NetFabric's products to their portfolio to rapidly bring VoIP capability to legacy products. This type of interaction with an OEM is called private labeling and the Company has already begun to negotiate these types of relationships.

Another type of OEM transaction would be to adapt one or more of NetFabric's products to meet certain specific needs, for example, redesigning the product to fit a particular board size and connector pin configuration so that NetFabric's product can plug into the OEM's existing card cage. NetFabric expects to be involved in this type of activity in the future, but has no such relationships today.

The retail channel is becoming an avenue for penetrating the Small Office Home Office ("SOHO") market. Companies such as Best Buy Co., Inc and others are focused on the SOHO market and have invested in their own product installation and configuration teams. NetFabric is in discussions with companies in this market with the expectation that they will represent a major source of revenue in the future.

Also, NetFabric presently employs two direct sales representatives, and may add more in the future if this direct sales channel proves effective.

DISTRIBUTORS

NetFabric has a written agreement with Williams, whereby Williams purchases and resells NetFabric products to end-users and VARs, and for use in conjunction with its own customer product offerings. Under the terms of the agreement, Williams orders products directly from NetFabric. NetFabric ships those products as directed by Williams and invoices Williams on a net 30 day basis. Williams offers a full range of products and services and distributes products from manufacturers such as Nortel Networks, Lucent, Avaya, Mitel, Nitsuko, TIE, as well as a complete line of peripheral products. From telephones, voice mail systems, and headsets, to highly-advanced call answering centers, Williams can meet the needs of businesses of virtually any size. Williams also resells to 1000 dealers in Canada and 500 dealers in the US.

NetFabric currently has a non-binding verbal distribution agreement with ABP, whereby ABP purchases and resells NetFabric products to VARs and small service providers. Under the terms of that agreement, ABP orders products directly from NetFabric. NetFabric ships those products as directed by ABP and invoices ABP on a net 30 day basis. NetFabric chose ABP for its expertise in IP networking, specifically VoIP products. ABP is currently a distributor for companies such as AudioCodes, Ltd. and SNOM technology AG and would have the capability to bundle NetFabric's products for more complete solutions. More importantly, ABP is actively seeking products that are easy to sell and have mass-market appeal. ABP covers North, Central and South America through approximately 200 VARs.

NetFabric currently has a non-binding verbal distribution agreement with CoMatrix, whereby CoMatrix purchases and resells NetFabric products to Interconnects, integrators and VARs. Under the terms of that agreement, CoMatrix orders products directly from NetFabric. NetFabric ships those products as directed by CoMatrix and invoices CoMatrix on a net 30 day basis. NetFabric selected CoMatrix as a distributor for its products because CoMatrix is largely focused on the traditional telephony Interconnect. NetFabric's product is the first IP appliance CoMatrix has successfully installed at a customer site. CoMatrix works with approximately 4,000 VARs and Interconnects and plans major mailing efforts and training sessions for its customers regarding IP telephony. The Company believes it will be important to these VARs that a Master Distributor or super-VAR such as CoMatrix, perceived as understanding the

telephone business, endorses NetFabric's IP products.

NetFabric has a written sales agreement with CommuniTech, Inc. ("CommuniTech"), dated February 25, 2004, whereby NetFabric pays CommuniTech a 5% sales

commission on revenue received by NetFabric as a result of CommuniTech's sales efforts, within 30 days of receipt by NetFabric of revenue from such sales. The agreement has no definite term and may be terminated by either of the parties at any time.

TRAINING THE SALES, DISTRIBUTION AND INSTALLATION CHANNELS

In support of NetFabric's sales and distribution channels, NetFabric has instituted a comprehensive training program that is delivered via NetFabric's extranet. The extranet is augmented by live training delivered over WebEx on-demand web meetings applications. NetFabric intends to efficiently train large numbers of VARs, Interconnects and other personnel involved in the sales, distribution and installation of products. In 2005, NetFabric intends to further augment this program with the introduction of official NetFabric certification programs.

COMPETITION

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

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

Other than Quintum, BOScom, MultiTech and similar companies with solutions that can deliver hybrid PSTN/VoIP solutions, there is also the general adoption of pure IP telephone systems, which have the potential to provide similar capabilities to those of NetFabric products. However, NetFabric believes that this migration will not occur during the coming decade.

INTELLECTUAL PROPERTY

NetFabric has two patents pending on the technology used in its products. The first patent application, filed in March 2003, provides details regarding the way in which IP appliances can be used, administered or otherwise controlled from a web page contained elsewhere in the Internet. This process essentially provides a new means for rich graphics, instant updates, ease-of-use and product

branding that does not exist today. This technology is broad in scope and could be applied to any IP appliance, not just NetFabric's IP devices.

The second patent application, filed in June 2003, provides details regarding a new call routing technique that provides much lower costs, with increased product robustness. This technology is at the heart of the FUSION Product Family.

MANUFACTURING AND COMPONENT SUPPLY

NetFabric uses Kimchuk, Inc. (www.kimchuk.com) ("Kimchuk") for its manufacturing operations. NetFabric's relationship with Kimchuk is not formalized in a written agreement, but is determined by the parties on a manufacturing lot-by-lot basis. That is, NetFabric provides Kimchuk with a non-binding rolling 90 day forecast of its manufacturing needs. Each month, NetFabric communicates by purchase order to Kimchuk the products and number of NetFabric units Kimchuk should manufacture for the Company for the month. When Kimchuk has manufactured those units and placed them in its inventory, Kimchuk invoices NetFabric on a net 30 day basis. The price of the units to NetFabric is also determined by the parties on a lot-by-lot basis.

DEPENDENCE ON SPECIFIC CUSTOMERS

The Company's revenue is more dependent on critical sales channels rather than specific customers. NetFabric is creating a relatively small number of business relationships with major service providers and equipment vendors. The revenue that will ensue from these relationships is expected to form a large percentage of NetFabric's total revenue.

RISK FACTORS

The financial condition, business, operations, and prospects of the Company involve a high degree of risk. You should carefully consider the risks and uncertainties described below, which constitute the material risks relating to the Company, and the other information in this report. If any of the following risks are realized, the Company's business, operating results and financial condition could be harmed and the value of the Company's stock could go down. This means that investors and stockholders of the Company could lose all or a part of their investment.

THE COMPANY MAY BE UNABLE TO FUND FUTURE GROWTH

The Company is relying for its immediate financing needs on the funding to be provided by Macrocom Investors, LLC ("Macrocom") under the terms of the Financing Agreement (see, item 3.02, page 30). If Macrocom were to fail in fulfilling its obligations to the Company, then the Company may not be able to finance its immediate business plans, and the Company will require immediate financing for its business. Such financing may not be available to the Company on favorable terms, if at all. The Company's business strategy calls for growth internally as well as through acquisitions. To this end, the Company has decided to invest substantial funds to increase its sales and marketing resources in order to grow revenues. In order to implement this strategy, the Company will require funding for additional personnel, capital expenditures and other expenses, as well as for working capital purposes. Financing may not be available to the Company on favorable terms, if at all. If adequate funds are not available on acceptable terms, then the Company may not be able to meet its business objectives for expansion. This, in turn, could harm the Company's business, results of operations and financial condition. In addition, if the Company raises additional funds through the issuance of equity or convertible debt securities, then the percentage ownership of the Company's shareholders will be diluted, and any new securities may have rights, preferences and privileges senior to those of the Common Stock. Furthermore, if the Company raises capital or acquires businesses by incurring indebtedness, the Company will become subject to the risks associated with indebtedness, including interest rate fluctuations and any financial or other covenants that the Company's lender may require. Moreover, if the Company's strategy to increase its sales and marketing resources in order to grow revenues does not produce the desired result, then the Company will have incurred significant, unrecoverable expenses.

THE COMPANY HAS A HISTORY OF LOSSES AND MAY NOT BE PROFITABLE IN THE FUTURE

NetFabric has a history of net losses and has an accumulated deficit of \$623,601 from its inception through September 30, 2004. This is an unconsolidated figure and does not include losses of Houston Operating Company prior to the Acquisition. Further, developing the Company's business strategy and expanding

the Company's services will require significant additional capital and other expenditures. Accordingly, if the Company is not able to increase its revenue, it may never achieve or sustain profitability.

THE COMPANY'S GROWTH MAY BE LIMITED IF IT IS UNABLE TO ATTRACT AND RETAIN QUALIFIED PERSONNEL

The Company announced plans in the 3rd quarter of 2004 to immediately increase sales and marketing personnel dramatically in order to grow revenue. The Company believes that its success depends largely on its ability to attract and retain highly-skilled and qualified technical, managerial and marketing personnel. The market for highly skilled engineering, sales, marketing and support personnel is highly competitive as a result of the limited availability of technically-qualified personnel with the requisite understanding of the markets which the Company serves. The inability to hire or retain qualified personnel may hinder the Company's ability to implement its business strategy and may harm its business.

THE COMPANY IS EXPOSED TO THE GENERAL CONDITION OF THE TELECOMMUNICATIONS MARKET

The Company's business is subject to global economic conditions, and in particular, market conditions in the telecommunications industry. The Company's operations may be adversely affected by the continued declines in capital spending from telecommunications service providers. If global economic conditions worsen, or if the prolonged slowdown in the telecommunications industry continues, then the Company may experience adverse operating results.

THE COMPANY'S NEED TO INVEST IN RESEARCH AND DEVELOPMENT COULD HARM THE COMPANY'S OPERATING RESULTS

The Company's industry is characterized by the need for continued investment in research and development. If the Company fails to invest sufficiently in research and development, the Company's products may become less attractive to potential customers, resulting in a material adverse effect on the Company's results of operations and financial condition. As a result of the Company's need to maintain or increase its spending levels in this area, the Company's operating results could be materially harmed if the Company's net sales fall below expectations. In addition, as a result of the need for research and development and technological innovation, the Company's operating costs may increase in the future.

INTELLECTUAL PROPERTY INFRINGEMENT CLAIMS AGAINST THE COMPANY, EVEN WITHOUT MERIT, COULD REQUIRE THE COMPANY TO ENTER INTO COSTLY LICENSES OR DEPRIVE THE COMPANY OF THE TECHNOLOGY IT NEEDS

The Company's industry is technology intensive. As the number of competitors in the Company's target markets increases and the functionality of the products

produced by such competitors further overlaps, third parties may claim that the technology the Company develops or licenses infringes on their proprietary rights. Any claims against the Company or any of its subsidiaries may affect the Company's business, results of operations and financial conditions. Any infringement claims, even those without merit, may require the Company to pay damages or settlement amounts or require the Company to develop non-infringing technology or enter into costly royalty or licensing agreements to avoid service implementation delays. Any litigation or potential litigation may result in product delays, increased costs or both. If successful, a claim of product infringement could completely deprive the Company of the technology it needs.

DEFECTS IN THE COMPANY'S PRODUCTS MAY ADVERSELY AFFECT THE COMPANY'S SALES AND EXPOSE THE COMPANY TO COSTLY LEGAL CLAIMS

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

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

THE COMPANY'S DEPENDENCE ON CONTRACT MANUFACTURERS AND SUPPLIERS MAY RESULT IN PRODUCT DELIVERY DELAYS

The Company currently uses contract manufacturers to manufacture its products. The Company's reliance on contract manufacturers involves a number of risks, including the absence of adequate capacity, the unavailability of, or interruptions in access to necessary manufacturing processes and reduced control over delivery schedules. If the Company's manufacturers are unable or unwilling to continue manufacturing the Company's products and components in required volumes, the Company will have to identify one or more acceptable alternative manufacturers. Furthermore, the use of new manufacturers may cause significant interruptions in supply if the new manufacturers have difficulty manufacturing products to the Company's specifications. Further, the introduction of new manufacturers may increase the variance in the quality of the Company's products. In addition, the Company relies upon third-party suppliers of

specialty components, some of which are single-sourced and intellectual property used in its products. It is possible that a component needed to complete the manufacture of the Company's products may not be available at acceptable prices or on a timely basis, if at all. Inadequate supplies of components, or the loss of intellectual property rights, may affect the Company's ability to deliver products to its customers. Any significant interruption in the supply of the Company's products could result in the reduction of product sales to customers, which in turn could permanently harm the Company's reputation in the industry.

THE COMPANY MAY BE SUBJECT TO LITIGATION

The Company may be subject to claims involving how the Company conducts its business. Any such claims against the Company may affect its business, results of operations and financial conditions. Such claims, including those without merit, could require the Company to pay damages or settlement amounts and would require a substantial amount of time and attention from the Company's senior management as well as considerable legal expenses. Although the Company does not anticipate that its activities would warrant such claims, there can be no assurances that such claims will not be made.

THE COMPANY'S PRODUCTS MAY NOT ACHIEVE ACCEPTANCE IN THE MARKETPLACE

The Company intends to offer a line of VoIP products targeted at the SMB market. The markets for these products are relatively new, unpredictable and rapidly evolving. Lack of acceptance in the marketplace for these new products could have a material adverse effect on the Company's business, results of operations and financial condition.

IF THE COMPANY MUST MAKE DESIGN CHANGES TO ITS PRODUCT LINES, THEN THE COMPANY'S SALES ARE LIKELY TO SUFFER, AND THE COMPANY MAY BE EXPOSED TO LEGAL CLAIMS

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

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

THE COMPANY NEEDS TO DEVELOP NEW PRODUCTS AND ENHANCEMENTS IN ORDER TO PREVENT THE RISK OF OBSOLESCENCE

The Company's industry is characterized by the need for continued investment in new products and enhancements and upgrades to its existing product line. If the Company fails to produce new and improved functionality, then the Company's products could become less attractive to potential customers, which could have a material adverse effect on the Company's results of operations and financial condition.

THE COMPANY LACKS ACCOUNTING AND REPORTING CONTROLS

The Company has only two employees responsible for the accounting and reporting functions for the Company. In addition, both the Chief Financial Officer and Vice President of Finance are part time employees of the Company. As a result, the Company currently has limited segregation of duties regarding the Company's accounting and reporting functions. Management recognizes this limited segregation of duties as a potential deficiency in the Company's internal controls and is implementing procedures to mitigate this deficiency. Based on discussions with its independent auditors, the Company anticipates that it will undertake additional remedial measures during the first quarter of 2005.

THE COMPANY MAY BE AFFECTED BY GOVERNMENT REGULATION

The government has thus far avoided introducing regulation into the VoIP industry. On October 19, 2004, Michael Powell, Chairman of the FCC, stated his intention to wrest control of VoIP from the states and make it subject to federal control, with initial proposals that would contain as few VoIP regulations as possible. On November 9, 2004, the FCC did take jurisdiction over IP telephony away from the states. Powell called the Commission's 4-1 vote to exempt Vonage Holdings Corporation's VoIP telephone service from Minnesota telephone taxes and certification standards "a landmark decision". It therefore appears that in the near future the industry will be unregulated at the state level and minimally regulated at the federal level.

However, if government regulation is imposed that affects VoIP deployment or reduces or eliminates the cost savings of VoIP, this would materially detract from the commercial viability of NetFabric's products. Nonetheless, there are a number of other capabilities that NetFabric's products provide that would still be attractive to potential customers.

ADDITIONAL INFORMATION

We are obligated to file reports with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934. The public may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of that site is <http://www.sec.gov>.

We intend to voluntarily furnish our security holders with an annual report that contains audited financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

We will furnish this information within 71 days from the date that this current report on Form 8-K became due by filing an amendment to this report, which amendment will also contain financial statements for NetFabric.

DESCRIPTION OF PROPERTY

The Company's headquarters are located at 67 Federal Road, Building A, Suite 300, in Brookfield, Connecticut. The Company leases office space under a two-year operating lease with Silvermine Investors, LLC ("Silvermine"), which expires on December 31, 2005 (the "Lease"). Under the terms of the Lease, NetFabric has paid one dollar and issued 200,000 shares of common stock to Silvermine as consideration for use of the office space during the term of the Lease. Prior to 2004, the Company operated from the primary residence of Jeff Robinson, co-founder and current President, and the offices of Fred Nazem, co-founder and former Chairman and CEO.

The Company has a nominal amount of fixed assets as it out-sources its entire manufacturing process to Kimchuk. The Company contracts with Kimchuk on a lot-by-lot basis. (See, "Manufacturing and Component Supply", above).

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth each person known by us to be the beneficial owner of five percent or more of NetFabric's common stock, all directors individually and all directors and officers as a group. Each person named below has sole voting and investment power with respect to the shares shown unless otherwise indicated.

Name and Address of Beneficial Owner	Amount of Beneficial Ownership	Percentage of Class

Jeffrey Robinson c/o NetFabric Corporation 67 Federal Road Building A, Suite 300 Brookfield, CT 06804	14,832,476	38.37%
Fred Nazem c/o NetFabric Corporation 67 Federal Road Building A, Suite 300 Brookfield, CT 06804	14,832,477 (1)	38.37%
Walter Carozza c/o NetFabric Corporation 67 Federal Road Building A, Suite 300 Brookfield, CT 06804	824,026 (2)	1.68%
Philip Barak c/o NetFabric Corporation 67 Federal Road Building A, Suite 300 Brookfield, CT 06804	247,208 (3)	.64%
Victoria Desidero c/o NetFabric Corporation 67 Federal Road Building A, Suite 300 Brookfield, CT 06804	98,883 (4)	0.26%
ALL DIRECTORS AND OFFICERS AS A GROUP	16,002,593 (5)	41.40%

(1) Includes 6,592,212 shares held by the Fred F. Nazem Children's' Trust, whose trustees are Alexander Nazem, Farhad Nazem and Sohelya Gharib.

(2) Includes 494,416 options at \$0.152/share and 164,805 warrants at \$0.152/share

(3) Includes 247,208 options at \$0.152/share

(4) Includes 98,883 options at \$0.152/share

(5) Does not include the shares held by the Fred F. Nazem Children's Trust, or by Fred Nazem who resigned as Chairman of the Board and CEO of NetFabric effective November 30, 2004

CHANGE OF CONTROL

On December 9, 2004, (the "Closing Date") Houston Operating Company (the "Company") entered into an Exchange Agreement (the "Acquisition Agreement") with all of the stockholders (the "Stockholders") of NetFabric Corporation ("NetFabric"). At the Closing, which occurred at the same time as the execution of the Acquisition Agreement the Company acquired all of the issued and outstanding capital stock of NetFabric from the Stockholders in exchange for an aggregate of 32,137,032 newly-issued shares of the Company's Common Stock (the "Acquisition"). Immediately prior to the closing of the Acquisition, the Company and Littlehampton Investments, LLC cancelled a total of 6,030,000 shares of common stock of the Company held by Littlehampton Investments, LLC.

Today, the Company is also filing with the Securities and Exchange Commission an Information Statement complying with Rule 14f-1 under the Securities Exchange Act of 1934 that describes a change in a majority of the Company's board of directors that is occurring in connection with the change of control of the Company that is described in this report. The current directors of the Company will resign and three directors of NetFabric will immediately become the new directors of the Company. The directors of NetFabric will join the Board of Directors effective upon the 10th day following the mailing of such information statement to the stockholders of the Company.

DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS

Set forth below are the names of NetFabric's directors and officers, their ages, all positions and offices that they hold with NetFabric, the period during which they have served as such, and their business experience during at least the last five years. These officers and directors will hold identical positions with the Company following the acquisition.

NAME	AGE	POSITION HELD	EXPERIENCE

Jeffrey Robinson	52	Chairman and CEO	Mr. Robinson is a co-founder of NetFabric and has been its Director President since December 2002 and its Chairman and CEO since November 2004. He has served on the Board of Directors of NetFabric since 2002. Mr. Robinson is an experienced entrepreneur and technologist. He was the CEO of IQ NetSolutions from June 1994 to July 2002, a company that created one of the first voice-over-packet systems with an emphasis on ease of installation. During the period from Oct 1987 to July 1994, he was the Chairman and CTO of Star Semiconductor, the company that created the world's

first commercially available multi-processor DSP. During the period from Dec 1982 to Sept 1987, Mr. Robinson was the Director of VLSI at General DataComm, and an IC Design Manager at Texas Instruments. Mr. Robinson is the owner or co-owner of over 30 patents

Richard Howard	55	Director	Mr. Howard has been a Director of the Company since November 2004. He received a BS in Economics and Corporate Finance from the Wharton School at the University of Pennsylvania. Since 2004, he has been the President of Flagship Healthcare Management, Inc. From 2003 to 2004, he has been the Managing Director of BLH Strategies, a consulting firm that provides management services to companies and nonprofit organizations. From 1985 to 2003, he worked for Genesis Health Ventures, Inc. At various times during his seventeen years with Genesis he served as Vice Chairman, President and Chief Operating Officer. He also served as a member of the Board of Directors for all seventeen years. While with Genesis, the company grew from a private company operating twelve skilled nursing centers to a \$2.5 billion publicly traded company employing over 45,000 people.
Charlotte G. Denenberg	58	Director	Ms. Denenberg has been a Director of the Company since November 2004. She received a BA in Psychology and Mathematics with Highest Distinction, Phi Beta Kappa, from Northwestern University, and an MS and a PhD in Mathematics from the Illinois Institute of Technology. For the past two years she has consulted to a variety of companies in the telecommunications industry. From 1998 to 2002, she worked for Metromedia Fiber Network Services, Inc. (MFN) as Vice President, Optical Infrastructure and as Vice President and Chief Technology Officer.
Walter Carozza (1)	50	Chief Financial	Mr. Carozza has been the Chief Financial Officer of NetFabric Officer since August 2004. Mr. Carozza received his BA and JD degrees from The University of Wisconsin. He is admitted to practice before the Court of International Trade, the U.S. Supreme Court, and the District of Columbia Court of Appeals. He is a member of the DC and Wisconsin Bars. For the past five years he has been employed as a Manager of the General Partner of East River Ventures, a venture capital firm based in New York City.

Mr. Barak has been the VP of Finance of NetFabric since December 2002. He holds a BS in Accounting from Rider University and is a Certified Public Accountant and a member of the AICPA and NYSSCPA. For the past five years he has been employed as a General Partner and Chief Financial Officer of Nazem & Company, a venture capital firm founded in 1976.

Victoria Desidero	44	VP Marketing	Ms. Desidero has been the VP Marketing of NetFabric since June 2004. For the past five years she has been employed as VP Marketing for Merlot Communications.
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(1) These individuals are part-time employees of the Company. The Company intends to hire a full time CFO and/or other individuals by the end of the first quarter of 2005 to replace these individuals.

EXECUTIVE COMPENSATION

The following table sets forth information concerning all cash and non-cash compensation awarded to, earned by or paid to all executive officers and other key employees of NetFabric who were serving as of September 30, 2004, for services in all capacities. These officers and directors will hold identical salaries and option positions in the Company following the Acquisition, except as noted in the footnotes, below.

SUMMARY COMPENSATION TABLE

Name And Principal Position	Year (1)	Annual Compensation		Other Annual Compensation (\$)	Long-Term Compensation Awards			All Other Compensation (\$)
		Salary (\$)	Bonus (\$)		Restricted Stock Awards (\$)	Securities Under-lying Options/ SARs (#)	LTIP Payouts (\$)	
Fred Nazem Chief Executive Officer (2)	2004	175,000	0	0	0	0	0	0
Jeff Robinson President (3)	2004	175,000	0	0	0	0	0	0
Walter Carozza, Chief Financial Officer	2004	60,000	0	0	0	988,832	0	0
Philip Barak, VP Finance	2004	0	0	0	0	494,416	0	0
Victoria Desidero VP Marketing	2004	110,000	0	0	0	395,533	0	0
William Meltzer Director, Software	2004	120,000	0	0	0	164,805	0	0

Joseph Welfeld Senior Firmware Engineer	2004	110,000	0	0	0	148,325	0	0
Dominick Zumbo Director, Hardware	2004	110,000	0	0	0	148,325	0	0

(1) No compensation was paid in 2003 by NetFabric.
(2) Effective November 30, 2004 Fred Nazem resigned as Chairman of the Board of Directors and CEO of NetFabric. He will not be an officer or Director of the Company. (3) Effective November 30, 2004 Jeff Robinson was appointed CEO and elected Chairman of NetFabric by its Board of Directors. He will hold those identical positions with the Company.

OPTION/SAR GRANTS IN LAST 12 MONTHS

The following table sets forth the grant of stock options made as of September 30, 2004 to the persons named in the Summary Compensation Table:

Name	Number of Securities Underlying Options Granted	% of Total Options Granted to Employees in Fiscal Period	Exercise Price per Share	Expiration Date
Walter Carozza	988,832	34.68%	\$0.152	January 1, 2014
Philip Barak	494,416	17.34%	\$0.152	January 1, 2014
Victoria Desidero	395,533	11.56%	\$0.152	June 14, 2014
William Meltzer	164,805	5.78%	\$0.152	January 1, 2014
Joseph Welfeld	148,325	5.20%	\$0.152	April 26, 2014
Dominick Zumbo	148,325	5.20%	\$0.152	August 16, 2004

AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR
AND FISCAL YEAR-END OPTION/SAR VALUES

The following table sets forth information with respect to unexercised stock options held by the persons named in the Summary Compensation Table at December 31, 2003.

Name	Number of Unexercised Options at Fiscal Year-End		Value of Unexercised in-the-Money Options at Fiscal Year-End(\$)	
	Exercisable	Unexercisable	Exercisable	Unexercisable
None	0	0	0	0

LONG-TERM INCENTIVE PLANS - AWARDS IN LAST FISCAL YEAR

The following table sets forth information with respect to awards made to persons named in the Summary Compensation Table pursuant to a long-term incentive plan in the fiscal year ending December 31, 2003.

Name	Number of Shares, Units or Other Rights	Performance or Other Period Under Maturation or Payout	Estimated Future Payouts Under Non-Stock Price-Based Plans		
			Threshold	Target	Maximum
None	0	0	0	0	0

COMPENSATION OF DIRECTORS

The independent Directors of the Company will receive a grant of 75,000 shares of common stock of the Company which shares vest over four years from the date of his or her joining the Board, and are reimbursed for out-of-pocket expenses in connection with attendance at Board of Directors' and/or committee meetings.

EMPLOYMENT AGREEMENTS

Jeff Robinson has no employment agreement of any kind with NetFabric or the Company. The Company does not have formal employment agreements with its other employees. Certain employees have limited employment letter agreements with NetFabric that stipulate the amount of annual compensation, other employment

benefits, and participation in NetFabric's stock option plan. There are currently no agreements with regard to severance or non-competition.

BENEFIT PLANS

The Company does not currently have a stock option and grant plan. However, NetFabric currently has a Stock Option and Grant Plan in place to provide incentives to its employees, directors and any other personnel working in conjunction with NetFabric ("NetFabric Plan"). The Company plans to adopt a new stock option and grant plan upon completion of the Acquisition that will incorporate the grants made under the NetFabric Plan. Any future stock options granted under the Company's plan shall be pursuant to a formal option agreement.

Other than the aforementioned plan, the Company does not have any pension plan, profit sharing plan, or similar plans for the benefit of the Company's officers, directors or employees. However, the Company may establish such plans in the future.

DESCRIPTION OF SECURITIES

The Company's authorized capital stock consists of 50,000,000 shares of common stock, par value \$.001 per share, of which there are 38,652,204 issued and outstanding, and 10,000,000 shares of preferred stock, par value \$.001 per share, of which none have been designated or issued. All of the issued and outstanding shares of NetFabric's common stock are held by the Company as a result of the Acquisition. The following statements relating to the capital stock set forth the material terms of these securities; however, reference is made to the more detailed provisions of, and these statements are qualified in their entirety by reference to, the Company's Certificate of Incorporation and Bylaws, copies of which are filed as exhibits to the Company's SEC reports.

COMMON STOCK

Holders of shares of the Company's common stock are entitled to one vote for each share on all matters to be voted on by the stockholders. Holders of common stock do not have cumulative voting rights. Holders of common stock are entitled to share ratably in dividends, if any, as may be declared from time to time by the Board of Directors in its discretion from funds legally available therefore. In the event of any liquidation, dissolution or winding up, the holders of common stock are entitled to a pro-rata share of all assets remaining after payment in full of all liabilities and preferential payments, if any, to holders of preferred stock. All of the outstanding shares of common stock are fully paid and non-assessable.

Holders of common stock have no preemptive rights to purchase our common stock. There are no conversion or redemption rights or sinking fund provisions with respect to our common stock.

PREFERRED STOCK

The Board of Directors of the Company is authorized to provide for the issuance of shares of preferred stock in series and, by filing a certificate pursuant to the applicable law of Delaware, to establish from time to time the number of shares to be included in each of these series, and to fix the designation, powers, preferences and rights of the shares of each of these series and the qualifications, limitations or restrictions applicable to each series without any further vote or action by the stockholders. Any shares of preferred stock so issued would have priority over the common stock with respect to dividend or liquidation rights. Any future issuance of preferred stock may have the effect of delaying, deferring or preventing a change in control of the Company without further action by the stockholders and may adversely affect the voting and other rights of the holders of common stock. At present, we have no plans to issue any preferred stock or adopt any series, preferences or other classification of preferred stock.

The issuance of shares of preferred stock, or the issuance of rights to purchase shares of preferred stock, could be used to discourage an unsolicited acquisition proposal. For instance, the issuance of a series of preferred stock might impede a business combination by including class voting rights that would enable the holder to block a business combination transaction, or facilitate a business combination by including voting rights that would provide a required percentage vote of the stockholders. In addition, the issuance of preferred stock could adversely affect the voting power of the holders of the common stock. Although the Board of Directors is required to make any determination to issue such stock based on its judgment as to the best interests of our stockholders, the Board of Directors could act in a manner that would discourage an acquisition attempt or other transaction that some, or a majority, of the stockholders might believe to be in their best interests or in which stockholders might receive a premium for their stock over the then market price of such stock. At present, the Board of Directors does not intend to seek stockholder approval prior to any issuance of currently authorized stock, unless otherwise required by law or applicable stock exchange rules. We have no present plans to issue any preferred stock.

DIVIDENDS

Dividends, if any, will be contingent upon our revenues and earnings, if any, capital requirements and financial conditions. The payment of dividends, if any, will be within the discretion of the Company's Board of Directors. The Company presently intends to retain all earnings, if any, for use in its business operations and accordingly, the Board of Directors does not anticipate declaring any dividends for the foreseeable future.

TRANSFER AGENT

Securities Transfer Corporation of Dallas, Texas currently acts as our transfer agent and registrar.

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

The Company's Common Stock is quoted on the NASD over-the-counter electronic bulletin board under the symbol H00C.BB. The following table sets forth on a per share basis for the periods shown, the high and low closing bid prices of our common stock. The quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

CLOSING BID PRICES (1)

	HIGH	LOW
Year Ended December 31, 2004		
1st Quarter	\$0.20	\$0.20
2nd Quarter	\$0.20	\$0.20
3rd Quarter	\$0.20	\$0.20
Year Ended December 31, 2003		
1st Quarter	\$0.35	\$0.35
2nd Quarter	\$0.35	\$0.35
3rd Quarter	\$0.35	\$0.20
4th Quarter	\$0.20	\$0.20
Year Ending December 31, 2002		
1st Quarter	\$0.51	\$0.51
2nd Quarter	\$0.51	\$0.51
3rd Quarter	\$0.40	\$0.35
4th Quarter	\$0.35	\$0.35

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(1) The above tables set forth the range of high and low closing bid prices per share of the Company's Common stock as reported by Yahoo Finance for the periods indicated.

When the trading price of the Company's common stock is below \$5.00 per share, the common stock is considered to be a "penny stock" that is subject to rules promulgated by the Securities and Exchange Commission (Rule 15-1 through 15g-9) under the Securities Exchange Act of 1934. These rules impose significant requirements on brokers under these circumstances, including: (a) delivering to customers the SEC's standardized risk disclosure document; (b) providing customers with current bid and ask prices; (c) disclosing to customers the

brokers-dealer's and sales representatives compensation; and (d) providing to customers monthly account statements.

DIVIDEND POLICY

The Company does not intend to pay any cash dividends on its common stock in the foreseeable future. All cash resources are expected to be invested in developing the Company's business plan.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table discloses information as of December 31, 2003 with respect to compensation plans (including individual compensation arrangements) under which the Company's equity securities are authorized for issuance.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders (1)	0	0	0
Equity compensation plans not approved by security holders	0	0	0
Total	0	0	0

(1) Consists of securities available for issuance pursuant to the Company's Stock Option and Grant Plan, which has been approved by our Board of Directors and Stockholders.

OPTIONS AND WARRANTS

As of September 30, 2004, NetFabric had outstanding warrants to purchase 1,153,637 shares of common stock at an exercise price of \$0.152 per share.

As of September 30, 2004, NetFabric had outstanding options to purchase 4,008,889 shares of common stock at an exercise price of \$0.152 per share.

HOLDERS

The Company has issued an aggregate of 38,652,204 shares of its common stock to 406 entities.

AGREEMENT WITH SHAREHOLDERS

Under the terms of the Acquisition Agreement, the Company has granted Fred Nazem the right to nominate 40% of the members of the Board of Directors of the Company (rounded to the nearest whole number of directors), for so long as he and/or his affiliates, which for this purpose includes but is not limited to the Fred F. Nazem Children's Trust, hold 25% or more of the total outstanding shares of the Company.

RELATED PARTY TRANSACTIONS

Within 60 days following the Closing Date of the Acquisition, the Company intends to enter into a consulting agreement with Fred Nazem, its former Chairman of the Board and CEO and a major shareholder. The terms of that agreement have not yet been negotiated with Mr. Nazem.

LEGAL PROCEEDINGS.

There is no pending litigation by or against the Company.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS.

None

ITEM 3.02 UNREGISTERED SALES OF EQUITY SECURITIES

NetFabric sold 200,000 shares of common stock to Silvermine Investors, LLC, in consideration for all rent and other charges due to Silvermine Investors, LLC on a two-year lease for office premises at 67 Federal Road, Building A, Suite 300, Brookfield, Connecticut.

On July 22, 2004, NetFabric entered into a Financing Agreement which was amended on December 2, 2004 (the "Financing Agreement") with Macrocom Investors, LLC, ("Macrocom") whereby Macrocom provided a loan to NetFabric in the amount of \$500,000 ("Loan") for a period of 180 days from the date of the Financing Agreement ("Due Date") at an annual simple interest rate of 5%. On the Due Date, the Company has the option to repay the principal in cash or in kind by issuing 1,000,000 shares of common stock. In either event, the interest on the Loan is payable in cash on the Due Date. The Company will place in escrow 1,000,000 shares of common stock as collateral for the Loan repayment. The Company will

also issue to Macrocom 250,000 shares of common stock as additional consideration to Macrocom for the Loan. In addition, under the terms of the original Financing Agreement, Macrocom was to purchase 3,000,000 shares of common stock of the Company for \$1,500,000 on the Closing Date. However, pursuant to the terms of an amendment dated December 2, 2004, Macrocom purchased 1,000,000 shares of the common stock of the Company for \$500,000 on the Closing Date. This amount was placed in escrow, with Michael Millon, a Managing Member of Macrocom, acting as the escrow agent on behalf of Macrocom. Within 120 days of the closing of the Acquisition and from time-to-time, Macrocom has agreed to purchase an additional 2,000,000 shares of common stock of the Company for \$1,000,000. In addition, NetFabric granted Macrocom a six-month warrant to purchase up to 2,000,000 additional shares of the common stock of the Company for a total purchase price of \$1,500,000 if the closing trading price of the common stock of the Company is less than \$2.00 per share on the trading day preceding any such purchase. Under the terms of the Financing Agreement, NetFabric also agreed, at its cost, to file a registration statement for the registration of the Macrocom stock with the Securities and Exchange Commission as soon as practicable but no later than 90 days following the Closing Date. If the registration statement relating to the Macrocom stock is not effective within 180 days of the Closing Date for reasons not beyond NetFabric's control, NetFabric will pay Macrocom liquidated damages of 45,000 shares of the common stock of the Company for each month or any portion thereof, until such registration statement is effective.

On October 14, 2004, NetFabric and Macrocom entered into a loan agreement which was amended on December 2, 2004 (the "Loan Agreement"), whereby Macrocom agreed to loan an additional \$500,000 to NetFabric ("Second Loan"), due 180 days from the date of the Loan Agreement. ("Second Due Date") at an annual simple interest rate of 5%. On the Second Due Date, at the option of Macrocom, Macrocom can convert the principal of the Second Loan into 1,000,000 shares of common stock of the Company or demand repayment of the principal in cash. In either event, the interest on the Second Loan is payable in cash on the Second Due Date. In addition, NetFabric agreed to issue to Macrocom 250,000 shares of common stock as additional consideration to Macrocom for the Second Loan. Under the terms of the Loan Agreement, NetFabric placed in escrow \$500,000 upon completion of the Acquisition, as described in the preceding paragraph.

As compensation for arranging the Financing Agreement and the Loan Agreement NetFabric agreed to issue 250,000 shares of common stock of the Company to Michael Millon, the Managing Member of Macrocom.

INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be permitted to directors, officers or persons controlling us pursuant to the foregoing provisions, it is the opinion of the Securities and Exchange Commission that such indemnification is against public policy as expressed in the act and is therefore unenforceable.

ITEM 5.01 CHANGE IN CONTROL OF REGISTRANT

See the disclosure under Item 2.01 "Completion of Acquisition or Disposition of Assets", which is incorporated by reference into this Item 5.01.

ITEM 5.02 DEPARTURE OF DIRECTORS OR PRINCIPAL OFFICERS; ELECTION OF DIRECTORS; APPOINTMENT OF PRINCIPAL OFFICERS

In connection with the Acquisition, Wesley F. Whiting and Redgie Green will resign as Directors of the Company and Jeff Robinson, Charlotte Denenberg and Richard Howard will be elected as Directors of the Company. In addition, Wesley F. Whiting resigned as President and Redgie Green resigned as Secretary of the Company effective December 9, 2004, and on that same date the Company appointed Jeff Robinson as its Chief Executive Officer and Chairman of the Board, Walter Carozza as its Chief Financial Officer, Philip Barak as Vice President of Finance and Victoria Desidero as its Vice President of Marketing. For further information, see "DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS", page 21, above.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(a) Financial Statements for Business Acquired

The financial statements required by this item will be filed by amendment to this report no later than 71 calendar days after the date that this report became due. The amended report will also contain a Management's Discussion and Analysis of Financial Condition and Results of Operation section that provides a detailed discussion of the financial statements and comparison of prior periods.

(b) Financial Information

The financial information required by this item will be filed by amendment to this report no later than 71 calendar days after the date that this report became due.

(c) Exhibits

Exhibit 2.1 - Acquisition Agreement between the Company, NetFabric, and NetFabric's shareholders dated December 9, 2004

- Exhibit 10.1 - Financing Agreement between NetFabric and Macrocom, dated July 22, 2004
- Exhibit 10.2 - Loan Agreement between NetFabric and Macrocom, dated October 14, 2004
- Exhibit 10.3 - Amendment to Financing and Loan Agreement between NetFabric and Macrocom, dated December 2, 2004
- Exhibit 10.4 - Distribution Agreement between NetFabric and Williams, dated November 29, 2004
- Exhibit 10.5 - Sales Agreement between NetFabric and CommuniTech, dated February 25, 2004
- Exhibit 10.6 - Sample Purchase Order of NetFabric with Kimchuk
- Exhibit 10.7 - Lease Agreement between NetFabric and Silvermine, dated January 1, 2004
- Exhibit 10.8 - Employment Letter with William Meltzer dated January 28, 2004
- Exhibit 10.9 - Employment Letter with Joseph Welfeld dated April 2, 2004
- Exhibit 10.10 - Employment Letter with Victoria Desidero dated May 21, 2004
- Exhibit 10.11 - Employment Letter with Dominick Zumbo dated August 5, 2004
- Exhibit 10.12 - Employment Letter with Walter Carozza dated November 9, 2004
- Exhibit 10.13 - Employment Letter with Philip Barak dated November 9, 2004

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: December 15, 2004

HOUSTON OPERATING COMPANY

By: /s/ Jeff Robinson

Name: Jeff Robinson
Title: Chief Executive Officer

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION OF EXHIBIT
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Exhibit 2.1	Acquisition Agreement between the Company, NetFabric, and NetFabric's shareholders dated December 9, 2004
Exhibit 10.1	Financing Agreement between NetFabric and Macrocom, dated July 22, 2004
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Share Exchange Agreement between the Company, NetFabric,
NetFabric's shareholders dated December 9, 2004.

SHARE EXCHANGE AGREEMENT

EXCHANGE AGREEMENT (this "Agreement") made as of this 8th day of December, 2004 (the "Effective Date"), by and among Netfabric Corporation ("Netfabric"), a Delaware corporation with its principal address at 67 Federal Road, Building A, Suite 300, Brookfield, CT 06804, those persons executing this Agreement whose names are set forth in the signature pages with the number of shares they own in Netfabric and how many shares in HOC are to be issued to them (collectively, the "Shareholders"), owning all of the issued and outstanding shares of Netfabric, and Houston Operating Company, ("HOC"), a Delaware corporation, with its principal address at 11145 West Rockland Drive, Littleton, Colorado 80127.

WHEREAS, Netfabric is a corporation which is engaged in the development and marketing of Internet protocol appliances;

WHEREAS, the Shareholders own all the issued and outstanding shares of common stock of Netfabric;

WHEREAS, the Shareholders desire to exchange all of their shares of the common stock of Net fabric for an aggregate of 32,137,032 shares of the common stock of HOC (hereinafter, the "Exchange") with the result being that Netfabric will become a wholly owned subsidiary of HOC; and

NOW, THEREFORE, in consideration of the premises and mutual covenants set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound hereby, do mutually agree as follows:

ARTICLE I
DEFINITIONS, DISCLOSURE SCHEDULE

1.1 Defined Terms. As used in this Agreement, the following terms shall have the meanings indicated below:

"Contract" shall mean any agreement, contract, license, indenture, lease, mortgage, license, plan, arrangement, commitment or instrument including any note or other debt instrument (whether written or oral).

"Enforceability Exceptions" shall mean the extent to which enforceability of an obligation may be limited by applicable bankruptcy, insolvency, re-organization or other similar laws affecting the enforcement of creditors' rights generally and by principles of equity regarding the availability of remedies.

"GAAP" shall refer to generally accepted accounting principles as applicable in the United States.

"HOC Disclosure Documents" shall refer to the disclosures made in the SEC Filings (as hereinafter defined) as well as the Schedule of Exceptions (as hereinafter defined).

"Knowledge" shall mean with respect to a party's awareness of the presence or absence of a fact, event or condition (a) actual knowledge plus, if different, (b) the knowledge that would be obtained if such party or its agents conducted itself faithfully and exercised sound discretion in the management of its own affairs.

"Laws" shall mean all laws, common laws, rules, regulations, ordinances, codes, judgments, injunctions, orders, decrees, permits, policies and other requirements of the United States and other jurisdictions to which Netfabric and HOC, as applicable, are subject.

"Liabilities" shall mean any indebtedness, liability, loss, damage, deficiency, obligation or responsibility, fixed or unfixed, choate or inchoate, liquidated or unliquidated, secured or unsecured, accrued, absolute, contingent or otherwise, whether or not of a kind required by GAAP to be set forth on a financial statement including the notes thereto.

"Lien" means any mortgage, pledge, lien, encumbrance, charge, adverse claim or restriction of any kind affecting title or resulting in an encumbrance against property, real or personal, tangible or intangible, or a security interest of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof, any third party option or other agreement to sell and any filing of or agreement to give, any financing statement under the Uniform Commercial Code (or equivalent statute) of any jurisdiction).

"Material Adverse Effect" or "Material Adverse Change" with respect to a party means an adverse change which individually or in the aggregate would have a material adverse effect on the assets, liabilities (whether absolute, accrued, contingent or otherwise), condition (financial or otherwise), results of operations, business or prospects on a consolidated or combined basis of such

party.

"Netfabric Disclosure Documents" shall refer to the disclosures made in the SEC Filings (as hereinafter defined) as well as the Schedule of Exceptions (as hereinafter defined).

"Obligations" shall mean, with respect to HOC, all liabilities, debts, amounts due, or contracts existing as of the Closing and any claims or causes of action arising out of or as a result of actions taken prior to Closing, as well as any and all expenses and costs related thereto.

"Person" shall mean any natural person, corporation, division of a corporation, partnership, trust, joint venture, association, company, estate, unincorporated organization or governmental entity.

"Returns" shall mean the federal, state and local tax returns for the last three (3) years.

"Schedule of Exceptions" shall mean the schedule that may be attached to and made part of this Agreement containing any exceptions to any representations made in this Agreement, which such schedule shall be organized into paragraphs corresponding to the sections of this Agreement.

"SEC Filings" shall mean all registration statements filed pursuant to the Securities Act or reports filed pursuant to the Securities Exchange Act since January 1, 2004.

"Securities Act" shall mean the Securities Act of 1933, as amended.

"Securities Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Subsidiary" shall refer to any corporations or other entities in which a Person has a majority interest or which is otherwise controlled by such Person.

"Taxes" shall mean any income, alternative or add-on minimum, business, employment, franchise, occupancy, payroll, property, sales, transfer, use, value added, withholding or other tax, levy, impost, fee, imposition, assessment or similar charge together with any related addition to tax, interest, penalty or fine thereon.

"Transactions" shall mean, in respect of any party, all transactions set forth in or contemplated by this Agreement that involve, relate to or affect such party, including, without limitation, the Exchange.

ARTICLE II
THE TRANSACTIONS

2.1 The Exchange. On the "Closing Date" as provided in Section 2.2, the Shareholders shall receive such shares representing an aggregate of 32,137,032 shares of common stock of HOC; in exchange, HOC shall receive shares of Net fabric representing all of the outstanding common stock of Netfabric. No Shareholder shall have any right to receive fractional shares but any fractional share shall be rounded to the nearest whole share. In addition, HOC shall reserve (i) a total of 6,083,955 shares of common stock to support the issuance of options and warrants in HOC in exchange for 1,491,250 of existing options and warrants in Netfabric; and (ii) a total of 2,750,000 shares of common stock for issuance in connection with the conversion of existing bridge loans owed by Netfabric. Immediately prior to Closing, HOC and Little Hampton Investments LLC shall cancel a total of 6,030,000 shares of common stock held by Little Hampton Investments LLC.

2.2 Satisfaction of Debts. Immediately prior to Closing, HOC shall satisfy all of its liabilities, including without limitations all of its accounts payable and advances from shareholders which as of September 30, 2004 totaled \$46,089.00.

2.3 Closing. The closing of the Exchange contemplated hereby (the "Closing") shall be held on the next business day after all conditions set forth in Articles VII and VIII have been fulfilled or waived or such earlier date as the parties may agree. The Closing shall be held at such place and at such time as the parties may mutually agree, but in no event later than December 15, 2004. The date upon which such Closing shall occur shall be referred to as the "Closing Date."

ARTICLE III
CLOSING DELIVERIES

3.1 Closing Deliveries by the Shareholders. At the Closing, in addition to documents referred to elsewhere herein, the Shareholders shall deliver, or cause to be delivered, in a form reasonably satisfactory to HOC and its counsel to HOC:

(1) Stock Certificates or lost stock affidavits representing the shares owned by the shareholders which collectively shall represent all the Shares to be transferred to HOC as set forth in section 2.1 of this Agreement;

(2) Certificate of Shareholders affirming the accuracy of their representations, as of the Closing Date; and

(3) Such other documents as HOC or its counsel may reasonably request.

3.2 Closing Deliveries by HOC. At the Closing, in addition to documents referred to elsewhere, HOC shall deliver to the Shareholders in a form reasonably satisfactory to the Shareholders and their counsel:

(1) Certificates representing the HOC Shares to be issued pursuant to the Exchange;

(2) Certificate of officers of HOC affirming the accuracy of representations as of the Closing Date;

(3) Copies of the resignations of the directors and officers of HOC;

(4) Certified copies of resolutions approving the Exchange as of a date certain;

(5) Proof of cancellation of 6,030,000 shares of common shares;

(6) Proof of satisfaction of all of HOC liabilities; and

(7) Such other documents as the Shareholders or their counsel may reasonably request.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF HOC

Except as set forth in the HOC Disclosure Documents, HOC makes the following representations and warranties to Shareholders on and as of the date hereof with the knowledge and understanding that the Shareholders are relying materially upon such representations and warranties.

4.1 Organization and Standing of HOC. HOC is a corporation duly organized, validly existing and in good standing under the laws of Delaware. HOC has the corporate power to carry on its business as now conducted and to own its assets and is duly qualified to transact business as a foreign corporation in each jurisdiction where such qualification is necessary, except where the failure to qualify will not have a Material Adverse Effect. The copies of the Certificate of Incorporation and By-laws of HOC as amended to date, and made available to Netfabric, are true and complete copies of those documents as now in effect.

4.2 Subsidiaries. HOC has no Subsidiaries and no interest in any other corporation, partnership, joint venture or other entity.

4.3 Capitalization. The authorized capital stock of HOC, consists of 50,000,000 shares of common stock of which, prior to the cancellation of 6,030,000 shares of common stock, there are 7,795,172 shares issued and outstanding and 5,000,000 shares of preferred stock of which none has been issued and 5,000,000 of preference stock of which none has been issued. The shares of common stock of HOC that are issued and outstanding are duly authorized, validly issued and outstanding, fully paid and nonassessable, and were not issued in violation of the preemptive rights of any person. Notwithstanding the Exchange contemplated by this Agreement and except as set forth in the Disclosure Documents, there are no outstanding (a) options, warrants or rights to purchase or subscribe for any equity securities, or other ownership interests of HOC, (b) obligations of HOC, whether absolute or contingent, to issue any shares of equity securities or other ownership interests, (c) debt or equity securities directly or indirectly convertible into any equity securities of HOC or (d) any shareholder agreements, options, rights of first refusal or other similar rights with respect to the capital stock of HOC.

4.4 Authority. This Agreement constitutes, when executed and delivered by HOC in accordance herewith, the valid and legally binding obligations of HOC, enforceable in accordance with its respective terms, subject to the Enforceability Exceptions.

4.5 Contracts. There are no Contracts to which HOC is a party or by which it is bound.

4.6 Litigation. There is no claim, action, proceeding, or investigation pending or, to its Knowledge, threatened against or affecting HOC before or by any court, arbitrator or governmental agency or authority. There are no decrees, injunctions or orders of any court, governmental department, agency or arbitration outstanding against HOC and with respect to any action or claim covered by insurance, HOC has complied with all requirements of any such policy which are conditions to the defense and continued defense of such claim or action.

4.7 Taxes. HOC has duly filed all Returns required to be filed by it. To the Knowledge of HOC such Returns were, when filed, and are, accurate and complete in all material respects and were prepared in conformity with applicable laws and regulations. HOC has paid or will pay in full or has adequately reserved against all Taxes otherwise assessed against it through the Closing Date.

HOC is not a party to any pending action or proceeding by any governmental authority for the assessment of any Tax, and, to the best of its Knowledge, no claim for assessment or collection of any Tax related to HOC has been asserted against HOC that has not been paid. There are no Tax liens upon the assets (other than the lien of property taxes not yet due and payable) of HOC. There is no valid basis, to the best of its Knowledge for any assessment, deficiency, notice, or similar intention to assess any Tax to be issued to' HOC by any governmental authority.

4.8 No Conflict. The execution and performance of this Agreement and any other agreements contemplated hereby will not (i) conflict with or violate the Certificate of Incorporation or the By-laws of HOC or (ii) violate in any

material respect any laws, ordinances, rules, or regulations, or any order, writ, injunction or decree to which HOC is a party.

4.9 SEC Filings. The SEC Filings of HOC are current, true and correct and contain no material misstatement of fact as of the date of filing.

4.10 Financial Documents. The financial statements that are part of the SEC Filings are true and complete copies of the HOC financial statements. These financial statements (i) have been prepared from the books and records of HOC in accordance with GAAP consistently applied with prior periods, and (ii) are complete and correct and fairly reflect, in each case in all material respects, the financial condition and results of operations of HOC as of the dates and for the periods indicated thereon. The books and accounts of HOC have been maintained in all material respects in accordance with sound business practices.

4.11 Compliance With Law-General. HOC complies with material Laws applicable to it.

4.12 Employee Benefit Plans. Except as set forth in the HOC Disclosure Documents, HOC has never maintained or contributed to any employee benefit plan, or any stock purchase plan, stock option plan, fringe benefit plan, bonus plan or any other deferred compensation agreement, plan or funding arrangement, whether or not such plan has been terminated and whether or not such plan is of legally binding nature in the form of an informal understanding. With respect to the plans, the laws as applicable, have been fulfilled in all material respects and no event has occurred nor does any condition exist which would subject HOC or the Shareholders to any material penalty, excise tax or liability.

4.13 Consents. Except as may be required by federal securities laws and regulations, no authorization, license, franchise, approval, order or consent of, and no registration, declaration or filing by HOC with, any governmental authority, domestic or foreign, federal, state or local, is required in connection with the execution, delivery and performance of this Agreement, and consummation of the Transaction. The Board of Directors and the Shareholders, as applicable, of HOC shall have approved the transactions contemplated by this Agreement.

4.14 Liabilities. HOC does not have any direct or indirect Liabilities known or unknown, including, without limitation, any liability on account of taxes, any other governmental charge or lawsuit, except as set forth in Section 2.2.

4.15 No Commissions. HOC has not incurred any obligation for any finder's or broker's or agent's fees or commissions or similar compensation in connection with the transactions contemplated hereby.

4.16 Accuracy of Representations. None of the representations or warranties of HOC contained in this Agreement, including the HOC Disclosure Documents, contains, or will contain at the Closing Date, any false or misleading statement, or omits, or will omit at the Closing Date, any fact or statement necessary to make the other statements or facts set forth herein or therein not false or misleading.

ARTICLE V
REPRESENTATIONS AND WARRANTIES OF NETFABRIC

AND THE SHAREHOLDERS

5.1 Except as set forth in the Netfabric Disclosure Documents, (i) Netfabric represents and warrants to, and agrees with, HOC as follows as of the date hereof and the Closing Date with the knowledge and understanding that HOC is relying materially upon such representations and warranties:

5.1.1 Organization and Standing of Net fabric. Netfabric is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has the corporate power to carry on its business as now conducted and to own its assets and is duly qualified to transact business as a foreign corporation in each state where such qualification is necessary except where the failure to qualify will not have a Material Adverse Effect.

5.1.2 Subsidiaries. Except as set forth in the Netfabric Disclosure Documents, Netfabric has no Subsidiaries and no interest in any other corporation, partnership, joint venture or other entity.

5.1.3 Capitalization. Netfabric has 9,750,000 shares of common stock issued and outstanding. The shares of common stock of Netfabric that are issued and outstanding are duly authorized, validly issued and outstanding, fully paid and nonassessable, and were not issued in violation of the preemptive rights of any person. There are an aggregate of 1,491,250 options and warrants outstanding.

5.1.4 Governmental Approval; Consents. Except as may be required by federal securities laws and regulations, no authorization, license, permit, franchise, approval, order or consent of, and no registration, declaration or filing by Netfabric with, any governmental authority, domestic or foreign, federal, state or local, is required in connection with the execution, delivery and performance of this Agreement and consummation of the transaction. No Consents of any other parties are required to be received by or on the part of Netfabric to enable it to enter into and carry out this Agreement. The Board of Directors and the shareholders, as applicable, of HOC shall have approved the transactions contemplated by this Agreement.

5.1.5 Authority. This Agreement constitutes, and all other agreements contemplated hereby will constitute, when executed and delivered by Netfabric in accordance herewith, the valid and binding obligations of Netfabric enforceable in accordance with their respective terms, subject to the Enforceability Exceptions.

5.1.6 Litigation. There is no claim, action, proceeding, or investigation pending or, to their knowledge, threatened against or affecting Netfabric before or by any court, arbitrator or governmental agency or authority. There are no decrees, injunctions or orders of any court, governmental department, agency or arbitration outstanding against Netfabric.

5.1.7 No Commissions. Netfabric has not incurred any obligation for any finder's or broker's or agent's fees or commissions or similar compensation in connection with the transactions contemplated hereby.

5.1.8 Accuracy of Representations. None of the representations or warranties of Netfabric or of the Shareholders contained in this Agreement, including the Netfabric Disclosure Schedule, contains, or will contain at the Closing Date, any false or misleading statement, or omits, or will omit at the Closing Date, any fact or statement necessary to make the other statements or facts set forth herein or therein not false or misleading.

5.2 The Shareholders, individually, and not collectively, represent and warrant to, and agree with, HOC as follows as of the date hereof and the Closing Date with the knowledge and understanding that HOC is relying materially upon such representations and warranties:

5.2.1 Share Ownership. Each of the Shareholders is the record and beneficial owner of the number of shares of Net fabric listed after such Shareholder's name on the signature page free and clear of all liens and encumbrances and claims of any kind. Upon execution of this Agreement and delivery at Closing of the certificates for the HOC shares and rights to shares pursuant to the Exchange, HOC shall receive marketable title to such shares free and clear of all Liens and encumbrances and claims of third parties.

5.2.2 Investment. Each Shareholder hereby represents, warrants and agrees that such Shareholder will be acquiring the Shares of HOC for investment, for their own account, and not with a view to the distribution of the HOC Shares. In such connection, each Shareholder further represents and warrants that they understand that HOC is issuing the HOC shares to such Shareholder in reliance upon an exemption from the registration requirements pursuant to Section 5 of the Securities Act and the rules and regulations thereunder. Each Shareholder agrees that the HOC Shares may not be sold, transferred, pledged, hypothecated, assigned or otherwise disposed of by such Shareholder unless HOC shall have been supplied with evidence satisfactory to it and its counsel that such transfer is not in violation of the Securities Act. Furthermore, each Shareholder understands that the certificates for the HOC shares shall bear an appropriate restrictive legend to reflect the foregoing restrictions and that stop transfer instructions will be placed against the HOC shares with respect thereto. Each Shareholder consents to the placing of such legend on the certificates for the HOC shares.

ARTICLE VI
COVENANTS

During the period between the date hereof and the earlier of the Closing Date or Termination each party covenants as follows:

6.1 Access for Parties. Each of HOC and Netfabric shall give to the other and to such other's counsel, accountants and other representatives full and reasonable access, during normal business hours throughout the period prior to the Closing Date, to all of the entity's properties, books, contracts, commitments, reimbursement and accounting records relating to the Assets, and all aspects of the entities business. Such entity shall furnish to any party, during such period, all information concerning the assets and the business that any party may reasonably request. Any such investigation or inspection by any party shall not be deemed a waiver of, or otherwise limit, the representations, warranties and covenants of other party or parties contained herein.

6.2 Mutual Cooperation. The parties hereto will cooperate with each other, and will use all reasonable efforts to cause the fulfillment of the conditions to the parties' obligations hereunder and to obtain as promptly as possible all Consents, authorizations, orders or approvals from each and every third party, whether private or governmental, required in connection with the transactions contemplated by this Agreement.

6.3 Changes in Representations and Warranties. Between the date of this Agreement and the Closing Date, neither Netfabric, the Shareholders nor HOC shall directly or indirectly enter into any transaction, take any action, or by inaction permit an event to occur, which would result in any of its or his representations and warranties herein contained not being true and correct at and as of the Closing Date. Each party shall promptly give written notice to the other upon becoming aware of (A) any fact which, if known on the date hereof, would have been required to be set forth or disclosed pursuant to this Agreement and (B) any threatened breach in any material respect of any of their respective representations and warranties contained in this Agreement and with respect to the latter shall use all reasonable efforts to remedy same.

6.4 Exclusivity.

6.4.1 HOC agrees that, from and after the date hereof until the Closing or termination of this Agreement, neither HOC nor any of its respective directors, officers, shareholders, partners, agents, investment bankers, or other representatives, shall, directly or indirectly, (i) solicit, initiate or encourage submission of proposals or offers from any person relating to any acquisition or purchase of all or a material part of the stock or assets of, or a merger, consolidation or business combination (an "Acquisition Proposal") with, HOC or agreement to sell shares of common stock of HOC other than as contemplated by this Agreement, or (ii) participate in any discussions or negotiations regarding or furnish to any other person any information with respect to or otherwise cooperate in any way, assist facilitate or encourage any Acquisition Proposal by any other person.

6.4.2 Netfabric agrees that, from and after the date hereof until the Closing or termination of this Agreement, neither Netfabric nor any of its respective directors, respective directors, officers, shareholders, partners, agents, investment bankers, or other representatives, shall, directly or indirectly, (i) solicit, initiate or encourage submission of an Acquisition Proposal, or (ii) participate in any discussions or negotiations regarding or furnish to any other person any information with respect to or otherwise cooperate in any way, assist facilitate or encourage any Acquisition Proposal by any other person.

6.4.3 If HOC or Netfabric shall receive any Acquisition Proposal or any inquiry regarding any such proposal from a third party, such party shall promptly inform - the other party of the Acquisition Proposal or inquiry.

6.5 Confidentiality. Neither party will at any time divulge, furnish to or make access to anyone any information with respect to confidential information or trade secrets of the other party.

6.6 Public Announcement. No press releases or any other disclosure concerning this Agreement or the Exchange or any of the related transactions shall be issued, nor shall the terms of this Agreement be disclosed to third

parties, other than to the representatives of the parties hereto, without the mutual consent of HOC and the Shareholders (which consents will not be unreasonably withheld). This provision shall not apply where, in the opinion of counsel to HOC, disclosure is required by federal and/or state securities laws.

6.7 SEC Reports. On or before the Closing Date, HOC shall have timely filed with the Securities and Exchange Commission (the "SEC") its quarterly report on Form 10-QSB for the period ended September 30, 2004.

6.8 Registration Rights. The parties acknowledge that HOC shall be bound by the registration rights obligations of Netfabric as set forth in the Financing Agreement by and between Netfabric and Macrocom Industries LLC.

6.9 Director Designees. HOC hereby grants Fred Nazem and his affiliates the right to designate 40% of the nominees to the HOC Board of Directors, rounded to the nearest whole number of directors, for as long as Nazem and his affiliates own in the aggregate at least twenty five percent of the voting shares outstanding of HOC. For as long as this right exists, HOC agrees to nominate such designees at each meeting of shareholders at which Board members are to be elected. This right is subject to the requirements of independent directors in accordance with whatever exchange the HOC stock is listed on or any market such shares are primarily traded and in accordance with the good faith determinations of the Board of Directors in satisfying their fiduciary obligations.

ARTICLE VII
CONDITIONS TO SHAREHOLDERS' OBLIGATIONS

In addition to the deliveries provided for in Article III the Shareholders' obligation to consummate the Closing is subject to the following conditions:

7.1 Corporate and Shareholder Action. The (i) Board of Directors and (ii) Shareholders of HOC shall have taken all necessary corporate action to effectuate the Transactions.

7.2 Compliance by HOC. HOC shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with by HOC prior to or on the Closing Date.

7.3 New Directors and Officers. As of the Closing, (i) all of the current officers of HOC shall have tendered their resignations, in writing, to HOC and the nominees of the Shareholders shall have been elected or appointed in their place and (ii)(a) all of the current directors of HOC shall have tendered their resignations, in writing, to HOC effective on the expiration of the minimum time period constituting effective notice (the "Notice Period") following the mailing of the Form 14F-1 to the shareholders of HOC and (b) the Board of Directors of HOC shall have appointed new member(s) as of the Closing Date and new members as of the expiration of the Notice Period, in both cases as directed by Netfabric.

7.4 Continued Market for Shares. As of the Closing, the common stock of HOC shall continue to be listed for trading on the Over-the-Counter Bulletin Board and not subject to any contemplated delisting or other restriction on trading.

7.5 Cancellation of Rights. Netfabric and the Shareholders shall received satisfactory evidence that all issued and outstanding rights (including options, warrants, stock rights or other derivative securities) of HOC shall have been cancelled.

7.6 Accuracy of HOC Representations. The representations and warranties of HOC contained in this Agreement (including any exhibit hereto and the HOC Disclosure Schedule) or any schedule, certificate, or other instrument delivered pursuant to the provisions hereof or in connection with the transactions contemplated hereby shall be true in all material respects at and as of the Closing Date.

7.7 Litigation. No litigation seeking to enjoin the transactions contemplated by this Agreement or to obtain damages on account hereof shall be pending or threatened.

7.8 Documents. All documents and instruments to be delivered by HOC to the Shareholders at the Closing pursuant to Section 3.2 or which may be reasonably requested in furtherance of the provisions of this Agreement shall have been delivered in accordance with such section.

ARTICLE VIII
CONDITIONS TO HOC'S OBLIGATIONS

In addition to the deliveries provided for in Article 3, HOC's obligation to consummate the Closing is subject to the following conditions:

8.1 Corporate and Shareholder Action. The (i) Board of Directors and (ii) Shareholders of HOC shall have taken all necessary corporate action to effectuate the Transactions.

8.2 Compliance by the Shareholders. The Shareholders shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with by the Shareholders prior to or on the Closing Date.

8.3 Accuracy of The Shareholders' Representations. The representations and warranties of the Shareholders contained in this Agreement (including the exhibits hereto and the Disclosure Schedule) or any schedule, certificate, or other instrument delivered pursuant to the provisions hereof or in connection with the transactions contemplated hereby shall be true in all material respects.

8.4 Litigation. No litigation seeking to enjoin the transactions contemplated by this Agreement or to obtain damages on account hereof shall be pending or threatened.

8.5 Documents. All documents and instruments to be delivered to HOC by Netfabric or the Shareholders at the Closing pursuant to Section 3.1 or which may be reasonably requested in furtherance of the provisions of this Agreement

shall have been delivered in accordance with such section.

ARTICLE IX
MISCELLANEOUS

9.1 Expenses. Each party hereto agrees to pay its own costs, fees and expenses incurred in negotiating this Agreement and consummating the transactions described herein.

9.2 Survival of Representations. Warranties and Covenants. All statements contained in this Agreement or in any certificate delivered by or on behalf of the Shareholders or HOC pursuant hereto, or in connection with the transactions contemplated hereby shall be deemed representations, warranties and covenants by the Shareholders or HOC, as the case may be, hereunder. All representations, warranties, and covenants made by the Shareholders or HOC in this Agreement, or pursuant hereto, shall survive the Closing, but shall terminate two (2) years from the Closing Date.

9.3 Succession and Assignments; Third Party Beneficiaries. This Agreement may not be assigned (either voluntarily or involuntarily) by any party hereto without the express written consent of the other party or parties. Any attempted assignment in violation of this section 11.3 shall be void and ineffective for all purposes. In the event of an assignment permitted by this section 11.3, this Agreement shall be binding upon the heirs, successors and assigns of the parties hereto. There shall be no third party beneficiaries of this Agreement.

9.4 Notices. All notices, requests, demands, or other communications with respect to this Agreement shall be in writing and shall be (i) sent by facsimile transmission, (ii) or with respect of notices from the United States sent by the United States Postal Service, registered or certified mail, return receipt requested, or (iii) personally delivered by a nationally recognized express overnight courier service, charges prepaid, to the following addresses (or such other addresses as the parties may specify from time to time in accordance with this Section):

(a) If to Shareholders: Netfabric Corporation
67 Federal Road - Building A, Suite 300
Brookfield, CT 06804

With a copy to: Thelen Reid & Priest LLP
875 Third Avenue
New York, New York 10022
Attn: Robert S. Matlin, Esq.
Fax No.: (212) 829-2262

(b) If to HOC: Houston Operating Company
c/o Steven Siskind, Esq.
645 5th Avenue, Suite 403
New York, New York 10022

All such notices shall, when sent in accordance with the preceding sentence, be deemed to have been given and received on the earliest of (i) the day delivered to such address by hand, if personally delivered; or sent by facsimile

transmission provided such transmission has been confirmed as sent, (ii) the third (3rd) business day following the date deposited with the United States Postal Service, or (iii) the next business day after shipment overnight by recognized courier service.

9.5 Construction. This Agreement shall be construed and enforced in accordance with the internal laws of the State of New York without giving effect to the principles of conflicts of law thereof.

9.6 Counterparts. This Agreement may be executed in two (2) or more counterparts, including by facsimile, each of which shall be deemed an original, but all of which shall together constitute one and the same Agreement.

9.7 No Implied Waiver: Remedies. No failure or delay on the part of the parties hereto to exercise any right, power, or privilege hereunder or under any instrument executed pursuant hereto shall operate as a waiver nor shall any single or partial exercise of any right, power, or privilege preclude any other or further exercise thereof or the exercise of any other right, power, or privilege. All rights, powers, and privileges granted herein shall be in addition to other rights and remedies to which the parties may be entitled at law or in equity.

9.8 Entire Agreement. This Agreement, including any exhibits and Disclosure Schedules attached hereto, sets forth the entire understandings of the parties with respect to the subject matter hereof, and it incorporates and merges any and all previous communications, understandings, oral or written as to the subject matter hereof, and cannot be amended, waived or changed except in writing, signed by the party to be bound thereby.

9.9 Waiver of Jury Trial. Each of the parties hereto expressly waives its right to a jury trial with respect to any such suit, litigation or other judicial proceeding.

9.10 Headings. The headings of the Sections of this Agreement, where employed, are for the convenience of reference only and do not form a part hereof and in no way modify, interpret or construe the meanings of the parties.

9.11 Severability. To the extent that any provision of this Agreement shall be invalid or unenforceable, it shall be considered deleted hereof and the remainder of such provision and of this Agreement shall be unaffected and shall continue in full force and effect.

IN WITNESS WHEREOF, the parties have executed this agreement as of the Effective Date.

HOUSTON OPERATING COMPANY

By: _____
Name:
Title:

NETFABRIC CORPORATION

By: _____
Name: Jeff Robinson
Title: Chief Executive Officer

IN WITNESS WHEREOF, the parties have executed this agreement as of the Effective Date.

HOUSTON OPERATING COMPANY

By: _____
Name:
Title:

NETFABRIC CORPORATION

By: _____
Name: Jeff Robinson
Title: Chief Executive Officer

IN WITNESS WHEREOF, the parties have executed this agreement as of the Effective Date.

HOUSTON OPERATING COMPANY

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Name:
Title:

NETFABRIC CORPORATION

By: _____
Name: Jeff Robinson
Title: Chief Executive Officer

IN WITNESS WHEREOF, the parties have executed this agreement as of the Effective Date.

HOUSTON OPERATING COMPANY

By: _____
Name:
Title:

NETFABRIC CORPORATION

By: _____
Name: Jeff Robinson
Title: Chief Executive Officer

SHAREHOLDER: Jeff Robinson

(Signature)

No. of shares of Netfabric: 4,500,000

No. of shares of HOC to be issued: 14,832,476

Tax ID No. or SS No.: _____

Street Address: _____

SHAREHOLDER: Fred Nazem

(Signature)

No. of shares of Netfabric: 2,500,000

No. of shares of HOC to be issued: 8,240,265

Tax ID No. or SS No.: _____

Street Address: _____

SHAREHOLDER: Fred Nazem

(Signature)

No. of shares of Netfabric: 2,500,000

No. of shares of HOC to be issued: 8,240,265

Tax ID No. or SS No.: _____

Street Address: _____

SHAREHOLDER: Fred F. Nazem Children's Trust

(Signature) Farhad Nazem, Trustee

No. of shares of Netfabric: 2,000,000

No. of shares of HOC to be issued: 6,592,212

Tax ID No. or SS No.: ###-##-####

Street Address: 44 East 73rd Street
New York, NY 10021

SHAREHOLDER: Walter Carozza

(Signature)

No. of shares of Netfabric: 50,000

No. of shares of HOC to be issued: 164,805

Tax ID No. or SS No.: _____

Street Address: _____

SHAREHOLDER: Walter Carozza

(Signature)

No. of shares of Netfabric: 50,000

No. of shares of HOC to be issued: 164,805

Tax ID No. or SS No.: _____

Street Address: _____

SHAREHOLDER: Walter Carozza

(Signature)

No. of shares of Netfabric: 50,000

No. of shares of HOC to be issued: 164,805

Tax ID No. or SS No.: _____

Street Address: _____

SHAREHOLDER: Fridolyn Facklemayer

(Signature)

No. of shares of Netfabric: 100,000

No. of shares of HOC to be issued: 329,611

Tax ID No. or SS No.: _____

Street Address: _____

SHAREHOLDER: Fridolyn Facklemayer

(Signature)

No. of shares of Netfabric: 100,000

No. of shares of HOC to be issued: 329,611

Tax ID No. or SS No.: _____

Street Address: _____

SHAREHOLDER: Craig A. Drill

(Signature)

No. of shares of Netfabric: 400,000

No. of shares of HOC to be issued: 1,318,442

Tax ID No. or SS No.: _____

Street Address: _____

SHAREHOLDER: Craig A. Drill

(Signature)

No. of shares of Netfabric: 400,000

No. of shares of HOC to be issued: 1,318,442

Tax ID No. or SS No.: _____

Street Address: _____

SHAREHOLDER: Roy Young

(Signature)

No. of shares of Netfabric: 200,000

No. of shares of HOC to be issued: 659,221

Tax ID No. or SS No.: _____

Street Address: _____

SHAREHOLDER: Roy Young

(Signature)

No. of shares of Netfabric: 200,000

No. of shares of HOC to be issued: 659,221

Tax ID No. or SS No.: _____

Street Address: _____

Financing Agreement between NetFabric and Macrocom, dated July 22, 2004

FINANCING AGREEMENT

THIS AGREEMENT between MACROCOM INVESTORS, LLC, having offices at 1365 York Avenue, 28B, New York, New York 10021 ("Macrocom") and NETFABRIC CORPORATION, having offices at 67 Federal Road, Building A, Suite 300, Brookfield, Connecticut 06804 ("Netfabric") is effective this 22nd day of July, 2004 ("Effective Date").

WHEREAS, Netfabric requires funds to finance its operations; and

WHEREAS, Macrocom is willing to provide capital to Netfabric under the terms of this Agreement;

NOW THEREFORE, the Parties agree as follows:

1. Definitions. For the purpose of this Agreement, the terms below shall have the following meanings:

- a. In addition to the party to this Agreement, "Netfabric" shall mean the company resulting from the Share Exchange as defined in Section 3 below.
- b. "Post-Closing Stock" shall mean the common stock of Netfabric after the consummation of the Share Exchange.
- c. "Macrocom Stock" shall mean all Netfabric Post-Closing Stock which comes into Macrocom's possession by operation of this Agreement.

2. Due Diligence. Macrocom shall be entitled to perform due diligence on Netfabric to its sole satisfaction. Netfabric shall cooperate with Macrocom in its conduct of due diligence. Netfabric's cooperation shall include, but is not limited to, providing Macrocom with access during normal business hours and upon reasonable notice, or whatever other arrangements to which the parties may agree, to Netfabric's directors; officers; employees; agents; attorneys; accountants; banks; landlords; licensors; licensees; suppliers; and customers. Additionally, Netfabric's cooperation shall include, but is in limited to, providing Macrocom with access during normal business hours and upon reasonable notice, or whatever other arrangements to which the parties may agree, to Netfabric's books; records; employment agreements; shareholder agreements of any kind; patents and other intellectual property; licenses of any kind; applications to regulatory bodies, federal, state or local; real estate agreements; development contracts and manufacturing contracts, no matter the form in which the information is stored. The foregoing enumeration is not

intended to limit the types of information that Macrocom may request nor Netfabric's obligation to provide the information or access requested.

3. The Shell.

- a. Shell Characteristics. On completion to its sole satisfaction of the Due Diligence described in Section 2 above, Macrocom will use its best efforts to provide Netfabric with a business combination partner ("Shell") with the following characteristics:
 - i. The Shell will be a company which is publicly traded on the Over The Counter Bulletin Board ("OTC BB"). The Shell will be current with respect to its reporting obligations under the Securities Exchange Act of 1934.
 - ii. The Shell will have approximately 40,000,000 shares, issued and outstanding ("Issued Shares"), and approximately 39,200,000 shares, or approximately 98.0% of which shall not be public float.
 - iii. The Shell Properties shall also include the following:
 - 1. The Shell will have only minimal assets, no operations and no liabilities;
 - 2. The Shell will have filed all tax returns in each jurisdiction in which a tax return was required to have been filed;
 - 3. The Shell will have at least 100 round lot stockholders;
 - 4. The Shell will have at least 4 market makers; and
 - 5. The Shell will be in good standing in each jurisdiction where it is either incorporated or where it should be qualified to do business.
 - iv. Transaction Structure. The transaction will be structured as a tax-free share exchange (the "Share Exchange"). The owners of the issued and outstanding Netfabric capital stock immediately prior to the Share Exchange shall exchange their

Netfabric capital stock with the Shell in consideration of the issuance by the Shell of 39,200,000 newly-issued shares.

- b. No Guarantee; Acceptance of Shell. Netfabric acknowledges that the Shell Properties are approximate and Macrocom makes no guarantee that the Shell Properties will be as specified in Section 3.a above. Acceptance of the Shell is within the sole and absolute discretion of Netfabric. Netfabric shall be entitled to conduct due diligence on the Shell as and to the same extent as Macrocom is entitled to conduct due diligence on Netfabric as specified in Section 2 above.
- c. Shell Valuation. For purposes of this Agreement, the Shell is valued at \$500,000.
- d. Consideration in Kind. For providing the Shell to Netfabric, Macrocom shall be entitled to consideration in kind of 1,000,000 shares of restricted PostClosing Stock ("Consideration in Kind"). If the issued and outstanding PostClosing Stock, including the Consideration in Kind, is other than 40,000,000 shares, the Consideration in Kind shall be adjusted so that the Consideration in Kind will be one-fortieth (1/40 or 2.50%) of the issued and outstanding Post-Closing Stock.

4. Loan.

- a. Loan Terms. Upon execution of this Financing Agreement, Macrocom will provide Netfabric with a loan of \$500,000 for a period of 180 days ("Term") at an annual simple interest rate of 5.0% ("Loan").
- b. Additional Consideration. As additional consideration for the Loan, upon the closing of the Share Exchange Netfabric will issue to Macrocom 250,000 shares of Post-Closing stock.
- c. Security. As security for the Loan, Netfabric shall escrow 1,000,000 shares of restricted Post-Closing Stock ("Collateral Shares") as provided in Section 4e below. Upon written notification, at the end of the Term, of the receipt by Macrocom of repayment of the Loan together, with accrued interest, in

immediately available funds, the Escrow Agent (as defined below) shall return the Collateral Shares escrowed pursuant to this Section to Netfabric.

- d. **Loan Repayment.** At the end of the Term, Netfabric shall have the option to repay the principal amount of the Loan in cash or kind. In the event that Netfabric elects to repay the Loan in cash payment will be made to Macrocom in immediately available funds, the amount of the Loan and all accrued interest. In the event that Netfabric elects to repay the Loan in kind, Netfabric will direct the Escrow Agent, in writing 15 days prior to the end of the Term, with a copy of the notice provided to Macrocom, to release to Macrocom the Collateral Shares held by the Escrow Agent, pursuant to this Section. This option to repay the Loan in kind shall apply only to the principal amount of the loan. All accrued interest shall be paid only in immediately available funds.
- e. **Escrow.** Netfabric will deposit with the Law Offices of A. Jared Silverman, 454 Prospect Avenue, #68, West Orange, New Jersey 07052 (the "Escrow Agent") Collateral Shares, issued in the name of Macrocom, representing the Collateral Shares. The Collateral Shares may be released in any of the ways described in Sections 4.c and 4.e above. The Escrow Agent is acceptable to both Netfabric and Macrocom. In fulfilling his obligations under this Agreement, the Escrow Agent shall have no liability to either Netfabric or Macrocom, except for gross negligence or willful misconduct.

5. **Stock Purchase.** Upon the Share Exchange, Macrocom shall purchase 3,000,000 shares of restricted Post-Closing Stock for \$1,500,000.

6. **Registration Rights.** Netfabric shall file a registration statement under the Securities Act of 1933 on the proper form for the registration of the Macrocom Stock with the Securities and Exchange Commission as soon as practicable but no later than 90 days following the consummation of the Share Exchange and shall thereafter use its best and continuous reasonable efforts to cause the registration statement to promptly go effective. The cost of registration of the Macrocom Stock pursuant to this Section shall be borne entirely by Netfabric; provided, however, that Netfabric will not be responsible for any costs or commissions payable to an underwriter or dealer who assists in the sales of the securities. If the registration statement relating to the

Macrocom Stock is not effective within 180 days of the filing of the registration statement, Netfabric shall pay Macrocom liquidated damages of 45,000 shares of Post-Closing Stock for each month, or, on a pro rata basis for any portion thereof, until such registration statement has been filed. Notwithstanding the foregoing, Netfabric shall not be required to pay any liquidated damages if a delay in filing or registration results from a failure of Macrocom or any affiliate or transferee of Macrocom to provide to Netfabric any information requested by Netfabric for inclusion in the registration statement, from force majeure or from the actions or inactions of any party, including but not limited to the SEC, that is not under the control of Netfabric.

7. Representations and Warranties of the Parties. Each party hereby represents and warrants to the other as follows:

- a. Each party has the authority to enter into this agreement. As evidence of this authority, a copy of the resolution of each party's Board of Directors approving this Agreement is attached hereto.
- b. Neither party shall be subject to any claims or causes of action as a result of entering into this Agreement, except for claims or causes of action that may arise hereunder.
- c. Anti Dilution. In the event that the Company sells shares of Common Stock at a price per share less than the price per share paid by Macrocom pursuant to paragraph 5 then the Company agrees to issue to Macrocom that number of shares of Common Stock such that the effective price paid by Macrocom shall be equal to a price per share which represents a weighted formula adjustment based on the number of shares issued, the price per share so issued and the number of shares outstanding prior to issuance. Similar adjustments in the number of shares held by Macrocom will be made for other share issuances by the Company, except that no adjustments will be made for shares of Common Stock issued in connection with Board of Director approved stock options, purchase plans, or any approved merger or acquisitions. The provisions of this paragraph shall terminate one year from the effective date of the closing of the Share Exchange.

8. Confidentiality. To the extent that Macrocom receives confidential or proprietary information of Netfabric during the negotiations and due diligence regarding the proposed transaction, it will be kept confidential by Macrocom. Furthermore, no party will disclose any non-public information pertaining to the transaction prior to the closing without first obtaining the prior written consent of the other party, which consent shall not be unreasonably withheld, except for disclosure to affiliates, employees and representatives on a need-to-know basis, or to comply with any applicable government law or regulation, or stock exchange rule. In the event of a breach of the obligations of this paragraph, the non-breaching party shall be entitled to seek immediate injunctive relief, in addition to any other remedies at law or equity.

9. Dispute Resolution. The Parties shall attempt to resolve disputes arising by consultation. Where the disputes fail to be resolved within forty-five (45) days after a dispute has arisen, both Parties agree to the dispute to arbitration by the American Arbitration Association ("AAA"). The arbitration shall be conducted in New York, New York in accordance with the commercial arbitration rules of the AAA. The awards of the AAA shall be final and binding upon both Parties.

10. Modification. Neither this Agreement nor any provision hereof may be changed, waived, discharged, or terminated without the prior written consent of each party hereto.

11. Binding Effect. This Agreement and all the provisions hereof shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

12. No Assignment. The rights and obligations of the Parties are personal and may not be assigned, without the written consent of the other party.

13. Entire Agreement. This Agreement and other documents delivered pursuant hereto or incorporated herein by reference, contain and constitute the entire agreement among the parties and supersede and cancel any prior agreements, representations, warranties, or communications, whether oral or written, among the parties relating to the transactions contemplated by this Agreement.

14. Governing Law. The interpretation, validity and performance of the terms of this Agreement shall be governed by the laws of the State of New York, regardless of the law that might be applied under principles of conflicts of law.

15. Headings. The section and other headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

16. Counterparts; Facsimile Execution. This Agreement may be executed and delivered in one or more counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same agreement. Facsimile execution and delivery of this Agreement is legal, valid and binding for all purposes.

17. Severability. If any provisions of this Agreement shall be determined to be illegal or unenforceable by any court of law, the remaining provisions shall be severable and enforceable in accordance with their terms.

18. Notices. All notices to be given or otherwise made to any party to this Agreement shall be deemed to be sufficient if contained in a written instrument, delivered by hand in person, or by express overnight courier service, or by electronic facsimile transmission (with a copy sent by first-class mail, postage prepaid), or by registered or certified mail, return receipt requested, postage prepaid, addressed to such party at the address set forth herein or at such other address as may hereafter be designated in writing by the addressee to the addressor listing all parties. All such notices shall, when mailed or telegraphed, be effective when received or when attempted delivery is refused.

19. Representation by Counsel. Both parties acknowledge that they have had the opportunity to obtain legal counsel with regard to this Agreement.

MACROCOM INVESTORS, LLC

NETFABRIC CORPORATION

By:

By:

MICHAEL MILLON
Managing Member

FRED NAZEM
Chief Executive Officer

Loan Agreement between Netfabric and Macrocom, dated October 14, 2004

MEMORANDUM OF UNDERSTANDING
LOAN AGREEMENT

It is hereby understood and agreed between Macrocom Investors, LLC and Netfabric Corporation, that Macrocom Investors, LLC will provide to Netfabric Corporation a loan, in the amount of \$500,000.00 under the following conditions:

1. Amount of the loan is \$500,000.00 of which \$100,000.00 will be given to Netfabric upon execution of this Memorandum Of Understanding and the balance will be given to the Company upon satisfaction of the conditions presented herein.
2. Term of the loan is 180 days from the date of the execution of the Loan Agreement and receipt of the loan proceeds by Netfabric.
3. Interest is 5% annually, payable in cash at the maturity date of the loan.
4. As additional consideration for the loan, Macrocom shall receive 250,000 shares of Post-Closing stock ("Consideration Shares"), to be delivered to Macrocom within thirty (30) days after the effective date of the Merger.
5. Security deposit in the amount of \$500,000.00, will be deducted from the proceeds of the Stock Purchase as agreed to in the Financing Agreement of July 22, 2004 between Macrocom and Netfabric and deposited into an escrow account as designated by Macrocom.
6. Prior to or at the maturity date of the loan, at the sole discretion of Macrocom, the loan can be converted into Post-Closing Stock, at the conversion price of \$0.50 per share.
7. Unless Macrocom elects to convert the loan prior to the maturity date, Macrocom will advise Netfabric, 15 days prior to maturity date, whether it elects the repayment of the loan to be in cash or stock.
8. Remittance of the loan proceeds by Macrocom to Netfabric is subject to material evidence that Netfabric has executed a share exchange agreement with the public entity of its choice but subject to acceptance of said entity by Macrocom and compliance with the shell characteristics stipulated in the Financing Agreement of July, 22, 2004.
9. Prior to execution of the Loan Agreement Netfabric will provide Financial Statements as of September 30, 2004 and a certified schedule of the use of proceeds of the loan, to be incorporated in the Loan Agreement as Representations and Warranties by Netfabric, along with the documents already provided to Macrocom as part of the prior due diligence, of which some are incomplete and require completion.
10. Within thirty days after the effective date of the Merger, 1,000,000 shares of Post-Closing stock ("Conversion Shares") will be deposited with an escrow agent designated by Macrocom concurrently with delivery of 250,000 Consideration Shares remitted to Macrocom, as per 4. above.
11. Consideration Shares and Conversion Shares are subject to piggyback registration rights.
12. This loan is subject to the valuation agreed upon between Netfabric and Macrocom in the Financing Agreement of July 22, 2004. Should the valuation change after the execution of this Memorandum of Understanding the consideration and conversion price will be adjusted accordingly.

Agreed to:

Date: October 14, 2004

Macrocom Investors, LLC

Netfabric Corporation

By: _____ By: _____

Amendment to Financing and Loan Agreement between NetFabric and Macrocom, dated
December 2, 2004

NETFABRIC CORPORATION
67 FEDERAL ROAD, BUILDING A, SUITE 300
BROOKFIELD, CT 06804

December 2, 2004

Michael Millon
Macrocom Investors, LLC
1365 York Avenue
New York, NY 1002

Dear Michael:

This letter will set forth our agreement today with respect to amending the
Financing Agreement dated July 22, 2004 and the Loan Agreement dated October 14,
2004 between NetFabric and Macrocom ("Agreements").

We have agreed that both paragraph 5 of the Financing Agreement and paragraph 5
of the Loan Agreement will be amended in their entirety to read:

"Stock Purchase. On the date of the closing of the Share Exchange,
Macrocom shall purchase 1,000,000 shares of restricted Post-Closing
Stock of the Company for \$500,000. This amount will be placed in escrow
with Michael Milton acting as the escrow agent on behalf of Macrocom in
accordance with the Loan Agreement of October 14, 2004. Within 120 days
of the closing of the Share Exchange and from time-to-time, Macrocom
shall purchase an additional 2,000,000 shares of restricted
Post-Closing Stock of the Company for \$1,000,000. The Company will
grant to Macrocom a six-month warrant to purchase an additional
2,000,000 shares of the common stock of the Company for \$1,500,000,
provided that the closing price of the common stock of the Company on
the day immediately preceding such purchase is less than \$2.00 per
share."

Except as we have modified them hereby, the Agreements shall remain in full
force and effect in accordance with their terms. Capitalized terms used but not
defined herein have the meanings assigned to them in the Agreements.

This letter agreement is an integral part of the Agreements, shall be read and
construed as such, and as amended hereby, supersedes and replaces all other
agreements and understandings between the parties.

This letter agreement shall be governed by the laws of the state of New York.

If you are in agreement with this amendment to the Agreements, please execute two copies of this letter and return one copy to me.

Very truly yours,

Jeff Robinson, CEO
NetFabric Corporation

Understood and agreed to:

- -----
Michael Millon
Managing Member, Macrocom Investors LLC

Distribution Agreement between NetFabric and Williams, dated November 29, 2004

NETFABRIC
DOMESTIC DISTRIBUTION AGREEMENT

This Agreement between NETFABRIC CORPORATION, a Delaware corporation with principal offices at 67 Federal Road, Building A, Suite 300, Brookfield, CT, 06804 ("NetFabric") and WILLIAMS TELECOMMUNICATIONS CORP ("Distributor"), a corporation, whose address is 5610 Kennedy Road, Mississauga, Ontario, L4Z2A9, shall be effective as of the date of execution by NetFabric ("Effective Date").

In consideration of the representations, warranties, covenants and agreements set forth herein and intending to be mutually bound, the parties hereto agree as follows:

1. DEFINITIONS

Capitalized terms shall have the meaning set forth in Exhibit A, attached hereto and incorporated herein by this reference.

2. DISTRIBUTION RIGHTS

2.1 During the term of this Agreement, NetFabric grants to Distributor the non-exclusive right and license to distribute the Products to Resellers and Customers located in the Territory, as defined on Exhibit A hereto. Pursuant to the terms hereof, NetFabric shall sell to Distributor, and Distributor shall purchase from NetFabric, the Products set forth on Exhibit B hereto ordered by Distributor at the Purchase Prices and upon the Payment Terms described below.

2.2 NetFabric reserves the right at any time to discontinue the production or distribution of any of its Products, to modify the design of or upgrade its Products or any part of its Products and to change its service, warranty, or other policies, upon thirty (30) days written notice to Distributor.

2.3 NetFabric also reserves the right to add products to or delete products from Exhibit B upon thirty (30) days written notice to Distributor.

3. PRICE

3.1 The current Products, Discounts, and Suggested List Prices are set forth on Exhibit B hereto. NetFabric reserves the right to change Exhibit B upon thirty (30) days written notice to Distributor.

3.2 Payments to NetFabric with respect to all products received by Distributor shall be made by Distributor in US dollars, free of withholding, within thirty (30) days of the date of NetFabric's invoice. Such payment must be a certified check if any preceding check is returned to NetFabric for insufficient funds.

3.3 NetFabric's prices do not include any foreign, federal, state or local sales, use, value added or other taxes, customs duties, or similar tariffs and fees which NetFabric may be required to pay or collect upon the delivery of the Products or upon collection of the price. Should any tax or levy be made,

Distributor agrees to pay such tax or levy and indemnify NetFabric for any claim for such tax or levy demanded. Distributor covenants to NetFabric that all Products acquired hereunder will be for redistribution in the ordinary course of Distributor's business, and Distributor agrees to provide NetFabric with appropriate resale certificate numbers and other documentation satisfactory for the applicable taxing authorities to substantiate any claim of exemption from any such taxes or fees.

3.4 Notwithstanding any other provision in this Agreement to the contrary, Distributor shall not be deemed In default if it withholds any specific amount to NetFabric because of a legitimate dispute between the parties as to that specific amount, pending the resolution of the disputed amount.

4. STOCK BALANCING

Distributor may return Products to NetFabric, including 100% of discontinued Products, as follows: (a) Returns shall be made each quarter, at one time in the month immediately following the end of the quarter; (b) except as may be agreed by the parties, from time-to-time, returns shall not exceed 20% of the previous quarter's purchases; and (c) returns shall be accepted on a dollar-for-dollar reorder basis, as follows: Distributor shall request a Return Merchandise Authorization ("RMA") number, offering offsetting purchase order(s) with a total value equal to or greater than the aggregate purchase price of the Products to be returned. The offsetting purchase order(s) may include one or more orders already placed and not yet shipped, provided such orders were placed in the same month as the RMA request. Upon receipt of the purchase order(s), NetFabric shall issue the RMA number, which must accompany the return shipment. NetFabric agrees not to ship against the offered purchase order(s) until it has approved the RMA. To be eligible for return, Products must be new, unused and in their original, sealed packaging. However, no return will be authorized by NetFabric if, at the time of the requested return, Distributor is in default or breach of any provision of this Agreement, including failure to comply with any applicable credit terms or delinquency in any payment to NetFabric, subject to Distributor's right of withhold under section 3.4.

5. ORDERS AND SHIPPING

5.1 Upon receipt of an order by Distributor, NetFabric shall use reasonable efforts to deliver such order to Distributor within ten (10) days of the date of such order. Orders shall be shipped F.O.B. NetFabric in accordance with the Distributor's reasonable instructions. Distributor shall use its best efforts in placing orders at least four (4) weeks in advance of the requested ship date. NetFabric requests that orders be placed at least four (4) weeks in advance of the requested date for shipment but in no event shall any order be placed more than ninety (90) days in advance of the requested ship date. All risk of loss or damage to the Products will pass to Distributor upon delivery by NetFabric to the carrier, freight forwarder, or Distributor, whichever occurs first. NetFabric shall ship orders to Distributor at least as promptly as NetFabric ships any other orders received at or about the same time. Should orders for Products exceed NetFabric's available inventory, NetFabric may allocate its available inventory and make deliveries on a basis NetFabric deems equitable, in its sole discretion, and without liability to Distributor on account of the method of allocation chosen or its implementation. In any event, NetFabric will not be liable for any damages, direct, consequential, special or otherwise, to

Distributor or to any other person for failure to deliver or for any delay or error in delivery of Products.

5.2 NetFabric reserves the right to cancel any orders placed by Distributor and accepted by NetFabric or to refuse or delay shipment thereof, if Distributor (i) fails to make any payment as provided in this Agreement or under the terms of payment set forth in any invoice or otherwise agreed to by NetFabric and Distributor, (ii) fails to meet reasonable credit or financial requirements established by NetFabric, including any limitations on allowable credit, or (iii) otherwise fails to comply with the terms and conditions of this Agreement. No such cancellation, refusal or delay will be deemed a termination (unless NetFabric so advises Distributor) or breach of this Agreement by NetFabric.

6. MARKETING COLLATERAL, TRAINING AND POS DATA

6.1 NetFabric agrees to provide reasonable training and sales collateral materials as needed, and to provide sales training for Distributor's staff, at times mutually agreed upon by NetFabric. In addition, NetFabric agrees to provide units of each NetFabric Product at cost for in-house training, resources library and technical support use; such units, as well as any "NFR units (i.e., Products that may not be resold to end users), may not be redistributed for any reason, except for special promotional "NFR" units that are offered to Distributor in exchange for Distributor's purchase of specified Products. Distribution of such Product units in violation of the foregoing will constitute a material breach of this Agreement. When a new Product or new version is released, units of the new Product or new version will also be provided by NetFabric to Distributor.

6.2 Distributor will provide NetFabric within seven business (7) days after the end of each calendar month, a written or electronic report and computer media data files, including POS data, (in a format, style and manner approved by NetFabric) showing, for such month, 1) Distributor's current inventory levels for each of the Products. From time-to-time, Distributor will provide NetFabric with any other information it may reasonably require regarding the sale of Products.

7. ADVANCE NOTICE

In the event that NetFabric shall sell any additional Product not set forth on Exhibit B which is offered by NetFabric through comparable wholesale distributors. NetFabric shall make reasonable efforts to notify Distributor not less than thirty (30) days in advance of such event and, in any event, at least as quickly as NetFabric notifies any other Distributor.

8. NOTICE

Any notices hereunder to be given by either party to the other shall be in writing and sent by certified mail to each party's address as set forth above, with a courtesy copy to the General Counsel, and sent to the attention of the Senior Buyer or Product Manager as applicable if sent to Distributor, and to the attention of the VP of Sales, if sent to NetFabric.

9. DEFECTIVE PRODUCTS

9.1 Distributor will accept and will require its Resellers to accept the return any Product by an end user due to the end user's failure to agree to the terms the End user License accompanying such Products, provided that the disk package of such Product is returned unopened. Distributor may also return any opened units of defective Product which have been returned by end users in accordance with the warranty set forth in the End user License accompanying the Product. Transportation charges for the return of such Products shall be borne by NetFabric. Such returns must be accompanied by a purchase order for replacement Products equal in value to the purchase price paid by Distributor for the returned Products. The offsetting purchase order(s) may include one or more orders already placed and not yet shipped, provided such orders were placed in the same month as the RMA request.

9.2 NetFabric provides a limited warranty to end users of the Products. Distributor will make no other warranty on NetFabric's behalf. EXCEPT FOR SUCH WARRANTY, THE PRODUCTS ARE PROVIDED WITHOUT WARRANTY OF ANY KIND, EITHER EXPRESS OR IMPLIED. NETFABRIC DOES NOT WARRANT THAT THE FUNCTIONS CONTAINED IN THE PRODUCTS WILL BE UNINTERRUPTED OR ERROR FREE. NETFABRIC DISCLAIMS ALL OTHER WARRANTIES AND CONDITIONS, EITHER EXPRESS OR IMPLIED INCLUDING THE WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

10. INDEMNIFICATION

10.1 Indemnification of Distributor.

NetFabric agrees that, if notified promptly in writing and given sole control of the defense and all related settlement negotiations, and if Distributor cooperates and provides reasonable assistance, NetFabric will defend Distributor against any claim based on an allegation that (i) a Product supplied hereunder infringes a copyright, trademark, or state trade secret right within the Territory, (ii) a Product supplied hereunder caused property damage or the death of or a personal injury to, any person, arising out of or resulting in any way from any defect in a Product, (iii) NetFabric violated any United States law, statute or ordinance or any United States governmental or administrative order, rule or regulation with regard to the Product or its manufacture, possession, use or sale or (iv) arises from NetFabric's acts, omissions or misrepresentations with respect to the Products to the extent that NetFabric would have been found liable by a court if the claim had been made directly against NetFabric. NetFabric will pay any resulting costs, damages and attorneys' fees finally awarded by a court with respect to any such claims. Distributor agrees that, if the Products in the inventory of Distributor, or the operation thereof, become, or in NetFabric's opinion are likely to become, the subject of such a claim, Distributor will permit NetFabric, at NetFabric's option and expense, to, among other things, procure the right for Distributor to continue marketing and using such Products, or to replace or modify them so that they become non-infringing. If neither of the foregoing alternatives is available on terms that NetFabric in its sole discretion deems reasonable, Distributor will return such Products on written request from NetFabric. NetFabric will grant Distributor a credit equal to the price paid by Distributor for such returned Products, as adjusted for discounts, returns and credits actually given, provided that such returned Products are in an undamaged condition. NetFabric will have no obligation to Distributor with respect to

infringement of patents, copyrights, trademarks or trade secrets or other proprietary rights beyond that stated in this Section 10.1

10.2 Indemnification of NetFabric

Distributor agrees to indemnify and hold harmless NetFabric, its affiliates, employees and agents, against any and all claims and liabilities (including reasonable, attorney's fees and costs of litigation) arising from Distributor's acts, omissions or misrepresentations, regardless of the form of action.

11. TERM AND TERMINATION

11.1 Unless this Agreement is terminated as provided below, the rights and obligations of Distributor and NetFabric hereunder shall be effective for a term of one year from the effective date and will automatically renew, for additional one-year terms, upon each anniversary of the effective date.

11.2 Either party hereto may terminate this Agreement upon (a) thirty (30) days written notice to the other following any material breach or omission by the other with respect to any term, representation, warranty, condition, or covenant hereof and (b) the failure of such other party to cure such breach or omission prior to the expiration of such thirty (30) day period, provided that in the event Distributor defaults in any payment due NetFabric such notice period prior to termination will be reduced to ten (10) days.

11.3 Distributor or NetFabric may terminate this Agreement at will, at any time during the term of this Agreement, with or without cause, by written notice given to the other party not less than ninety (90) days prior to the effective date of such termination.

11.4 Upon termination or expiration of this Agreement, Distributor shall submit to NetFabric within ten (10) days after the effective date of termination or expiration, a list of all Products in Distributor's inventory. If NetFabric terminates this Agreement in accordance with Section 11.3 or if Distributor terminates this Agreement in accordance with Section 11.2, NetFabric shall repurchase all such Products, if they are in new and original condition. If Distributor terminates this Agreement in accordance with Section 11.3 or if NetFabric terminates this Agreement in accordance with Section 11.2, NetFabric may, at its option, repurchase any such Products, if they are in new and original condition. In such case, NetFabric will pay Distributor the actual price Distributor paid for such Products, subtracting any amounts then owing to NetFabric.

11.5 In the event NetFabric issues a notice of termination due to Distributor's breach of this Agreement, NetFabric will be entitled to reject all or part of any orders received from Distributor after notice but prior to the effective date of termination. In the event a notice of termination is issued by either party, NetFabric may limit monthly shipments to Distributor during the notice period to Distributor's average monthly shipments from NetFabric during the twelve (12) months prior to the date of notice of termination. Notwithstanding any credit terms made available to Distributor prior to the date of a termination notice, any Products shipped thereafter will be paid for by certified or cashier's check prior to shipment. The due dates of all outstanding invoices to Distributor for the Products will be accelerated automatically so they become due and payable on the effective date of termination, even if longer

terms had been provided previously. All orders or portions thereof remaining unshipped as of the effective date of termination will automatically be canceled and any unused MDF will be forfeited.

11.6 DISTRIBUTOR AND NETFABRIC EACH WAIVE ANY RIGHT IT MAY HAVE TO RECEIVE ANY COMPENSATION OR REPARATIONS ON TERMINATION OR EXPIRATION OF THIS AGREEMENT IN ACCORDANCE WITH ITS TERMS.

11.7 The termination or expiration of this Agreement shall not affect any rights of either party with respect to any breach of this Agreement, any rights under Section 10 (Indemnification) hereof or Distributor's rights to market and promote Distributor's inventory of Products as provided in Section 11.4 above. In addition the following Sections shall survive any termination of this Agreement: 3.3, 4, 9.1, 9.2, 11.6, 12, 13, 14.5 and 14.7.

12. LIMITATION OF LIABILITY

12.1 NOTWITHSTANDING ANY OTHER PROVISION IN THIS AGREEMENT OR OTHERWISE, NEITHER PARTY SHALL BE LIABLE TO THE OTHER OR TO AN END-USER UNDER ANY THEORY FOR ANY INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING DAMAGES FOR LOSS OF BUSINESS OR LOSS OF PROFITS) OR THE COST OF PROCUREMENT OF SUBSTITUTE GOODS OR SERVICES, EVEN IF THAT PARTY OR ITS REPRESENTATIVES HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

12.2 No action arising out of or related to this Agreement, regardless of form, may be brought by Distributor more than one (1) year after the cause of action has accrued.

13. TRADEMARKS, TRADE NAMES AND COPYRIGHTS

13.1 During the term of this Agreement, Distributor is authorized by NetFabric to use the trademarks NetFabric uses for the Products solely in connection with Distributor's advertisement, promotion and distribution of the Products. Distributor's use of such trademarks and logos will be in accordance with NetFabric's policies in effect from time to time, including but not limited to trademark usage policies.

13.2 As both a covenant by Distributor and a condition of NetFabric's authorization of Distributor's distribution, Distributor will include on each copy of any materials that it creates regarding or referring to the Products all trademark, copyright and other notices of proprietary rights Included by NetFabric on the Products or requested to be so included by NetFabric from time to time. Distributor agrees not to alter, erase, deface or obscure any such notice on anything provided by NetFabric.

13.3 Distributor has paid no consideration for the use of NetFabric's trademarks, logos, copyrights, trade secrets, trade names or designations, and nothing contained in this Agreement will give Distributor any interest in any of them. Distributor acknowledges that NetFabric owns and retains all copyrights and other proprietary rights in all the Products, and agrees that it will not at any time during or after this Agreement assert or claim any interest In or do anything that may adversely affect the validity or enforceability of any trademark, trade name, trade secret, copyright or logo belonging to or licensed

to NetFabric (including, without limitation, any act, or assistance to any act, which may infringe or lead to the Infringement of any copyright in the Products) or attempt to grant any right therein. Distributor agrees not to attach any additional trademarks, logos, trade designations or other legends to any Product without the prior written consent of NetFabric. Distributor further agrees not to affix any NetFabric trademark, logo or trade name to any non-NetFabric product.

13.4 Except to the extent permitted pursuant to Section 11.4 hereof, upon expiration or termination of this Agreement, Distributor will forthwith cease all display, advertising and use of all NetFabric names, marks, logos and designations and will not thereafter use, advertise or display any name, make or logo which is, or any part of which is, similar to or confusing with any such designation associated with any Product.

13.5 Distributor agrees to cooperate without charge in NetFabric's efforts to protect Its proprietary rights. Distributor agrees to notify NetFabric of any breach of NetFabric's proprietary rights that comes to Distributor's attention.

14. OTHER TERMS AND PROVISIONS

14.1 Product Discontinuation. NetFabric shall provide Distributor with thirty (30) days written notice prior to discontinuation of any Product. Distributor may return such discontinued Products in accordance with Section 4 hereof.

14.2 This Agreement and the Exhibits A and B attached hereto contain all the Agreements, understanding, representations, conditions, warranties and covenants, and constitutes the sole and entire agreement between the parties hereto pertaining to the subject matter hereof and supersedes all prior communications or agreements, written or oral. This Agreement may not be released or modified except by the mutual written consent of both Distributor and NetFabric as attested to by an instrument signed by an officer of each of them.

14.3 NetFabric and Distributor are each independent entities and neither party shall be, nor represent itself to be, a franchisor, franchisee, joint venturer, partner, master, servant, principal, agent or legal representative of the other party for any purpose whatsoever.

14.4 If any provision of this Agreement is declared invalid or unenforceable, the remaining provisions of this Agreement shall remain in full force and effect.

14.5 All terms, conditions, or provisions which may appear as preprinted language or otherwise be inserted within any purchase order, confirmation or Invoice for any Product shall be of no force (unless mutually agreed upon by both parties) and effect notwithstanding the execution of such purchase order or other document subsequent to the date of this Agreement.

14.6 The rights and liabilities of the parties hereto will bind and inure to the benefit of their respective assignees, successors, executors and administrators, as the case may be; provided, that, as the license from NetFabric hereunder is personal to Distributor, Distributor may not sublicense, assign or transfer any of its rights, privileges or obligations hereunder either in whole or In part, without the prior written consent of NetFabric. Nor shall an assignment or transfer of the Agreement and the licenses granted herein be affected by operation of law, such as for example, by merger, consolidation,

sale of the business or assets, or by acquisition of a majority of the voting stock of Distributor by a third party, without the prior written consent of NetFabric. NetFabric, in a like manner, shall not assign nor transfer the Agreement without the prior written consent of Distributor. However, NetFabric may assign this Agreement, without prior consent of Distributor, to a third party through merger, acquisition or purchase of all or substantially all of the securities or assets of NetFabric. Any attempted assignment in violation of the provisions of this Section 14.6 will be void.

14.7 In the event any litigation is brought by either party in connection with this Agreement, the prevailing party in such litigation will be entitled to recover from the other party all the costs, attorney's fees and other expenses incurred by such prevailing party in the litigation.

14.8 Waiver by either Distributor or NetFabric of one or more terms, conditions, or defaults of this Agreement shall not constitute a waiver of the remaining terms and conditions or of any future defaults of this Agreements.

14.9 The validity, interpretation and performance of this Agreement shall be controlled by and construed under the laws of the State of New York excluding that body of laws controlling conflict of laws.

* * * * *

NETFABRIC, INC.

DISTRIBUTOR

By: /s/ Jeff Robinson

Name: Jeff Robinson

Title: President

Date: Nov. 29, 2004

By: /s/ Jim Williams

Name: Jim Williams

Title: President

Date: Nov. 26, 2004

EXHIBIT A

For the purpose of this Agreement, the following terms shall have the meanings set forth below:

1. "Discounts" shall mean the discounts set forth in Exhibit B from the Suggested List Price of such Product.
2. "Distributor" shall mean Distributor and any parent, subsidiary or affiliated corporations it may have during the term hereof, and any person or entity purchasing Products from NetFabric for sale to Retailers.
3. "Intellectual Rights" shall mean any rights relating to any trademark, trade name, service mark, copyright, trade secret, invention, industrial model, patent, process, technology, know-how or design.
4. "Inventory" shall mean at anytime all units of Product (a) in Distributor's inventory, (b) ordered by Distributor but not yet received by Distributor at such time, or (c) returned by Resellers to Distributor within 180 days of such time.
5. "Payment Terms" relating to any Product shall mean "net 30", defined as requiring payment to arrive in NetFabric's account by the 30th calendar day after NetFabric ships the Product.
6. "Purchase Price" of any Product shall mean the difference between (a) the applicable Suggested List Price, and (b) the product of the applicable Discount and Suggested List Price of such Product.
7. "Resellers" shall mean persons or entities who purchase Products from Distributor and resell Product to end-users. "Customers" shall mean persons or entities who purchase Products from Distributor for their own use.
8. "Return Price" for any unit of Product shall mean the amount originally billed Distributor for such unit less any rebates or amounts under Section 2.2 with respect to such unit actually paid or credited by NetFabric to Distributor.
9. "Suggested List Price" of any Product shall mean the retail sales price of such Product as suggested by NetFabric to retailers and set forth in Exhibit B.
10. "Territory" means the United States, Canada and Mexico.

Sales Agreement between NetFabric and Communitech, dated February 25, 2004

[Communitech Letterhead]

February 25, 2004

Mr. Jeff Robinson
President
Netfabric Corp
67 Federal Road
Building A Suite 300
Brookfield, CT 06804

Dear Jeff,

This letter will confirm our agreement concerning the payment to Communitech, Inc. ("Communitech") by Netfabric ("Referee") of referral fees in the event that Communitech introduces Referee to a lead that results in a business transaction for Referee. Our agreement is as follows:

1. Whenever Communitech refers a lead to Referee, Communitech shall notify Referee in writing of the name of the lead. Referee shall have 10 days from the receipt of the referral notice to advise Communitech in writing that (i) it is interested in pursuing the lead; or (ii) it already has a relationship with the lead, if that is the case, or (iii) it does not want to pursue the referral. In the case of (ii) or (iii) the lead will not be covered by this agreement and Referee shall not make any solicitation to the lead based on information obtained from Communitech. In the case of (i) Communitech shall promptly provide Referee with the lead's address, contact person and telephone and/or fax number and/or e-mail address of that person.

2. If Referee is interested in pursuing a lead referred by Communitech, Communitech shall make available to Referee all relevant information in its possession concerning the business, assets, operations and financial condition of the leads referred to Referee.

3. Where a lead referred to Referee results in a business transaction for Referee or one of its affiliates, Referee shall pay Communitech a referral fee of 5% of the value of the transaction to Referee and its affiliates. The term "value" means:

- i) the sales revenues received by Referee and its affiliates if the business transaction is a sale of tangible or intangible property;
- ii) commissions, finder's fees, referral fees and other forms of consideration received with regard to transactions with a lead from Communitech; and

- iii) milestone, upfront and running royalty revenues to the licensee if the transaction is a license.

In all cases the term revenues includes both cash, securities and any other forms of consideration such as credit, barter, benefit, advantage, or concession.

4. Where the value is received in the form of securities or other consideration, including but not limited to credit, barter, benefit, advantage, or concession, the value of such consideration shall be determined as follows: (1) the value of securities that are freely tradable in an established public market shall be determined on the basis of the last market closing on the day prior to the close of the Transaction; and (2) the value of securities that are not freely tradable or have no established public market, or if the value is other consideration, the value of such securities or other consideration shall be their fair market value on the day that the transaction closes.

5. For transactions where the value is received in a lump sum, Referee shall pay to Communitech its referral fee in cash at the time of the closing of the transaction.

6. For transactions where the value is received in installment payments, Referee shall pay to Communitech its referral fee as a percentage of each installment, when and as received by Referee and/or its affiliates.

7. In the event the value is received is continuous in nature (such as licensing agreement royalty payments based upon a percentage of sales), Referee shall pay to Communitech its referral fee as a percentage of each payment when and as received by Referee and/or its affiliates.

8. All payments due hereunder shall be paid in US Dollars to Communitech in full within 30 days from the date of the closing of the relevant transaction or the receipt of the installment or continuous funds by Referee or its affiliates, provided however that no payment is due until the Referee or its affiliate actually receive cash or other value from the Communitech lead. Any payment that is not made to Communitech within such 30 days shall bear interest at the rate of 1 per month from the date due until paid.

9. Proceeds received in a currency other than US Dollars shall be converted into US Dollars at the applicable exchange rate quoted in the Exchange Rates tables of the Money and Investing section of the Wall Street Journal on the date the proceeds are received by Referee or its affiliates.

10. If Communitech provides Referee with proprietary and confidential information of the lead ("Confidential Information"), Referee shall not disclose or use any such Confidential Information either directly or indirectly, except (i) as may be required by law, (ii) on a need to know basis to its personnel and other persons retained by it to assist it to perform the lead's project,

provided that such personnel and persons agree to be bound by this paragraph 10, (iii) to the extent the Confidential Information is already known to Referee or is in or falls into the public domain or is disclosed to Referee by a third party in the absence of an obligation of confidentiality to Communitech or the lead, and (iv) when, where and to whom Referee is authorized in writing by Communitech to disclose Confidential Information.

11. Communitech may disclose Confidential Sources to Referee. In the event it does so, it shall identify the source as a Confidential Source. Referee agrees, on behalf of itself and each of its affiliates, directors, officers, employees and representatives, that it shall keep all Confidential Sources in strict confidence and shall not disclose the Confidential Sources to any person or other entity without the prior express written consent of Communitech. Referee, including its affiliates, directors, officers, employees, and other representatives, shall not attempt directly or indirectly to contact Confidential Sources other than on matters relating to an accepted lead from Communitech or contact or negotiate with a Confidential Source, except through Communitech. Referee shall not circumvent, nor attempt to circumvent Communitech in order to avoid paying Communitech the fees contemplated under this agreement at any time during the term of this agreement and for a period of two (2) years after the termination of this agreement. For the purposes of this agreement "Confidential Sources" means any and all information and materials that are proprietary to Communitech, the same having been acquired through the expenditure of time, effort and money, including but not limited to the identity, address, e-mail, telephone, telefax and/or telex numbers of clients, customers, agents, subcontractors, referral sources, investors, financiers, bank and/or trust contracts.

12. Recognizing that transactions with third parties sometimes result in litigation and that Communitech's role is solely advisory, Referee agree to hold harmless Communitech (including its officers, directors, employees, and agents), to the fullest extent lawful, for any and all claims, losses, costs, and expenses incurred (including reasonable attorney's fees) arising from all claims for personal, economic or other injuries by third parties arising out of any transaction entered into by Referee, and from all claims by third parties arising out of any services provided or actions taken by Communitech pursuant to this Agreement; provided, however, such indemnification shall not apply to any claim, loss, cost or expense which resulted from Communitech's gross negligence or deliberate or willful misconduct in performing services hereunder.

13. Communitech, at its own expense, shall have the right, upon 5 business days' notice, to appoint independent auditors and have them during, normal business hours, inspect and copy the books and accounts of Referee and its affiliates, if any, related to the payment and calculation of Communitech's referral fees due under this Agreement. Referee shall cooperate and cause its affiliates, if any,

to cooperate with such auditors. The auditors performing the audit shall disclose to Communitech only information relating to the accuracy of records kept and the payments made, and shall be under a duty to keep confidential any other information obtained from such records. If any such audit establishes that the Referee has underpaid or overpaid the amount due, either Referee shall promptly pay any remaining amounts due as established by such audit or Communitech shall promptly refund any over payment. If the underpayment is by five percent (5%) or more on any transaction covered by this agreement, Referee shall reimburse the Communitech for its out-of-pocket expense of such audit, with interest at a rate of three percentage points (3%) above the official prime rate, as announced from time to time by Citibank NA, New York, or at such lower rate as shall then be the maximum rate permitted by law that may be charged on any such overdue payment from the date due until paid.

14. Either party may terminate this Agreement at any time, with or without cause, on written notice to that effect to the other party, provided that Referee's obligation to pay Communitech referral fees under paragraph 3 above shall continue as to any lead referred and accepted under this Agreement in the event that Referee or its affiliates enter into a transaction with the lead or its affiliates prior to the expiration of 12 months after the date of termination. The provisions of paragraphs 3 through 10, 11 (as to the nondisclosure provisions), 12, 13 and 15 through 21 shall survive the termination of this Agreement.

15. This Agreement shall be governed by the Chamber of Paris rules concerning Non-Circumvention and Non-Disclosure in force and adopted from time to time by the Chamber of Paris rules. Should any dispute between the parties arise as to the interpretation or breach of the provisions of this Agreement, the parties shall submit the dispute to binding arbitration as provided for in the rules and regulations of the International Chamber of Commerce, regulation number IC0500.

16. Because of the unique nature of the Confidential Information and Confidential Sources and in recognition that monetary damages may be inadequate to compensate for a breach of the provisions of this Agreement, the parties agree that, in addition to any other remedies available at law or in equity, the wronged party shall be entitled to injunctive relief to enforce the provisions of this Agreement.

17. This Agreement shall be governed by and construed in accordance with the laws of the State of Illinois, United States of America with out regard to its conflict of laws rules, subject to the provisions of Paragraph 15 above.

18. This Agreement shall be binding upon and shall inure to the benefit of the parties and their respective successors and assigns.

19. This letter contains the entire understanding with respect to the matters

herein contained and supersedes all previous agreements and undertakings w
respect thereto. There are no representations, warranties, conditions, terms, c
collateral contracts affecting the matters contemplated in this agreement excel
as set out in this letter. This letter may be modified only by written agreement
signed by both parties.

20. For the purposes of this agreement the term "affiliate" means (1) any
corporation or business entity of which fifty percent (50%) or more of the
securities or other ownership interests representing the equity, the voting
stock or general partnership interest are owned, controlled or held, directly or
indirectly by a party; or (ii) any corporation or business entity which,
directly or indirectly, owns, controls or holds fifty percent (50%) (or the
maximum ownership interest permitted by law) or more of the securities or other
ownership interests representing the equity, the voting stock or, if applicable,
the general partners' interest of a party.

21. A signed copy of this Agreement, original or facsimile, shall be deemed the
original binding agreement of the parties.

If you are in agreement with the foregoing, please sign and return the attached
copy of this letter.

Very truly yours,

COMMUNITECH, INC.

By: _____
Neal Shact

Agreed and Accepted:

NETFABRIC, INC.

By: _____
Jeff Robinson, President

KIMCHUK, INC.
Commwc. P.rk. Corpore'. Drive
a.nbury, Conn.ct.Jcut 06810-4130
Pho", *(203) 790-7100 Fsx (203) 797-8976

INVO.CE

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SALESPERSON
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DATE OF INVOICE
04/23/04

TO:

NETFABRIC
67 FEDERAK ROAD
BLDG A SUITE 300
BROOKFIELD, CT 06804
UNITED STATES OF AMERICA

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BLDG A SUITE 300
BROOKFIELD, CT 06804
UNITED STATES OF AMERICA
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TOTAL TAX
FREIGHT

TOTAL

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NETFABRIC CORPORATION

PURCHASE ORDER

Date

P.O. No.

67 Federal Road
Bldg. A, Suite 300
Brookfield, CT 068004

6/22/2004

4

Vendor

Ship

Kimchuk, Inc.
Commerce Park
Corporate Drive
Danbury, CT 06810-4130

NETFABRIC CORPORATION
67 Federal Road
Bldg. A, Suite 300
Brookfield, CT 06804

Cust Contact

Ship Via

Cust. Tele.

Joe

Item	Description	Qty	Rate	Amount
Cashmere 4X4	Cashmere Call Router 4X4	100	166.26	16.626.00
TOTAL				\$16.626.00

Lease Agreement between NetFabric and Silvermine, dated January 1, 2004

LEASE AGREEMENT

THIS LEASE is dated as of January 1, 2004 between SILVERMINE INVESTORS LLC, having a place of business at 88 Rose Hill Avenue, Danbury, CT 06810-1157, (hereinafter referred to as "Landlord") and NET FABRIC of 645 Madison Avenue, New York, NY 10022, (hereinafter referred to as the "Tenant").

WHEREAS, the Landlord desires to lease to the Tenant that certain premises known as 67 FEDERAL ROAD, BUILDING A, SUITE 300, BROOKFIELD, CONNECTICUT.

(the "demised premises"); and

WHEREAS, the Tenant desires to enter into this lease agreement (the "Lease") pursuant to the terms and conditions set forth herein.

NOW THEREFORE, in consideration of One Dollar and other valuable considerations and of the mutual promises and covenants set forth herein, the Landlord and the Tenant agree as follows:

1. TERM. The term of this Lease shall be for Two (2) years commencing JANUARY 1, 2004 and ending DECEMBER 31, 2005.

2. ANNUAL RENT. The parties agree that in lieu of the Tenant paying annual rent to the Landlord from January 1, 2004 through December 31, 2005, said annual rent shall be in the form of shares of common stock in Net Fabric received by the Landlord from the Tenant.

3. PAYMENT OF RENT. See paragraph 2 above.

4. USE OF DEMISED PREMISES. The Tenant agrees to use the demised premises for general corporate offices. The Tenant further agrees that the Tenant shall not use or permit the demised premises to be used for any other purpose without the prior written consent of the Landlord which consent shall not be unreasonably withheld and without any appropriate zoning approval, if required. The Tenant further covenants and agrees that the Tenant will not use and will not store or keep any hazardous waste material on the demised premises.

5. POSSESSION OF DEMISED PREMISES. The Landlord hereby agrees that upon the Tenant's making payments of the annual rent and any additional rent required hereunder and performing all of the covenants and conditions contained in this Lease, the Tenant shall have, hold and enjoy the demised premises for the term of this Lease.

6. OPTION TO RENEW. The Tenant shall have one option to renew for one year to exercise the option, the Tenant, shall give the Landlord written notice prior to December 31, 2005. Provided Tenant is not then in default, Tenant shall have the option to extend the term of this Lease for a period of one (1) year.

7. ASSIGNMENT BY TENANT. The Tenant shall not sublet or assign the demised premises without the prior written consent of the Landlord, which consent shall not be unreasonably withheld. Notwithstanding any assignment or sublease, the Tenant's liability for the performance of any of the terms, conditions,

covenants, and agreements contained herein to be performed by the Tenant shall remain in full force and effect.

8. UTILITIES. All utilities and services furnished to the demised premises (i.e., the first floor), including, but not limited to, electricity, gas, heat, water and air conditioning, (the "Utilities") shall be paid for by the Tenant. The base charge for water will be calculated by taking the difference between current usage and usage once the Tenant has begun occupancy.

9. DEFAULT BY TENANT. The Tenant shall pay to the Landlord the annual rent and any additional rent (both said annual rent and said additional rent hereinafter sometimes called or referred to as the "rent") at such times and in the manner set forth herein without any previous demand being required by the Landlord. If the Tenant does not pay the rent as set forth herein within ten days after it becomes due, or if the demised premises shall be deserted or vacated, or if the Tenant violates any of the conditions, covenants, terms or agreements set forth in this Lease, or any of the rules and regulations now or hereafter established by the Landlord, and such violation continues for more than ten days after the Landlord gives notice thereof to the Tenant, then the Tenant shall be deemed to be in default of the terms of this Lease and at the option of the Landlord, the Landlord may declare this Lease null and void. If the Landlord so declares this Lease null and void, then all rights of the Tenant to repossess and occupy the demised premises under this Lease shall be forfeited. The Landlord or its agents shall thereafter have the right to and may enter the demised premises as the agent of the Tenant, either by force or otherwise, without being liable for any prosecution or damages therefore. In addition the Landlord or its agent may relet the demised premises as the agent of the Tenant upon such terms as the Landlord deems satisfactory, and receive any rent therefore. No actions hereunder by the Landlord, including such reentry of the demised premises, shall operate to release the Tenant from any rent required to be paid hereunder or any covenants to be performed hereunder. In furtherance of the Landlord's reletting the demised premises, the Landlord is hereby authorized to make such repairs or alterations in or to the demised premises as the Landlord deems necessary to place the same in good order and condition. The Tenant agrees to be liable to the Landlord for any and all costs of such repairs or alterations, and all expenses relating to the Landlord's reletting the demised premises. If the Landlord relets the demised premises and any rent received by the Landlord as a result of said reletting is not sufficient to satisfy the rent which is the responsibility of the Tenant under this Lease, then the Landlord, at the Landlord's option, may demand the Tenant to pay such deficiency either month by month or in advance for the entire remaining term of this Lease. The Tenant shall not be entitled to any surplus which may accrue to the Landlord as a result of such reletting.

10. VIOLATION OF COVENANTS, FORFEITURE OF LEASE. RE-ENTRY BY LANDLORD. The Landlord may re-enter without further notice or demand. The rent in such case shall become due, be apportioned and paid on and up to the day of such re-entry, and the Tenant shall be liable for all loss or damage resulting from such violation as aforesaid. No waiver by the Tenant shall constitute or be construed as a waiver of any other violation or breach of condition, nor shall lapse of time after breach of condition by the Tenant before the Landlord shall exercise its option under this paragraph operate to defeat the right of the Landlord to declare this Lease null and void and to re-enter upon the demised premises after the said breach or violation.

11. ATTORNEYS' FEES AND COSTS. The Tenant agrees to pay all costs and expenses, including reasonable attorneys' fees, incurred by the Landlord in enforcing any of the terms and covenants under this Lease. The Landlord agrees to pay all costs and expenses, including reasonable attorney's fees, incurred by the Tenant in enforcing any of the terms and covenants under this Lease.

12. CONDITION OF DEMISED PREMISES. The Tenant acknowledges that the Tenant has inspected the demised premises, and except as otherwise set forth herein, accepts the demised premises in its present condition. The Tenant further acknowledges that neither the Landlord nor any agent of the Landlord has made any representations to the Tenant or the Tenant's agents as to the present or future condition of the demised premises. In addition, the Tenant specifically acknowledges that it will be responsible for the overhead doors to the premises for any repairs to the same during the term of the lease and said doors will be in good operating condition at the end of the Lease term.

The Landlord will be responsible for structural repairs except for the overhead doors as stated above. The Landlord will also be responsible for maintenance repairs in excess of One Thousand Dollars (\$1,000.00). The Tenant shall be responsible for all other maintenance repairs to the premises in connection with operating systems after the Landlord has all of the lighting systems in working order.

13. ALTERATIONS TO DEMISED PREMISES. The Tenant agrees not to make any alterations, additions, or improvements to the demised premises (collectively hereinafter the "Alterations") without first obtaining the Landlord's prior written consent, which consent the Landlord shall not unreasonably withhold. The Landlord and the Tenant further agree that all Alterations made upon the demised premises either by the Landlord or the Tenant, whether temporary or permanent in character, except furniture or movable trade fixtures installed at the expense of the Tenant, shall be the property of the Landlord and shall remain upon and be surrendered with the demised premises as a part thereof at the termination of this Lease, without compensation to the Tenant. At the expiration of the term of this Lease the Tenant shall remove any trade fixtures and personal property (both referred to as "Personal Property") installed by the Tenant from the demised premises. The Tenant agrees to pay any cost and expense to repair any damage caused by the Tenant's removal of the Personal Property. Any Personal Property not so removed by the Tenant shall be deemed abandoned by the Tenant and shall become the property of the Landlord. However the Landlord shall still have the right to require the Tenant to remove the Personal Property at the Tenant's expense. The Landlord may, at its option, sell or destroy the Personal Property or at the expense of the Tenant, place the Personal Property in a public warehouse for the account of the Tenant. The Tenant hereby waives any of the Tenant's rights under all laws which may exempt the Tenant's Personal Property from execution, levy and sale. The Tenant further agrees to keep the demised premises and all parts thereof in a clean and sanitary condition and free from trash, inflammable material, hazardous waste material and other objectionable matter. The Tenant further agrees to keep the sidewalks and any paved area in front of the demised premises clean and free of obstructions, snow and ice.

14. MECHANICS' LIENS. If as a result of any Alterations made by the Tenant a mechanic's lien is filed against the demised premises or any real property of which the demised premises is a part, the Landlord after thirty days notice to the Tenant, at its option, may terminate this Lease and pay said mechanic's

lien, without inquiring into the validity thereof. Upon such payment by the Landlord of such mechanic's lien the Tenant agrees to reimburse the Landlord, as additional rent hereunder, the total expense incurred by the Landlord in discharging such lien.

15. IMPROVEMENTS. None.

16. LANDLORD'S RIGHT TO ENTER AND/OR INSPECT. The Landlord or the Landlord's agents shall have the right to enter the demised premises at all reasonable hours to inspect the demised premises, or to make such repairs, additions or alterations to the demised premises as the Landlord deems necessary. The Landlord or the Landlord's agents shall also have the right to exhibit the demised premises to prospective purchasers and to erect a suitable "For Sale" sign on the demised premises, and during the last three months of the term of this Lease to show the demised premises to prospective tenants, and to place a suitable "For Rent" sign on the demised premises.

17. DAMAGE TO DEMISED PREMISES. In the event a fire, explosion or other casualty (collectively, "Casualty") destroys the demised premises or the building in which the demised premises (collectively "Premises") are located or in the event of a Casualty which partially destroys the Premises so as to render the demised premises wholly untenable or unfit for occupancy, or should the demised premises be so damaged by a Casualty so that the demised premises cannot be repaired within thirty days from the occurrence of such Casualty, then, at the option of the Landlord or Tenant, the term of this Lease shall cease and become null and void from the date of the Casualty. If the Landlord so exercises said option to terminate this Lease, then the Tenant shall immediately surrender the demised premises and all the Tenant's interest therein to the Landlord. The Tenant shall only be obligated to pay any rent due hereunder up to and including the date the Tenant so surrenders the demised premises. In the event the demised premises are damaged by a Casualty so that said demised premises can be repaired and made fit for occupancy within thirty days from the occurrence of such Casualty, the Landlord may enter and repair the demised premises, and any rent hereunder shall be abated only while the Landlord is making said repairs and the demised premises are wholly untenable. In the event the demised premises are damaged by a Casualty but not so as to render the demised premises wholly untenable and unfit for occupancy, then the Landlord agrees to repair the same within a reasonable period of time and the rent accrued and accruing shall not cease or terminate and shall be abated with respect to the purchase of the premises which are untenable. The Tenant shall immediately notify the Landlord in the event of the occurrence of a Casualty or any other damage to the Premises.

18. EMINENT DOMAIN, CONDEMNATION.

18.1 CONDEMNATION. If 15% or more of the demised premises or 25% or more of the building of which the demised premises are a part shall be acquired or condemned by right of eminent domain for any public or quasi public use or purpose, then Landlord at its election may terminate this Lease by giving notice to the Tenant of its election, and in such event rentals shall be apportioned and adjusted as of the date of condemnation. If the term of this Lease shall not be terminated as aforesaid, then the term of this Lease shall continue in full force and effect, and Landlord shall within a reasonable time after possession is physically taken (subject to delays due to shortage of labor, materials or equipment, labor difficulties, breakdown of equipment, government restrictions,

fires, other casualties or other causes beyond the reasonable control of Landlord exclusive of any financing) repair or rebuild what may remain of the demised premises for the occupancy of the Tenant during which time the rent shall be abated; and a just proportion of the Annual Base Rent shall be abated, according to the nature and extent of the damage to the demised premises, until what may remain of the demised premises shall be repaired and rebuilt as aforesaid; and thereafter a just proportion of the Annual Base Rent and any additional rent set forth in this Lease shall be abated, according to the nature and extent of the part of demised premises acquired or condemned, for the balance of the term of the Lease. However, if said condemnation makes the continued use of the demised premises for preparation of new cars not feasible, then the Tenant may vacate this Lease upon giving the Landlord written notice thereof within thirty (30) days after the Tenant receives notice of said condemnation.

18.2 RESERVATION. The Landlord reserves to itself, and the Tenant assigns to the Landlord, all rights to damages accruing on account of any such taking or condemnation or by reason of any act of any public or quasi public authority for which damages are payable. The Tenant agrees to execute such instruments of assignment as may be required by the Landlord, to join with the Landlord in any petition for the recovery of damages, if requested by the Landlord, and to turn over to the Landlord any such damages that may be recovered in any such proceeding. If the Tenant shall fail to execute such instruments as may be required by the Landlord, or to undertake such other steps as may be requested as herein stated, then and in any such event, the Landlord shall be deemed the duly authorized irrevocable agent and attorney-in-fact of the Tenant to execute such instruments and undertake such steps as herein stated in and on behalf of the Tenant. It is agreed and understood, however, that the Landlord does not reserve to itself, and the Tenant does not assign to the Landlord and Tenant may make claim for and collect: (i) any damages payable for trade fixtures installed by the Tenant at its own cost and expense and which are not part of the realty; (ii) any expenses of removal or relocation resulting from such condemnation; (iii) the Tenant's unamortized cost of leasehold improvements; and/or (iv) loss of business and good will.

19. LANDLORD'S LIABILITY. The Landlord shall not be responsible for the loss of or damage to property, or injury to persons, occurring in or about the demised premises, by reason of any existing or future condition, defect, matter or thing in said demised premises or the real property of which the demised premises are a part. In addition the Landlord shall not be liable for the acts, omissions or negligence of other persons or tenants in and about the demised premises.

20. TENANT OBSERVATION OF LAWS, RULES, REGULATIONS, ETC.

20.1 The Tenant agrees to observe and comply with all laws, ordinances, rules and regulations of the Federal, state, county and municipal authorities which are applicable to the Tenant's business as operated by the Tenant in the demised premises. The Tenant agrees not to do or permit anything to be done in the demised premises, or keep anything therein, which will hinder, obstruct or interfere with the rights of the Landlord or other tenants, or conflict with the regulations of any Federal, state, county or municipal authority or with any insurance policy in effect and covering the demised premises and the building, including any improvements thereto, in which the demised premises are located.

20.2 The Tenant agrees to abide by and observe any reasonable rules and regulations promulgated by the Landlord. Such rules and regulations shall also be observed by the Tenant's employees, agents, and invitees. The Landlord agrees to provide written notice to the Tenant of any such rules and regulations and of the time when they will become effective. The Landlord agrees that any such rules and regulations shall not deprive the Tenant of the Tenant's use and enjoyment of the demised premises consistent with the terms and conditions of this Lease.

21. SIGNS. Without first obtaining the written consent of the Landlord and any approval required from any municipality, the Tenant shall not erect or place any sign, notice, advertisement or any other writing ("Sign") in any window or upon any part of the demised premises or of the building in which the demised premises are located. Any municipality approval needed for any such Sign shall be obtained by the Tenant at the Tenant's expense.

22. SUBORDINATION AND ATTORNMENT.

22.1 SUBORDINATION. This Lease is and shall be subject and subordinate at all times to the lien of any mortgage or mortgages which exist or may hereafter affect the Premises or the demised premises and to all renewals, modifications, amendments, consolidations, replacements, and extensions thereof. This Subordination is automatically effective at such time or times as future mortgage or mortgages, including all renewals, modifications, amendments, consolidations, replacements and extensions thereof, come into existence without the necessity for the Tenant to execute any further instruments. Any mortgage by the Landlord shall specifically exclude machinery, equipment or other property (i) that is owned by the Tenant; or (ii) that has been leased by the Tenant pursuant to an equipment lease. The Tenant shall execute and deliver promptly upon the Landlord's request any instrument which may be reasonably required by the Landlord or its mortgagee in confirmation of such subordination.

22.2 ATTORNMENT. The Tenant agrees that, upon written request of the holder of any note and mortgage secured by the Premises or the demised premises, if any, securing the note, the Tenant will agree in writing that (a) no action taken by the holder of the note to enforce the mortgage by reason of default thereunder shall terminate this Lease or invalidate or constitute a breach of any of the terms or conditions hereof, and (b) the Tenant will attorn to the purchaser at any foreclosure sale, to any person who acquires the demised premises as the result of a judgment of strict foreclosure, or to the grantee in any conveyance in lieu of foreclosure as the Landlord of the demised premises, and (c) the Tenant will, upon written request of such purchaser or grantee, execute such instruments as may be necessary or appropriate to evidence such attornment. Notwithstanding any provision herein to the contrary, the Tenant shall subordinate the lien of this Lease to the lien of each mortgagee and agree to attorn to the first mortgage only as long as the mortgagee executes a subordination and attornment agreement that contains a no disturbance agreement. Said no disturbance agreement shall provide that, as long as the Tenant is not in default, (i) the mortgagee shall not disaffirm this Lease, even if the mortgagee shall foreclose the mortgage; (ii) the Tenant shall be entitled to use and occupancy of the demised premises in accordance with the terms of this Lease; and (iii) the Tenant's possession shall not be disturbed by the mortgagee or any person whose rights are acquired as a result of foreclosure proceedings.

22.3 The Tenant acknowledges that he has obtained all necessary permits to operate its business at the demised premises.

23. BANKRUPTCY OR INSOLVENCY OF TENANT. The Tenant agrees that if at any time during the term of this lease the Tenant becomes insolvent, is decreed to be bankrupt or makes any assignment for the benefit of creditors, or if a receiver is appointed for the Tenant, then the Landlord, at the Landlord's option, may terminate this lease. To exercise this option to terminate this Lease, the Landlord must give notice thereof ("Notice") to any trustee, receiver, or other person in charge of the liquidation of the Tenant's estate or property. The Landlord and Tenant agree that if the Landlord so terminates this Lease, such termination shall not discharge or release any rent payments required to be paid under this Lease or any liability then accrued pursuant to the terms, conditions or covenants of this Lease. If the Landlord terminates this Lease as set forth in this paragraph, then the Tenant agrees to vacate the demised premises within thirty (30) days from the receipt of the Notice by the Tenant.

24. HOLDING OVER BY TENANT. After the expiration of the term of this Lease, if the Tenant does not vacate the demised premises, then such holding over by the Tenant shall not constitute a renewal or extension of this Lease. In such event the Landlord, at the Landlord's option, may treat the Tenant as a tenant occupying the demised premises on a month to month basis, subject to all the terms, covenants and conditions of this Lease, except as to the term thereof and the rent to be paid. In the event of the occurrence of such holding over, the Tenant agrees to pay monthly, in advance, the total of: a) two times one-twelfth of the annual rent in effect during the last year of the term of this Lease, and b) any additional rent in effect as of the last month of the term of this Lease.

25. NOTICES. If either party desires or is required to give notice to the other in connection with and according to the terms of this Lease, such notice shall be given by hand-delivery or by certified mail, return receipt requested, or by facsimile, and it shall be deemed given when received. Such notices shall be addressed as follows:

To the Landlord: Roy Young
c/o Fairfield Processing
88 Rose Hill Avenue
Danbury, CT 06810

With a copy to: Sanford Dean Kaufman, Esq.
Jones, Damia, Kaufman Et Als, LLC
301 Main ST
Danbury CT 06813

To the Tenant: Philip Barak
Net Fabric
645 Madison Avenue
New York, NY 10022

With a copy to:

Nothing herein contained shall be construed as prohibiting the parties respectively from changing the place at which notice is to be given, but no such change shall be effective unless and until it shall have been accomplished by written notice given in the manner set forth in this section.

26. SECURITY DEPOSIT AND RETURN THEREOF. There is no security deposit.

27. ADDITIONS AND ALTERATIONS. In the event that any state or municipal authority or any insurance company requires that additions or alterations of the demised premises be made as a result of the Tenant's occupation and use of the demised premises, including venting, or any other alterations, then the necessary alterations and additions shall be made by the Tenant, at the Tenant's expense, after the Landlord has agreed in writing that the changes and or additions may be made.

28. BROKER'S COMMISSION. The Tenant warrants and represents that it has not had any dealings with any realtor, broker or agent in connection with the negotiation of this Lease. The Landlord warrants and represents that there is no outstanding listing agreement relative to the demised premises.

29. GENERAL LIABILITY INSURANCE. The Tenant shall, at its own cost and expense, secure and maintain General Liability Insurance written on a so-called "Comprehensive" general liability form with bodily injury limits of not less than \$500,000.00 per person, \$1,000,000.00 per occurrence, and for a property damage limit of not less than \$500,000.00 per occurrence with Tenant named as insured and with Landlord as an additional insured under the policy. The Tenant shall deliver or cause to be delivered to the Landlord, a certificate or certificates of General Liability Insurance effected by the Tenant under the terms hereof. Such certificates shall provide that in the event of termination of material changes in coverage, the Landlord shall be given ten (10) days advance notice in writing sent by mail to the address of the Landlord. If the Tenant shall at any time fail to take out, pay for, maintain, or deliver any of the insurance policies provided for herein, then after written notice to the Tenant and without waiving or releasing the Tenant from any obligations of the Tenant contained in this Lease, the Landlord may, but shall be under no obligation to, take out, pay for and maintain any of the insurance policies provided for herein, and take all such reasonable action thereon as may be necessary therefore. All sums so paid by the Landlord in performance of any such act shall constitute additional rent payable by the Tenant under this Lease and shall be paid by the Tenant to the Landlord on demand. Further, it is understood that in the event that the Tenant's business activities increase the insurance rate on the Landlord's building, then and in such an event the Tenant agrees to pay the full rate increase.

30. TENANT'S WAIVER. Unless caused by the negligence or willful act or failure to act of Landlord or its agents or employees, the Tenant waives all claims against the Landlord for damages to the property of the Tenant, resulting from any reason whatsoever including but not limited to any equipment being out of repair, or from any act or neglect of any other tenant or occupant or any accident or theft in or about the demised premises.

31. MISCELLANEOUS.

31.1 TENANT'S RIGHTS. Until this Lease has been signed by the Landlord and the Tenant, and an executed copy of this Lease has been delivered to the Landlord, no rights are to be conferred upon the Tenant.

31.2 FORCE MAJEURE. In the event that the Landlord or Tenant shall be delayed, hindered in, or prevented from the performance of any act required hereunder by reason of strikes, lockouts, labor troubles, inability to procure materials, failure of power, restrictive government laws or regulations, riots, insurrection, the act, failure to act or default of the other party, war or other reason beyond their control exclusive of any financing, then performance of such act shall be excused for the period of the delay and the period for the performance of any such act shall be extended for a period equivalent to the period of such delay.

31.3 ESTOPPEL CERTIFICATES. Either party shall, without charge, at any time and from time to time hereafter, within ten (10) days after the written request of the other, certify by written instrument duly executed and acknowledged to any mortgagee or purchaser or proposed mortgagee or proposed purchaser, or any other person, firm, or corporation specified in such request:

(a) As to whether this Lease has been supplemented or amended, and, if so, the substance and manner of such supplement or amendment;

(b) As to the validity and force and effect of this Lease, in accordance with its tenor as then constituted;

(c) As to the existence of any default under this Lease;

(d) As to the existence of any offsets, counterclaims, or defenses thereto on the part of such other party;

(e) As to the commencement and expiration dates of the term of this Lease; and

(f) As to any other matters as may reasonably be so requested. Any such certificate may be relied upon by the party who requested it and any other person, firm, or corporation to whom the same may be exhibited or delivered, and the contents of such certificate shall be binding on the party executing same.

31.4 COVENANTS RUNNING WITH LAND. All covenants, promises, conditions, and obligations herein contained or implied by law are covenants running with the land and shall attach and bind and inure to the benefit of the Landlord and Tenant and their respective heirs, legal representatives, successors, and assigns, except as otherwise herein.

31.5 NO WAIVER. No waiver of a breach of any of the covenants in this Lease shall be construed to be a waiver of any succeeding breach of the same covenant.

31.6 ARREARS. All arrearage in the payment of rent shall bear interest from the end of any grace period at the rate of twelve (12%) per cent per annum until paid.

31.7 WRITTEN MODIFICATIONS. No modification, release, discharge, or waiver of any provisions of this Lease shall be of any force, effect, or value unless in writing signed by the Landlord, or its duly authorized agent or attorney.

31.8 ENTIRE AGREEMENT. This Lease contains the entire agreement between parties as of this date. The execution hereof has not been induced by either party by representations, promises, or understandings not expressed herein and there are no collateral agreements, stipulations, promises, or undertakings whatsoever upon the respective parties in any way touching the subject matter of this Lease which are not expressly contained in this instrument.

31.9 JOINT LIABILITY. If the parties upon either side (Landlord and Tenant) consist of more than one person, such persons shall be jointly and severally liable on the covenants of this Lease.

31.10 LIABILITY CONTINUED. All references to the Landlord and the Tenant mean the parties who, from time to time, occupy the positions, respectively, of the Landlord and the Tenant, although this shall not be construed as relieving any parties of any liability incurred by them by reason of or in connection with their having been the Landlord or the Tenant at one time unless specifically released.

31.11 GENDER. In all references herein to any parties, persons, entities or corporations, the use of any particular gender or the plural or singular number is intended to include the appropriate gender or number as the text of the within instrument may require.

31.12 LEASE PROVISIONS NOT EXCLUSIVE. All the rights and remedies set forth in this Lease are not intended to be exclusive but as additional to all rights and remedies the Landlord would otherwise have by law.

31.13 BINDING ON HEIRS, SUCCESSORS, ETC. All of the terms, covenants and conditions of this Lease shall inure to the benefit of and be binding upon the respective heirs, executors, administrators, successors and assigns of the parties hereto. However, in the event the Landlord sells the premises in which the demised premises is located, the Landlord shall be entirely relieved of all obligations and liability under this Lease thenceforth, but any buyer of such premises shall purchase the same subject to this Lease.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands and seals, the day and year first above written.

Signed, Sealed and Delivered
In the presence

LESSOR:
Silvermine Investors, LLC

By:

Roy Young

LESSEE:
Net Fabric

By:

Philip Barak, CFO

Employment Letter with William Meltzer dated January 28, 2004

[Logo omitted]
Netfabric
67 Federal Road
Building A, Suite 300
Brookfield
CT 06804

January 28, 2004

William Meltzer
75 Obtuse Road South
Brookfield,
CT 06804

Dear Bill,

I would like to offer you the position as Director of Software Development. The compensation will be an annual salary of \$120K plus an attractive stock option that will be determined at the next company board meeting. This will be detailed, together with the stock option plan itself, in a separate letter. Netfabric initially offers 12 days paid vacation (accrued at the rate of 1 day per month) in addition to public holidays. We plan to introduce health and 401K plans as soon as possible, but currently neither of these programs is in place.

Bill you join the company at an exciting time. We believe the company is well positioned to capitalize on the rapidly growing Voice over IP (VoIP) market place and are confident that your contributions to the company will be substantial. I would appreciate your response to this offer within the next week.

Yours truly,

Jeff Robinson
President

Employment Letter with Joseph Welfeld dated April 2, 2004

[Logo omitted]
Netfabric
67 Federal Road
Building A, Suite 300
Brookfield
CT 06804

April 2nd 2004

Joe Welfeld
110 Walnut Hill Rd
Bethel, CT 06801-1232

Dear Joe,

I would like to offer you the position as Senior Software Engineer. The compensation will be an annual salary of \$110K plus an attractive stock option that will be determined at the next company board meeting. This will be detailed, together with the stock option plan itself, in a separate letter. Netfabric initially offers 12 days paid vacation (accrued at the rate of 1 day per month) in addition to public holidays. We have a quote on suitable health plan at \$1330.59 per month, we would be prepared to pay \$1000 per month you would be required to pay the remainder.

Joe you join the company at an exciting time. We believe the company is well position to capitalize on the rapidly growing Voice over IP (VoIP) market place and are confident that your contributions to the company will be substantial. I would appreciate your response to this offer within the next week.

Yours truly,

Jeff Robinson
President

Employment Letter with Victoria Desidero dated May 21, 2004

[Logo omitted]
Netfabric
67 Federal Road
Building A, Suite 300
Brookfield
CT 06804

May 21, 2004

Victoria Desidero
109 Vails Lake Shore Drive
Brewster, NY 10509

Dear Victoria,

Thank you for the interest you have shown in Netfabric. I am pleased to offer to you the position of VP of Marketing at the company. Your compensation for your exclusive full-time work with the company will be an annual salary of \$110,000, payable semi-monthly in arrears, plus participation in the company's stock option that will result in a grant to you, subject to vesting, of no less than one per cent of the currently outstanding shares of the company. Our stock option plan is still being finalized, but it contemplates the establishment of a compensation committee that will oversee the plan. A copy of the plan will be forwarded to you when it is completed. Initially, you will have 12 days of paid vacation (accrued at the rate of 1 day per month) in addition to public holidays. Until the company institutes a more formal healthcare plan offering for employees, we are prepared to reimburse you up to \$1000 per month toward your healthcare coverage.

As a condition of your employment, we may require you to execute additional agreements with respect to your employment with the company, including agreements with respect to the confidential information, trade secrets and intellectual property of the company, which you agree are solely company property, and will keep strictly confidential at all times.

Victoria you join the company at an exciting time. We believe the company is in a position to capitalize on the rapidly growing Voice over IP (VoIP) market place and are confident that your contributions to the company will be substantial.

I would appreciate your response to this offer by Friday, May 28.

Yours truly,

Jeff Robinson
President

Employment Letter with Dominick Zumbo dated August 5, 2004

[Logo omitted]
Netfabric
67 Federal Road
Building A, Suite 300
Brookfield
CT 06804

Aug 5th, 2004

Dominic Zumbo
Street
Town

Dear Dominic,

Thank you for the interest you have shown in Netfabric. I am pleased to offer to you the position of Director of Hardware Design at the company. Your compensation for your exclusive full-time work with the company will be an annual salary of \$110,000, payable semi-monthly in arrears, plus participation in the company's stock option plan. Our stock option plan is still being finalized, but it contemplates the establishment of a compensation committee that will oversee the plan. A copy of the plan will be forwarded to you when it is completed together with your option grant. Initially, you will have 15 days of paid vacation (accrued at the rate of 1.25 days per month) in addition to public holidays. Until the company institutes a more formal healthcare plan offering for employees, we are prepared to reimburse you up to \$1000 per month toward your healthcare coverage.

As a condition of your employment, we may require you to execute additional agreements with respect to your employment with the company, including agreements with respect to the confidential information, trade secrets and intellectual property of the company, which you agree are solely company property, and will keep strictly confidential at all times.

Dominic you join the company at an exciting time. We believe the company is well position to capitalize on the rapidly growing Voice over IP (VoIP) market place and are confident that your contributions to the company will be substantial.

I would appreciate your response to this offer by Thursday August 12th, 2004.

Yours truly,

Jeff Robinson
President

Employment Letter with Walter Carozza dated November 9, 2004

[Logo omitted]
Netfabric
67 Federal Road
Building A, Suite 300
Brookfield
CT 06804

Nov. 9, 2004

Dear Walter,

I am pleased to offer to you the position of Chief Financial Officer of Netfabric. Your compensation for your work with the company will be an annual fee of \$60,000, payable \$5,000 monthly in arrears, plus stock options, as follows.

The monthly payment of fees will begin on August 1, 2004, with \$5,000 due on that date, but that payment and the payment for each month thereafter will be accrued until the closing of a merger with a public entity, or a financing event which provides the company with at least \$1.5 million, at which time all accrued amounts will be paid to you, with the fees to be paid currently thereafter. You will not be offered any other salary or benefits from Netfabric:

You will also be granted the option to purchase 300,000 shares of pre-merger Netfabric common stock at a price of \$0.50 per share. The options will be granted as of January 1, 2004, and be exercisable 75,000 shares on January 1, 2004 and 75,000 shares on October 1, 2004. The remaining 150,000 shares will be exercisable in four equal annual amounts beginning with 37,500 shares on October 1, 2005 and on October 1 of each of the next three years thereafter.

In the event of a change in control of Netfabric, or the sale or transfer of all or substantially all of its equity or assets, the option exercise dates will all accelerate, and all granted but non-exercised options will become immediately exercisable. In addition, the exercise price will be adjusted for any stock splits, for the public company merger, or for any other event that affects the stock of Netfabric, other than a merger with or acquisition of another company for business purposes and not intended to effect a reverse-merger.

This agreement will continue from the initial date of January 1, 2004 until March 1, 2005, at which time it will continue month-to-month and may be cancelled at any time by either of us on 30 days written notice to the other. At the time of any such cancellation, if any, we agree that you may exercise those options that would have become exercisable if the options had been exercisable on a month-by-month basis. For example, if we were to terminate this agreement effective March 1, 2005, you would be able to exercise 5/12ths of the 37,500 shares that would have become exercisable on October 1, 2006.

As a condition of your work for Netfabric, we may require you to execute additional agreements with respect to your employment with the company, including agreements with respect to the confidential information, trade secrets and intellectual property of the company, which you agree are solely company property, and which you agree you will keep strictly confidential at all times.

I would appreciate your response to this offer at your earliest convenience.

Yours truly,

Jeff Robinson
President

Understood and agreed to:

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Walter Carozza

Employment Letter with Philip Barak dated November 9, 2004

[Logo omitted]
Netfabric
67 Federal Road
Building A, Suite 300
Brookfield
CT 06804

Nov. 9, 2004

Dear Phil,

I am pleased to offer to you the following compensation for your work for the company.

You will be granted the option to purchase 150,000 shares of pre-merger Netfabric common stock at a price of \$0.50 per share. The options will be granted as of January 1, 2004, and be exercisable 37,500 shares on January 1, 2004 and 37,500 shares on October 1, 2004. The remaining 75,000 shares will be exercisable in four equal annual amounts beginning with 18,750 shares on October 1, 2005 and on October 1 of each of the next three years thereafter. You will continue to accrue and receive these options regardless of your status with the company.

In the event of a change in control of Netfabric, or the sale or transfer of all or substantially all of its equity or assets, the option exercise dates will all accelerate, and all granted but non-exercised options will become immediately exercisable. In addition, the exercise price will be adjusted for any stock splits, for the public company merger, or for any other event that affects the stock of Netfabric, other than a merger with or acquisition of another company for business purposes and not intended to effect a reverse-merger.

As a condition of your work for Netfabric, we may require you to execute additional agreements with respect to your employment with the company, including agreements with respect to the confidential information, trade secrets and intellectual property of the company, which you agree are solely company property, and which you agree you will keep strictly confidential at all times.

I would appreciate your response to this offer at your earliest convenience.

Yours truly,

Jeff Robinson
President

Understood and agreed to:

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Phil Barak