

instaCare Corp.

Form SB-2/A

November 01, 2005

As filed with the Securities and Exchange Commission on October 24, 2005

Registration No. 333-101562

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

(Amendment 9)

FORM SB-2/A

REGISTRATION STATEMENT

Under

The Securities Act of 1933

INSTACARE CORP.

(Name of Small Business Issuer in Its Charter)

7371

(Primary Standard Industrial Classification Code Number)

**2660 Townsgate Road, Suite
300**

Westlake Village, CA 91361

Nevada

91-2105842

(State of Jurisdiction of

(805) 446-1973

(Address, and Telephone Number of (I.R.S. Employer

Incorporation or Organization) Principal Executive Offices Identification Number)
and Principal Place of Business)

Corporate Agents of Nevada

8275 South Eastern Avenue, Suite 119, Las Vegas, NV. 89123; (702) 990-8401

(Name, Address, and Telephone Number of Agent for Service)

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

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933 (the "Securities Act"), check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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

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

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

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

Calculation of Registration Fee

Title of Each Class Of Securities	Number of Shares To Be Registered	Proposed Maximum Offering Price Per Share (2)	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
To Be Registered Common Stock	To Be Registered (1) 518,000,000	Per Share (2) \$0.01	Price \$6,216,000	\$1,219.37*

* Previously paid.

(1) Estimated solely for purposes of calculating the registration fee pursuant to Rule 457. Represents the maximum amount of shares of our common stock that we will be required to register in accordance with our Merger Agreement as well as shares issued and distributed pursuant to consulting agreements, note conversions, and shares underlying notes and warrant conversions.

(2) Represents the average closing bid price of our common stock as of October 31, 2005.

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

The information in this Prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This Prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state in which the offer or sale is not permitted.

Subject to Completion, Dated _____, 2005

PROSPECTUS

INSTACARE CORP.

518,000,000 Shares of Common Stock

This prospectus relates to the sale of up to 518,000,000 shares of our common stock by selling stockholders. The selling stockholders will receive the common stock upon conversion of our outstanding Series C Preferred Stock, the conversion of our outstanding Convertible Note, and upon the exercise of our outstanding warrants. The prices at which the selling stockholders may sell the shares will be determined by the prevailing market price for the shares or in negotiated transactions. We will not receive any proceeds from the sale of our shares by the selling stockholders or from the conversion of the Series C Preferred Stock or the conversion of the Note. If the warrants are exercised in full, we would receive proceeds of \$2,500,000. We will use the proceeds from any exercise of warrants for general working capital purposes consistent with our business strategy.

Our common stock is quoted on the OTC Bulletin Board ("OTCBB") under the symbol **INCA**. **Our stock is NOT** listed on a national securities exchange. The latest per share price based on the average of the bid and asked price as of October 31, 2005, was \$0.01 per share.

The securities offered in this prospectus involve a high degree of risk. We urge you to read carefully the Risk Factors beginning on page 5 before you make your investment decision.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

THE DATE OF THIS PROSPECTUS IS _____, 2005.

TABLE OF CONTENTS

	PAGE
Prospectus Summary	1
Risk Factors	4
Use of Proceeds	7
Determination of Offering Price	7
Dividend Policy	7
Issuance of Securities to the Selling Stockholders	7
Plan of Distribution	10
Transfer Agent	12
Legal Proceedings	12
Directors and Executive Officers	13
Security Ownership of Certain Beneficial Owners and Management	14
Description of Securities	16
Market for Common Stock	18
Commission's Position on Indemnification for Securities Act Liabilities	20
Description of Business	22
Form and year of organization	22
Material reclassifications	22
Business of the Issuer	24
Product Applications	25
Distribution Methods	26
New Products	29
Competition business conditions	31
Source of principal suppliers	32
Dependence on a few major customers	32
Patent and trademark applications	33
Government approval and effect on us	34
Research and Development Expenditures	36
Employees	36
Management's Discussion and Analysis of Financial Condition and Results of Operations	36
Overview	36
Industry-Wide Factors	36
Revenue and Sales Generation	38
Challenges, Risks and Uncertainties	39
Results of operations for period ended June 30, 2005	40
Expenses	44
Past and Future Projected Budget Expenses and Projected Milestones	45
Internal and External Sources of Liquidity	47
Critical Accounting Policy and Estimates	49

Description of Property	50
Certain Relationships And Related Transactions	51
Compensation Table	52
Directors Compensation	52
PART II	

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information appearing elsewhere or incorporated by reference in this prospectus. It does not contain all of the information you should consider before investing in instaCare's common stock. Each prospective investor is urged to carefully read this prospectus and its exhibits in their entirety. You should carefully consider all information contained in this prospectus including Risk Factors and the consolidated financial statements before making an investment decision. .

instaCare Corp. (InstaCare)

InstaCare Corp., a Nevada corporation, was formed in July 2000 as Promedicius, Inc., a Nevada Corporation, with a principal business objective to offer physicians, licensed medical service providers such as diagnostic testing laboratories, and medical insurers Internet enhanced, wireless ("Wi-Fi") information technology and data management technology (IT). In June 2001, Promedicius, Inc. changed its name to Medicius, Inc.

In June 2002, Medicius, Inc. merged with ATR Search Corp. a developmental stage company with a principal business objective to place part-time, temporary or project oriented workers and contractors that had specific and hard to find information technology skills required by large businesses. .. After the merger, we changed our name to CareDecision Corporation. Subsequently, we pursued the following business objectives:

1. Providing medical communication devices based on networks of personal digital assistants (PDA). These products are believed to provide benefits of on demand medical information to private practice physicians, licensed medical service providers such as diagnostic testing laboratories, and medical insurers;
2. Building electronic commerce networks based on personal digital assistants (PDA) to the hotels, motels and single building, multi-unit apartment buildings with a desire to offer local advertising and electronic services to their tenants/guests; and
3. Providing the cable and wireless communication industries and media enterprises with networks of personal digital assistant (PDA) technologies that link field-based installation and repair personnel with central offices for the exchange of customer order and subscription information.

On November 3, 2004, and amended on December 27, 2004, we entered into a Definitive Agreement that called for a series of transactions to be completed between InstaCare, Pharma Tech Solutions, Inc. and CareGeneration, Inc., whereby CareGeneration, Inc. would merge into InstaCare's subsidiary Pharma Tech Solutions, Inc. Pharma Tech Solutions, Inc. would be the surviving entity. The parties concluded the activities surrounding this merger on January 27, 2005, and the filing of Merger certificates was completed on February 25, 2005. We have incorporated the products and services of the former CareGeneration, Inc. into our business model. On April 14, 2005 we changed our name from CareDecision Corp. to InstaCare Corp. to better reflect our core business activities.

instaCare's fiscal year ends on December 31. Our principal executive office is located at 2660 Townsgate Road, Suite 300, Westlake Village, CA 91361. Our telephone number is (805) 446-1973. The common stock is quoted on the OTCBB under the trading symbol "INCA", but it

1

is not listed on a national securities exchange. Because the common stock is not listed for trading on any national securities exchange there may be a limited market for instaCare's shares.

The Offering by the Selling Stockholders

On February 7, 2005, we issued 20,000 shares of our Series C Preferred Stock to Mercator Momentum Fund, LP, Monarch Pointe Fund, Ltd., and Mercator Advisory Group, LLC (the Purchasers) for cash in the amount of \$2,000,000. We also issued warrants to purchase an aggregate of 100,000,000 shares of common stock, in consideration for the aggregate proceeds of \$2,500,000, to the Purchasers

The Series C Preferred Stock is nonvoting, bears a dividend, and has a sole preference of priority at par in liquidation over our common stock and any prior or subsequent series of preferred stock. Each share of Series C Preferred Stock is convertible into shares of common stock at \$100 per share of preferred stock and a conversion price for the common stock equal to 80% of the market price of our common stock at the time of the conversion rounded to the nearest thousandth, not to exceed \$0.02 per share. Mercator Advisory Group, LLC, allocated the warrants among the designated recipients on the closing date of the sale of the Series C Preferred Stock. 50,000,000 of the warrants have an exercise price of \$0.02 and 50,000,000 of the warrants have an exercise price of \$0.03.

On March 24, 2004 and on February 10, 2005 we issued 14,000,000 and 83,000,000 (collectively 97,000,000) common shares, respectively, all which have been placed in escrow as collateral for the \$700,000 loan and \$400,000 loan, respectively, made to us by Pinnacle Investment Partners, LP. The Secured Convertible Promissory Note bears interest at the rate of 12% per annum and has a conversion price of \$0.025 per share, and a maturity date of April 26, 2006.

13,000,000 common shares were issued to Pinnacle Investment Partners, LP and CJR Capital, Inc., its designee, as a renewal fee relating to the Note Extension Agreement with Pinnacle Investment Partners, L.P on February 10, 2005

Under this prospectus, the selling stockholders are offering up to 518,000,000 shares of our common stock, The common shares in the registration statement are being registered for the benefit of the MAG and its affiliated funds and Pinnacle Investment Partners, LP; shareholders who received, or who shall receive shares that are related to the Company's structured equity financing. While the MAG entities are the beneficial owners of the Preferred securities, the MAG entities are not provided, either individually or collectively, with control over the securities being registered that underlie these Preferred shares until such time as they convert, subject to various conditions, the Preferred shares into shares of the Company's common stock. Further, the MAG entities, both individually and collectively, are limited by the number of shares of common stock it/they can convert into, as well as the number of shares of common stock it/they can dispose of based upon trading volume parameters.

In connection with the issuance of the Series C Preferred Stock and warrants, and the terms of the Note, we agreed to file a registration statement with the U.S. Securities and Exchange Commission (SEC) registering the shares of common stock issuable upon conversion of the preferred stock and exercise of the warrants, and the collateral Note shares,

2

respectively. Under the terms of the agreements with MAG, the ownership of our common stock by MAG will not exceed 9.9% of the total outstanding shares at any one time.

In connection with the issuance of the Note, we agreed to file a registration statement with the U.S. Securities and Exchange Commission (SEC) registering the shares of common stock issuable upon conversion of the Note. Conversion rights owing to the Promissory Note and its renewal agreements with Pinnacle Investment Partners, LP. require that any conversion or partial conversion of the Pinnacle Note that occurs will not lead to an issuance of common shares that would result in the Holder being deemed the beneficial owner of 4.99% or more of the then-outstanding Common Shares within the meaning of Rule 13d-3 of the Securities Exchange Act of 1934, as amended.

Net Proceeds to instaCare

We will receive no proceeds from the sale of shares of common stock in this offering. However, if all of the warrants were exercised in full, we would receive \$2,500,000 in proceeds. Any proceeds received upon the exercise of such

warrants will be used for general working capital.

SUMMARY FINANCIAL INFORMATION

Balance Sheet Data:	At June 30, 2005 (unaudited)	At December 31, 2004 (audited)	At December 31, 2003 (audited)
Total Assets	\$ 2,326,015	\$ 914,440	\$ 749,561
Total Liabilities	1,100,137	1,244,668	671,675
Stockholders' Equity	\$ 1,225,879	\$ (330,228)	\$ 77,887

	For the Six Months Ended June 30,		Year Ended December 31,	
	2005	2004	2004	2003
Gross profit	\$ 406,345	112,942	182,112	75,813
Total expenses	1,760,494	2,068,103	3,486,624	2,245,160
Other income (expense):	(948,781)	(837,688)	(1,246,515)	(193,640)
Net (loss)	\$ (2,232,800)	\$ (2,792,849)	\$ (4,551,027)	\$ (2,362,987)

3

RISK FACTORS

An investment in the securities being offered involves a high degree of risk. Prior to making any investment decision, prospective investors should carefully consider the following risk factors together with the other information presented in this prospectus including the financial statements and notes.

Our limited operating history could delay our growth and result in the loss of your investment.

We were incorporated on July 6, 2000 and have previously been in the development stage and thus have had a limited operating history on which to base an evaluation of our business and prospects. Beginning in 2005, we have commenced operations and are no longer considered to be in the development stage. However, our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of development. Such risks include, but are not limited to, dependence on the growth of use of electronic medical information and services, the adoption of PDA based Internet appliances for the transmission and display of medical information, the need to establish our brand name, the ability to establish a sufficient client base, the level of use of medical providers and the management of growth. To address these risks, we must maintain and increase our customer base, implement and successfully execute our business and marketing strategy, continue to develop and improve our point of care software and patient processing system, provide superior customer service, respond to competitive developments and attract, retain, and motivate qualified personnel. There can be no assurance that we will be successful in addressing such risks, and the failure to do so could lead to an inability to meet our financial obligations and therefore result in bankruptcy and the loss of your entire investment in instaCare's common shares.

We have historically lost money and losses are expected to continue in the near future, which means that we may not be able to continue operations unless we obtain additional funding.

We have historically lost money. We had an accumulated deficit as of June 30, 2005, and 2004 of \$12,356,360 and \$8,348,264, respectively. In addition, instaCare's development activities since inception have been financially sustained by capital contributions. Future losses are likely to occur. Accordingly, we may experience significant liquidity and cash flow problems if we are not able to raise additional capital as needed and on acceptable terms. From time to time we might need to turn to the capital markets to obtain additional financing to fund payment of obligations and to provide working capital for operations. No assurances can be given that we will be successful in reaching or maintaining profitable operations.

We are dependent on a small number of major customers.

Our two largest customers accounted for approximately 95% of our net sales. We expect that a small number of customers will continue to account for a substantial majority of our sales and that the relative dollar amount and mix of products sold to these customers can change significantly from year to year. There can be no assurance that our major customers will continue to purchase products from us at current levels, or that the mix of products purchased will be in

the same ratio. The loss of either our two largest customers or a decrease in product sales would have a material adverse effect on our business and financial condition.

We may not be able to retain our key personnel or attract additional personnel, which could affect our ability generate revenue sufficient to continue as a going concern diminishing your return on investment.

Our performance is substantially dependent on the services and on the performance of our Management. instaCare is, and will be, heavily dependent on the skill, acumen and services of our CEO Robert Cox, interim CFO, Secretary and Treasurer, Keith Berman. Our performance also depends on our ability to attract, hire, retain and motivate our officers and key employees. The loss of the services of our executives could result in lost revenue depending on the length of time and effort required to find a qualified replacement. We have not entered into a long-term employment agreements with our key personnel and currently have no "Key Employee" life insurance policies.

Our future success may also depend on our ability to identify, attract, hire, train, retain and motivate other highly skilled technical, managerial, marketing and customer service personnel. Competition for such personnel is intense, and there can be no assurance that we will be able to successfully attract, assimilate or retain sufficiently qualified personnel. If we are unable to attract, retain, and train the necessary technical, managerial, marketing and customer service personnel, our expectations of increasing our clientele could be hindered, and the profitability of instaCare reduced.

Recent, and possible future issuances of common stock will have a dilutive affect on existing shareholders.

instaCare is authorized to issue up to 1,250,000,000 Shares of common stock. As of the most recent practicable date, there are 447,140,421 shares of common stock issued and outstanding. Additional issuances of common stock may be required to raise capital, to acquire stock or assets of other companies, to compensate employees or to undertake other activities without stockholder approval. These additional issuances of common stock will increase outstanding shares and further dilute stockholders' interests. Because our common stock is subject to the existing rules on penny stocks and thinly traded, a large sale of stock, such as the shares we seek to have registered via this registration statement, may result in a large drop in the market price of our securities and substantially reduce the value of your investment.

Our common stock has been relatively thinly traded, may experience high price volatility and we cannot predict the extent to which a trading market will develop.

Our common stock has traded on the Over-the-Counter Bulletin Board. Our common stock is thinly traded compared to larger more widely known companies in our industry. Thinly traded common stock can be more volatile than common stock trading in an active public market. We cannot predict the extent to which an active public market for the common stock will develop or be sustained after this offering.

Achieving market acceptance of new or newly integrated products and services is likely to require significant efforts and expenditures.

Achieving market acceptance for new or newly integrated products and services is likely to require substantial marketing efforts and expenditure of significant funds to create awareness and demand by participants in the healthcare industry. In addition, deployment of new or newly integrated products and services may require the use of additional resources for training our existing sales and customer service personnel and for hiring and training additional salespersons and customer service personnel. There can be no assurance that the revenue opportunities from new or newly integrated products and services will justify amounts spent for their development, marketing and rollout.

We could be subject to breach of warranty claims if our software products, information technology systems or transmission systems contain errors, experience failures or do not meet customer expectations.

We could face breach of warranty or other claims or additional development costs if the software and systems we sell or license to customers or use to provide services contain undetected errors, experience failures, do not perform in accordance with their documentation, or do not meet the expectations that our customers have for them. Undetected errors in the software and systems we provide or those we use to provide services could cause serious problems for which our customers may seek compensation from us. We attempt to limit, by contract, our liability for damages arising from negligence, errors or mistakes. However, contractual limitations on liability may not be enforceable in certain circumstances or may otherwise not provide sufficient protection to us from liability for damages.

If our systems or the Internet experience security breaches or are otherwise perceived to be insecure, we could lose existing clients and limit our ability to attract new clients .

A security breach could damage our reputation or result in liability. We retain and transmit confidential information, including patient health information. Despite the implementation of security measures, our infrastructure or other systems that we interface with, including the Internet, may be vulnerable to physical break-ins, hackers, improper employee or contractor access, computer viruses, programming errors, attacks by third parties or similar disruptive problems. Any compromise of our security, whether as a result of our own systems or systems that they interface with, could reduce demand for our services.

We do not have the financial resources to litigate actions involving our copyrights or patent applications.

We have applied to receive patent rights, and trademarks relating to our software. However, patent and intellectual property legal issues for software programs, such as our products, are complex and currently evolving. Patent applications are secret until patents are issued in the United States, or published in other countries, therefore, we cannot be sure that we are first to file any patent application for our technologies, primarily the technology that allows for the safe, secure and near seamless transmission of sensitive medical information from the point of care, directly to our mail order pharmacy. Should any of our patent claims be compromised or if, for example, one of our competitors has filed or obtained a patent before our claims have been prosecuted, or should a competitor with more resources desire to litigate and force us to defend or prosecute any patent rights, our ability to develop the market for our mail order pharmacy could be severely compromised, for we do not have the financial resources to litigate actions involving our patents and copyrights..

6

Our auditors have expressed substantial doubt as to our ability to continue as a going concern.

Due to our increasing deficit and our lack of revenue sufficient to support existing operations, there is substantial doubt about our ability to continue as a going concern. We may need to obtain additional financing in the event that we are unable to realize sufficient revenue. We may incur additional indebtedness from time to time to finance acquisitions, provide for working capital or capital expenditures or for other purposes. There can be no assurance that we will have funds sufficient to continue operations, and the failure to do so could lead to an inability to meet our financial obligations and therefore result in bankruptcy and the loss of your entire investment in instaCare's common shares.

USE OF PROCEEDS

This prospectus relates to shares of our common stock that may be offered and sold from time to time by selling stockholders. We will receive no proceeds from the sale of shares of common stock in this offering. However, if all of the warrants were exercised in full, we would receive \$2,500,000 in proceeds. Any proceeds received upon the exercise of such warrants will be used for general working capital purposes consistent with our business strategy.

DETERMINATION OF OFFERING PRICE

The prices at which the shares of common stock may actually be sold will be determined by the prevailing public market price for the shares or by negotiations in private transactions.

DIVIDEND POLICY

It is instaCare's present policy not to pay cash dividends and to retain future earnings for use in the operations of the business and to fund future growth. Any payment of cash dividends in the future will be dependent upon the amount of funds legally available; earnings, financial condition, capital requirements and other factors that the Board of Directors may think are relevant. InstaCare does not contemplate or anticipate paying any cash dividends on the common stock in the foreseeable future.

ISSUANCE OF SECURITIES TO THE SELLING STOCKHOLDERS

The table below sets forth ownership information regarding the selling stockholders. For purposes of calculating the percentage of common stock outstanding, any securities not outstanding that are subject to options, warrants or conversion privileges are deemed outstanding for the purposes of computing the percentage of outstanding securities owned by the selling stockholders. Unless otherwise indicated, the selling stockholders have the sole power to direct the voting and investment over the shares owned by them.

The following table lists the preferred shares held by our Convertible "C" Preferred shareholders that were distributed pursuant to our Corporation Shares of Series C Convertible Preferred Stock and Common Stock Warrants Subscription Agreements at \$0.02 and \$0.03 cents per common share and associated agreement documents. None of the selling shareholders are broker-dealers or affiliates of broker-dealers.

7

Shareholder	Number of shares	Fair Value
Mercator Momentum Fund	5,000	\$ 500,000
Monarch Pointe Fund	10,000	1,000,000
Mercator Advisory Group	5,000	500,000
Total	20,000	\$ 2,000,000

(1) Relating to M.A.G. Capital, LLC, Mercator, or Monarch, it consists of shares of common stock that may be acquired upon the exercise of outstanding Series C Preferred Stock and immediately exercisable warrants. The documentation governing the terms of the Series C Preferred Stock and warrants contains provisions prohibiting any conversion of the Series C Preferred Stock or exercise of the warrants that would result in Mercator Advisory Group, LLC (now named M.A.G. Capital, LLC); Mercator Momentum Fund, LP; Mercator Momentum Fund III, LP; and Monarch Pointe Fund, Ltd. collectively owning beneficially more than 9.99% of the outstanding shares of our common stock as determined under Section 13(d) of the Securities Exchange Act of 1934. As a result of these provisions, such entities disclaim beneficial ownership in excess of 9.99% of the outstanding shares of our common stock.

Relating to Pinnacle, it consists of shares of common stock that may be acquired upon the conversion of a Promissory Note. The documentation governing the terms of the Note contains provisions prohibiting any conversion of the Note that would result in Pinnacle collectively owning beneficially more than 4.99% of the outstanding shares of our common stock as determined under Section 13(d) of the Securities Exchange Act of 1934. As a result of these provisions, Pinnacle disclaims beneficial ownership in excess of 4.99% of the outstanding shares of our common stock.

(2) Percentage of outstanding shares before the offering is based on (a) 506,546,014 shares of common stock, which is the number of shares outstanding on June 30, 2005, plus (b) the assumed conversion of the Series C Preferred Stock, the exercise of the warrants, and the conversion of the Note held by the selling stockholder. Percentage of outstanding shares after the offering is based on (a) 506,546,014 shares of common stock, which is the number of shares outstanding on June 30, 2005, plus (b) 518,000,000 shares, which represents the assumed conversion of all Series C Preferred Stock, and exercise of all warrants, held by all of the selling stockholders plus (c) the conversion of the note held by the selling stockholders.

(3) The control person(s) are as follows:

M.A.G. Capital, LLC -- Mr. H. Harry Aharonian

Mercator Advisory Group LLC - Mr. H. Harry Aharonian;

Mercator Momentum Fund, LP - Mr. H. Harry Aharonian;

Monarch Pointe Fund, Ltd. - Mr. H. Harry Aharonian;

CJR Capital, Inc.- Mr. Chris Janish; and

Pinnacle Investment Partners, LP - Chris Janish.

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The following table discloses the private transaction(s), or potential transaction, whereby the selling shareholders received, or may receive in the future, the shares being registered for resale, the date(s) of the transactions, if applicable, and the exemptions relied upon.

8

SELLING SECURITY HOLDER)	SECURITIES-	PRIVATE PARTY TRANSACTION	DATE OF PRIVATE PARTY TRANSACTION	EXEMPTION(S) RELIED UPON
Mercator Momentum Fund, LP, Monarch Pointe Fund, Ltd. and M.A.G. Capital, LLC (collectively MAG entities) - shares	300,000,000(1)	Potential conversion shares relating to the conversion of the Series C Convertible Preferred shares		Section 4(2)
Mercator Advisory Group LLC	25,000,000 -\$0.02 warrants (1)	Potential conversion of warrants		Section 4(2)
Mercator Advisory Group LLC	25,000,000-\$0.03 warrants (1)	Potential conversion of warrants		Section 4(2)
Mercator Momentum Fund, LP	8,250,000-\$0.02 warrants(1)	Potential conversion of warrants		Section 4(2)
Mercator Momentum Fund, LP	8,250,000-\$0.03 warrants (1)	Potential conversion of warrants		Section 4(2)
Monarch Pointe Fund, Ltd.	16,750,000-\$0.02 warrants (1)	Potential conversion of warrants		Section 4(2)
Monarch Pointe Fund, Ltd.	16,750,000-\$0.03 warrants (1)	Potential conversion of warrants		Section 4(2)
CRJ Capital, Inc.	1,000,000	Promissory Note Fee	24 March 2004	Section 4(2)
CRJ Capital, Inc.	2,000,000	Promissory Note Fee	24 September 2004	Section 4(2)
CRJ Capital, Inc.	4,000,000	Promissory Note Fee	10 February 2005	Section 4(2)
Pinnacle Investment Partners, LP	14,000,000 (2)	Promissory Note Consideration (\$700,000) Escrow shares pursuant to Convertible Promissory Note	24 March 2004	Section 4(2)
Pinnacle Investment Partners, LP	1,000,000	Promissory Note Fee	24 March 2004	Section 4(2)
Pinnacle Investment Partners, LP	2,000,000 (2)	Escrow Share pursuant to Promissory Note	24 September 2004	Section 4(2)

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Pinnacle Investment 2,000,000 Partners, LP	Promissory Note Fee	24 September 2004	Section 4(2)
Pinnacle Investment 83,000,000 (2) Partners, LP	Promissory Note Consideration (\$400,000). Escrow shares pursuant to Convertible Promissory Note	10 February 2005	Section 4(2)
Pinnacle Investment 9,000,000 Partners, LP	Promissory Note Fee	10 February 2005	Section 4(2)

9

(1) Relating to M.A.G. Capital, LLC, Mercator, or Monarch, it consists of shares of common stock that may be acquired upon the exercise of outstanding Series C Preferred Stock and immediately exercisable warrants. The documentation governing the terms of the Series C Preferred Stock and warrants contains provisions prohibiting any conversion of the Series C Preferred Stock or exercise of the warrants that would result in Mercator Advisory Group, LLC (now named M.A.G. Capital, LLC); Mercator Momentum Fund, LP; Mercator Momentum Fund III, LP; and Monarch Pointe Fund, Ltd. collectively owning beneficially more than 9.99% of the outstanding shares of our common stock as determined under Section 13(d) of the Securities Exchange Act of 1934. As a result of these provisions, such entities disclaim beneficial ownership in excess of 9.99% of the outstanding shares of our common stock.

(2) Relating to Pinnacle, it consists of shares of common stock, which is being held as collateral, that may be acquired upon the conversion of the Convertible Promissory Note. The documentation governing the terms of the Note contains provisions prohibiting any conversion of the Note that would result in Pinnacle collectively owning beneficially more than 4.99% of the outstanding shares of our common stock as determined under Section 13(d) of the Securities Exchange Act of 1934. As a result of these provisions, Pinnacle disclaims beneficial ownership in excess of 4.99% of the outstanding shares of our common stock.

PLAN OF DISTRIBUTION

The selling stockholders may, from time to time, sell any or all of their shares of common stock on any stock exchange, market or trading facility on which the shares are traded or in private transactions. These sales may be at fixed or negotiated prices. The selling stockholders may use any one or more of the following methods when selling shares:

- Ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- Block trades in which the broker-dealer will attempt to sell the shares as agent but may position and the resell a as principal to facilitate the transaction;
- Purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- An exchange distribution in accordance with the rules of the applicable exchange;
- Privately negotiated transactions;
- Short sales;
- Broker-dealers may agree with the selling stockholders to sell a specified number of such shares at a stipulated price per share;
- A combination of any such methods of sale; and
- Any other method permitted pursuant to applicable law.

The selling stockholders may also sell shares under Rule 144 under the Securities Act, if available, rather than under this prospectus.

The selling stockholders may also engage in short sales against the box, puts and calls and other transactions in our securities or derivatives of our securities and may sell or deliver shares in connection with these trades.

Broker-dealers engaged by the selling stockholders may arrange for other brokers-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the selling stockholders (or, if any broker-dealer acts as agent for the purchaser of shares, from the purchaser) in amounts to be negotiated. The selling stockholders do not expect these commissions and discounts to exceed what is customary in the types of transactions involved.

Any profits on the resale of shares of common stock by a broker-dealer acting as principal might be deemed to be underwriting discounts or commissions under the Securities Act. Discounts, concessions, commissions and similar selling expenses, if any, attributable to the sale of shares will be borne by a selling stockholder. The selling stockholders may agree to indemnify any agent, dealer or broker-dealer that participates in transactions involving sales of the shares if liabilities are imposed on that person under the Securities Act.

The selling stockholders may from time to time pledge or grant a security interest in some or all of the shares of common stock owned by them and, if they default in the performance of their secured obligations, the pledgees or secured parties may offer and sell the shares of common stock from time to time under this prospectus after we have filed an amendment to this prospectus under Rule 424(b)(3) or other applicable provision of the Securities Act of 1933

amending the list of selling stockholders to include the pledgee, transferee or other successors in interest as selling stockholders under this prospectus.

The selling stockholders also may transfer the shares of common stock in other circumstances, in which case the transferees, pledgees or other successors in interest will be the selling beneficial owners for purposes of this prospectus and may sell the shares of common stock from time to time under this prospectus after we have filed an amendment to this prospectus under Rule 424(b)(3) or other applicable provision of the Securities Act of 1933 amending the list of selling stockholders to include the pledgee, transferee or other successors in interest as selling stockholders under this prospectus.

We are required to pay all fees and expenses incident to the registration of the shares of common stock. We have agreed to indemnify the selling stockholders against certain losses, claims, damages and liabilities, including liabilities under the Securities Act.

The following is an estimate of the expenses incident to the registration of the shares of common stock.

<u>Nature of Expenses</u>	Amount
SEC Registration Fee	\$ 1,219
Accounting Fees and Expenses	\$ 10,500
Legal Fees and Expenses	\$ 15,000
Printing Expenses	\$ 1,000
Blue Sky Qualification Fees and Expenses	\$ 1,000
Transfer Agent's Fee	\$ 2,500
TOTAL	\$ 31,219

The selling stockholders have advised us that they have not entered into any agreements, understandings or arrangements with any underwriters or broker-dealers regarding the sale of their shares of common stock, nor is there an underwriter or coordinating broker acting in connection with a proposed sale of shares of common stock by any selling stockholder. If we are notified by any selling stockholder that any material arrangement has been entered into with a broker-dealer for the sale of shares of common stock, if required, we will file a supplement to this prospectus. If the selling stockholders use this prospectus for any sale of the shares of common stock, they will be subject to the prospectus delivery requirements of the Securities Act.

The anti-manipulation rules of Regulation M under the Securities Exchange Act of 1934 will apply to sales of our common stock and activities of the selling stockholders.

TRANSFER AGENT

The name and address of our transfer agent is as follows: Pacific Stock Transfer Company, 500 E. Warm Springs Road, Suite 240, Las Vegas, NV 89119, 702-361-3033.

LEGAL PROCEEDINGS

Ronald Kelly and Kelly Company World Group

Ronald Kelly was the President and CEO of CareGeneration, which was merged with Pharma Tech Solutions, a subsidiary instaCare. As a result of the merger, Ronald Kelly was appointed to the Board of Directors of InstaCare. Mr. Kelly was removed from the Board of Directors, and approximately 10 days later tendered his resignation, without explanation. As a further result of these events, we have brought a lawsuit against Mr. Kelly, Kelly Company World Group, Inc. et al..

On July 6, 2005, instaCare filed a complaint in the United States District Court, for the Central District of California (Case Number CV 05-4932-RSWL), against Ronald Kelly, Kelly Company World Group, Inc. et al., seeking damages for: 1. Fraud; 2. Declaratory Relief; 3. Breach of Fiduciary Duty; 4. RICO violations; 5. Injunctive Relief; 6. Conversion; 7. Breach of Contract/Breach of Corporate Merger Agreement; and, 8. Accounting and Ancillary Relief. We have sought the following damages: 1. For compensatory damages in accordance with proof at trial on each of the above causes of action; 2. For a declaration of rights under the Second Cause of Action; 3. On the Third, Fourth and Sixth Causes of Action, for general damages and punitive damages; 4. On the Fourth Cause of Action for injunctive relief and treble damages; 5. On the Fifth Cause of Action for injunctive relief; 6. On the Seventh Cause of Action, for compensatory damages and other relief in accordance with the Merger Agreement, which includes the transfer of the license for the wholesale drug distribution business, particularly the transfer to plaintiff the Illinois license relating to the sale and storage of pharmaceutical products; 7. On the Eighth Cause of Action for an accounting; 8. For an award of attorney's fees and costs; and 9. For such other and further legal and equitable relief as the Court deems just and proper.

Neither our subsidiaries nor we are named defendants in any legal proceedings. Our recent acquisition target CareGeneration, Inc. ("CareGen"), was not subject to any legal proceedings at the closing of our acquisition.

In addition, Ronald Kelly, a former director and the former controlling shareholder of the acquisition target CareGeneration, Inc, is himself a party to several other actions:

Ronald Kelly is the guarantor of a contract between Kelly Company World Group, Inc., an Illinois corporation, and Purity Wholesale Grocers, Inc. d/b/a Supreme Distributors Company ("Purity"), an Illinois corporation, in which Purity demanded payment of \$1,905,972. The suit was filed in the Circuit Court of McDonough County, Illinois on August 6, 2004. This Breach of Guarantee suit is related to Kelly's guarantee of a contract that was disputed. Mr. Kelly's counsel

12

represented to us that the parties to this suit were engaged in on-going settlement negotiations to resolve the matter. However, this representation was not factual and it was learned that Mr. Kelly consented to judgment in this matter in December 2004, subject to a plan of cure. We have subsequently discovered that Purity filed the Stipulation to Judgment in May 2005 and is now enforcing this judgment.

Ronald Kelly is a named party in a suit titled World Automated Systems, Ltd. et al vs. Omni Cellular, Ltd. et al. The suit alleges Breach of Contract, Fraudulent Misrepresentation, Fraud, Consumer Fraud, and Deceptive Business Practice and Conversion in the amount of \$250,000.00 plus punitive damages and costs. The case was filed in Circuit Court of Cook County, Illinois on July 29, 2004. A motion to dismiss was filed on behalf of the defendants and subsequently the Plaintiffs filed a Motion for Leave to Amend Complaint. During a recent litigation search we discovered that this suit remains active and is progressing toward trial.

We were in the process of investigating additional litigation involving Mr. Kelly that was not disclosed to us by his counsel during the Due Diligence phase of our acquisition of CareGeneration, Inc.

In April 2004 we entered into an agreement with DataFuzion, Inc. ("Fuzion"), a Colorado based medical software and medical systems company. Among other things, this agreement called for us to provide a license to DataFuzion which would authorize DataFuzion to utilize certain proprietary software systems, in addition to providing introduction to experts, agents and consulting service organizations that were capable of assisting Fuzion's stated desire to become a fully reporting public company. The agreement called for Fuzion to render 10% of its capital stock as consideration. As a portion of its consideration, we also agreed to advance certain monies to Fuzion's chosen experts for these

services. We completed the introductions and advanced the funds called for under the agreement. In December 2004, after several attempts to compel Fuzion to render the shares called for under the agreement, we discovered that Fuzion was in fact holding merger discussions with Omni Medical Holdings Inc., a South Dakota based company. On March 1, 2005 we received notice that this merger had been completed. On March 8, 2005 we made claim for the shares called for under the agreement through written correspondence to both DataFuzion, Inc. and Omni Medical Holdings Inc. Although we have not yet resolved our claims, DataFuzion, Inc. has contacted us and we remain optimistic that we will be able to favorably resolve our issues.

On August 9, 2005, we filed suit against Investor Relations Services, Inc., a Florida corporation; Summit Trading Limited, a Foreign Corporation Incorporated under the Laws of the County of the Bahamas; Charles Arnold, an Individual, and Does 1 Through 20 Inclusive. This suit seeks a judgment for Declaratory Relief; and recession of the alleged agreements between InstaCare and the defendants. In addition, the complaint seeks damages for Intentional Interference with an Advantageous Business Relationships as a result of actions taken by the defendants. This case is filed in the Los Angeles Superior Court, and bears case number BC337976. The complaint has been served. Subsequently, counsel for the defendants filed a Motion to remand the suit to an arbitrator. A hearing is scheduled to argue this Motion on November 9, 2005. None of the defendants has filed an answer as of this date, although the defendants had previously been placed on notice of this lawsuit through correspondence to their counsel.

13

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth the name, age, positions, and offices or employments for the past five years as of the date of this prospectus for our executive officers and directors. Members of the board are elected and serve for one year terms or until their successors are elected and qualify. All of the officers serve at the discretion of the Board of Directors of instaCare.

<u>NAME</u>	<u>AGE</u>	<u>POSITION</u>	<u>TERM</u>
Robert Cox	45	President, Director, and Chief Executive Officer	Since June 2001
Keith Berman	51	Secretary, Treasurer and Director	Since January 2003
Robert Jagunich	58	Director	Since January 2003

Robert L. Cox, President, is the Chairman and Director and prior to joining instaCare, was the Chief Executive Officer, President and Director of Tower Realty Trust, Inc., a publicly traded Real Estate Investment Trust ("REIT"). From March 1995 to October 1997 Mr. Cox served as the Executive Vice President and Chief Operating Officer of Tower Equities, when Tower Equities became a public company (Tower Realty Trust, Inc.). From March 1987 to

March 1995, Mr. Cox served as Vice President of Development and Construction of Tower Equities, where his main responsibilities included supervising all development and construction projects. Mr. Cox graduated in 1983 with a BA from Florida State University. Mr. Cox does not hold any directorships of other reporting companies.

Keith Berman, is the Secretary, Treasurer and Director and has for over the past 15 years, been involved in the development of healthcare software including Intranet and Internet systems. From July 1999 to present, Mr. Berman has held the position of President, founder and director of Caredecision.net, Inc. a private company engaged in e-health technology development. From March 2001 through June 2002 Mr. Berman also held the Position of President and Director of Medicius, Inc. From January 1996 to June 1999 Mr. Berman was the President and founder of Cymedix, the operating division of Medix Resources, Inc., now Ramp Corp. (RCO). Cymedix was a pioneer company in what was then known as i-health (Internet healthcare) now the e-health industry. Mr. Berman received a BA in 1975 and an MBA in 1977, from Indiana University.

Robert Jagunich, is a Director and has 27 years of experience in the medical systems and device industry. From August 1992 to present, he has held the position of President at New Abilities Systems, a privately held manufacturer of advanced electronic systems used in rehabilitation. He also provides consulting services to companies such as Johnson and Johnson and has served as a senior executive in such publicly held companies as Laserscope and Acuson. From April 1996 to December 1997 Mr. Jagunich acted as a director of Cymedix Corporation, the operating entity of Medix Resources, Inc., now Ramp Corp. (AMEX:RCO). He received his BS in 1969, and his MS and MBA in 1971, from the Univ. of Michigan.

Mr. Cox and Mr. Berman, the officers, devote their complete business time to the Company. Mr. Jagunich attends meetings of the board of directors when held."

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information concerning the beneficial ownership of instaCare's outstanding classes of stock based on ownership information reported by the stockholders as of the latest practicable date, and on the number of shares outstanding as of the latest practicable date by each person known by instaCare to own beneficially more than 5% of each class, by each of instaCare's directors and executive officers and by all officers and directors as a group. instaCare is authorized to issue up to 1,250,000,000 shares of common stock.

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The percentage of beneficial ownership for the following table is based on (a) 506,546,014 shares of common stock, which is the number of shares outstanding on October 18, 2005, plus (b) 518,000,000 shares-, which represents the assumed conversion of all Series C Preferred Stock, and exercise of all warrants, held by all of the selling stockholders plus (c) the conversion of the note held by the selling stockholders.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and does not necessarily indicate beneficial ownership for any other purpose. Under these rules, beneficial ownership includes those shares of common stock over which the stockholder has sole or shared voting or investment power. It also includes (unless footnoted) shares of common stock that the stockholder has a right to acquire within 60 days after October 24, 2005 through the exercise of any option, warrant or other right. The percentage ownership of the outstanding common stock, however, is based on the assumption, expressly required by the rules of the Securities and Exchange Commission, that only the person or entity whose ownership is being reported has converted options or warrants into shares of our common stock.

Common Stock

<u>Name and Address</u>	<u>Percentage of Shares</u>	
	<u>Shares Beneficially Owned</u>	<u>Outstanding</u>
Keith Berman		
1623 Elmsford		
Westlake, CA 91361	8,143,991	.0079%
Robert L. Cox		
16 Wood Hollow Lane		
Fort Salonga, NY 11768	2,205,915	.0021%
Robert Jagunich		
765 Christine Drive		
Palo Alto, CA 94303	6,009,293	.0058%
M.A.G. Capital, LLC (1)		
555 South Flower Street		
Suite 4200		
Los Angeles, California 90071	101,430,000	9.99%
Pinnacle Investment Partners (2)		
	16,359,199	1.58%

Total ownership by our officers and directors (three individuals)

15

(1) Relating to M.A.G. Capital, LLC, Mercator, or Monarch, it consists of shares of common stock that may be acquired upon the exercise of outstanding Series C Preferred Stock and immediately exercisable warrants. The documentation governing the terms of the Series C Preferred Stock and warrants contains provisions prohibiting any conversion of the Series C Preferred Stock or exercise of the warrants that would result in Mercator Advisory Group, LLC (now named M.A.G. Capital, LLC); Mercator Momentum Fund, LP; Mercator Momentum Fund III, LP; and Monarch Pointe Fund, Ltd. collectively owning beneficially more than 9.99% of the outstanding shares of our common stock as determined under Section 13(d) of the Securities Exchange Act of 1934. As a result of these provisions, such entities disclaim beneficial ownership in excess of 9.99% of the outstanding shares of our common stock.

(2) Relating to Pinnacle, 97,000,000 shares are currently held in escrow by Mr. Hank Gracin, Escrow Agent, as collateral shares pursuant to a certain Promissory Note Agreement between Pinnacle Investment Partners and us. The documentation governing the terms of the Note contains provisions prohibiting any conversion of the Note that would result in Pinnacle collectively owning beneficially more than 4.99% of the outstanding shares of our common stock as determined under Section 13(d) of the Securities Exchange Act of 1934. As a result of these provisions, Pinnacle disclaims beneficial ownership in excess of 4.99% of the outstanding shares of our common stock.

DESCRIPTION OF SECURITIES

Our authorized capital stock is 1,250,000,000 shares of common stock, par value \$0.001 per share and 5,000,000 shares of preferred Stock, par value \$.001 per share. As of the most recent practicable date, we had issued 506,546,014 of our shares of common stock, and 1,270,750 shares of preferred stock

Common Stock

As a holder of our common stock:

1. You have equal rights to dividends from funds legally available, ratably, when as and if declared by our Board of Directors;
2. You are entitled to share, ratably, in all of our assets available for distribution upon liquidation, dissolution, or winding up of our business affairs;
3. You do not have preemptive, subscription or conversion rights and there are no redemption or sinking fund provisions applicable;
4. You are entitled to 1 vote per share of common stock you own, on all matters that stockholders may vote, and at all meetings of shareholders.

Additionally, there is no cumulative voting for the election of directors.

16

Preferred Stock

We can issue shares of preferred stock in series with such preferences and designations as our board of directors may determine. Our board can, without shareholder approval, issue preferred stock with voting, dividend, liquidation, and conversion rights. This could dilute the voting strength of the holders of common stock and may help our management impede a takeover or attempted change in control.

The Company is authorized to issue 5,000,000 shares of \$0.001 par value preferred stock; of which 750,000 shares are designated as Series A, 500,000 shares are designated as Series B, 20,000 shares are designated as Series C, 750 shares are designated as Series D, and 1,250,000,000 shares of \$0.001 par value common stock.

Series A preferred Stock

Holders of series A : convertible stock shall not have the right to vote on matters that come before the shareholders. Series A Convertible Preferred stock may be converted at a rate of eighteen (18) shares of common stock for each share of Series A Convertible Preferred stock. Series A Convertible Preferred stock shall rank senior to common stock in the event of liquidation. Holders of Series A convertible stock shall be entitled to a 6% annual dividend payable in common stock, accrued and payable at the time of conversion, subject to adjustments resulting from stock splits, recapitalization, or share combination.

The Company issued 207,526 of its \$0.001 par value preferred shares in April 2004 and recorded financing costs of \$354,800. Each preferred share is convertible into eighteen (18) shares of the Company's \$0.001 par value common stock.

Series B No shares are issued or outstanding.

Series C convertible preferred stock

Holders of series C convertible stock shall not have the right to vote on matters that come before the shareholders. Series C convertible preferred stock may be converted, the number of shares into which one share of Series C Preferred Stock shall be convertible shall be determined by dividing the Series C Purchase price by the existing conversion price which shall be equal to eighty percent of the market price rounded to the nearest thousandth, not to exceed \$0.02 per share. Series C convertible stock shall rank senior to common stock in the event of liquidation. Holders of Series C convertible stock shall be entitled to a mandatory monthly dividend equal to the share price multiplied by the prime interest rate plus five tenths percent. Series C convertible stock shall have a redemption price of \$100 per share, subject to adjustments resulting from stock splits, recapitalization, or share combination.

For purposes of illustration only, assuming a hypothetical conversion of \$100.00 (one share of Series C Preferred stock), while "*Market Price*" for our common stock is \$0.02 at the time of conversion, and the "*Conversion Price*" per share for our Series C Preferred Stock shall be equal to eighty percent (80%) of the *Market Price*, the Conversion Ratio (formula) will be $\$100.00/\0.016 , or 6,250 shares per \$100.00. This hypothetical conversion will allow the 20,000 shares of Series C Preferred Stock to be converted into 125,000,000 shares of Common Stock. On the other hand, if the *Market Price* is \$0.03 at the time of conversion, the Conversion Ratio (formula) will be $\$100.00/\0.024 , 4,167 shares per \$100.00, allowing the 20,000 shares of Preferred Stock to be converted into 83,333,333 shares of Common Stock.

Series D No shares are issued or outstanding.

Nevada Anti-Takeover Provisions

The anti-takeover provisions of Sections 78.411 through 78.445 of the Nevada Corporation Law apply to instaCare. Section 78.438 of the Nevada law prohibits us from merging with or selling instaCare or more than 5% of our assets or stock to any shareholder who owns or owned more than 10% of any stock or any entity related to a 10% shareholder for three years after the date on which the shareholder acquired the instaCare shares, unless the transaction is approved by the Board of Directors of instaCare. The provisions also prohibit us from completing any of the transactions described in the preceding sentence with a 10% shareholder who has held the shares more than three

years and its related entities unless the transaction is approved by our Board of Directors or a majority of our shares, other than shares owned by that 10% shareholder or any related entity. These provisions could delay, defer or prevent a change in control of instaCare.

17

Anti-Dilution

The shares of instaCare's preferred stock shall not be subject to dilution unless all the holders of the preferred stock vote to change this preference. In addition, the preferred stock shall maintain its status even if the common stock undertakes a reverse or forward split of its shares. The preferred stock cannot be diluted unless it is converted to common stock.

MARKET FOR COMMON STOCK

The common stock is traded on the OTC Bulletin Board. The following table sets forth the high and low bid prices of instaCare's common stock for the periods indicated, as reported by published sources. The prices reflect inter-deal prices without retail mark-up, markdown or commission and may not represent actual transactions.

	Low	High
<i>2005 Fiscal Year</i>		
First Quarter	\$ 0.013	\$ 0.03
Second Quarter	\$ 0.011	\$ 0.025
Third Quarter	\$ 0.007	\$ 0.014
<i>2004 Fiscal Year</i>		
First Quarter	\$ 0.028	\$ 0.119
Second Quarter	\$ 0.023	\$ 0.083
Third Quarter	\$ 0.019	\$ 0.057
Fourth Quarter	\$ 0.015	\$ 0.03
<i>2003 Fiscal Year</i>		
First Quarter	\$ 0.04	\$ 0.08
Second Quarter	\$ 0.04	\$ 0.075
Third Quarter	\$ 0.04	\$ 0.075

Fourth Quarter	\$ 0.03	\$ 0.05
<i>2002 Fiscal Year</i>		
First Quarter	\$ 0.06	\$ 0.30
Second Quarter	\$ 0.03	\$ 0.08
Third Quarter	\$ 0.03	\$ 0.11
Fourth Quarter	\$ 0.04	\$ 0.11

As of the most recent applicable date, there were approximately 268 holders of record of our common stock. Our shares of common stock are currently traded on the OTC Electronic Bulletin Board under the symbol "INCA". No cash dividends have been declared for any class of common equity. There are no restrictions that limit the ability to pay dividends on common equity. There is no assurance that an active trading market will develop that will provide liquidity for instaCare's existing shareholders or for the selling shareholders whose common stock is being registered through this filing.

18

Plan Category	Number of Securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of Securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Mercator Advisory Group LLC -warrants	25,000,000	\$0.02	
Mercator Advisory Group LLC-warrants	25,000,000	\$0.03	
Mercator Momentum Fund, LP warrants	8,250,000	\$0.02	
Mercator Momentum Fund, LP warrants	8,250,000	\$0.03	
Monarch Pointe Fund, Ltd.-warrants	16,750,000	\$0.02	
2003 Stock Option Plan	5,150,000	\$0.04	5,150,000
2004 Stock Option Plan	50,000,000	\$0.02	250,000
2005 Stock Option Plan	63,000,000	\$0.02	63,000,000
Total			

The following is a summary of activity of outstanding stock options under the 2003 Stock Option Plan:

	Number Of Shares	Weighted Average Exercise Price
Balance, December 31, 2003	5,150,000	-
Options granted	-0-	\$ 0.043
Options exercised	(-0-) 0.043
Balance, December 31, 2004	5,150,000	0.043
Exercisable, December 31, 2004	5,150,000	\$ 0.043

The following is a summary of information about the 2003 Stock Option Plan options outstanding at December 31, 2004

Shares Underlying Options Outstanding	Shares Underlying Options Outstanding	Average Remaining Contractual Life	Shares Underlying Options Exercisable		
			Weighted Average Exercise Price	Shares Underlying Options Exercisable	Weighted Average Exercise Price
Range of Exercise Prices					
\$ 0.040 - 0.050	5,150,000	0 years	\$ 0.043	5,150,000	\$ 0.043

The following is a summary of activity of outstanding stock options under the 2004 Stock Option Plan:

Number Of Shares	Weighted Average Exercise Price
Balance, December 31, 2003	
Options granted	
Options exercised	

Table of Contents

10% floor per annum. Interest payments will be made monthly in arrears. There is a principal curtailment requirement of 10% annually based on the average outstanding balance for the prior year. The loan will be used by the Company (i) to finance the Company's current and future development pipeline, (ii) to repay all or a portion of the Company's prior private placements; (iii) to repay all or a portion of the Company's project mezzanine loans, and (iv) for general corporate purposes. The Company is the administrative manager of CGF but does not own any membership interests. The Company had approximately \$12.6 million and \$14.1 million of outstanding

borrowings, net of discounts, as of June 30, 2016 and December 31, 2015, respectively. As of June 30, 2016 and December 31, 2015, the interest rate was 11.1% and 10.0% per annum, respectively. For the three months ended June 30, 2016 and 2015, the Company made interest payments of \$0.4 million. For the six months ended June 30, 2016 and 2015, the Company made interest payments of \$0.8 million. During the three months ended June 30, 2016, the Company made the first principal curtailment to CGF in the amount of \$1.6 million.

Comstock Growth Fund II

On December 29, 2015, the Company entered into a revolving line of credit promissory note with CGF II whereby CGF II made a loan to the Company in the initial principal amount of \$5.0 million and a maximum amount available for borrowing of up to \$10.0 million with a two year term, which may be extended an additional year upon payment of a \$10 extension fee. The interest rate is 10% per annum, and interest payments will be accrued and paid in kind monthly for the first year, and then paid current monthly in arrears beginning December 31, 2016. The Company pays an origination fee of 1% on the amount of the advance, up to an aggregate amount of \$100, and a maintenance fee of 0.25% of the average outstanding balance of the loan on a quarterly basis. The capital provided to the Company by the loan will be used by the Company (i) to capitalize the Company’s current and future development pipeline, (ii) to repay all or a portion of the Company’s prior private placements, and (iii) for general corporate purposes. As of June 30, 2016 and December 31, 2015, \$3.1 million and \$5.0 million, respectively, was outstanding in principal and accrued interest. On January 8, 2016, the Company paid off the \$5.0 million line of credit outstanding from CGF II at December 31, 2015 and concurrently, CDS redeemed all of its equity interest in CGF II.

On March 30, 2016, CDS repurchased a membership interest in CGF II for a principal amount of \$3.0 million. Simultaneously, the Company received an advance of \$3.0 million on its line of credit promissory note from CGF II.

15. FAIR VALUE DISCLOSURES

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities are reasonable estimates of their fair values based on their short maturities. The fair value of fixed and floating rate debt is based on unobservable market rates (Level 3 inputs).

The fair value of the floating rate debt was estimated using a discounted cash flow analysis on the blended borrower rates currently available to the Company for loans with similar terms. The following table summarizes the carrying amount and the corresponding fair value of fixed and floating rate debt:

	June 30, 2016	December 31, 2015
Carrying amount	\$ 38,874	\$ 45,399
Fair value	\$ 39,318	\$ 45,166

Fair value estimates are made at a specific point in time, based on relevant market information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The Company may also value its non-financial assets and liabilities, including items such as real estate inventories and long lived assets, at fair value on a non-recurring basis if it is determined that impairment has occurred. Such fair value measurements use significant unobservable inputs and are classified as Level 3.

Table of Contents**16. RESTRICTED STOCK, STOCK OPTIONS AND OTHER STOCK PLANS**

During the three and six months ended June 30, 2016 and 2015, the Company did not issue any stock options or restricted stock awards.

Stock-based compensation cost associated with restricted stock and stock options was recognized based on the fair value of the instruments over the instruments' vesting period. The following table reflects the consolidated balance sheets and statements of operations line items for stock-based compensation cost for the periods presented:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Real estate inventories - Assets	\$ 4	\$ 8	\$ 9	\$ 17
General and administrative - Expenses	15	59	41	135
	\$ 19	\$ 67	\$ 50	\$ 152

Under net settlement procedures currently applicable to our outstanding restricted stock awards for employees, upon each settlement date and election by the employees, restricted stock awards are withheld to cover the required withholding tax, which is based on the value of the restricted stock award on the settlement date as determined by the closing price of our Class A common stock on the trading day immediately preceding the applicable settlement date. The remaining amounts are delivered to the recipient as shares of our Class A common stock.

As of June 30, 2016, the weighted-average remaining contractual term of unexercised stock options was 5 years. As of June 30, 2016 and December 31, 2015, there was \$0.1 million of unrecognized compensation cost related to stock grants.

17. SUBSEQUENT EVENTS

On July 20, 2016, the Company extended its revolving construction, acquisition, and development loans related to the Yorkshire project with Cardinal Bank. This loan had an initial maturity date of July 23, 2016 and the extension provides for a maturity date of October 23, 2016. As of June 30, 2016, we had \$0.2 million in outstanding borrowings under this revolving credit facility.

During the fourth quarter of 2015, the Company wrote off \$1.4 million of land purchase deposit paid to one of its communities in the Washington D.C. metropolitan area due to changes made to the scheduled lot take down strategy. In February 2016, two subsidiaries of the Company and a land seller filed claims and counterclaims against each other regarding land contract disputes. On July 29, 2016, the subsidiaries and the land seller entered into a settlement agreement whereby the Seller agreed to refund a portion of the deposit, \$0.7 million, paid by Comstock and the land seller agreed to re-purchase 4 lots from Comstock. In consideration of the payments, the subsidiaries agreed to release Indemnity Deeds of Trust against the land seller's other property and dismiss the litigation.

On August 15, 2016, Comstock Investors X, L.C. (Investors X), a subsidiary of the Company, entered into subscription agreements with certain accredited investors (the Investors X Member(s)), pursuant to which the Investors X Members purchased membership interests in Investors X for an aggregate capital raise of \$14,500 (the

Investors X Private Placement). The Investors X Members include an entity wholly owned by Christopher Clemente, the Chief Executive Officer of the Company. Upon closing the Investors X Private Placement, the Company issued warrants to purchase shares of the Company's Class A Common Stock to the Investors X Members. The terms of the Investors X Private Placement provide that the warrants are to be ratably shared for each Investor X Member subscribing to a minimum, or exceeding, an initial investment amount of \$1,000. The Warrants represent the right to purchase an aggregate amount of up to 100 shares of Class A Common Stock.

On August 15, 2016, Comstock Investors X, L.C. received \$2,500 of the subscription proceeds from the Investors X Members. The subscription agreement for the Investors X Private Placement provides that the Comstock Investors X Members are entitled to a cumulative, compounded, preferred return on their capital account balances. The Company has the right to repurchase the interests of the Investors X Members, provided that (i) all of the Investor X Members' interests are acquired, (ii) the purchase is made in cash and (iii) the purchase price equals the Investor X Members' capital account plus accrued preferred return. Proceeds of the Investors X Private Placement are to be utilized (i) to provide acquisition and development capital needed to complete the Projects in conjunction with obtaining construction financing for the Projects, (ii) to reimburse the Company for prior expenditures incurred on behalf of the Projects, and (iii) for general corporate purposes of the Company.

Table of Contents

COMSTOCK HOLDING COMPANIES, INC. AND SUBSIDIARIES

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

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS**

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere in this report. This discussion and analysis contains forward-looking statements that involve risks and uncertainties. Please see *Cautionary Notes Regarding Forward-looking Statements* for more information. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors including, but not limited to, those discussed below and elsewhere in this report, particularly under the headings *Cautionary Note Regarding Forward-looking Statements*. References to dollar amounts are in thousands except per share data, or as otherwise noted.

Cautionary Notes Regarding Forward-looking Statements

This report includes forward-looking statements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by the use of words such as anticipate, believe, estimate, may, likely, intend, expect, will, should, seeks or expressions. Forward-looking statements are based largely on our expectations and involve inherent risks and uncertainties, many of which are beyond our control. You should not place undue reliance on any forward-looking statement, which speaks only as of the date made. Some factors which may affect the accuracy of the forward-looking statements apply generally to the real estate industry, while other factors apply specifically to us. Any number of important factors could cause actual results to differ materially from those in the forward-looking statements including, without limitation: general economic and market conditions, including interest rate levels; our ability to service our debt; inherent risks in investment in real estate; our ability to compete in the markets in which we operate; economic risks in the markets in which we operate, including actions related to government spending; delays in governmental approvals and/or land development activity at our projects; regulatory actions; our ability to maintain compliance with stock market listing rules and standards; fluctuations in operating results; our anticipated growth strategies; shortages and increased costs of labor or building materials; the availability and cost of land in desirable areas; natural disasters; our ability to raise debt and equity capital and grow our operations on a profitable basis; and our continuing relationships with affiliates. Additional information concerning these and other important risk and uncertainties can be found under the heading *Risk Factors* in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015. Our actual results could differ materially from these projected or suggested by the forward-looking statements. The Company undertakes no obligation to update publicly or revise any forward-looking statements in light of new information or future events, except as required by law.

Overview

We are a multi-faceted real estate development and services company. We have substantial experience with building a diverse range of products, including multi-family homes, single-family homes, townhouses, mid-rise condominiums, high-rise multi-family condominiums and mixed-use (residential and commercial) developments. We operate our business through three segments: Homebuilding, Multi-family and Real Estate Services as further

discussed in Note 7 to the consolidated financial statements. We are currently focused in the Washington, D.C. metropolitan area, which is the seventh largest metropolitan statistical area in the United States.

Table of Contents

We are currently operating, or developing in multiple counties throughout the Washington, D.C. area market. The following table summarizes certain information for our owned or controlled communities as of June 30, 2016:

Pipeline Report as of June 30, 2016								Total	Average
Project	State	Product Type (1)	Estimated		Units Backlog (8)	Units Owned	Units Under Control (2)	Units Under Contract	Revenue Per Unit to Date
			at Completion	Settled					
City Homes at the Hampshires	DC	SF	38	38					\$ 728
Townes at the Hampshires (3)	DC	TH	73	73					\$ 551
Estates at Falls Grove	VA	SF	19	13	5	1		6	\$ 544
Townes at Falls Grove	VA	TH	110	62	12	36		48	\$ 301
Townes at Shady Grove Metro	MD	TH	36	26		10		10	\$ 626
Townes at Shady Grove Metro (4)	MD	SF	3	3					\$ 199
Momentum Shady Grove Metro (5)	MD	Condo	110			110		110	\$
Estates at Emerald Farms	MD	SF	84	78	4	2		6	\$ 413
Townes at Maxwell Square	MD	TH	45	41	4			4	\$ 421
Townes at Hallcrest	VA	TH	42	18	16	8		24	\$ 458
Estates at Leeland	VA	SF	24	2	6	16		22	\$ 450
Villas Preserve at Two Rivers 28	MD	TH	10	4	2	4		6	\$ 450
Villas Preserve at Two Rivers 32	MD	TH	10	8		2		2	\$ 505
Marrwood East (7)	VA	SF	35		1	34		35	\$ 591
Estates at Popkins Lane	VA	SF	12				12	12	\$
Townes at Richmond Station	VA	TH	54				54	54	\$
Richmond Station Multi-family	VA	MF	104				104	104	\$
Townes at Totten Mews (6)	DC	TH	40				40	40	\$
The Towns at 1333	VA	TH	18				18	18	\$
The Woods at Spring Ridge	MD	SF	24				24	24	\$
Total			891	366	50	223	252	525	

- (1) SF means single family home, TH means townhouse, Condo means condominium, MF means multi-family.
- (2) Under land option purchase contract, not owned.
- (3) 3 of these units are subject to statutory affordable dwelling unit program.
- (4) Units are subject to statutory moderately priced dwelling unit program; not considered a separate community.
- (5) 18 of these units are subject to statutory moderately priced dwelling unit program.
- (6) 5 of these units are subject to statutory affordable dwelling unit program.

- (7) 1 of these units is subject to statutory affordable dwelling unit program.
- (8) Backlog means we have an executed order with a buyer but the settlement did not occur prior to report date.

Table of Contents**Results of Operations*****Three and six months ended June 30, 2016 compared to three and six months ended June 30, 2015****Orders, cancellations and backlog*

The following table summarizes certain information related to new orders, settlements, and backlog for the three and six month periods ended June 30, 2016 and 2015:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Gross new orders	34	37	72	71
Cancellations	1	3	4	6
Net new orders	33	34	68	65
Gross new order revenue	\$ 15,353	\$ 18,105	\$ 31,441	\$ 35,035
Cancellation revenue	\$ 407	\$ 1,604	\$ 1,563	\$ 3,091
Net new order revenue	\$ 14,946	\$ 16,501	\$ 29,878	\$ 31,944
Average gross new order price	\$ 452	\$ 489	\$ 437	\$ 493
Settlements	21	25	43	46
Revenue - homebuilding	\$ 9,699	\$ 12,115	\$ 19,222	\$ 22,125
Average settlement price	\$ 462	\$ 485	\$ 447	\$ 481
Backlog units	50	43	50	43
Backlog revenue	\$ 21,514	\$ 22,340	\$ 21,514	\$ 22,340
Average backlog price	\$ 430	\$ 520	\$ 430	\$ 520

Revenue homebuilding

At June 30, 2016, we had a total of 50 units in backlog to generate future revenue of \$21.5 million as compared to \$22.3 million from 43 units at June 30, 2015. Gross new order revenue, consisting of revenue from all units sold, for the six months ended June 30, 2016 was \$31.4 million on 72 units as compared to \$35.0 million on 71 units for the six months ended June 30, 2015. Gross new order revenue for the three months ended June 30, 2016 was \$15.4 million on 34 units as compared to \$18.1 million on 37 units for the three months ended June 30, 2015. Net new order revenue, representing revenue for all units sold less revenue from cancellations, for the three months ended June 30, 2016 was \$14.9 million on 33 units as compared to \$16.5 million on 34 units for the three months ended June 30, 2015. Net new order revenue for the six months ended June 30, 2016 was \$29.9 million on 68 units as compared to \$31.9 million on 65 units for the six months ended June 30, 2015.

Revenue from homebuilding decreased by \$2.9 million to \$19.2 million for the six months ended June 30, 2016 as compared to \$22.1 million for the six months ended June 30, 2015. Revenue from homebuilding decreased by \$2.4 million to \$9.7 million for the three months ended June 30, 2016 as compared to \$12.1 million for the three months ended June 30, 2015. For the six months ended June 30, 2016, the Company settled 43 units (4 units at The Hampshires, 10 units at Falls Grove, 9 units at Maxwell Square, 7 units at Two Rivers, 11 units at Hallcrest, and 2 units at the Estates at Leeland), as compared to 46 units (10 units at The Hampshires, 16 units at Falls Grove, 9 units at Maxwell Square, 10 units at Shady Grove and 1 unit at Hall Road) for the six months ended June 30, 2015. For the three months ended June 30, 2016, the Company settled 21 units (1 unit at The Hampshires, 5 units at Falls Grove, 3 units at Maxwell Square, 3 units at Two Rivers, 7 units at Hallcrest, and 2 units at the Estates at Leeland),

as compared to 25 units (6 units at The Hampshires, 7 units at Falls Grove, 7 units at Maxwell Square, 4 units at Shady Grove, and 1 unit at Hallcrest) for the three months ended June 30, 2015. Our homebuilding gross margin percentage for the six months ended June 30, 2016 decreased by 6% to 7%, as compared to 13% for the six months ended June 30, 2015. The decrease noted in margins was mainly a result of the number and mix of units settled and higher land and overhead costs as a percentage of homebuilding revenue in certain of our new communities that started settling during the latter part of 2015 and 2016.

Table of Contents*Revenue other*

Revenue other decreased approximately \$0.1 million to \$0.3 million during the three months ended June 30, 2016, as compared to \$0.4 million for the three months ended June 30, 2015. Revenue other decreased approximately \$0.3 million to \$0.5 million during the six months ended June 30, 2016, as compared to \$0.8 million during the six months ended June 30, 2015. The decrease primarily relates to revenue from our real estate services activities.

Cost of sales homebuilding

Cost of sales homebuilding decreased by \$1.4 million to \$9.2 million during the three months ended June 30, 2016, as compared to \$10.6 million for the three months ended June 30, 2015. Cost of sales homebuilding decreased by \$1.4 million to \$17.8 million during the six months ended June 30, 2016, as compared to \$19.2 million during the six months ended June 30, 2015. The decrease noted was primarily attributable to the number of units settled and the mix of homes settled during the three and six months ended June 30, 2016.

Cost of sales other

Cost of sales other decreased by \$0.2 million to \$0.2 million during the six months ended June 30, 2016, as compared to \$0.4 million during the six months ended June 30, 2015. The decrease primarily relates to our real estate services activities and is in line with the decrease in Revenue - other.

General and administrative

General and administrative expenses for the three months ended June 30, 2016 decreased by \$0.5 million to \$1.4 million, as compared to \$1.9 million for the three months ended June 30, 2015. General and administrative expenses for the six months ended June 30, 2016 decreased by \$0.9 million to \$2.9 million, as compared to \$3.8 million for the six months ended June 30, 2015. The decrease is attributable to attrition in employee head count and general overhead cost saving measures.

Income taxes

During the three and six months ended June 30, 2016, the Company recognized income tax expense of \$32 and \$57, respectively, and as of June 30, 2016 the effective tax rate is (35%). During the three months ended June 30, 2015, the Company recognized income tax expense of \$57. During the six months ended June 30, 2015, the Company recorded a net income tax benefit of \$13 which resulted from an out of period adjustment to reverse the valuation allowance, resulting in the recognition of a deferred tax benefit of \$121, offset by income tax expense of \$108, both related to the New Hampshire Avenue project in Washington, D.C. Because this error was not material to any previously filed consolidated financial statements and the impact of correcting this error in 2015 was not material, the Company recorded the correction in the first quarter of 2015. The effective tax rate for the three and six month periods ended June 30, 2015 was 3% and 1%, respectively.

Recent Developments

See the Recent developments section in Note 1 to the accompanying consolidated financial statements included in this Quarterly Report on Form 10-Q.

Liquidity and Capital Resources

We require capital to operate, to post deposits on new potential acquisitions, to purchase and develop land, to construct homes, to fund related carrying costs and overhead and to fund various advertising and marketing programs to generate sales. These expenditures include payroll, community engineering, entitlement, architecture, advertising, utilities and interest as well as the construction costs of our homes. Our sources of capital include, and we believe will continue to include, private equity and debt

Table of Contents

placements (which has included significant participation from Company insiders), funds derived from various secured and unsecured borrowings to finance acquisition, development and construction on acquired land, cash flow from operations, which includes the sale and delivery of constructed homes, finished and raw building lots and the potential sale of public debt and equity securities. The Company is involved in ongoing discussions with lenders and equity sources in an effort to provide additional growth capital to fund various new business opportunities. See Note 14 in the accompanying consolidated financial statements for more details on our credit facilities and Note 12 in the accompanying consolidated financial statements for details on private placement offerings.

We have outstanding borrowings with various financial institutions and other lenders that have been used to finance the acquisition, development and construction of real estate projects. The Company has generally financed its development and construction activities on a single or multiple project basis so it is not uncommon for each of our projects or collection of our projects to have a separate credit facility. Accordingly, the Company typically has had numerous credit facilities and lenders.

As of June 30, 2016, the Company had \$12.7 million of its credit facilities and project related loans scheduled to mature during the remainder of 2016. We are in active discussions with our lenders and are seeking long term extensions and modifications to the loans. These debt instruments impose certain restrictions on our operations, including speculative unit construction limitations, curtailment obligations, and financial covenant compliance. If we fail to comply with any of these restrictions, an event of default could occur. Additionally, events of default could occur if we fail to make required debt service payments or if we fail to come to agreement on an extension on a certain facility prior to a given loan's maturity date. Any event of default would likely render the obligations under these instruments due and payable as of that event. Any such event of default would allow certain of our lenders to exercise cross default provisions in our loan agreements with them, such that all debt with that institution could be called into default. We are anticipating that with successful resolution of the debt extension discussions with our lenders, the recently completed capital raises from our private placements, current available cash on hand, and additional cash from settlement proceeds at existing and under development communities, the Company will have sufficient financial resources to sustain its operations through the next 12 months, though no assurances can be made that the Company will be successful in its efforts. The Company will also focus on its cost structure in an effort to conserve cash and manage expenses. Such actions may include cost reductions and/or deferral arrangements with respect to current operating expenses. As stated in Note 14 to the accompanying consolidated financial statements, the Company was not in compliance with the minimum liquidity covenant requirement measure for its secured line of credit as of June 30, 2016. The Company obtained a waiver from the financial institution for not achieving the covenant requirement. On July 20, 2016, the Company extended its revolving construction, acquisition, and development loan related to the Yorkshire project with Cardinal Bank, which had an initial maturity date of July 23, 2016, to October 23, 2016. This Yorkshire credit facility had an outstanding balance of \$0.2 million at June 30, 2016.

See Note 12 and Note 14 to the accompanying consolidated financial statements for details on private placement offerings and for more details on our credit facilities, respectively.

Cash Flow

Net cash provided by operating activities was \$0.6 million for the six months ended June 30, 2016 compared to the net cash used in operating activities of \$5.6 million for the six months ended June 30, 2015. The \$0.6 million net cash provided by operations was primarily due to \$3.3 million of releases of inventories associated with units settled and increases in accrued interest of \$0.1 million, offset by the net loss of \$2.7 million. The \$5.6 million used in operating activities in 2015 was primarily attributable to the significant cash out flow for real estate

inventories as the Company invested in new projects.

Net cash used in investing activities was \$0.1 million and \$0.4 million for the six months ended June 30, 2016 and 2015, respectively. This usage was mainly attributable to the change in compensating balances held in escrow purchase accounts as collateral for certain letters of credit, which are funded upon settlement and release of units, and the purchase of a new customer relationship management system in 2015.

Net cash used in financing activities was \$9.6 million for the six months ended June 30, 2016. This was primarily attributable to the distributions of \$1.9 million to the New Hampshire Avenue non-controlling interest member, the distributions of \$0.8 million to the Comstock Investors VIII Class B Members, along with the pay downs on notes payable of \$18.9 million, offset by borrowings of \$12.1 million. Net cash provided by financing activities was \$4.6 million for the six months ended June 30, 2015, primarily attributable to the \$2.5 million in proceeds received by the Company from the sale of membership interests in Comstock Investors IX, L.C. and borrowings under the unsecured promissory note with Comstock Growth Fund, offset by the \$1.1 million of distributions paid to non-controlling interests. See Notes 12 and 14 to the accompanying consolidated financial statements for details on private placement offerings and for more details on our credit facilities, respectively.

Seasonality

The homebuilding industry usually experiences seasonal fluctuations in quarterly operating results and capital requirements. We typically experience the highest new home order activity in the Spring and Summer, although this activity is also highly dependent on

Table of Contents

the number of active selling communities, the timing of new community openings and other market factors. Because it typically takes four to six months to construct a new home, we deliver more homes in the second half of the year as Spring and Summer home orders convert to home deliveries. Because of this seasonality, home starts, construction costs and related cash outflows have historically been highest in the second and third quarters, and the majority of cash receipts from home deliveries occur during the second half of the year. We expect this seasonal pattern to continue over the long-term, although it may be affected by volatility in the homebuilding industry and the general economy.

Recently Issued Accounting Standards

See Note 1 to the accompanying consolidated financial statements included in this Quarterly Report on Form 10-Q.

Critical Accounting Policies and Estimates

There have been no significant changes to our critical accounting policies and estimates during the six months ended June 30, 2016 from those disclosed in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2015.

Off Balance Sheet Arrangements

None.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We have evaluated, with the participation of our Chief Executive Officer and our Interim Chief Financial Officer, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of June 30, 2016. Based on this evaluation, our Chief Executive Officer and Interim Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of June 30, 2016.

Limitations on the Effectiveness of Controls

We do not expect that our disclosure controls and 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. Further, 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 its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The design of any system of controls also 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, a control may become inadequate because of changes in conditions or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected.

Changes in Internal Control

No changes have occurred in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the quarter ended June 30, 2016, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II OTHER INFORMATION

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed under Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2015.

Table of Contents

ITEM 6. EXHIBITS

- 3.1 Amended and Restated Certificate of Incorporation (incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on November 16, 2015).
- 3.2 Amended and Restated Bylaws (incorporated by reference to an Exhibit 3.2 to the Registrant's Annual Report on Form 10-K filed with the Commission on March 31, 2005).
- 3.3 Certificate of Designation of Series A Junior Participating Preferred Stock filed with the Secretary of State of the State of Delaware on March 27, 2015 (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed with the Commission on March 27, 2015).
- 3.4 Certificate of Designation of Series B Non-Convertible Preferred Stock of the Company filed with the Secretary of State of the State of Delaware on December 29, 2015 (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Commission on January 4, 2016).
- 4.1 Specimen Stock Certificate (incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-1, as amended, initially filed with the Commission on August 13, 2004 (File No. 333-118193)).
- 31.1* Certification of Chief Executive Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002
- 31.2* Certification of Interim Chief Financial Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002
- 32.1* Certification of Chief Executive Officer and Interim Chief Financial Officer pursuant to Section 906 of Sarbanes-Oxley Act of 2002
- 101* The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016, formatted in eXtensible Business Reporting Language (XBRL): (i) the Consolidated Balance Sheet, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Changes in Stockholder's Equity, (iv) the Consolidated Statements of Cash Flows and (v) the Notes to the Consolidated Financial Statements.

* Filed herewith.

Table of Contents

SIGNATURES

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 thereunto duly authorized.

COMSTOCK HOLDING COMPANIES, INC.

Date: August 15, 2016

By: /s/ CHRISTOPHER CLEMENTE
Christopher Clemente
Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: August 15, 2016

By: /s/ CHRISTOPHER L. CONOVER
Christopher L. Conover
Interim Chief Financial Officer
(Principal Financial Officer and Principal
Accounting Officer)

30