

**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM 10-QSB**

*(Mark One)*

- ☒ Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended **March 31, 2006**.
- ☐ Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission file number: **1-15165**

**COMCAM, INC.**

(Exact name of small business issuer as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**98-0208402**

(I.R.S. Employer  
Identification No.)

**1140 McDermott Drive, Suite 200, West Chester, Pennsylvania 19380**

(Address of principal executive office)

(Zip Code)

**(610) 436-8089**

(Issuer's telephone number)

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

Yes   X  

No       

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes       

No   X  

The number of outstanding shares of the registrant's common stock, \$0.0001 par value (the only class of voting stock), as of June 6, 2006 was 30,408,634.

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## **PART I**

### **ITEM 1. FINANCIAL STATEMENTS**

As used herein the terms “ComCam,” “we,” “our”, and “us” refer to ComCam, Inc., a Delaware corporation its subsidiaries and predecessors, unless otherwise indicated. In the opinion of management, the accompanying unaudited consolidated financial statements included in this Form 10-QSB reflect all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the results of operations for the periods presented. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year.

COMCAM, INC.  
(A Development Stage Company)  
CONSOLIDATED BALANCE SHEETS

<u>ASSETS</u>	March 31, 2006 (Unaudited)	December 31, 2005 (Audited)
Current assets:		
Cash and cash equivalents	\$ 82,852	255,937
Accounts receivable, net	21,582	34,151
Inventory	100,679	55,293
	<hr/>	<hr/>
Total current assets	205,113	345,381
Property and equipment, net	14,234	15,470
Other assets	4,106	4,106
	<hr/>	<hr/>
Total assets	\$ 223,453	364,957
	<hr/>	<hr/>
<u>LIABILITIES AND STOCKHOLDERS' DEFICIT</u>		
Current liabilities:		
Accounts payable	\$ 160,301	159,777
Accrued expenses	99,335	74,252
Notes payable	1,301,568	1,301,568
	<hr/>	<hr/>
Total current liabilities	1,561,204	1,535,597
	<hr/>	<hr/>
Commitments and contingencies		
Stockholders' deficit:		
Preferred stock, \$.0001 par value; 20,000,000 shares authorized, 9,581,500 shares issued and outstanding	958	958
Common stock, \$.0001 par value; 750,000,000 shares authorized, 30,408,634 and 29,808,634 shares issued and outstanding, respectively	3,041	2,981
Additional paid-in capital	4,924,943	4,908,253
Deficit accumulated during the development stage	(6,266,693)	(6,082,832)
	<hr/>	<hr/>
Total stockholder's deficit	(1,337,751)	(1,170,640)
	<hr/>	<hr/>
Total liabilities and stockholders' deficit	\$ 223,453	364,957
	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

COMCAM, INC.  
(A Development Stage Company)  
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended March 31,		Cumulative Amounts
	2006	2005	
Revenues, net	\$ 15,363	12,350	580,191
Cost of revenues	<u>1,226</u>	<u>-</u>	<u>103,107</u>
Gross profit	<u>14,137</u>	<u>12,350</u>	<u>477,084</u>
Operating expenses:			
General and administrative expenses	164,775	458,406	4,592,048
Research and development expenses	<u>9,396</u>	<u>36,464</u>	<u>2,229,965</u>
	<u>174,171</u>	<u>494,870</u>	<u>6,822,013</u>
Loss from operations	<u>(160,034)</u>	<u>(482,520)</u>	<u>(6,344,929)</u>
Other income (expense):			
Interest income	1,485	-	12,844
Interest expense	(25,712)	-	(136,735)
Gain on cancellation of debt	<u>400</u>	<u>-</u>	<u>202,127</u>
	<u>(23,827)</u>	<u>-</u>	<u>78,236</u>
Loss before provision for income taxes	(183,861)	(482,520)	(6,266,693)
Provision for income taxes	<u>-</u>	<u>-</u>	<u>-</u>
Net loss	<u>\$ (183,861)</u>	<u>(482,520)</u>	<u>(6,266,693)</u>
Loss per common share - basic and diluted	<u>\$ (0.01)</u>	<u>(0.02)</u>	
Weighted average common shares - basic and diluted	<u>30,401,000</u>	<u>24,471,000</u>	

The accompanying notes are an integral part of these financial statements.

COMCAM, INC.  
(A Development Stage Company)  
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,		Cumulative
	2006	2005	Amounts
<u>Cash Flows from operating activities:</u>			
Net loss	\$ (183,861)	(482,520)	(6,266,693)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	1,236	-	45,383
Stock and stock option compensation expense	-	380,065	2,240,436
Gain on cancellation of debt	(400)	-	(202,127)
(Increase) decrease in:			
Accounts receivable	12,569	(6,451)	(21,582)
Inventory	(45,386)	-	(100,679)
Other assets	-	-	(4,106)
Increase (decrease) in:			
Accounts payable	924	32,630	536,224
Accrued expenses	25,083	-	103,335
Related party payable	-	-	46,000
	<u>(189,835)</u>	<u>(76,276)</u>	<u>(3,623,809)</u>
Net cash used in operating activities			
<u>Cash flows from investing activities:</u>			
Purchase of property and equipment	-	-	(59,617)
	<u>-</u>	<u>-</u>	<u>(59,617)</u>
Net cash used in investing activities			
<u>Cash flows from financing activities:</u>			
Issuance of common stock	16,750	45,000	2,275,410
Proceeds from reverse acquisition	-	-	36,338
Increase in notes payable	-	30,000	1,454,530
	<u>16,750</u>	<u>75,000</u>	<u>3,766,278</u>
Net cash provided by financing activities			
Net increase (decrease) in cash	(173,085)	(1,276)	82,852
Cash, beginning of period	255,937	7,249	-
Cash, end of period	<u>\$ 82,852</u>	<u>5,973</u>	<u>82,852</u>

The accompanying notes are an integral part of these financial statements.

COMCAM, INC.  
(A Development Stage Company)  
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2006

Note 1 - Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared by management in accordance with the instructions in Form 10-QSB and, therefore, do not include all information and footnotes required by generally accepted accounting principles and should, therefore, be read in conjunction with the Company's Form 10-KSB for the year ended December 31, 2005. These statements do include all normal recurring adjustments which the Company believes necessary for a fair presentation of the statements. The interim results of operations are not necessarily indicative of the results to be expected for the full year ended December 31, 2006.

Note 2 - Additional Footnotes Included By Reference

Except as indicated in the notes above, there have been no other material changes in the information disclosed in the notes to the financial statements included in the Company's Form 10-KSB for the year-ended December 31, 2005. Therefore, those footnotes are included herein by reference.

Note 3 - Going Concern

As of March 31, 2006, the Company's revenue generating activities are not in place and the Company has incurred losses since inception. These factors raise substantial doubt about the Company's ability to continue as a going concern.

Management intends to seek additional equity and debt funding to expand marketing efforts and product development. There can be no assurance that such funds will be available to the Company nor that the marketing and product development efforts will be successful.

Note 4 – Supplemental Cash Flow Information

During the three months ended March 31, 2005, the Company:

- Issued 4,100,000 shares of Series A Preferred Stock in exchange for 4,100,000 shares of common stock.
- Issued 5,250,000 shares of Series A Preferred Stock in exchange for services valued at \$315,000.
- Issued 231,500 shares of Series A Preferred Stock in exchange for 437,500 common stock options and 25,000 common stock warrants valued at \$13,890.
- Issued 300,000 shares of common stock in exchange for notes payable of \$9,000.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis and Results of Operations and other parts of this report contain forward-looking statements that involve risks and uncertainties. Forward-looking statements can also be identified by words such as "anticipates," "expects," "believes," "plans," "predicts," and similar terms. Forward-looking statements are not guarantees of future performance and our actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed in the subsections entitled "Forward-Looking Statements and Factors That May Affect Future Results and Financial Condition" below. The following discussion should be read in conjunction with our financial statements and notes thereto included in this report. All information presented herein is based on our period ended March 31, 2006. Our fiscal year end is December 31.

### **Overview**

On January 10, 2005, ComCam elected to be regulated as a Business Development Company ("BDC") as outlined in the Investment Company Act of 1940 ("Investment Act") by filing a Form NT-54A with the Securities and Exchange Commission ("Commission"). A BDC is a publicly registered closed-end investment company that is regulated under the Investment Act, as conceived under the Small Business Incentive Act of 1980, to provide capital to small developing businesses in the United States. BDC's are required either to control the businesses or make available significant managerial assistance. A BDC is not intended to be a passive investment vehicle. Investments made by BDC's are restricted to qualifying assets, as that term is defined in the Investment Act, with at least seventy percent (70%) of a BDC's assets required to be securities of private or thinly traded U.S. public companies, cash, cash equivalents, U.S. government securities and high quality debt instruments. ComCam International, Inc. ("International") is ComCam's sole portfolio business.

During the three month period ended March 31, 2006, International was engaged in the ongoing development and sale of our *Internet Protocol* remote control platform cameras, micro servers, associated software, and unique end-to-end network solutions.

Internet Protocol ("IP") is the procedure for regulating the transmission of data over a network, be that a local area network or the internet. Our IP video products are designed to work efficiently over a network, whether the network is connected by cable or over a wireless connection, by breaking up data into small transmittable units which are then reassembled on the receiving end.

### **Strategy**

ComCam's short term strategy is to realize net cash flow from the operations of International by ramping up sales efforts to increase revenues and by realizing additional debt or equity financing.

ComCam's long term strategy is to acquire interests in other portfolio companies that are technology driven and have current product lines.

ComCam's ongoing financial condition and results of operations depend on revenue generated from the sale of International's products, our ability to realize additional debt or equity financings and the outcome of efforts to reduce administrative expenses. There can be no assurance that an increase in revenue or the realization of additional debt or equity financings if available will provide sufficient cash flows in the near term to maintain our operations or that any reduction in general and administrative expenses will be sufficient to sustain our business.

ComCam's business development strategy is prone to significant risks and uncertainties which can have an immediate impact on efforts to realize net cash flow and deter future prospects of revenue growth. ComCam has a limited history of generating revenue which cannot be viewed as an indication of continued growth and a historical record of incurring losses. Should we be unable to consistently generate revenue and reduce or reduce expenses to the point where we can realize net cash flow, such failure will have an immediate impact on our ability to continue our business operations.

## **Results of Operations**

### ***Sales***

Sales for the three month period ended March 31, 2006 increased to \$15,363 from \$12,350 for the three month ended March 31, 2005, an increase of 24%. This increase in sales over the comparative three month periods is attributable to the delivery of salable products and an increase in marketing efforts. ComCam expects sales to continue to increase over the next twelve months.

### ***Losses***

Net losses for the three month period ended March 31, 2006 decreased to \$183,861 from \$482,520 for the three month period ended March 31, 2005, a decrease of 62%. The decrease in losses over the comparative three month periods is due to a decrease in both general and administrative expenses and research and development expenses. ComCam expects to continue to incur losses over the next twelve months.

### ***Expenses***

Cost of sales for the three month period ended March 31, 2006 increased to \$1,226 from \$0 for the three month period ended March 31, 2005. The increase in cost of sales over the comparative three month periods can be attributed to costs associated with the increase in sales. ComCam expects cost of sales to increase further as sales increase over the next twelve months.

General and administrative expenses for the three month period ended March 31, 2006 decreased to \$164,775 from \$458,406 for the three month period ended March 31, 2005, a decrease of 64%. The decrease in general and administrative expenses over the comparative periods is attributable to a decrease in personnel costs, professional fees, accounting expenses, and costs attendant to financing activities. ComCam expects that general and administrative expenses will remain relatively consistent over the next twelve months.

Research and development expenses for the three month period ended March 31, 2006 decreased to \$9,396 from \$36,464 for the three month period ended March 31, 2005, a decrease of 74%. ComCam expects to increase research and development expenses over the next twelve months.

Depreciation and amortization expenses for the three month period ended March 31, 2006 and 2005 were \$1,236 and \$0, respectively.

### **Income Tax Expense (Benefit)**

ComCam has an income tax benefit resulting from net operating losses to offset any future operating profit. The net operating losses carry forwards at December 31, 2005, consisted of approximately \$7,150,000, which begin to expire in the year 2019. The amount of net operating loss carry forwards that can be used in any one year can be limited by significant changes in the ownership of ComCam and by the applicable tax laws which are in effect at the time such carry forwards are utilized.

### **Impact of Inflation**

ComCam believes that inflation has had a negligible effect on operations over the past three years. We believe that we can offset inflationary increases in the cost of materials and labor by increasing sales and improving operating efficiencies.

### **Liquidity and Capital Resources**

Cash flow used in operations was \$189,835 for the three month period ended March 31, 2006, as compared to cash flow used in operations of \$76,276 for the three months ended March 31, 2005. Cash flows used in operating activities for the three month period ended March 31, 2006 are primarily attributable to losses incurred from operations. ComCam expects to continue to use cash flow in operating activities in future periods until such time as we can increase revenues and realize a profit.

Cash flow generated from financing activities was \$16,750 for the three month period ended March 31, 2006 and \$75,000 for the three month period ended March 31, 2005. Cash flow generated from financing activities in the current three month period can be attributed an issuance of common stock. On January 17, 2006 we issued 600,000 shares of common stock for cash consideration of \$16,750 pursuant to an exemption from the registration requirements provided by Regulation E of the Securities Act of 1933, as amended pursuant to a Form 1-E filed with the Commission on January 11, 2005. ComCam expects to generate additional cash flow from financing activities in future periods.

ComCam has funded its cash needs from inception through March 31, 2006 through revenues and a series of debt and equity transactions, including several private placements. Until such time as we can increase revenues and decrease expenses, we expect that we will require new debt or equity transactions to satisfy cash needs over the next twelve months.

ComCam and International entered into a Securities Purchase Agreement (“Agreement”) with ACC Investors, LLC (“ACC Investors”) dated June 22, 2005. The Agreement provides for a 100% distribution of International’s common stock to ComCam’s shareholders on a pro rata basis, and requires that ComCam cause International to file a registration statement with the Commission in anticipation of the share distribution and the conversion of a secured convertible promissory note (“Note”).

The Note, as part of the Agreement, secures a loan in the amount of \$1,100,000. The Note has warrants attached and bears interest at 8% per annum due on September 30, 2006. The terms of the Note will cause ACC Investors to convert the principal amount and 55% of the interest accrued over the term into approximately 40% of the common shares of International on a fully diluted basis after the completion of the share distribution. The share distribution will occur after International’s registration statement is considered “effective” by the Commission. The conversion of the Note will occur after the share distribution. The Agreement anticipates the completion of the registration statement and the share distribution by June 30, 2006.

As of March 31, 2006, ComCam had a working capital deficit of \$1,356,091, which deficit is primarily attributable to the Note payable to ACC Investors, LLC. We believe that we can increase our level of operations over the next twelve months as we have now reestablished relationships with manufacturing entities for the delivery of product which delivery will enable us to redevelop sales. Nonetheless, the funding of operations for the next twelve months and beyond cannot be assured. Our revenues are insufficient to fund operations and the working capital deficit remains significant. Management understands that we have substantial need for significant capital to build our business. Should we be unable to obtain additional funds either through revenue increases or additional debt or equity funding, we may be forced to curtail or cease its activities.

### **Capital Expenditures**

ComCam made no significant capital expenditures on property or equipment for the three month period ended March 31, 2006 or 2005.

ComCam does not expect to recognize significant capital expenditures or to require any additional consultants or employees over the next twelve months.

### **Going Concern**

ComCam's auditors have expressed an opinion as to our ability to continue as a going concern as a result of an accumulated deficit of \$6,082,832 as of December 31, 2005 which increased to \$6,266,693 as of March 31, 2006. Our ability to continue as a going concern is subject to the ability of ComCam to obtain a profit and/or obtaining the necessary funding from outside sources. Management's plan to address ComCam's ability to continue as a going concern, includes (i) realization of increased revenues from sales (ii) obtaining funding from private placement sources; (iii) obtaining additional funding from the sale of ComCam's securities; (iv) obtaining loans from shareholders as necessary, and (v) converting outstanding debt to equity. Although management believes that it will be able to obtain the necessary funding to allow ComCam to remain a going concern through the methods discussed above, there can be no assurances that such methods will prove successful.

### **Critical Accounting Policies**

In Note 2 to the audited consolidated financial statements for the years ended December 31, 2005 and 2004, ComCam discusses those accounting policies that are considered to be significant in determining the results of operations and its financial position. ComCam believes that the accounting principles utilized by us conform to accounting principles generally accepted in the United States of America.

The preparation of financial statements requires management to make significant estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. By their nature, these judgments are subject to an inherent degree of uncertainty. On an on-going basis, we evaluate our estimates, including those related to bad debts, inventories, intangible assets, warranty obligations, product liability, revenue, and income taxes. ComCam bases our estimates on historical experience and other facts and circumstances that are believed to be reasonable, and the results form the basis for making judgments about the carrying value of assets and liabilities. The actual results may differ from these estimates under different assumptions or conditions.

With respect to revenue recognition, ComCam applies the following critical accounting policies in the preparation of its financial statements.

### ***Revenue Recognition***

We generate revenue through the sale of our products to the private, commercial, industrial and governmental sectors of the security industry. Revenue from product sales is recognized at the time the product is shipped and invoiced and collectibility is reasonably assured. ComCam believes that revenue should be recognized at the time of shipment as title passes to the customer at the time of shipment.

### ***Recent Accounting Pronouncements***

The Financial Accounting Standards Board (“FASB”) has issued Statement No. 154, Accounting Changes and Error Corrections. This new standard replaces APB Opinion No. 20, Accounting changes, and FASB Statement No. 3, Reporting Accounting Changes in Interim Financial Statements. Among other changes, SFAS No. 154 requires that a voluntary change in accounting principle be applied retrospectively with all prior period financial statements presented on the new accounting principle, unless it is impracticable to do so. SFAS No. 154 also provides that (1) a change in method of depreciating or amortizing a long-lived non-financial asset be accounted for as a change in estimate (prospectively) that was effected by a change in accounting principle, and (2) correction of errors in previously issued financial statements should be termed a “restatement.” The new standard is effective for accounting changes and correction of errors made in fiscal years beginning after December 15, 2005. Early adoption of this standard is permitted for accounting changes and correction of errors made in fiscal years beginning after June 1, 2005. ComCam anticipates adopting SFAS No. 154 on December 1, 2006, and does not believe the adoption of this new accounting pronouncement will result in a material impact on ComCam’s financial position or results of operations.

In December 2004, FASB issued Financial Accounting Standard (“FAS”) No. 123(R), Share-Based Payment, an amendment of FASB Statements No. 123 and 95. FAS No. 123(R) replaces FAS No. 123, Accounting for Stock-Based Compensation, and supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees. This statement requires companies to recognize the fair value of stock options and other stock-based compensation to employees prospectively beginning with the first interim or annual period of the first fiscal year beginning after December 15, 2005 for small business issuers, as deferred by the Securities and Exchange Commission. This means that ComCam will be required to implement FAS No. 123(R) no later than the quarter beginning January 1, 2006. ComCam currently measures stock-based compensation in accordance with APB Opinion No. 25, as discussed above. ComCam anticipates adopting the modified prospective method of FAS No. 123(R) on January 1, 2006. The impact on ComCam’s financial condition or results of operations will depend on the number and terms of stock options outstanding on the date of change, as well as future options that may be granted. However, ComCam believes the adoption of FAS No. 123(R) will not have a material effect on ComCam’s financial position and results of operations.

### **Forward Looking Statements and Factors That May Affect Future Results and Financial Condition**

The statements contained in sections titled “Management’s Discussion and Analysis,” with the exception of historical facts, are forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, which reflect our current expectations and beliefs regarding our future results of operations, performance, and achievements. These statements are subject to risks and uncertainties and are based upon assumptions and beliefs that may or may not materialize. These forward looking statements include, but are not limited to, statements concerning:

- our anticipated financial performance and business plan;
- the sufficiency of existing capital resources;
- our ability to raise additional capital to fund cash requirements for future operations;
- uncertainties related to ComCam's future business prospects;
- the ability of ComCam to generate revenues to fund future operations;
- the volatility of the stock market and;
- general economic conditions.

We wish to caution readers that ComCam's operating results are subject to various risks and uncertainties that could cause our actual results to differ materially from those discussed or anticipated, including the factors set forth in the section entitled "Risk Factors" below. We also wish to advise readers not to place any undue reliance on the forward looking statements contained in this report, which reflect our beliefs and expectations only as of the date of this report. We assume no obligation to update or revise these forward looking statements to reflect new events or circumstances or any changes in our beliefs or expectations, other than that is required by law.

### **Risk Factors**

ComCam's operations and securities are subject to a number of risks. Below we have identified and discuss material risks that we face. Should any of the following risks occur, they will adversely affect our operations, business, financial condition and/or operating results as well as the future trading price and/or value of our securities.

#### ***Risks Related to ComCam's Business***

##### ***COMCAM'S ABILITY TO CONTINUE AS A GOING CONCERN IS IN QUESTION***

ComCam's auditors included an explanatory statement in Note 2 of their report of financial statements for the years ended December 31, 2005 and 2004, stating that there are certain factors which raise substantial doubt about our ability to continue as a going concern. These factors include: (i) we have limited revenue generating activities in place, and (ii) we have incurred losses since inception.

##### ***COMCAM HAS A HISTORY OF LOSSES AND MAY INCUR LOSSES FOR THE FORESEEABLE FUTURE***

Since we began operations in 1999, our expenses have substantially exceeded our revenue, resulting in continuing losses and an accumulated deficit of \$6,266,693 at March 31, 2006. During the three month period ended March 31, 2006, we recorded a net loss of \$183,861. We have yet to achieve profitability and we can give no assurances that we will achieve profitability within the foreseeable future or that we will ever achieve or sustain profitability or that our operating losses will not increase in the future.

##### ***IF COMCAM DOES NOT GENERATE SUFFICIENT CASH FLOW FROM OPERATIONS AND IS UNABLE TO OBTAIN ADDITIONAL CAPITAL TO OPERATE ITS BUSINESS, WE MAY NOT BE ABLE TO EFFECTIVELY CONTINUE OPERATIONS***

ComCam currently has a working capital deficit of \$1,356,091. We may not be able to generate sufficient cash flow from operations. Should we be unable to generate sufficient cash flow from operations and are unable to secure additional capital to cover any short fall in operations, such condition would cause a reduction in expenditures which could have a material adverse effect on our ability to effectively continue operations.

### *COMCAM WILL NEED ADDITIONAL FINANCING TO FUND OPERATIONS*

ComCam will need additional capital to fund our operations and acquire developing portfolio companies. In our efforts to raise capital or obtain additional financing, we may be obligated to issue additional shares of common stock or warrants or other rights to acquire common stock on terms that will result in dilution to existing shareholders or place restrictions on operations. If adequate funds are not available or are not available on acceptable terms, our ability to take advantage of unanticipated opportunities and acquire portfolio companies would be significantly limited.

### *COMCAM HAS NOT GENERATED ANY SIGNIFICANT REVENUES UNDER OUR NEW BUSINESS PLAN AS A BUSINESS DEVELOPMENT COMPANY*

Since becoming a BDC, we have acquired no additional portfolio companies and have yet to generate significant revenues through our sole portfolio company, International. International's financial condition and results of operations depend primarily on revenue generated from the sale of its products. International has a limited history of generating revenue which cannot be viewed as an indication of continued growth. International also has a historical record of incurring losses, thus contributing to the losses of ComCam. We expect that for the foreseeable future our investment in the business of developing small companies will be greater than our revenues. Further, it is possible that we may never be profitable.

### *Risks Related to ComCam International, Inc.*

#### *THE VIDEO MONITORING SURVEILLANCE INDUSTRY IS SUBJECT TO RAPID TECHNOLOGICAL CHANGE AND INTERNATIONAL'S PRODUCTS COULD BECOME OBSOLETE AT ANY TIME*

Evolving technology, updated industry standards, and frequent new product and service introductions characterize the video surveillance market; International's products could become obsolete at any time. Competitors could develop products similar to or better than International's, finish development of new technologies in advance of International's research and development, or be more successful at marketing new products, any of which factors may hurt International's prospects for success.

#### *THE MARKET ACCEPTANCE OF INTERNATIONAL'S PRODUCTS IS CRITICAL TO INTERNATIONAL'S GROWTH*

International generates revenue from the design and sale of video surveillance systems; therefore, market acceptance of International's products is critical to growth. If International's customers do not accept or purchase International's products, then International's revenue, cash flow and/or operating results will be negatively impacted.

#### *INTERNATIONAL COMPETES WITH LARGER AND BETTER-FINANCED CORPORATIONS*

Competition within the market for fixed and mobile commercial video cameras and other equipment communication systems is intense. While International's products are distinguished by next-generation innovations that are more sophisticated, flexible and cost effective than many competitive products currently in the market place, a number of entities offer video surveillance systems, and new competitors may enter the market in the future. Some of International's existing and potential competitors have longer operating histories, greater name recognition, larger customer bases and significantly greater financial, technical and marketing resources than International does, including well known multi-national corporations like Sony and JVC.

***MISAPPROPRIATION OF PROPRIETARY RIGHTS OR CLAIMS OF INFRINGEMENT OR LEGAL ACTIONS RELATED TO INTELLECTUAL PROPERTY COULD ADVERSELY IMPACT INTERNATIONAL'S FINANCIAL CONDITION***

International's success depends significantly on protecting its proprietary technology. Despite International's efforts to protect its proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use International's technology or products. Monitoring unauthorized use of International's technology is difficult, and International cannot be certain that the steps it has taken will prevent misappropriation of its technology, particularly in foreign countries where the laws may not protect proprietary rights as fully as in the United States.

In addition, from time to time, third parties may assert patent, copyright, trademark and other intellectual property rights claims against International with respect to existing or future products or technology. If there is a successful claim of infringement and International fails or is unable to develop non-infringing technology or license the infringed or similar technology on a timely basis, International's business and results of operations could be seriously harmed.

***INTERNATIONAL MAY NOT DEVELOP A PUBLIC MARKET***

International is in the process of registering itself with the Commission to become a reporting company, and will seek a quotation on the OTCBB. However, if International does not obtain a quote for its shares on the OTCBB, it is possible that no public market for International's shares will ever develop. Additionally, even if International does obtain a quote on the OTCBB, a public market for its shares may never develop.

***Risks Related to ComCam's Stock***

***COMCAM HAS SECURED FINANCING WHICH COULD NEGATIVELY IMPACT OUR SHAREHOLDERS***

In June of 2005, ComCam and International procured a loan from ACC Investors, LLC, ("ACC Investors") which requires a distribution of 100% of International's shares to the shareholders of ComCam, which distribution is expected to take place in June of 2006. The distribution will likely affect ComCam's shareholders because it will leave ComCam without a business outside of the operation as a BDC in search of portfolio investments. The distribution will provide ComCam's shareholders with shares of International on a pro rata basis.

The loan from ACC Investors was secured by a convertible promissory note for a total of \$1,100,000 at an interest rate of 8% per annum. The terms of the promissory note allow ACC Investors to convert the principal amount into 33% of the common shares of International and 55% of the interest into common shares of International on a fully diluted basis after the completion of the share distribution of International's common stock. Additionally, the agreement with ACC Investors dated June 22, 2005, includes warrants to purchase shares of International's common stock: up to 22% of the shares outstanding immediately prior to the conversion of the promissory note.

If the convertible promissory note is converted into shares and/or the warrants are executed, the conversion and/or execution will dilute International's existing shares or place restrictions on operations. If the loan is paid in cash, the payment will tie up funds for furthering International's marketing plan and as well as research and development goals.

Additionally, if ACC Investors converted all of their shares and executed all of their warrants, ACC Investors could own more than 38% percent of the issues and outstanding shares of International. This would give ACC Investors significant influence over International's policies and affairs and ACC Investors could be in a position to determine the outcome of corporate actions requiring stockholder approval. These actions may include, for example, the election of directors, the adoption of amendments to our corporate documents and the approval of mergers and sales of International's assets.

*THE MARKET FOR OUR STOCK IS LIMITED AND OUR STOCK PRICE MAY BE VOLATILE*

The market for our common stock has been limited due to low trading volume and the small number of brokerage firms acting as market makers. Because of the limitations of our market and volatility of the market price of our stock, investors may face difficulties in selling shares at attractive prices when they want to. The average daily trading volume for our stock has varied significantly from week to week and from month to month, and the trading volume often varies widely from day to day.

*WE MAY INCUR SIGNIFICANT EXPENSES AS A RESULT OF BEING QUOTED ON THE OVER THE COUNTER BULLETIN BOARD, WHICH MAY NEGATIVELY IMPACT OUR FINANCIAL PERFORMANCE*

We incur significant legal, accounting and other expenses as a result of being listed on the Over the Counter Bulletin Board. The Sarbanes-Oxley Act of 2002, as well as related rules implemented by the Commission has required changes in corporate governance practices of public companies. We expect that compliance with these laws, rules and regulations, including compliance with Section 404 of the Sarbanes-Oxley Act of 2002 as discussed in the following risk factor, may substantially increase our expenses, including our legal and accounting costs, and make some activities more time-consuming and costly. As a result, there may be a substantial increase in legal, accounting and certain other expenses in the future, which would negatively impact our financial performance and could have a material adverse effect on our results of operations and financial condition.

*Our internal controls over financial reporting may not be considered effective, which could result in a loss of investor confidence in our financial reports and in turn have an adverse effect on our stock price.*

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, beginning with our annual report for the year ending December 31, 2007, we may be required to furnish a report by our management on our internal controls over financial reporting. Such report will contain, among other matters, an assessment of the effectiveness of our internal controls over financial reporting as of the end of the year, including a statement as to whether or not our internal controls over financial reporting are effective. This assessment must include disclosure of any material weaknesses in our internal controls over financial reporting identified by management. The report will also contain a statement that our independent registered public accounting firm has issued an attestation report on management's assessment of internal controls. If we are unable to assert that our internal controls are effective as of December 31, 2007, or if our independent registered public accounting firm is unable to attest that our management's report is fairly stated or they are unable to express an opinion on our management's evaluation or on the effectiveness of our internal controls, investors could lose confidence in the accuracy and completeness of our financial reports, which in turn could cause our stock price to decline.

### **ITEM 3. CONTROLS AND PROCEDURES**

ComCam's president acts both as ComCam's chief executive officer and chief financial officer and is responsible for establishing and maintaining disclosure controls and procedures for ComCam.

#### **(a) Evaluation of Disclosure Controls and Procedures**

Under the supervision and with the participation of management, including the chief executive officer and chief financial officer, ComCam evaluated the effectiveness of the design and operation of its disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 ("Exchange Act"), as of March 31, 2006. Based on this evaluation, the chief executive officer and chief financial officer concluded that, as of the end of the period covered by this report, the disclosure controls and procedures were effective and adequately designed to ensure that the information required to be disclosed in the reports submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the applicable rules and forms and that such information was accumulated and communicated to ComCam's chief executive officer and chief financial officer, in a manner that allowed for timely decisions regarding required disclosure.

#### **(b) Changes in Internal Controls**

During the period ended March 31, 2006, there has been no change in internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, ComCam's internal control over financial reporting.

ComCam's management, including the chief executive officer and chief financial officer, does not expect that its disclosure controls or internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. In addition, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake.

Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management's override of the control. The design of any systems of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of these inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Individual persons perform multiple tasks which normally would be allocated to separate persons and therefore extra diligence must be exercised during the period these tasks are combined. ComCam should address these concerns at the earliest possible opportunity.

## **PART II**

### **ITEM 1. LEGAL PROCEEDINGS**

None.

### **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES**

None.

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

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

None.

### **ITEM 5. OTHER INFORMATION**

None.

### **ITEM 6. EXHIBITS**

Exhibits required to be attached by Item 601 of Regulation S-B are listed in the Index to Exhibits on page 20 of this Form 10-QSB, and are incorporated herein by this reference.

## **SIGNATURES**

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, hereunto duly authorized, this 6<sup>th</sup> day of June, 2006.

**COMCAM, INC.**

/s/ Don Gilbreath

Don Gilbreath

Chief Executive Officer, Chief Financial Officer, Principal Accounting Officer and Director

## INDEX TO EXHIBITS

<b><u>EXHIBIT NO.</u></b>	<b><u>PAGE NO.</u></b>	<b><u>DESCRIPTION</u></b>
3(i)(a)	*	Certificate of Incorporation dated December 5, 1997 (incorporated by reference to the Form 10-SB filed on September 20, 1999).
3(i)(b)	*	Amendment to Certificate of Incorporation dated February 28, 1998 (incorporated by reference to the Form 10-SB filed on September 20, 1999).
3(i)(c)	*	Amendment to Certificate of Incorporation dated March 15, 1998 (incorporated by reference to the Form 10-SB filed on September 20, 1999).
3(i)(d)	*	Amendment to Certificate of Incorporation dated June 3, 2002 (incorporated by reference to the Form 10-KSB/A filed on August 8, 2002).
3(i)(e)	*	Amendment to the Certificate of Incorporation dated December 2, 2004 (incorporated by reference to the Form 10KSB/A filed on May 19, 2005).
3(ii)	*	Bylaws (incorporated by reference to the Form 10-SB filed on September 20, 1999).
4	*	Certificate of designation, number, powers, preferences and relative, participating optional, and other special rights and the qualifications, limitations, restrictions, and other distinguishing characteristics of Series A Preferred Stock of ComCam, Inc. (incorporated by reference to the Form 8-K dated January 13, 2005)
10(i)	*	Stock exchange agreement between ComCam and ComCam International Inc. dated May 8, 2002 (incorporated by reference to the Form 8-K filed September 18, 2002).
10(ii)	*	Securities Purchase Agreement between ComCam and ACC Investors, LLC dated June 22, 2005 (incorporated by reference to the Form 8-K filed June 30, 2005)
14	*	Code of Ethics adopted January 26, 2005 (incorporated by reference to the Form 10-K-SB/A filed May 19, 2005).
31	21	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14 of the Securities and Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	22	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99(i)	*	Audit Committee Charter adopted January 26, 2005 (incorporated by reference to the Form 10-KSB/A filed May 19, 2005).
99(ii)	*	Investment Committee Charter adopted January 26, 2005 (incorporated by reference to the Form 10-KSB/A filed May 19, 2005).

## EXHIBIT 31

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER  
PURSUANT TO RULE 13a-14 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Don Gilbreath, chief executive officer and chief financial officer of ComCam, Inc. ("Registrant")  
certify that:

1. I have reviewed this Quarterly Report on Form 10-QSB ("Report") of Registrant;
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the period presented in this Report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) for the Registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this Report is being prepared;
  - b) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this Report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and
  - c) Disclosed in this Report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the registrants fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. I have disclosed, based on my most recent evaluation, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls over financial reporting.

Date: June 6, 2006

/s/ Don Gilbreath

Don Gilbreath, Chief Executive Officer and Chief Financial Officer

## EXHIBIT 32

### CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-QSB of ComCam, Inc. ("Registrant") for the quarterly period ended March 31, 2006 as filed with the Securities and Exchange Commission on the date hereof ("Report"), I, Don Gilbreath, chief executive officer and chief financial officer, hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) This Report complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in this Report fairly represents, in all material respects, the financial condition of Registrant at the end of the period covered by this Report and results of operations of Registrant for the period covered by this Report.

/s/ Don Gilbreath

Don Gilbreath

Chief Executive Officer and Chief Financial Officer

June 6, 2006

This certification accompanies this Report pursuant to §906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by Registrant for the purposes of §18 of the Securities Exchange Act of 1934, as amended. This certification shall not be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of this Report), irrespective of any general incorporation language contained in such filing.

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