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

FORM 10-Q

Quarterly Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2015

or

Transition Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number 1-32375

Comstock Holding Companies, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

20-1164345
(I.R.S. Employer
Identification No.)

**1886 Metro Center Drive, 4th Floor
Reston, Virginia 20190
(703) 883-1700**

(Address, including zip code, and telephone number, including area code, of principal executive offices)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

As of May 15, 2015, 20,769,030 shares of Class A common stock, par value \$0.01 per share, and 2,733,500 shares of Class B common stock, par value \$0.01 per share, of the registrant were outstanding.

COMSTOCK HOLDING COMPANIES, INC. AND SUBSIDIARIES

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PART 1 — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

COMSTOCK HOLDING COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except share and per share data)

	March 31, 2015 (unaudited)	December 31, 2014
ASSETS		
Cash and cash equivalents	\$ 5,430	\$ 7,498
Restricted cash	1,891	1,779
Trade receivables	988	110
Real estate inventories	44,674	40,889
Property, plant and equipment, net	443	395
Other assets	5,432	5,696
TOTAL ASSETS	<u>\$ 58,858</u>	<u>\$ 56,367</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued liabilities	\$ 9,661	\$ 8,538
Notes payable - secured by real estate inventories	28,923	28,379
Notes payable - due to affiliates, unsecured, net of discount	17,700	15,488
Notes payable - unsecured	1,935	2,064
Income taxes payable	80	43
TOTAL LIABILITIES	<u>58,299</u>	<u>54,512</u>
Commitments and contingencies (Note 8)	—	—
STOCKHOLDERS' EQUITY (DEFICIT)		
Class A common stock, \$0.01 par value, 77,266,500 shares authorized, 19,221,030 and 19,099,722 issued and outstanding, respectively	192	191
Class B common stock, \$0.01 par value, 2,733,500 shares authorized, issued and outstanding	27	27
Additional paid-in capital	171,752	171,452
Treasury stock, at cost (598,994 and 522,033 shares Class A common stock, respectively)	(2,662)	(2,583)
Accumulated deficit	(172,161)	(171,218)
TOTAL COMSTOCK HOLDING COMPANIES, INC. (DEFICIT) EQUITY	<u>(2,852)</u>	<u>(2,131)</u>
Non-controlling interest	3,411	3,986
TOTAL EQUITY	<u>559</u>	<u>1,855</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 58,858</u>	<u>\$ 56,367</u>

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

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COMSTOCK HOLDING COMPANIES, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except share and per share data)

	Three Months Ended March 31,	
	2015	2014
Revenues		
Revenue—homebuilding	\$ 10,010	\$ 7,831
Revenue—other	307	123
Total revenue	10,317	7,954
Expenses		
Cost of sales—homebuilding	8,590	6,256
Cost of sales—other	165	93
Sales and marketing	425	538
General and administrative	1,897	1,889
Interest and real estate tax expense	170	2
Operating loss	(930)	(824)
Other income, net	192	55
Loss before income tax benefit (expense)	(738)	(769)
Income tax benefit (expense)	70	(74)
Net loss	(668)	(843)
Less: Net income attributable to non-controlling interests	275	736
Net loss attributable to Comstock Holding Companies, Inc.	\$ (943)	\$ (1,579)
Basic net loss per share	\$ (0.04)	\$ (0.08)
Diluted net loss per share	\$ (0.04)	\$ (0.08)
Basic weighted average shares outstanding	21,268	20,935
Diluted weighted average shares outstanding	21,268	20,935

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

COMSTOCK HOLDING COMPANIES, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Dollars in thousands, except share and per share data)

	Class A		Class B		Additional paid-in capital	Treasury stock	Retained earnings (deficit)	Non- controlling interest	Total
	Shares	Amount	Shares	Amount					
Balance at December 31, 2013	18,629	\$ 186	2,733	\$ 27	\$170,811	\$(2,480)	\$(164,379)	\$ 14,894	\$19,059
Stock compensation and issuances	189	2	—	—	277	—	—	—	279
Warrants	—	—	—	—	—	—	—	—	—
Shares withheld related to net share settlement of restricted stock awards	(38)	—	—	—	(58)	—	—	—	(58)
Non-controlling interest contributions	—	—	—	—	—	—	—	—	—
Non-controlling interest distributions	—	—	—	—	—	—	—	(2,117)	(2,117)
Net (loss) income	—	—	—	—	—	—	(1,579)	736	(843)
Balance at March 31, 2014	<u>18,780</u>	<u>\$ 188</u>	<u>2,733</u>	<u>\$ 27</u>	<u>\$171,030</u>	<u>\$(2,480)</u>	<u>\$(165,958)</u>	<u>\$ 13,513</u>	<u>\$16,320</u>
Balance at December 31, 2014	19,100	\$ 191	2,733	\$ 27	\$171,452	\$(2,583)	\$(171,218)	\$ 3,986	\$ 1,855
Stock compensation and issuances	125	1	—	—	109	—	—	—	110
Warrants	84	1	—	—	221	—	—	—	222
Shares withheld related to net share settlement of restricted stock awards	(87)	(1)	—	—	(30)	—	—	—	(31)
Stock repurchases	—	—	—	—	—	(79)	—	—	(79)
Non-controlling interest distributions	—	—	—	—	—	—	—	(850)	(850)
Net (loss) income	—	—	—	—	—	—	(943)	275	(668)
Balance at March 31, 2015	<u>19,222</u>	<u>\$ 192</u>	<u>2,733</u>	<u>\$ 27</u>	<u>\$171,752</u>	<u>\$(2,662)</u>	<u>\$(172,161)</u>	<u>\$ 3,411</u>	<u>\$ 559</u>

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

COMSTOCK HOLDING COMPANIES, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands, except per share data)

	<u>Three Months Ended March 31,</u>	
	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Net loss	\$ (668)	\$ (843)
Adjustment to reconcile net loss to net cash used in operating activities		
Amortization of loan discount and deferred financing fees	102	69
Deferred income tax benefit	(108)	—
Depreciation expense	26	24
Gain on derivative	(154)	—
Earnings from unconsolidated joint venture, net of distributions	(4)	34
Amortization of stock compensation	76	134
Changes in operating assets and liabilities:		
Restricted cash	(15)	(199)
Trade receivables	(620)	(177)
Real estate inventories	(3,776)	(1,216)
Other assets	404	(171)
Accrued interest	113	194
Accounts payable and accrued liabilities	812	(238)
Income taxes payable	37	(202)
Net cash used in operating activities	<u>(3,775)</u>	<u>(2,591)</u>
Cash flows from investing activities:		
Purchase of property, plant and equipment	(74)	(4)
Note receivable	8	—
Restricted cash	(97)	(107)
Net cash used in investing activities	<u>(163)</u>	<u>(111)</u>
Cash flows from financing activities:		
Proceeds from notes payable	10,283	5,405
Payments on notes payable	(7,309)	(5,060)
Loan financing costs	(145)	—
Distributions to non-controlling interests	(850)	(2,117)
Taxes paid related to net share settlement of equity awards	(30)	(58)
Repurchase of stock	(79)	—
Net cash provided by (used in) financing activities	<u>1,870</u>	<u>(1,830)</u>
Net decrease in cash and cash equivalents	(2,068)	(4,532)
Cash and cash equivalents, beginning of period	7,498	11,895
Cash and cash equivalents, end of period	<u>\$ 5,430</u>	<u>\$ 7,363</u>
Supplemental cash flow information:		
Interest paid, net of interest capitalized	\$ 54	\$ (263)
Income taxes paid	(125)	(276)
Supplemental disclosure for non-cash activity:		
Increase in Class A common stock par value in connection with issuance of stock compensation	\$ 1	\$ 2
Accrued liability settled through issuance of stock	\$ 25	\$ 129
Discount on notes payable	\$ (490)	\$ —

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

COMSTOCK HOLDING COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands, except per share data, number of units, or as otherwise noted)

1. ORGANIZATION AND BASIS OF PRESENTATION

The accompanying unaudited financial statements of Comstock Holding Companies, Inc. and subsidiaries (“Comstock” or the “Company”) have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and in accordance with the instructions to Form 10-Q and Article 8 of Regulation S-X. Such financial statements do not include all of the information and disclosures required by GAAP for complete financial statements. In our opinion, all adjustments, consisting only of normal recurring adjustments, considered necessary for a fair presentation have been included in the accompanying financial statements. For further information and a discussion of our significant accounting policies, other than discussed below, refer to our audited consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

Comstock Holding Companies, Inc., incorporated in 2004 as a Delaware corporation is a multi-faceted real estate development and construction services company focused in the Washington, D.C. metropolitan area (Washington D.C., Northern Virginia and Maryland suburbs of Washington D.C.). We have substantial experience with building a diverse range of products including multi-family, single-family homes, townhouses, mid-rise condominiums, high-rise multi-family condominiums and mixed-use (residential and commercial) developments. References in this Form 10-Q to “Comstock,” “Company,” “we,” “our” and “us” refer to Comstock Holding Companies, Inc. together in each case with our subsidiaries and any predecessor entities unless the context suggests otherwise.

The Company’s Class A common stock is traded on the NASDAQ Capital Market (“NASDAQ”) under the symbol CHCI and has no public trading history prior to December 17, 2004.

For the three months ended March 31, 2015 and 2014, comprehensive loss equaled net loss; therefore, a separate statement of comprehensive loss is not included in the accompanying consolidated financial statements.

Liquidity and Capital Resources

We require capital to operate, to post deposits on new deals, 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 should continue to include, private equity and debt 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. In addition, 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.

During the three months ended March 31, 2015, the Company received proceeds of \$3.1 million under the CGF loan agreement. Subsequent to March 31, 2015 and through the report date, the Company received \$0.5 million in additional proceeds under the CGF loan agreement.

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 project or collection of projects the Company develops and builds to have a separate credit facility. Accordingly, the Company typically has had numerous credit facilities and lenders. As of March 31, 2015, the Company has \$26.7 million of its credit facilities and project related loans that mature during 2015. Subsequent to quarter end, the Company secured an extension on \$2.7 million, of the \$26.7 million, which was scheduled to mature in the second quarter of 2015. The extension provides for an additional 12 months, to the second quarter of 2016, with an automatic extension for an additional 12 months, subject to meeting certain conditions (additional details are provided in Note 17). In addition, certain of our credit facilities are guaranteed by our Chief Executive Officer.

We are in active discussions with our lenders with respect to these maturities and are seeking extensions and modifications to the loans as necessary. The current performance of the projects and our early discussions with our lenders indicates that we will likely be successful in extending or modifying these loans, though no assurances can be made that we will be successful in these efforts. We are anticipating that with successful resolution of those discussions with our lenders, the expected proceeds from the aforementioned private placements, current available cash on hand and additional cash from settlement proceeds at existing and under development communities, the Company should have sufficient financial resources to sustain its operations through the next twelve 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.

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See Note 11 and Note 13 for details on private placement offerings and for more details on our credit facilities, respectively in the accompanying consolidated financial statements.

Use of Estimates

Our financial statements have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts for the reporting periods. We base these estimates and judgments on historical experience and on various other factors that we believe to be reasonable under the circumstances. On an ongoing basis, we evaluate these estimates and judgments. Actual results may differ from those estimates under different assumptions or conditions.

Recently Issued Accounting Standards

In February 2015, the FASB issued ASU 2015-02, Amendments to the Consolidation Analysis (“ASU 2015-02”). The new guidance provides an additional requirement for a limited partnership or similar entity to qualify as a voting interest entity, amending the criteria for consolidating such an entity and eliminating the deferral provided under previous guidance for investment companies. In addition, the new guidance amends the criteria for evaluating fees paid to a decision maker or service provider as a variable interest and amends the criteria for evaluating the effect of fee arrangements and related parties on a VIE primary beneficiary determination. This guidance is effective for interim and annual reporting periods beginning after December 15, 2015. The Company is currently evaluating this guidance to determine any impact on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, Interest – Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs (“ASU 2015-03”). ASU 2015-03 requires debt issuance costs to be presented on the balance sheet as a direct deduction from the related debt liability, similar to the presentation of debt discounts or premiums. The costs will continue to be amortized to interest expense using the effective interest method. ASU 2015-03 requires retrospective application to all prior periods presented in the financial statements. Upon transition, an entity is required to comply with the applicable disclosures for a change in accounting principle. The guidance within ASU 2015-03 will be effective for the Company’s first fiscal year beginning after December 15, 2015, but early adoption is permitted. The Company is currently evaluating this guidance to determine any impact on its consolidated financial statements.

2. REAL ESTATE INVENTORIES

After impairments and write-offs, real estate held for development and sale consists of the following:

	March 31, 2015	December 31, 2014
Land and land development costs	\$ 25,048	\$ 22,487
Cost of construction (including capitalized interest and real estate taxes)	19,626	18,402
	<u>\$ 44,674</u>	<u>\$ 40,889</u>

3. WARRANTY RESERVE

Warranty reserves for units settled are established to cover potential costs for materials and labor with regard to warranty-type claims expected to arise during the typical one-year warranty period provided by the Company or within the two-year statutorily mandated structural warranty period for condominiums. Because the Company typically subcontracts its homebuilding work, subcontractors are required to provide the Company with an indemnity and a certificate of insurance prior to receiving payments for their work. Claims relating to workmanship and materials are generally the primary responsibility of the subcontractors and product manufacturers. The warranty reserve is established at the time of closing, and is calculated based upon historical warranty cost experience and current business factors. This reserve is an estimate and actual warranty costs could vary from these estimates. Variables used in the calculation of the reserve, as well as the adequacy of the reserve based on the number of homes still under warranty, are reviewed on a periodic basis. Warranty claims are directly charged to the reserve as they arise.

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The following table is a summary of warranty reserve activity which is included in accounts payable and accrued liabilities:

	Three Months Ended March 31,	
	2015	2014
Balance at beginning of period	\$ 492	\$ 510
Additions	42	38
Releases and/or charges incurred	(172)	(34)
Balance at end of period	<u>\$ 362</u>	<u>\$ 514</u>

4. CAPITALIZED INTEREST AND REAL ESTATE TAXES

Interest and real estate taxes incurred relating to the development of lots and parcels are capitalized to real estate inventories during the active development period, which generally commences when borrowings are used to acquire real estate assets and ends when the properties are substantially complete or the property becomes inactive. A project becomes inactive when development and construction activities have been suspended indefinitely. Interest is capitalized based on the interest rate applicable to specific borrowings or the weighted average of the rates applicable to other borrowings during the period. Interest and real estate taxes capitalized to real estate inventories are expensed as a component of cost of sales as related units are sold.

The following table is a summary of interest and real estate taxes incurred and capitalized and interest and real estate taxes expensed for units settled:

	Three Months Ended March 31,	
	2015	2014
Total interest incurred and capitalized	\$ 761	\$ 530
Total real estate taxes incurred and capitalized	68	53
Total interest and real estate taxes incurred and capitalized	<u>\$ 829</u>	<u>\$ 583</u>
Interest expensed as a component of cost of sales	\$ 380	\$ 52
Real estate taxes expensed as a component of cost of sales	38	31
Interest and real estate taxes expensed as a component of cost of sales	<u>\$ 418</u>	<u>\$ 83</u>

The amount of interest from entity level borrowings that we are able to capitalize in accordance with the accounting standards is dependent upon the average accumulated expenditures that exceed project specific borrowings. Additionally when a project becomes inactive, its interest, real estate taxes and indirect production overhead costs are no longer capitalized but rather expensed in the period in which they are incurred. Following is a breakdown of the interest and real estate taxes expensed in the consolidated statement of operations for the respective quarters:

	Three Months Ended March 31,	
	2015	2014
Interest incurred and expensed from entity level borrowings	\$ 163	\$ —
Interest incurred and expensed for inactive projects	4	—
Real estate taxes incurred and expensed for inactive projects	3	2
	<u>\$ 170</u>	<u>\$ 2</u>

5. LOSS PER SHARE

The weighted average shares and share equivalents used to calculate basic and diluted income per share for the three months ended March 31, 2015 and 2014 are presented in the accompanying consolidated statements of operations. Restricted stock awards, stock options and warrants for the three months ended March 31, 2015 and 2014 are included in the diluted earnings per share calculation using the treasury stock method and average market prices during the periods, unless the restricted stock awards, stock options and warrants would be anti-dilutive.

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As a result of net losses for the three months ended March 31, 2015 and 2014, the following shares have been excluded from the diluted share computation as their inclusion would be anti-dilutive:

	Three Months Ended March 31,	
	2015	2014
Restricted stock awards	65	367
Stock options	96	277
Warrants	2	660
	<u>163</u>	<u>1,304</u>

6. SEGMENT DISCLOSURES

We operate our business through three segments: Homebuilding, Multi-family and Real Estate Services. We are currently focused on the Washington, D.C. area market.

In our Homebuilding segment, we develop properties with the intent to sell as fee-simple properties or condominiums to individual buyers or to private or institutional investors. Our for-sale products are designed to attract first-time, early move-up, and secondary move-up buyers. We focus on products that we are able to offer for sale in the middle price points within the markets where we operate, avoiding the very low-end and high-end products.

In our Multi-family segment we focus on projects ranging from approximately 75 to 200 units in locations that are supply constrained with demonstrated demand for stabilized assets. We seek opportunities in the multi-family rental market where our experience and core capabilities can be leveraged. We will either position the assets for sale when completed or operate the asset within our own portfolio. Operating the asset for our own account affords us the flexibility of converting the units to condominiums in the future.

In our Real Estate Services segment we pursue projects in all aspects of real estate management including strategic planning, land development, entitlement, property management, sales and marketing, workout and turnaround strategies, financing and general construction. We are able to provide a wide range of construction management and general contracting services to other property owners.

The following disclosure includes the Company's three reportable segments of Homebuilding, Multi-family and Real Estate Services. Each of these segments operates within the Company's single Washington, D.C. reportable geographic segment.

	Homebuilding	Multi-family	Real Estate Services	Total
Three Months Ended March 31, 2015				
Gross revenue	\$ 10,010	\$ —	\$ 307	\$10,317
Gross profit	1,420	—	142	1,562
Net (loss) income	(810)	—	142	(668)
Depreciation and amortization	111	—	—	111
Interest expense	167	—	—	167
Total assets	58,382	—	476	58,858
Three Months Ended March 31, 2014				
Gross revenue	\$ 7,831	\$ —	\$ 123	\$ 7,954
Gross profit	1,575	—	30	1,605
Net (loss) income	(873)	—	30	(843)
Depreciation and amortization	174	—	—	174
Interest expense	—	—	—	—
Total assets	53,871	—	239	54,110

The Company allocates sales, marketing and general and administrative expenses to the individual segments based upon specifically allocable costs and, in the absence of direct allocations or based upon overall pro rata revenue generation.

7. INCOME TAX

During the three months ended March 31, 2015, the Company recorded an out of period adjustment to recognize the deferred tax benefit of \$121 related to the New Hampshire Avenue project in Washington, D.C. The net income tax benefit as of March 31, 2015 consisted of a \$51 tax expense and a \$121 deferred tax benefit both related to the New Hampshire Avenue project and the effective tax rate is 6%. Because this error was not material to any previously filed consolidated financial statements and the impact of correcting this error in the current period is not material, the Company recorded the correction in the first quarter of 2015, the period in which the error was identified. The Company has recorded a tax provision of \$137 for the three months ended March 31, 2014 and the effective tax rate was 12%. These amounts are included in the 'Income tax benefit (expenses)' line within the consolidated statements of operations.

The Company currently has approximately \$123 million in federal and state net operating losses (NOLs), which, based on current statutory tax rates represents approximately \$48 million in tax savings. If unused, these NOLs will begin expiring in 2028. Under Internal Revenue Code Section 382 ("Section 382"), if an "ownership change" is triggered, the Company's ability to use its NOLs (and in certain circumstances, future built-in losses and depreciation deductions) can be negatively affected and possibly certain other deferred tax assets may be impaired. In general, an ownership change occurs whenever there is a shift in ownership by more than 50 percentage points by one or more 5% stockholders over a specified time period (generally three years). Given Section 382's broad definition, an ownership change could be the unintended consequence of otherwise normal market trading in the Company's stock that is outside of the Company's control. In an effort to preserve the availability of these NOLs, Comstock initially adopted a Section 382 stockholder rights plan in May 2011 that expired in May 2014. On March 27, 2015, Comstock's board of directors adopted a new Section 382 stockholder rights plan (the "Rights Plan") that will be submitted to a vote of the Company's stockholders at the 2015 Annual Meeting of Stockholders. The Rights Plan was adopted to reduce the likelihood of such an unintended "ownership change" and thus assist in preserving the value of these tax benefits. We estimate that as of March 31, 2015, the cumulative shift in ownership of the Company's stock would not cause an impairment of our NOL asset. However, if an ownership change were to occur, the Section 382 limitation would not be expected to materially impact the Company's financial position or results of operations as of March 31, 2015, because of the Company's full valuation allowance on its net deferred tax assets.

The Company has not recorded any accruals for tax uncertainties as of March 31, 2015 and 2014. We file U.S. and state and local income tax returns in jurisdictions with varying statutes of limitations. The 2011 through 2014 tax years remain subject to examination by federal and state tax authorities that we are subject to.

8. COMMITMENTS AND CONTINGENCIES

Litigation

Currently, we are not subject to any material legal proceedings. From time to time, however, we are named as a defendant in legal actions arising from our normal business activities. Although we cannot accurately predict the amount of our liability, if any, that could arise with respect to legal actions pending against us; we do not expect that any such liability will have a material adverse effect on our financial position, operating results and cash flows. We believe that we have obtained adequate insurance coverage, rights to indemnification, or where appropriate, have established reserves in connection with such legal proceedings.

Letters of credit, performance bonds and compensating balances

The Company has commitments as a result of contracts with certain third parties, primarily local governmental authorities, to meet certain performance criteria outlined in such contracts. The Company is required to issue letters of credit and performance bonds to these third parties as a way of ensuring that the commitments entered into are met. These letters of credit and performance bonds issued in favor of the Company and/or its subsidiaries mature on a revolving basis, and if called into default, would be deemed material if assessed against the Company and/or its subsidiaries for the full amounts claimed. In some circumstances, we have negotiated with our lenders in connection with foreclosure agreements for the lender to assume certain liabilities with respect to the letters of credit and performance bonds. We cannot accurately predict the amount of any liability that could be imposed upon the Company with respect to maturing or defaulted letters of credit or performance bonds. At March 31, 2015 and 2014, the Company had \$3.7 million and \$5.7 million in letters of credit, respectively. At March 31, 2015 and 2014, the Company had \$3.8 million and \$0.8 million in outstanding performance and payment bonds, respectively. No amounts have been drawn against the outstanding letters of credit or performance bonds.

We are required to maintain compensating balances in escrow accounts as collateral for certain letters of credit, which are funded upon settlement and release of units. The cash contained within these escrow accounts is subject to withdrawal and usage restrictions. As of March 31, 2015 and December 31, 2014, we had approximately \$0.5 million and \$0.4 million, respectively, in these escrow accounts, which is included in 'Restricted cash' in the consolidated balance sheets.

9. RELATED PARTY TRANSACTIONS

The Company leases its corporate headquarters from an affiliate wholly-owned by our Chief Executive Officer. Future minimum lease payments under this lease are as follows:

2015	\$241
2016	329
2017	167
Total	<u>\$737</u>

For the three months ended March 31, 2015 and 2014, total payments made under this lease agreement were \$79 and \$76, respectively. As of March 31, 2015 and December 31, 2014, the Company recorded a straight-line rent payable of \$28, which is included in 'Accounts payable and accrued liabilities'.

On February 23, 2009, Comstock Homes of Washington, L.C., a wholly-owned subsidiary of the Company, entered into a Services Agreement with Comstock Asset Management, L.C., an entity wholly-owned by our Chief Executive Officer, to provide services related to real estate development and improvements, including legal, accounting, marketing, information technology and other additional support services. For the three months ended March 31, 2015 and 2014, the Company billed Comstock Asset Management, L.C. \$153 and \$102, respectively, for services and out-of-pocket expenses. Revenues from this arrangement are included within 'Revenue – other' in the accompanying consolidated statements of operations. As of March 31, 2015 and December 31, 2014, the Company was owed \$150 and \$38, respectively, under this contract, which is included in 'Trade receivables' in the accompanying consolidated balance sheets.

On March 14, 2013, Stonehenge Funding, LC ("Stonehenge"), an entity wholly-owned by our Chief Executive Officer, entered into an Extension Agreement of the Amended and Restated Senior Note with the Company to extend the maturity date of the financing arrangement to January 1, 2016. Under the terms of the Extension Agreement, the Company is required to pay \$50 a month to Stonehenge, to be allocated first to accrued and unpaid interest and then to outstanding principal. For the three months ended March 31, 2015 and 2014, the Company made payments of \$150 under this Note.

On October 17, 2014, Comstock Growth Fund, L.C. (CGF), an administrative entity managed by the Company, was created for purposes of raising up to \$25 million through a private placement offering. CGF entered into a subscription agreement with Comstock Development Services, LC ("CDS"), an entity wholly-owned by our Chief Executive Officer, pursuant to which CDS purchased membership interests in CGF for an initial aggregate principal amount of \$10 million and received additional commitments from members of the Company's management and board of directors (the "CGF Private Placement"). See Note 13 to the consolidated financial statements for a summary of the CGF Private Placement.

Simultaneously, on October 17, 2014, the Company entered into an unsecured promissory note with CGF whereby CGF made a loan to the Company in the initial principal amount of \$10 million and a maximum capacity of up to \$20 million. On December 18, 2014, the loan agreement was amended and restated to provide for a maximum capacity of \$25 million. All of the other terms of the Original Promissory Note remained the same. This loan has a three year term carrying a floating interest rate of LIBOR plus 9.75% with a 10% floor. The loan requires an annual principal repayment in the amount of 10% of the average outstanding balance and a monthly interest payment that will be made in arrears. As of March 31, 2015, \$13.6 million was outstanding in principal and accrued interest, net of discounts. For the year ended March 31, 2015, the Company made interest payments of \$0.4 million. See Note 13 for further discussion of transactions entered with CGF.

In connection with the departure of Gregory V. Benson, our former Chief Operating Officer and member of our board until his term expires at our 2015 annual meeting of stockholders, in the second quarter of 2014, the Company entered into a Separation Agreement. See Note 16 to the consolidated financial statements for a summary of the Separation Agreement.

See Note 11 to the consolidated financial statements for a summary of the Comstock VII Private Placement and Comstock VIII Private Placement which involved certain of our officers and directors.

10. NOTE RECEIVABLE

The Company originated a note receivable to a third party in the amount of \$180 in September 2014. This note has a maturity date of September 2, 2019 and is payable in monthly installments of principal and interest. This note bears a fixed interest rate of 6% per annum. As of March 31, 2015 and December 31, 2014, the outstanding balance of the note was \$165 and \$173, respectively, and is included within 'Other assets' in the accompanying consolidated balance sheets. The interest income of \$3 for the three months ended March 31, 2015 is included in 'Other income, net' in the consolidated statements of operations. There was no interest income for the three months ended March 31, 2014.

11. VARIABLE INTEREST ENTITY

Included within the Company's real estate inventories at March 31, 2015 and December 31, 2014 are several projects that are determined to be VIEs. These entities have been established to own and operate real estate property and were deemed VIEs primarily based on the fact that the equity investment at risk is not sufficient to permit the entities to finance their activities without additional financial support. The Company determined that it was the primary beneficiary of these VIEs as a result of its majority voting and complete operational control of the entities.

On August 23, 2012, the Company formed New Hampshire Ave. Ventures, LLC, a joint venture of its subsidiary, Comstock Ventures XVI, L.C., and 6000 New Hampshire Avenue, LLC, for the purpose of acquiring, developing and constructing a 111-unit project (the "NHA Project") in Washington, D.C. The Company evaluated the joint venture and determined that the equity investment at risk is not sufficient to permit the entity to finance its activities without additional financial support. The Company determined that it was the primary beneficiary of the VIE as a result of its complete operational control of the activities that most significantly impact the economic performance and obligation to absorb losses, or receive benefits. The Company contributed its ownership interest in Comstock Ventures XVI, L.C. to Comstock Investors VII, L.C. ("Comstock VII") on March 13, 2013. During the three months ended March 31, 2015, New Hampshire Ave. Ventures, LLC distributed \$850 to its non-controlling interest member, 6000 New Hampshire Avenue, LLC. During the three months ended March 31, 2014, New Hampshire Ave. Ventures, LLC, distributed \$1.1 million to 6000 New Hampshire Avenue.

On September 27, 2012, the Company formed Comstock Eastgate, L.C., a joint venture of the Company and BridgeCom Development II, LLC, for the purpose of acquiring, developing and constructing 66 condominium units in Loudoun County, Virginia. The Company evaluated the joint venture and determined that the equity investment at risk is not sufficient to permit the entity to finance its activities without additional financial support. The Company determined that it was the primary beneficiary as a result of its complete operational control of the activities that most significantly impact the economic performance and obligation to absorb losses, or receive benefits. The Company exited the Eastgate project in the second quarter of 2014 after closing on all 66 units. No distributions were made in the three months ended March 31, 2015 or 2014.

On March 14, 2013, Comstock VII entered into subscription agreements with certain accredited investors ("Comstock VII Class B Members"), pursuant to which the Comstock VII Class B Members purchased membership interests in Comstock VII for an aggregate amount of \$7.3 million (the "Comstock VII Private Placement"). The Comstock VII Private Placement was exempt from registration under Section 4(a)(2) of the Securities Act and Rule 506 of Regulation D promulgated under the Securities Act. In connection with the Comstock VII Private Placement, the Company issued 112 warrants for the purchase of shares of the Company's Class A common stock to the non-affiliated accredited investors, having an aggregate fair value of \$146. Comstock VII Class B Members included unrelated third-party accredited investors along with members of the Company's board of directors and the Chief Financial Officer, the General Counsel and the former Chief Operating Officer, of the Company. The Subscription Agreement provides that the Comstock VII Class B Members are entitled to a cumulative, preferred return of 20% per annum, compounded annually on their capital account balances. After six months, the Company has the right to repurchase the interests of the Comstock VII Class B Members, provided that (i) all of the Comstock VII Class B Members' interests are acquired, (ii) the purchase is made in cash and (iii) the purchase price equals the Comstock VII Class B Members' capital account plus an amount necessary to cause the preferred return to equal a cumulative cash on cash return equal to 20% per annum. The Comstock VII Private Placement provides capital related to the current and planned construction of the Company's following projects: Townes at Shady Grove Metro in Rockville, Maryland consisting of 36 townhomes, Momentum | Shady Grove consisting of 117 condominium units, City Homes at the Hampshires in Washington D.C. consisting of 38 single family residences, Townes at the Hampshires in Washington, D.C. consisting of 73 townhomes, Single Family Homes at the Falls Grove project in Prince William County, Virginia consisting of 19 single family homes and Townes at the Falls Grove project in Prince William County, Virginia consisting of 110 townhomes (collectively, the "Projects"). Proceeds of the Comstock VII Private Placement are being utilized (A) to provide capital needed to complete the Projects in conjunction with project financing for the Projects, (B) to reimburse the Company for prior expenditures incurred on behalf of the Projects, and (C) for general corporate purposes of the Company. The Company evaluated Comstock VII and determined that the equity investment at risk is not sufficient to permit the entity to finance its activities without additional financial support and the Company was the primary beneficiary as a result of its complete operational control of the activities that most significantly impact the economic performance and its obligation to absorb losses, or receive benefits. Accordingly, the Company consolidates this entity. In October 2014, the Company fully redeemed the equity interest of the Comstock VII Class B Members. During the three months ended March 31, 2014, the Company paid distributions in the amount of \$1.0 million, to its non controlling interest member, Comstock VII Class B Members.

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In December 2013, Comstock Investors VIII, L.C. (“Comstock VIII”) entered into subscription agreements with certain accredited investors (“Comstock VIII Class B Members”), pursuant to which Comstock VIII Class B Members purchased membership interests in Comstock VIII for an aggregate amount of \$4.0 million (the “Comstock VIII Private Placement”). The Comstock VIII Private Placement was exempt from registration under Section 4(a) (2) of the Securities Act and Rule 506 of Regulation D promulgated under the Securities Act. In connection with the Comstock VIII Private Placement, the Company issued 102 warrants for the purchase of shares of the Company’s Class A common stock to the non-affiliated accredited investors, having an aggregate fair value of \$131. Comstock VIII Class B Members included unrelated third-party accredited investors along with members of the Company’s board of directors and the Company’s Chief Financial Officer and the Company’s former Chief Operating Officer. The Comstock VIII Class B Members are entitled to a cumulative, preferred return of 20% per annum, compounded annually on their capital account balances. The Company has the right to repurchase the interests of the Comstock VIII Class B Members at any time, provided that (i) all of the Comstock VIII Class B Members’ interests are acquired, (ii) the purchase is made in cash and (iii) the purchase price equals the Comstock VIII Class B Members’ capital accounts plus an amount necessary to cause the preferred return to equal a cumulative cash on cash return equal to 20% per annum. The proceeds from the Comstock VIII Private Placement are being used for the current and planned construction of the following projects: The Townes at HallCrest in Sterling, Virginia consisting of 42 townhome units, and Townes at Maxwell Square Condominium in Frederick, Maryland consisting of 45 townhome condominium units (collectively, the “Investor VIII Projects”). Proceeds of the Comstock VIII Private Placement are being utilized (A) to provide capital needed to complete the Investor VIII Projects in conjunction with project financing for the Investor VIII Projects, (B) to reimburse the Company for prior expenditures incurred on behalf of the Investor VIII Projects, and (C) for general corporate purposes of the Company. The Company evaluated Comstock VIII and determined that the equity investment at risk is not sufficient to permit the entity to finance its activities without additional financial support and the Company was the primary beneficiary as a result of its complete operational control of the activities that most significantly impact the economic performance and its obligation to absorb losses, or receive benefits accordingly, the Company consolidates this entity. No distributions were paid to the Comstock VIII Class B Members during the three months ended March 31, 2015 and 2014.

At March 31, 2015 and December 31, 2014, the distributions and contributions for the VIEs discussed above are included within the ‘non-controlling interest’ classification in the consolidated statement of changes in stockholder’s equity.

At March 31, 2015 and December 31, 2014 total assets of these VIEs were approximately \$19.6 million and \$19.5 million, respectively, and total liabilities were approximately \$11.9 million and \$13.5 million, respectively. The classification of these assets is primarily within ‘Real estate inventories’ and the classification of liabilities are primarily within ‘Accounts payable and accrued liabilities’ and ‘Notes payable – secured by real estate inventories’ in the accompanying consolidated balance sheets.

12. UNCONSOLIDATED JOINT VENTURE

The Company accounts for its interest in its title insurance joint venture using the equity method of accounting and adjusts the carrying value for its proportionate share of earnings, losses and distributions. The investment in the unconsolidated joint venture is included within ‘Other assets’ in the accompanying consolidated balance sheets. Earnings for the three months ended March 31, 2015 and 2014, from this unconsolidated joint venture of \$19 and \$16, respectively, are included in ‘Other income, net’ in the accompanying consolidated statement of operations. During the three months ended March 31, 2015 and 2014, the Company collected distributions of \$15 and \$50, respectively, from this joint venture as a return on investment.

Summarized financial information for the unconsolidated joint venture is as follows:

	Three Months Ended March 31,	
	2015	2014
Statement of Operations:		
Total net revenue	\$ 74	\$ 61
Total expenses	37	29
Net income	<u>\$ 37</u>	<u>\$ 32</u>
Comstock Holding Companies, Inc. pro rata share of net income	<u>\$ 19</u>	<u>\$ 16</u>

13. CREDIT FACILITIES

Notes payable consisted of the following:

	March 31, 2015	December 31, 2014
Construction revolving	\$ 6,742	\$ 6,505
Development and acquisition notes	14,618	13,748
Mezzanine notes	5,212	5,770
Line of credit	2,351	2,356
Total secured notes	<u>28,923</u>	<u>28,379</u>
Unsecured financing	1,935	2,064
Notes payable to affiliate, unsecured, net of \$2.2 million and \$1.4 million discount, respectively	17,700	15,488
Total notes payable	<u>\$ 48,558</u>	<u>\$ 45,931</u>

As of March 31, 2015, maturities and/or curtailment obligations of all borrowings are as follows:

2015	\$26,762
2016	7,055
2017	12,664
2018	2,077
Total	<u>\$48,558</u>

We are in active discussions with our lenders with respect to the 2015 maturities and are seeking extensions and modifications to the loans as necessary. The current performance of the projects and our early discussions with our lenders indicate that we will likely be successful in extending or modifying these loans, though no assurances can be made that we will be successful in these efforts.

Construction, development and mezzanine debt—secured

The Company enters into secured acquisition and development loan agreements to purchase and develop land parcels. In addition, the Company enters into secured construction loan agreements for the construction of its real estate inventories. The loans are repaid with proceeds from home closings based upon a specific release price, as defined in each respective loan agreement.

As of March 31, 2015 and December 31, 2014, the Company had secured construction revolving credit facilities with a maximum loan commitment of \$37.5 million and \$33.4 million, respectively. The Company may borrow under these facilities to fund its home building activities. The amount the Company may borrow is subject to applicable borrowing base provisions and the number of units under construction, which may also limit the amount available or outstanding under the facilities. The facilities are secured by deeds of trust on the real property and improvements thereon, and the borrowings are repaid with the net proceeds from the closings of homes sold, subject to a minimum release price. As of March 31, 2015 and December 31, 2014, the Company had approximately \$30.8 million and \$26.9 million, respectively, of unused loan commitments. The Company had \$6.7 million and \$6.5 million of outstanding construction borrowings as of March 31, 2015 and December 31, 2014, respectively. These credit facilities have maturity dates ranging from May 2015 to March 2018, including extensions subject to certain conditions. Interest rates charged under these facilities include the London Interbank Offered Rate (“LIBOR”) and prime rate pricing options, subject to minimum interest rate floors. At March 31, 2015 and December 31, 2014, the weighted average interest rate on the Company’s outstanding construction revolving facility was 5.1% per annum.

As of March 31, 2015 and December 31, 2014, the Company had approximately \$37.8 million and \$28.0 million, respectively, of aggregate acquisition and development maximum loan commitments of which \$14.6 million and \$13.7 million, respectively, was outstanding. These loans have maturity dates ranging from May 2015 to March 2018, including extensions subject to certain conditions and bears interest at a rate based on LIBOR and Prime Rate pricing options, with interest rate floors ranging from 4.5% to 5.75% per annum. As of March 31, 2015 and December 31, 2014, the weighted average interest rates were 4.7% and 4.8% per annum, respectively.

As of March 31, 2015 and December 31, 2014, the Company had three secured mezzanine loans. The first mezzanine loan had a maximum loan commitment and outstanding balance of \$3.0 million at March 31, 2015 and December 31, 2014. This mezzanine financing was utilized to acquire land for the development of the City Homes at the Hampshires and the Townes at the Hampshires projects and is secured by the second deed of trust. This first mezzanine loan bears a fixed interest rate of 13.5% per annum paid on a monthly basis, with the full principal balance due at maturity, September 22, 2015.

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The second and third mezzanine loans are being used to finance the development of the Townes at Shady Grove Metro and Momentum | Shady Grove projects. The maximum principal commitment amount of these loans was \$3.2 million at March 31, 2015 and December 31, 2014, of which \$2.2 million and \$2.8 million of principal and accrued interest was outstanding as of March 31, 2015 and December 31, 2014, respectively. These financings carry an annual interest rate of 12% of which 6% is paid on a monthly basis with the remaining 6% being accrued and paid at maturity. These financings mature on June 22, 2015. These financings are guaranteed by the Company and our Chief Executive Officer.

Line of credit—secured

At March 31, 2015 and December 31, 2014, the Company had a secured revolving line of credit amounting to \$5.0 million of which \$2.4 million was outstanding. This line of credit is secured by the first priority security interest in the Company's wholly owned subsidiaries' in the Washington D.C, metropolitan area and is used to finance the predevelopment related expenses and deposits for current and future projects. This line of credit bears a variable interest rate tied to a one-month LIBOR plus 3.25% per annum, with an interest rate floor of 5.0% and matures on July 15, 2015 with an extension option for an additional twelve months provided that the Company meets certain conditions. This line of credit also calls for the Company to adhere to financial covenants, as defined in the loan agreement such as, minimum net worth and minimum liquidity, measured quarterly and minimum EBITDA measured on a twelve month basis. As of March 31, 2015, the Company was in compliance with all financial covenants dictated by the line of credit agreement. This line of credit is guaranteed by our Chief Executive Officer.

Unsecured note

As of March 31, 2015 and December 31, 2014, the Company had balances of \$1.9 million and \$2.1 million, respectively, outstanding to a bank under a 10-year unsecured note. Interest is charged on this financing on an annual basis at LIBOR plus 2.2%. As of March 31, 2015 and December 31, 2014, the interest rate was 2.4% per annum. The maturity date of this financing is December 28, 2018. The Company is required to make monthly principal and interest payments through maturity.

Notes payable to affiliate—unsecured

On March 14, 2013, the Company and Stonehenge entered into an agreement to extend the maturity date of the loan from July 20, 2013 to January 1, 2016. Under the terms of the Extension Agreement, the Company is required to pay \$50 monthly to Stonehenge, to be allocated first to accrued and unpaid interest and then to outstanding principal. Interest is charged to the loan based on LIBOR plus 3% per annum. As of March 31, 2015 and December 31, 2014, the interest rate was 3.7% and 3.6% per annum, respectively. The Company had approximately \$4.1 million and \$4.2 million of outstanding borrowings as of March 31, 2015 and December 31, 2014, respectively.

On October 17, 2014, CGF entered into a subscription agreement with Comstock Development Services, LC ("CDS"), an entity wholly-owned by our Chief Executive Officer, pursuant to which CDS purchased membership interests in CGF for an initial aggregate principal amount of \$10 million and received additional commitments from members of the Company's management and board of directors (the "CGF Private Placement"). CGF is offering additional interests for sale to third party accredited investors, which if fully subscribed would increase the total capital raised by CGF up to \$20 million. Purchasers other than CDS who purchase an amount of interests may receive warrants that represent the right to purchase an aggregate amount of between 500,000 to 1,000,000 shares of the Company's Class A common stock, depending upon the investment amount. As of March 31, 2015 we issued 499 warrants representing the right to purchase shares of the Company's Class A common stock to CGF having an aggregate fair value of \$410 that was considered as a debt discount. In calculating the fair value of the warrants the Company used the Black-Scholes pricing model based upon the date the funds were contributed to CGF. The Company amortizes the debt discount over the three year term of the loan to interest expense.

Simultaneously, on October 17, 2014, the Company entered into an unsecured promissory note with CGF whereby CGF made a loan to the Company in the initial principal amount of \$10 million and a maximum amount available for borrowing of up to \$20 million with a three year term (the "Original Promissory Note"). On December 18, 2014, the Company entered into an amended and restated Original Promissory Note pursuant to which the maximum amount for borrowing was increased from \$20 million to \$25 million. All of the other terms of the Original Promissory Note remained the same. The loan bears interest at a floating rate based on the 30 day LIBOR plus 9.75% per annum with a 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 \$13.6 million and \$11.3 million of outstanding borrowings, net of discounts, as of March 31, 2015 and December 31, 2014, respectively. As of March 31, 2015 and December 31, 2014, the interest rate was 10.0% per annum.

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On December 18, 2014, CGF entered into amended and restated subscription agreements with CDS, management and members of the Company's board of directors who participated in the CGF Private Placement (the "Amended CGF Private Placement"). Under the Amended CGF Private Placement, in addition to the warrants as described above, purchasers of the interests will receive a certain amount shares of our Class A common stock, depending upon the investment amount. As of March 31, 2015 the Company entered into a commitment to grant 1.5 million shares of the Company's Class A common stock, in connection with the Amended CGF Private Placement. The commitment was treated and recognized as a derivative liability that is marked to market at the end of each quarter. The Company determined the fair value of the stock based on the closing price of our stock on the dates the funds were received by CGF. As of March 31, 2015 the fair value of the shares, \$1.4 million was included within 'Accounts payable and accrued liabilities' with a corresponding offset to 'Notes payable - due to affiliates' in the form of debt discount on the consolidated balance sheets. The mark to market gain on the derivative liability, \$154, was included within 'Other income' on the consolidated statement of operations with a corresponding offset to the derivative liability within 'Accounts payable and accrued liabilities' on the consolidated balance sheets as of March 31, 2015 and December 31, 2014, respectively. The Company amortizes the debt discount over the three year term of the loan to interest expense. See Note 17 – "Subsequent Events" for further information.

14. 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 following table summarizes the fair value of fixed and floating rate debt and the corresponding carrying value of fixed and floating rate debt as of:

	March 31, 2015	December 31, 2014
Carrying amount	\$ 48,558	\$ 45,931
Fair value	\$ 48,184	\$ 44,854

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.

Non-financial assets and liabilities include items such as real estate inventories and long lived assets that are measured at fair value when acquired and on a non recurring basis thereafter. Such fair value measurements use significant unobservable inputs and are classified as Level 3.

15. RESTRICTED STOCK, STOCK OPTIONS AND OTHER STOCK PLANS

During the three months ended March 31, 2015 and 2014, 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 stated:

	Three Months Ended March 31,	
	2015	2014
Real estate inventories - Assets	\$ 9	\$ 16
General and administrative - Expenses	76	134
	<u>\$ 85</u>	<u>\$ 150</u>

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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 common stock on the trading day immediately preceding the applicable settlement date. The remaining amounts are delivered to the recipient as shares of our common stock.

As of March 31, 2015, the weighted-average remaining contractual term of unexercised stock options was 6.6 years. As of March 31, 2015 and December 31, 2014, there was \$0.4 and \$0.5 million, respectively, of unrecognized compensation cost related to stock grants.

16. SEVERANCE AND RESTRUCTURING

In connection with the departure of Gregory V. Benson, our former Chief Operating Officer in May 2014, the Company entered into a Separation Agreement with Mr. Benson on June 24, 2014. Mr. Benson will remain on our board until his term expires at our annual meeting of stockholders on June 17, 2015. The Separation Agreement provides for cash severance payment and incremental healthcare insurance through COBRA. In 2014, the Company recorded severance cost of \$597, to be paid in 36 semi-monthly installments and healthcare cost of \$14 to be paid over 12 months effective May 1, 2014 offset by \$131 in forfeitures of stock options and restricted stock awards. The severance charge for fiscal year 2014 was included in 'General and administrative' expenses in the consolidated statements of operations. There were no severance or restructuring charges in 2015. The remaining balance of \$0.2 as of March 31, 2015 is included in the 'Accounts payable and accrued liabilities' in the accompanying consolidated balance sheets.

In addition, per the Separation Agreement, the Company has a call option, but not an obligation, to purchase all or a portion of Mr. Benson's shares of Class A and Class B common stock of the Company at \$1.09 per share by June 30, 2015. If the Company exercises the option and elects to repurchase less than all of his shares of Class A and Class B common stock in a single transaction, then the following applies to each transaction: i) each transaction should include the purchase of a pro-rata portion of the Class A and Class B common stock; ii) the first purchase must include a minimum of 1,000,000 of Mr. Benson's Class A and Class B common stock (cumulative number of Mr. Benson's Class A and Class B common stock); and (iii) each subsequent purchase must include a minimum of 100,000 Class A and Class B Common stock (cumulative number of Mr. Benson's Class A and Class B common stock) until all shares of Class A and Class B common stock have been purchased. Mr. Benson also forfeited all unvested stock options and restricted stock awards outstanding as of the date of his departure. The Company recorded the fair value of the call option, which was considered to be a freestanding equity linked financial instrument and the corresponding contribution of the call option to the Company by Mr. Benson as offsetting entries within 'Additional paid-in-capital' within the consolidated balance sheets. As of March 31, 2015, neither the Company nor any designees have exercised any portion of its option under the Separation Agreement.

17. SUBSEQUENT EVENTS

On April 20, 2015, 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 May 28, 2015 and the extension provides for a maturity date of May 8, 2016, with an automatic extension of twelve additional months if certain sales and settlement requirements are met prior to the extended maturity date. All other terms of the original agreements remain in full force and effect. As of March 31, 2015, we had \$2.7 million in outstanding borrowings under this revolving credit facility.

On April 29, 2015, the Company entered into a secured construction loan with United Bank for \$2.3 million in connection with its Estates at Leeland single-family home project in Fredericksburg, Virginia. The loan provides for a variable interest rate of LIBOR plus 3.5% per annum, with an interest rate floor of 4.25% per annum. This loan matures in October 2017. This loan is guaranteed by the Company.

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On May 1, 2015, the Company announced the launch of Comstock Investors IX (“Comstock IX”), the latest private placement in a series of recently completed investment offerings. The up to \$3 million of expected proceeds of the offering are to be used to provide the equity financing for the Company’s Stone Ridge community of 35 single family homes in Loudoun County Virginia, scheduled for development commencing in the coming months. The offering may be expanded to include existing and future projects that are currently under investment review. The completion of the Comstock IX offering will assist the Company in satisfying the minimum equity requirement for continued listing on the Nasdaq Stock Market.

On May 4, 2015, the Company, through Comstock Two Rivers, I, L.C. and Comstock Two Rivers, II, L.C., subsidiaries of the Company, executed a total of eight lot takedowns, under the respective land purchase option agreements, for a total purchase price of \$1.2 million.

On May 12, 2015, in the Amended CGF Private Placement, the Company issued an aggregate amount of 1.5 million shares of Class A Common Stock to the purchasers of membership interests in CGF. In addition to the Company issuing warrants to purchase the Company’s Class A Common Stock, purchasers received 16,000 shares of the Company’s Class A common stock for each \$100 of membership interest (or portion thereof) purchased, except with respect to CDS. The Class A common stock was issued pursuant to exemptions from the registration requirements of the Securities Act provided by Section 4(a)(2) thereof, and Rule 506(c) promulgated thereunder. Each purchaser represented her, him or itself as an accredited investor and CGF and the Company took reasonable steps to verify such status. For additional information on CGF and the Amended CGF Private Placement see Notes 9 and 13 to the consolidated financial statements.

See the “Recent development” section disclosed under “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations” below for disclosures related to deficiency notices received from The Nasdaq Stock Market LLC (“Nasdaq”) for non-compliance with the continued listing requirement rules.

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 Notes 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 other similar 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 directly to us. Any number of important factors which could cause actual results to differ materially from those in the forward-looking statements include, 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, 2014. 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.

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, 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 6 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.

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We are currently operating, or developing in multiple counties throughout the Washington, D.C. market. The following table summarizes certain information for our owned or controlled communities as of March 31, 2015:

Pipeline Report as of March 31, 2015										
Project	State	Product Type (1)	Estimated Units at Completion	Units Settled	Backlog (7)	Units Owned Unsold	Units Under Control (2)	Total Units Owned, Unsettled and Under Control	Average New Order Revenue Per Unit to Date	
City Homes at the Hampshires	DC	SF	38	34	3	1	—	4	746	
Townes at the Hampshires (3)	DC	TH	73	40	4	29	—	33	552	
Estates at Falls Grove	VA	SF	19	—	7	12	—	19	541	
Townes at Falls Grove	VA	TH	110	44	2	64	—	66	302	
Townes at Shady Grove Metro	MD	TH	36	15	2	19	—	21	618	
Townes at Shady Grove Metro (4)	MD	SF	3	—	—	3	—	3	—	
Momentum Shady Grove Metro (5)	MD	Condo	117	—	—	117	—	117	—	
Estates at Emerald Farms	MD	SF	84	78	—	6	—	6	452	
Townes at Maxwell Square	MD	TH	45	10	5	30	—	35	424	
Townes at Hallcrest	VA	TH	42	—	2	40	—	42	479	
Estates at Leeland	VA	SF	24	—	—	24	—	24	—	
Villas Preserve at Two Rivers 28'	MD	TH	66	—	1	1	64	66	444	
Villas Preserve at Two Rivers 32'	MD	TH	54	—	1	1	52	54	494	
Villas at New Design Road	MD	TH	78	—	—	—	78	78	—	
Estates at Popkins Lane	VA	SF	12	—	—	—	12	12	—	
Townes at Richmond Station	VA	TH	70	—	—	—	70	70	—	
Richmond Station Multi-family	VA	MF	103	—	—	—	103	103	—	
Townes at Totten Mews	DC	TH	37	—	—	—	37	37	—	
The Estates at Stone Ridge (6)	VA	SF	35	—	—	—	35	35	—	
River Creek Village	VA	SF	100	—	—	—	100	100	—	
Total			1,146	221	27	347	551	925		

- (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.
- (5) 18 of these units are subject to statutory moderately priced dwelling unit program.
- (6) 1 of these units is subject to statutory affordable dwelling unit program.
- (7) "Backlog" means we have an executed order with a buyer but the settlement did not occur prior to report date.

Results of Operations**Three months ended March 31, 2015 compared to three months ended March 31, 2014***Orders, cancellations and backlog*

The following table summarizes certain information related to new orders, settlements and backlog for the three month periods ended March 31, 2015 and 2014:

	Three Months Ended March 31,	
	2015	2014
Gross new orders	27	37
Cancellations	3	5
Net new orders	24	32
Gross new order revenue	\$ 13,404	\$ 16,279
Cancellation revenue	\$ 1,488	\$ 2,273
Net new order revenue	\$ 11,916	\$ 14,006
Average gross new order price	\$ 497	\$ 440
Settlements	21	19
Settlement revenue - homebuilding	\$ 10,010	\$ 7,831
Average settlement price	\$ 477	\$ 412
Backlog units	27	41
Backlog revenue	\$ 14,346	\$ 18,517
Average backlog price	\$ 531	\$ 452

Revenue – homebuilding

The number of homes settled for the three months ended March 31, 2015 increased to 21 as compared to 19 homes for the same period in the prior year. Average revenue per home settled increased by approximately \$65 to \$477 for the three months ended March 31, 2015 as compared to \$412 for the three months ended March 31, 2014. Revenue from homebuilding increased by \$2.2 million to \$10.0 million for the three months ended March 31, 2015 as compared to \$7.8 million for the same period in the prior year which resulted from the increase in the number of homes and the mix of units settled. For the three months ended March 31, 2015, the Company settled 21 units (4 units at The Hampshires, 9 units at Falls Grove, 2 units at Maxwell Square and 6 units at Shady Grove), as compared to 19 units (8 units at The Hampshires, 10 units at Falls Grove and 1 unit at Eastgate) for the three months ended March 31, 2014. Our homebuilding gross margin percentage for the three months ended March 31, 2014 decreased by 5.9% to 14.2%, as compared to 20.1% for the three months ended March 31, 2014. The decrease noted in margins was a result of the mix of units settled.

Revenue – other

Revenue – other increased approximately \$0.2 million to \$0.3 million during the three months ended March 31, 2015, as compared to \$0.1 million for the three months ended March 31, 2014. The increase primarily relates to revenue from real estate services as the Company gets more traction in the market for advisory and other real estate related service.

Cost of sales – homebuilding

Cost of sales – homebuilding for the three months ended March 31, 2015 increased by \$2.3 million to \$8.6 million, as compared to \$6.3 million for the three months ended March 31, 2014. The unit mix and number of homes settled during the quarter and the year accounted for the increase in the aggregate cost of sales.

Cost of sales – other

Cost of sales – other increased \$0.1 million to \$0.2 million during the three months ended March 31, 2015, as compared to \$0.1 million for the three months ended March 31, 2014. The increase primarily relates to our real estate services segment pursuing additional deals in the market for advisory and other real estate related service.

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Sales and marketing

Sales and marketing expenses for the three months ended March 31, 2015 decreased by \$0.1 million to \$0.4 million, as compared to \$0.5 million for the three months ended March 31, 2014. The decrease in sales and marketing expenses over the same period in the prior year is directly attributable to the Company's more focused marketing efforts in active developments.

Income taxes

The Company recorded a net tax benefit of \$70 for the three months ended March 31, 2015 and the effective tax rate is 6%. The net tax benefit consisted of a \$51 tax expense and a \$121 deferred tax benefit, both related to the New Hampshire Avenue project in Washington, D.C. The Company recorded a tax provision of \$137 for the three months ended March 31, 2014, and the effective tax rate was 12%, related to statutory tax rates in the District of Columbia where the Company has no deferred tax benefit to offset the tax liability.

Recent Developments

On April 20, 2015, the Company received a deficiency letter from The Nasdaq Stock Market LLC ("Nasdaq") notifying the Company that the minimum bid price per share for its common stock was below \$1.00 for a period of 30 consecutive business days and, accordingly, that the Company did not comply with the minimum bid price requirement of \$1.00 per share, as required by Listing Rule 5550(a)(2). The notification has no immediate effect on the listing of our shares of Class A common stock on the Nasdaq Capital Market.

The Company has a grace period of 180 calendar days to regain compliance with the minimum closing price requirement for continued listing. If at any time during the 180-day grace period, the minimum closing bid price per share of the Company's Class A common stock closes at or above \$1.00 for a period of ten consecutive business days, the Company will regain compliance and the matter will be closed. In the event that we do not regain compliance within the 180-day grace period, we may be eligible to receive an additional 180-day grace period, provided that the Company meets the continued listing requirement for market value of publicly held shares and all other applicable standards for initial listing on Nasdaq, except for the bid price requirement, and provides written notice of its intention to cure the minimum bid price deficiency during the second 180-day grace period. If the Company fails to regain compliance after the second 180-day grace period, the Company's Class A common stock will be subject to delisting by Nasdaq.

On March 18, 2015, prior to receipt of this deficiency letter, the Company's Board of Directors authorized a reverse stock split in the range of 1-for-5 to 1-for-7 (the "Reverse Stock Split"), but subject to our Board of Directors' discretion to effect or abandon such Reverse Stock Split. We will seek stockholder approval to execute the Reverse Stock Split at our annual meeting of stockholders which is expected to be held on June 17, 2015. If approved and implemented, the Reverse Stock Split would have the effect of increasing the per share price of our Class A common stock, which will assist us with regaining compliance with the Nasdaq minimum bid price requirement. Additionally, the Reverse Stock Split would reduce the number of shares of our common stock outstanding and the Proportionate Share Reduction would reduce, proportionally, the total number of authorized shares of common stock.

On April 28, 2015, the Company received a second deficiency letter (the "Additional Notice Letter") from Nasdaq advising the Company that it did not meet the minimum of \$2.5 million in stockholders' equity required for continued listing on the Nasdaq Capital Market under Listing Rule 5550(b)(1), which is one of the alternative tests for continued listing on The Nasdaq Capital Market. In the Company's Form 10-K for the period ended December 31, 2014, the Company reported stockholders' equity of \$1.85 million. In addition, the Additional Notice Letter indicates that as of April 27, 2015, the Company did not meet the other alternative tests of market value of listed securities or net income from continuing operations under Listing Rule 5550(b) and therefore, no longer complies with the continued listing rule. The Additional Notice Letter has no immediate effect on the listing of the Company's shares of Class A common stock on Nasdaq. The deficiency is primarily the result of the Company's redemption of non-controlling interests (included as equity in the Company's financial statements) during 2014 of \$14.6 million coupled with an operating loss of \$3.1 million incurred during 2014. The \$3.1 million operating loss for 2014 is largely the result of a non-cash impairment charge of \$2.7 million and a restructuring charge of \$0.6 million. The Company intends to submit its plan for addressing the subject listing deficiency within the 45 calendar days provided under Nasdaq rules. If Nasdaq accepts the Company's plan, it may grant the Company an extension of up to 180 calendar days from the date of the Additional Notice Letter to evidence compliance. If the Company's plan is not accepted by Nasdaq, the Company will have an opportunity to appeal the decision to a Hearings Panel. The Company plans to take additional actions during the second quarter of 2015 with the intention of ensuring its ability to regain compliance with this listing requirement. These actions may include the issuance of common or preferred equity, additional project specific capital raises and the potential conversion of existing unsecured shareholder debt to equity.

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On May 1, 2015, the Company announced the launch of Comstock Investors IX (“Comstock IX”), the latest private placement in a series of recently completed investment offerings. The up to \$3 million of expected proceeds of the offering are to be used to provide the equity financing for the Company’s Stone Ridge community of 35 single family homes in Loudoun County Virginia, scheduled for development commencing in the coming months. The offering may be expanded to include existing and future projects that are currently under investment review. The completion of the Comstock IX offering will assist the Company in satisfying the minimum equity requirement for continued listing on the Nasdaq Stock Market.

The Company believes the actions it is undertaking will address the deficiencies indicated by Nasdaq. If the Company is unsuccessful in its efforts, a delisting of our common stock could adversely affect the market liquidity of our common stock, our ability to obtain financing and our ability to fund our operations. See additional risk factors disclosed under “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2014.

Liquidity and Capital Resources

We require capital to operate, to post deposits on new deals, 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 should continue to include, private equity and debt 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. In addition to Comstock IX discussed above, 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.

During the three months ended March 31, 2015, the Company received proceeds of \$3.1 million under the CGF loan agreement. Subsequent to March 31, 2015 and through the report date, the Company received \$0.5 million in additional proceeds under the CGF loan agreement.

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 project or collection of projects the Company develops and builds to have a separate credit facility. Accordingly, the Company typically has had numerous credit facilities and lenders. As of March 31, 2015, the Company has \$26.7 million of its credit facilities and project related loans that mature during 2015 (of which \$2.7 million related to the Yorkshire loan due in the second quarter of 2015, the maturity was extended by one year with a possibility of an automatic extension of an additional 12 months as disclosed below in this section). In addition, certain of our credit facilities are guaranteed by our Chief Executive Officer.

We are in active discussions with our lenders with respect to these maturities and are seeking extensions and modifications to the loans as necessary. The current performance of the projects and our early discussions with our lenders indicates that we will likely be successful in extending or modifying these loans, though no assurances can be made that we will be successful in these efforts. We are anticipating that with successful resolution of those discussions with our lenders, the expected proceeds from the aforementioned private placements, current available cash on hand and additional cash from settlement proceeds at existing and under development communities, the Company should have sufficient financial resources to sustain its operations through the next twelve 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.

See Note 11 and Note 13 for details on private placement offerings and for more details on our credit facilities, respectively in the accompanying consolidated financial statements.

Cash Flow

Net cash used in operating activities was \$3.8 million for the three months ended March 31, 2015. This represents an increase of \$1.2 million from the net cash used in operating activities of \$2.6 million for the three months ended March 31, 2014. The change is primarily attributable to the significant cash outflow for real estate inventories the Company invests in new projects and positions itself for growth to the current year and beyond. The main addition during the three months ended March 31, 2015 was related to the Stone Ridge land acquisition of \$2.2 million.

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Net cash used in investing activities was \$0.2 million and \$0.1 million for the three months ended March 31, 2015 and 2014, respectively. This usage was mainly attributable to the purchases of capital assets and release of compensating balances held in escrow purchase accounts as collateral for certain letters of credit, which are funded upon settlement and release of units.

Net cash provided by financing activities was \$1.9 million for the three months ended March 31, 2015, primarily attributable to proceeds from the Amended CGF Private Placement offering of \$3.1 million, offset by the distributions to the New Hampshire Avenue non controlling interest of \$0.9 million. Net cash used in financing activities was \$1.8 million for the three months ended March 31, 2014, primarily attributable to the distributions made to non-controlling interest members including preferred returns, offset by more proceeds from borrowings.

Seasonality

Historically, the homebuilding industry experiences seasonal fluctuations in quarterly operating results and capital requirements. We typically experience the highest new home order activity in Spring and Summer, although this activity is also highly dependent on the number of active selling communities, 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 three months ended March 31, 2015 compared with 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, 2014.

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 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 March 31, 2015. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of March 31, 2015.

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.

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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 March 31, 2015, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1A. RISK FACTORS

Other than as subsequently discussed, 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, 2014.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The descriptions of the offerings related to Comstock Investors VII, L.C. and Comstock Investors VIII, L.C. in Note 11 and the description of the CGF Private Placement in Note 13 in the accompanying consolidated financial statements are hereby incorporated by reference. The membership interests and the warrants were offered and sold to Purchasers in reliance upon exemptions from registration pursuant to Section 4(a)(2) of the Securities Act of 1933 (the “Securities Act”) and Rule 506 of Regulation D promulgated under the Securities Act and the certificates representing the securities shall bear legends to that effect. The membership interests, the warrants and the shares of our Class A common stock issuable upon the exercise of the warrants have not been registered under the Securities Act, and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

ITEM 6. EXHIBITS

- 3.1 Amended and Restated Certificate of Incorporation (incorporated by reference to an Exhibit 3.1 to the Registrant’s Annual Report on Form 10-K filed with the Commission on April 14, 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 Elimination of the Series A Junior Participating Preferred Stock of the Company filed with the Secretary of State of the State of Delaware on March 26, 2015 (incorporated by reference to Exhibit 3.1 to the current report on Form 8-K filed with the Commission on March 27, 2015).
- 3.4 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 current report on Form 8-K filed with the Commission on March 27, 2015).
- 4.1 Specimen Stock Certificate (incorporated by reference to Exhibit 4.1 to the Company’s Registration Statement on Form S-1, as amended, initially filed with the Commission on August 13, 2004 (File No. 333-118193)).
- 10.93 Section 382 Rights Agreement between Comstock Holding Companies, Inc. and American Stock Transfer & Trust Company, LLC dated March 27, 2015 (incorporated by reference to Exhibit 4.1 to the current report on Form 8-K filed with the Commission on March 27, 2015).
- 10.94* Loan agreement, dated February 20, 2015, between Comstock Stone Ridge, L.C. and Cardinal Bank.
- 10.95* Loan agreement, dated March 17, 2015, between Comstock Two Rivers I, L.C. and Eagle Bank.
- 31.1* Certification of Chief Executive Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002
- 31.2* Certification of Chief Financial Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002
- 32.1* Certification of Chief Executive Officer and 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 March 31, 2015, 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.

LOAN AGREEMENT

(Acquisition and Development Loan and Revolving Construction Line of Credit)

THIS LOAN AGREEMENT made effective as of the 20th day of February, 2015, by and between **COMSTOCK STONE RIDGE, L.C.**, a Virginia limited liability company (the "**Borrower**") and **CARDINAL BANK**, a Virginia state chartered bank ("**Lender**").

RECITALS

R-1. Borrower is the owner or contract purchaser of certain real property more particularly described on Exhibit A attached hereto and by this reference made a part hereof (the "**Land**").

R-2. Lender has agreed to make (i) an acquisition and development line of credit to Borrower in the maximum aggregate principal amount that may be advanced of **Five Million and no/100 Dollars (\$5,000,000.00)** on a non-revolving basis (the "**A&D Loan**") to finance a portion of Borrower's cost to acquire the Land, subdivide and develop the Land into thirty-five (35) single family detached lots (individually a "**Lot**" and collectively, the "**Lots**"), and develop the infrastructure for the Project (hereinafter defined) and (ii) a construction line of credit in the maximum principal amount of **Two Million Two Hundred Fifty Thousand and no/100 Dollars (\$2,250,000)** that may be outstanding at any one time advanced and re-advanced on a revolving basis for and on account of materials to be furnished and labor and services to be performed in connection with the construction of thirty-five (35) single family detached residential Units (hereinafter defined) and certain other improvements upon the Land (the "**Construction Line**"), as amended, modified, supplemented and increased from time to time.

R-3. Simultaneously with the execution and delivery hereof, Borrower has executed that certain Credit Line Deed of Trust Note dated of even date herewith in the principal amount of \$7,250,000.00 and that certain Credit Line Deed of Trust and Security Agreement of even date herewith to secure the same.

WITNESSETH:

For and in consideration of these presents, and in further consideration of the mutual covenants and agreements herein set forth and of the sum of Ten Dollars (\$10.00) lawful money of the United States of America by each of the parties to the other paid, receipt of which is hereby acknowledged, the parties hereto do hereby covenant and agree as follows:

ARTICLE I
DEFINITIONS

1.0 Definitions. Borrower and Lender agree that, unless the context otherwise specifies or requires, the following terms shall have the meanings herein specified, such definitions to be applicable equally to the singular and the plural forms of such terms and to all genders:

A&D Loan – The non-revolving line of credit from Lender to Borrower evidenced by the Note, to be advanced and repaid pursuant to this Loan Agreement and secured by the Security Documents to be used to finance a portion of Borrower’s cost to acquire the Land, subdivide and develop the Land into thirty-five (35) single family detached building Lots, and develop the infrastructure for the Project as more particularly set forth in the recitals to this Loan Agreement.

A&D Loan Funding Termination Date – The Funding Termination Date. Lender’s obligation to make any advances out of the A&D Loan shall terminate on the Funding Termination Date.

Borrower – The party hereinabove designated as such, its successors and assigns.

Commitment - The commitment letter dated February 13, 2015 from Lender to Borrower in connection with the A&D Loan, the Letters of Credit and the Construction Line, as the same may be from time to time amended.

Completion Date – For each Unit, the earlier to occur of (i) the date that is twelve (12) months after the date of the advance of Construction Line funds for the foundation for a Unit, and (ii) the date such Unit is to be delivered to the purchaser under a Contract.

Construction Line – The revolving line of credit from Lender to Borrower evidenced by the Note, to be advanced, re-advanced and repaid pursuant to this Loan Agreement and secured by the Security Documents to be used for the construction of the Units as more particularly set forth in the recitals to this Loan Agreement.

Construction Line Funding Termination Date – Lender’s obligation to make advances of Construction Line proceeds for any particular Unit shall expire on the Funding Termination Date for those Units for which Lender did not issue its formal Construction Loan commitment prior to the Funding Termination Date. Construction Line advances for each Construction Loan that Lender commits to hereunder shall terminate on the Construction Loan Maturity Date.

Construction Line Maturity Date – The last Construction Loan Maturity Date.

Construction Loan – A non-revolving limited amount that Lender has committed to fund under the Construction Line for a specified Unit.

Construction Loan Maturity Date – The date on the earlier to occur of (i) the date that the Unit is sold, and (ii) the date that is twelve (12) months after the date of the first advance of Construction Line funds for the Unit.

Consulting Engineer or Progress Inspector - Such person or firm as Lender may from time to time appoint or designate for purposes related to the inspection of the progress of the construction of the Improvements, conformity of construction with the Plans and Specifications, and for such other purposes as to Lender may from time to time seem appropriate or as may be required by the terms of this Loan Agreement.

Contract - An executed contract of sale for the sale of a Unit, and such Contract complies with all of the following conditions:

- (i) the Contract shall be accompanied by a minimum cash deposit of three percent (3%) of the Contract purchase price;
- (ii) the Contract shall not be subject to any contingencies, including the sale of the purchaser's property; and the Contract shall not be subject to cancellation by the purchaser without loss of the deposit, except for cause or as may be provided by applicable Virginia statute; and
- (iii) the purchaser under the Contract shall be pre-qualified by a reputable mortgage lender, who shall issue a pre-qualification letter which indicates that the purchaser will be approved after appropriate verifications for the purchase money mortgage loan necessary to purchase such Unit.

Deed of Trust - That certain Credit Line Deed of Trust and Security Agreement made by Borrower to secure Lender, dated of even date herewith, as the same may from time to time be amended, modified or supplemented.

Environmental Indemnity Agreement The Environmental Indemnity Agreement executed by Borrower and Guarantors of even date herewith.

Event(s) of Default - Any of the happenings, events, circumstances or occurrences described in Article VI of this Loan Agreement.

Funding Termination Date – February 20, 2017 (the “**Initial Funding Termination Date**”), or as extended as provided herein. The Initial Funding Termination Date shall be automatically extended to August 20, 2017 (the “**First Extended Funding Termination Date**”), but only if (i) there are no defaults or events which with the passage of time would constitute a default under the Loan Documents, (ii) Borrower has satisfied all other terms and conditions required to be satisfied in the Loan Documents as of the Initial Funding Termination Date, (iii) Borrower shall have sold and closed on at least ten (10) Units within the Project as of the Initial Funding Termination Date, and (iv) Borrower pays Lender a fully earned non-refundable Loan extension fee of **\$6,250**. The First Extended Funding Termination Date shall be automatically extended to February 20, 2018 (the “**Second Extended Funding Termination Date**”), but only if (i) there are no defaults or events which with the passage of time would constitute a default under the Loan Documents, (ii) Borrower has satisfied all other terms and conditions required to be satisfied in the Loan Documents as of the First Extended Funding Termination Date, (iii) Borrower shall have sold and closed on at least eighteen (18) Units within the Project as of the First Extended Funding Termination Date, and (iv) Borrower pays Lender a fully earned non-refundable Loan extension fee of **\$6,250**. The Initial Funding Termination Date to the extent extended to the First Extended Funding Termination Date and the Second Extended Funding Termination Date is the “**Funding Termination Date.**”

Guarantors – Christopher Clemente and Comstock Holding Companies, Inc., a Delaware corporation and their successors, personal representatives, devisees and heirs.

Hazardous Materials - Any (i) hazardous wastes and/or toxic chemicals, materials, substances or wastes occurring in the air, water, soil or ground water on, under or about the Mortgaged Property as defined by the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (Superfund or CERCLA), 42 U.S.C. §§ 9601 et seq., the Superfund Amendments and Reauthorization Act of 1986 (SARA), 42 U.S.C. § 9601(20)(D), the Resource Conservation and Recovery Act (the Solid Waste Disposal Act or RCRA), 42 U.S.C. §§ 6901 et seq., the Federal Water Pollution Control Act, as amended by the Clean Water Act of 1977 (CWA), 33 U.S.C. §§ 1251 et seq., the Clean Air Act of 1966 (CAA), 42 U.S.C. §§ 7401 et seq., the Toxic Substances Control Act (TSCA), 15 U.S.C. §§ 2601, et seq., and the National Environmental Policy Act, 42 U.S.C. 4321 et seq., as these statutes may be amended from time to time, and regulations promulgated thereunder; (ii) “oil, petroleum, petroleum products, and their by-products” as defined by the applicable statutes, as amended from time to time, and regulations promulgated thereunder; (iii) “hazardous substance” as defined by the applicable statutes, as amended from time to time, and regulations promulgated thereunder; (iv) substance, the presence of which is prohibited or controlled by any other applicable federal or state or local environmental laws, rules, regulations, statutes or ordinances now in force or hereafter enacted relating to waste disposal or environmental protection with respect to hazardous, toxic or other substances generated, produced, leaked, released, spilled or disposed of at or from the Mortgaged Property; and (v) other substance which by law requires special handling in its collection, storage, treatment or disposal including, but not limited to, asbestos, polychlorinated biphenyls (PCBs), urea formaldehyde foam insulation and lead-based paints, but not including small quantities of such materials present on the Mortgaged Property in retail containers or other materials used in the ordinary course of construction activities in compliance with all Environmental Requirements and Environmental Laws (as defined in the Security Documents).

Hydric Soils - Any soil category upon which construction of Improvements would be prohibited or restricted under applicable governmental requirements, including, without limitation, those imposed by the U. S. Army Corp of Engineers.

Improvements - Any and all buildings, structures, improvements, alterations or appurtenances now erected or at any time hereafter constructed or placed upon the Land or any portion thereof and any replacements thereof including without limitation, all equipment, apparatus, machinery and fixtures of any kind or character forming a part of said buildings, structures, improvements, alterations or appurtenances.

Indebtedness - All amounts due Lender pursuant to or on account of the Note, this Loan Agreement or any of the other Loan Documents, including, without limitation, all principal (including, without limitation, any principal that is advanced after the date of this Loan Agreement and any principal that is repaid and re-advanced), interest, late charges, loan fees and all other payments required to be made by Borrower pursuant to or on account of the Note, this Loan Agreement or any of the other Loan Documents.

Initial Funding Termination Date – February 20, 2017.

Land - The real property described in **Exhibit A** attached hereto and by this reference made a part hereof, as amended, modified, supplemented or increased from time to time.

Lender - The party hereinabove designated as such, its successors and assigns.

Letters of Credit - The up to \$150,000 in Letters of Credit which Lender has committed to issue for Borrower's account for the purpose of providing surety to the Public Authorities for the completion of certain Improvements to the Land.

Loan(s) - Individually, the A&D Loan or the Construction Line, as the case may be, and collectively, the A&D Loan and the Construction Line.

Loan Documents – The Note, this Loan Agreement, the Deed of Trust and all other documents executed by Borrower and/or Guarantors evidencing, guarantying or securing the Loans.

Mortgaged Property - The property described as such in the Deed of Trust, as amended, modified, supplemented or increased from time to time.

Note - The Credit Line Deed of Trust Note made by Borrower to the order of Lender dated of even date herewith in the principal amount hereinabove recited, as the same may from time to time be amended, modified or supplemented.

Obligations - Any and all of the covenants, warranties, representations, agreements, promises and other obligations (other than the Indebtedness) made or owing by Borrower or others to Lender pursuant to or as otherwise set forth in the Note or the Loan Documents.

Plans and Specifications - Any and all plans and specifications prepared for Borrower in connection with the construction of the Improvements and approved in writing by Lender, as the same may from time to time be amended with the prior written approval of Lender.

Pre-sold Unit – A Unit subject to a Contract.

Project – The Land, the consolidation and re-subdivision of the Land into the Lots, the site development of the Land, and the construction of the Improvements and the Units are collectively hereinafter referred to as the Project.

Public Authorities – Loudoun County, Virginia and any other public, municipal or quasi-municipal entity having jurisdiction over the Land and the Improvements to be constructed thereon.

Security Documents - The Deed of Trust, the Environmental Indemnity Agreement, and any other instrument or instruments described or characterized as such in the Deed of Trust, as the same may from time to time be amended, modified or supplemented.

Speculative Unit – A Unit not subject to a Contract including all model Units.

Title Company – Superior Title Services, LC as the approved agent of Stewart Title Guaranty Company that will handle the closings of the Loans.

Unit – An individual single family detached residence and the physical Improvements constructed, or being constructed, as a single family detached residence within the identified legal boundaries of an individual Lot.

ARTICLE II
THE LOANS - ADVANCES AND REPAYMENTS;
LETTER OF CREDIT FACILITY

2.0 The Loans. Lender agrees to advance proceeds of the Loans to Borrower, subject to the terms and conditions herein set forth and in accordance with the cost breakdown, budget (the “**Budget**”) and/or draw schedule attached hereto as Exhibit B and incorporated herein by reference, as amended from time to time by Lender.

2.1 Applications for Advances. Borrower shall make applications for advances of Loan proceeds from Lender on the forms that Lender approves in writing. Borrower shall make each such application at least five (5) business days before the advance shall be called for, in order to permit Lender to make such inspections as it shall from time to time consider appropriate. Lender shall perform the construction progress inspections of the Units within the Mortgaged Property (including inspections of the foundations). Borrower shall pay to Lender all inspection fees and expenses incurred by Lender prior to or at the time of the advance requested for each visit by Lender to inspect the construction progress of the Units. Each application for an advance of Loan proceeds shall be in such form and include such detail as Lender may require. Provided such inspections are satisfactory, Borrower shall be permitted two (2) advances or draws of the proceeds of the Loans each calendar month.

2.2 Funding Limitations. Except as specifically limited in this Loan Agreement, prior to the A&D Loan Funding Termination Date, Borrower shall have the right to borrow and repay, but not to re-borrow, from time to time, up to a maximum principal amount of **Five Million and no/100 Dollars (\$5,000,000.00)** for budgeted and approved Land Acquisition Costs, Closing Costs, Real Estate Taxes, Hard Development Costs and Interest expenses as more particularly set forth in the Budget. Except as specifically limited in this Loan Agreement, prior to the Construction Line Funding Termination Date, Borrower shall have the right to borrow, repay and re-borrow on a revolving basis an amount not to exceed **Two Million Two Hundred Fifty Thousand and no/100 Dollars (\$2,250,000.00)** that may be outstanding at any one time for the Hard Construction costs of the Units pursuant to the Budget. Lender shall not be obligated to advance A&D Loan proceeds or Construction Line proceeds if (i) an Event of Default exists hereunder; (ii) Lender has made demand

for any payment under the Note which remains unpaid; or (iii) any conditions precedent to such advance set forth in this Loan Agreement has not been satisfied in Lender's judgment. Subject to the preceding conditions, Lender agrees to make advances in amounts not to exceed the following amounts:

(a) Land Acquisition Advance: \$1,950,000.

(b) Land Acquisition Costs, Closing Costs, Real Estate Taxes, Hard Development Costs and Interest Reserve Advances: The combined A&D Loan advances shall not exceed the sum of the "as-is" appraised value of the Land and the lesser of: (i) sixty-two percent (62%) of the cost to acquire the Land and complete the finished Lots, or (ii) sixty-seven percent (67%) of the "as-developed" appraised value of the finished Units on a discounted cash flow basis. In no event shall Lender advance more than \$5,000,000 in the aggregate, on a non-revolving basis, for Land Acquisition Costs, Closing Costs, Real Estate Taxes, Hard Development Costs and Interest on the A&D Loan. Lender shall automatically advance funds out of the \$300,000 Interest Reserve to cover the interest expense on the A&D Loan on a monthly basis when interest is due under the Note as to the A&D Loan. The funds set aside in the Interest Reserve shall not be advanced for any other purpose than to cover the actual interest expense accruing on the A&D Loan. Within thirty (30) days after Borrower submits real estate tax invoices for the Project to Lender, Lender shall advance funds out of the \$350,000 Closing Cost/RE Taxes line item of the A&D Loan Budget to pay real estate taxes on the Project. The funds set aside in the RE Taxes line item shall not be advanced for any other purpose than to pay the actual real estate tax expenses for the Project.

(c) Construction Loan Advances: Construction Loan advances shall not exceed the lesser of (i) sixty-five percent (65%) of the "as-if completed" appraised value of a Unit on a gross sale price basis when added to the committed amount under the A&D Loan allocated to the Unit, (ii) seventy-five percent (75%) of the "as-if completed" appraised value of a Unit on a discounted cash flow basis when added to the committed amount under the A&D Loan allocated to the Unit, or (iii) one hundred percent (100%) of the actual construction costs of the finished Unit. The maximum amount of construction advances that may be outstanding at any one time during the term of the Construction Line shall not exceed \$2,250,000.

(d) Funding Termination: Lender shall not be obligated to advance any A&D Loan proceeds after the A&D Loan Funding Termination Date. Lender shall not be obligated to advance any Construction Loan proceeds after the Construction Loan Maturity Date.

2.3 Conditions Precedent to Loan Closing and funding of the A&D Loan and issuance of Letters of Credit: Lender shall not be obligated to close the Loans, make any advance of A&D Loan proceeds hereunder, make any advances out of the Interest Reserve, or cause the Letters of Credit to be issued unless the following conditions have been satisfied:

(a) The Note, this Loan Agreement, the Deed of Trust and the other Loan Documents shall have been properly executed and delivered to Lender (except that only a copy of the fully executed Deed of Trust shall be delivered to Lender). Borrower shall deliver the original fully

executed and acknowledged Deed of Trust and other Loan Documents that Lender requires to be recorded or filed to secure the Indebtedness and Obligations (the "Loan Recordation Documents") to the Title Company in final form required for recordation in the appropriate land records and the Title Company shall record the fully executed Loan Recordation Documents immediately after the recordation of the deed conveying the Land from the seller of the Land to Borrower.

(b) Borrower shall have deposited with the Title Company in currently available funds the amount set forth on Line 303 of the settlement statement as approved by Lender, the receipt of which the Title Company shall confirm to Lender.

(c) Lender shall have received a paid policy of title insurance (ALTA Standard Form "B" Loan Policy—Current Edition) or a valid and enforceable commitment to issue the same, together with such reinsurance agreements and direct access agreements as may be required by Lender, from a company or companies satisfactory to Lender in the amount of the Loans and which may be endorsed or assigned to the successors and assigns of Lender without additional cost, insuring the lien of the Deed of Trust to be a valid first lien on the Mortgaged Property, free and clear of all defects, exceptions and encumbrances except such as Lender and its counsel shall have approved, and which otherwise complies with the applicable requirements of the Commitment.

(d) Lender shall have received advice, in form and substance and from a source satisfactory to Lender, to the effect that a search of the applicable public records discloses no conditional sales contracts, chattel mortgages, leases of personalty, financing statements or title retention agreements filed or recorded against the Mortgaged Property except such as Lender shall have approved.

(e) Lender shall have received all policies or certificates of insurance required by the terms of the Commitment and the other Loan Documents to be in effect from a company or companies and in form and amount satisfactory to Lender, together with written evidence, in form and substance satisfactory to Lender, that all fees and premiums due on account thereof have been paid in full.

(f) Lender shall have received a separate policy of flood insurance in the face amount of the Note or the maximum limit of coverage available with respect to the Mortgaged Property, whichever is the lesser, from a company or companies satisfactory to Lender and written in strict conformity with the Flood Disaster Protection Act of 1973, as amended, and all applicable regulations adopted pursuant thereto; provided, however, that in the alternative Borrower may supply Lender with written evidence, in form and substance satisfactory to Lender, to the effect that such flood insurance is not available with respect to the Mortgaged Property, or Borrower may provide to Lender the certificate of a professional engineer that the Mortgaged Property is not within a flood hazard area.

(g) Lender shall have received a current survey of the Land, certified to Lender by a registered land surveyor of the jurisdiction in which the Land is located, which plat of survey shall clearly designate at least (i) the location of the perimeter of the Land by courses and distances; (ii) the location of all easements, rights-of-way, alleys, streams, waters, paths and encroachments; (iii) the

location of all building restriction lines and set-backs, however established; (iv) the location of any streets or roadways abutting the Land; and (v) the then "as-built" location of the Improvements and the relation of the Improvements by courses and distances to the perimeter of the Land, building restriction lines and set-backs, all in conformity with the most recent Minimum Standard Detail Requirements for Land Title Surveys adopted by the American Congress on Surveying and Mapping.

(h) Lender shall have received true and complete copies of all organizational documents of Borrower, appropriate resolutions authorizing the acceptance of the Loans by Borrower and the execution of the Note and all Loan Documents, appropriate certificates of incumbency and an opinion letter from counsel for Borrower and Guarantors, which is acceptable to Lender in all respects.

(i) Lender shall have received and approved an appraisal of the Mortgaged Property that complies with the applicable requirements of the Commitment.

(j) Lender shall have received from Borrower written evidence, in form and substance satisfactory to Lender, from all municipalities and utility companies having or claiming jurisdiction to the effect that all utility services in sufficient quantities necessary for the occupation of the Improvements to be constructed upon the Land, are available for connection and use at the boundaries of the Land, including, without limitation, telephone service, water supply, storm and sanitary sewer facilities, natural gas and electric facilities.

(k) Lender shall have received from Borrower written evidence, in form and substance reasonably satisfactory to Lender, to the effect that no development work of any kind has commenced upon the Land and no materials (financed with the proceeds of the Loans) have been placed or stored upon the Land prior to the recordation of the Deed of Trust among the land records where the Land is located unless the same shall be fully insured against by the title insurance company.

(l) Lender shall have received soil reports that (i) demonstrate that the soil conditions of the Land are suitable for the construction of the Improvements, and (ii) evidence to Lender's reasonable satisfaction that there are no Hydric Soils on the Mortgaged Property.

(m) Lender shall have received a satisfactory Phase I environmental site assessment report on the Land.

(n) Borrower shall have fully complied with any other applicable requirements of the Commitment.

(o) Borrower and Guarantors shall have provided Lender with their current financial statements and tax returns for the prior two (2) fiscal years in form and substance satisfactory to Lender.

(p) Borrower shall have established a deposit relationship with Cardinal Bank and shall maintain such deposit relationship through the Maturity Date through which all Loan advances and Borrower's funds pertaining to the development of the Lots and the construction of the Units shall be maintained and flow.

2.4 Conditions Precedent to Advances of Hard Development Costs out of A&D Loan Budget. Lender shall not be obligated to make any advances of A&D Loan proceeds hereunder out of the Hard Development Costs category within the A&D Loan Budget, unless the conditions described in Section 2.3 remain satisfied, and the following conditions have been satisfied with respect:

(a) Lender shall have received from Borrower written evidence, in form and substance satisfactory to Lender, from all Public Authorities having or claiming jurisdiction to the effect that all grading, building, construction and other permits and licenses necessary or required in connection with the development of the Lots have been validly issued for the work being performed for such draw request; that all applicable fees and bonds (whether posted by Borrower or its seller) required in connection therewith have been paid in full or posted, as the circumstances may require, including, but not limited to, those fees to be financed by Lender and the Letters of Credit to be issued by Lender in accordance with the terms of this Loan Agreement

(b) All work completed at the time of the application for advance has been performed in a good and workmanlike manner; or all work completed at the time of the application for advance has been performed in a good and workmanlike manner and all materials and fixtures usually furnished and installed at that stage of development have been furnished and installed.

(c) No Event of Default which has not been cured has occurred under the Note or any of the other Loan Documents and no act has occurred which, with the passage of time after due notice, would become an Event of Default.

(d) Lender has received evidence satisfactory to it that all work requiring inspection by Public Authorities having or claiming jurisdiction has been duly inspected and approved by such Public Authorities and by any rating or inspection organization, bureau, association or office having or claiming jurisdiction.

(e) Lender shall have received a notice of title continuation or an endorsement to the title insurance policy heretofore delivered, indicating that since the last preceding advance, there has been no change in the status of title and no survey exceptions or other exceptions not theretofore approved by Lender, which endorsement shall have the effect of advancing the effective date of the policy to the date of the advance then being made and increasing the coverage of the policy to an amount equal to the total advances made as of the date of the advance then being made if the policy does not by its terms provide for such an increase.

(f) The representations and warranties made in Article III of this Loan Agreement shall be true and correct, in all material respects, on and as of the date of the advance with the same effect as if made on such date.

(g) Lender shall have received acknowledgments of payment and releases of liens and rights to claim liens for work performed or materials delivered through the date of the last preceding advance and concurrently with the final advance. All such acknowledgments and releases shall be in form and substance satisfactory to Lender and the title insurance company that has insured the title to the Mortgaged Property.

(h) Borrower shall have provided Lender with a list of the names of the architect, the engineer and all contractors and materialmen (the “**Contractors**”) that will perform work or supply materials in connection with the development of the Lots and the construction of the Improvements, together, to the extent available, with complete copies of the executed contracts for such work.

(i) Borrower shall have provided Lender with a set of detailed Plans and Specifications for all site development work, architectural, structural, mechanical, plumbing, electrical, site development and other work for or in connection with the Project.

(j) Lender shall have received copies of the recorded subdivision plat of the Mortgaged Property creating a minimum of thirty-five (35) single family detached Lots.

(k) Borrower shall provide Lender with the final site plan for the Project as approved by all necessary Public Authorities.

(l) All other terms and conditions of the Loan Documents required to be met as of the date of the particular advance of Loan proceeds shall have been met to the satisfaction of Lender.

2.5 Conditions Precedent to Construction Line Advances. Lender shall not be obligated to make any advances of out of the Construction Line, unless the conditions described in Sections 2.3 and 2.4 remain satisfied, and the following conditions have been satisfied with respect to the Unit or Units for which the Construction Line advance is being requested:

(a) Lender shall have received from Borrower written evidence, in form and substance satisfactory to Lender, from all Public Authorities to the effect that all grading, building, construction and other permits and licenses necessary or required in connection with the construction of the Improvements have been validly issued for the work being performed for such draw request; that all applicable fees and bonds (whether posted by Borrower or its seller) required in connection therewith have been paid in full or posted, as the circumstances may require, including, but not limited to, those fees to be financed by Lender and the Letters of Credit to be issued by Lender in accordance with the terms of this Loan Agreement.

(b) All work completed at the time of the application for advance has been performed in a good and workmanlike manner; or all work completed at the time of the application for advance has been performed in a good and workmanlike manner and all materials and fixtures usually furnished and installed at that stage of construction have been furnished and installed.

(c) No Event of Default which has not been cured has occurred under any of the Loan Documents and no act has occurred which, with the passage of time after due notice, would become an Event of Default.

(d) The Improvements for which the advance is being requested have not been materially damaged by fire or other casualty unless Borrower shall have received the proceeds of insurance sufficient in the judgment of Lender to effect a satisfactory restoration of such Improvements and to permit the completion thereof on or prior to the Completion Date.

(e) Lender has received evidence satisfactory to it that all work requiring inspection by Public Authorities has been duly inspected and approved by such Public Authorities and by any rating or inspection organization, bureau, association or office having or claiming jurisdiction.

(f) Lender shall be satisfied, based upon the advice of the Consulting Engineer or Progress Inspector, that each Unit can be completed by a date no later than the Completion Date for that Unit with the balance of the Construction Loan proceeds committed to that Unit then held by Lender and available for advance for those purposes pursuant to the terms of this Loan Agreement and with other funds which Lender is reasonably satisfied are available to Borrower for those purposes.

(g) Lender shall have received a notice of title continuation or an endorsement to the title insurance policy heretofore delivered, indicating that since the last preceding advance, there has been no change in the status of title and no survey exceptions or other exceptions not theretofore approved by Lender, which endorsement shall have the effect of advancing the effective date of the policy to the date of the advance then being made and increasing the coverage of the policy to an amount equal to the total advances made as of the date of the advance then being made if the policy does not by its terms provide for such an increase.

(h) In the case of the first advance of Construction Line proceeds following the completion of the foundation and footings of a Unit, Lender shall have received a plat of survey certified to Lender from a land surveyor registered in Virginia, which plat of survey shall clearly designate the then "as built" location of the foundation of the Unit and the relationship of the foundation by courses and distances to the perimeter of the parcel on which the Unit is situated and any building restriction lines and set-backs applicable to the Unit, which survey shall be in conformity with the requirements set forth in Section 2.3 (f) hereof.

(i) The representations and warranties made in Article III of this Loan Agreement shall be true and correct, in all material respects, on and as of the date of the advance with the same effect as if made on such date.

(j) Lender shall have received evidence, which is reasonably satisfactory to Lender, of compliance with all zoning, subdivision, environmental and other laws, ordinances, rules, regulations and restrictions affecting construction of the Improvements.

(k) Lender shall have received acknowledgments of payment and releases of liens and rights to claim liens for work performed or materials delivered through the date of the last preceding advance and concurrently with the final advance. All such acknowledgments and releases shall be in form and substance satisfactory to Lender and the title insurance company that has insured the title to the Mortgaged Property.

(l) Borrower shall provide Lender with a final draw schedule for the Hard Construction advances in form and substance approved by Lender.

(m) Lender shall have received a detailed construction budget on forms approved by Lender detailing the costs to construct the Improvements.

(n) All other terms and conditions of the Loan Documents that must be satisfied as of the date of the particular advance of Construction Loan proceeds shall have been satisfied to Lender's satisfaction.

2.6 Additional Conditions Precedent to Final Advance. Lender shall not be obligated to make the final advance of Loan proceeds with respect to the Land, the Improvements or any Unit included within the Project unless the conditions described in Section 2.3 and Section 2.4 and the following additional conditions have been satisfied with respect to the Land, the Improvements or the Unit:

(a) Lender has been satisfied that all construction has been satisfactorily completed in a good and workmanlike manner;

(b) Lender has received evidence satisfactory to it that all work requiring inspection by Public Authorities has been duly inspected and approved by such Public Authorities and by any rating or inspection organization, bureau, association or office having or claiming jurisdiction;

(c) To the extent that any such certificate is a condition to the lawful use and occupancy of the subject Improvements, Lender has received evidence satisfactory to it that the requisite certificate of use and occupancy for permanent occupancy of such Improvements has been validly issued; however, such a certificate shall be not required for any model houses;

(d) All other terms and conditions of the Loan Documents required to be met as of the date of the final advance of Construction Loan proceeds for the applicable Unit shall have been met to the satisfaction of Lender.

2.7 Trust Funds. Borrower will receive the advances to be made hereunder and will hold the right to receive the same as a trust fund for the purpose of paying the cost of the acquisition and development of the Land and the construction of the Improvements, and Borrower agrees not to expend any part of the proceeds of the Loans for any purpose except in connection with the uses and purposes provided for in this Loan Agreement without the prior written consent of Lender.

2.8 Advances to Others for Account of Borrower. At the option of Lender, Lender may apply amounts due hereunder to the satisfaction of the conditions of the Commitment, the Note or the Loan Documents and any amounts so applied shall be part of the Loans and shall be secured by the Deed of Trust. Advances requested by Borrower shall be made directly to Borrower unless and until Borrower is in default hereunder or under any other Security Document. If Borrower is in default hereunder or under any other Security Document, then at the option of Lender, and without limiting the generality of the foregoing, Lender may make advances directly to the title insurance company or any subcontractor or materialman, or to any of them jointly, and the execution hereof by Borrower shall, and hereby does, constitute an irrevocable authorization, if Borrower is in default hereunder or under any other Loan Documents, to so advance the proceeds of the Loans. No further direction or authorization from Borrower shall be necessary to warrant such direct advances and all such advances shall satisfy *pro tanto* the obligations of Lender hereunder and shall be secured by the Deed of Trust as fully as if made to Borrower, regardless of the disposition thereof by the party or parties to whom such advance is made.

2.9 Additional Funds. If the inspections performed on behalf of Lender project that the remaining cost to complete the Improvements or a particular Unit will exceed the total remaining amount of Loan proceeds to be provided by Lender for the Improvements or that Unit, Lender shall not advance any more Loan proceeds for the Improvements or that Unit until Borrower has deposited with Lender the difference between the total remaining cost to complete the Improvements or that Unit (including sufficient funds to pay interest for the remaining term of the Loans) and the total remaining amount of the Loan proceeds for the Improvements or that Unit. This provision will apply whenever the total remaining cost to complete the Improvements or a Unit exceeds the total remaining Loan proceeds for the Improvements or the particular Unit. Therefore, if the projected total remaining costs to complete the Improvements or a Unit continues to increase after the first time that it exceeds the total amount of the remaining Loan proceeds for the Improvements or the Unit, Borrower shall deposit the incremental increase before Lender advances any more Loan proceeds for the Improvements or the particular Unit. The determination of the total remaining cost to complete the Improvements and each Unit shall be made by Lender.

2.10 Assignments. Borrower agrees not to transfer, assign, pledge or hypothecate any right or interest in any payment or advance due pursuant to this Loan Agreement, or any of the other benefits of this Loan Agreement, without the prior written consent of Lender. Any assignment made or attempted by Borrower without the prior written consent of Lender shall be void. No consent by Lender to an assignment by Borrower shall release Borrower as the party primarily obligated and liable under the terms of this Loan Agreement unless Borrower shall be released specifically by Lender in writing. No consent by Lender to an assignment shall be deemed to be a waiver of the requirement of prior written consent by Lender with respect to each and every further assignment and as a condition precedent to the effectiveness of such assignment.

2.11 Liability of Lender. Lender shall in no event be responsible or liable to any person other than Borrower for the disbursement of or failure to disburse the proceeds of the Loans or any part thereof, and no subcontractor, laborer or material supplier shall have any right or claim against Lender under this Loan Agreement or the administration thereof.

2.12 Speculative Units and Construction Limitations. Borrower may have not more than four (4) Speculative Units for which construction has commenced within the Project. Model Units shall be considered Speculative Units for the purpose of these limitations and Borrower shall have no more than two (2) Model Units at any time during the term of the Loans. Borrower shall have no more than ten (10) Units under construction at any one time during the term of the Loans. Lender may, but shall not be obligated to, advance Loan proceeds to fund the development or construction costs for any Units during any period when the maximum limit of Speculative Units is exceeded. Borrower shall provide Lender with the information Lender requests with respect to Lender's review of each proposed Unit and Borrower shall not commence construction of a Unit until it has obtained Lender's prior approval.

2.13 Loan Fees. Lender's obligation to make advances of the A&D Loan shall be contingent upon Borrower's payment to Lender of a fully earned non-refundable **\$25,000** loan fee for the A&D Loan which shall be paid to Lender at the Loan closing and shall be fully earned when paid. Lender's obligation to make advances and re-advances out of the Construction Line for any Unit shall be contingent upon Borrower's payment to Lender of a fully earned non-refundable Construction Line loan fee per Unit equal to one half of one percent (0.5%) of the total amount of the Construction Line committed to be advanced for the Unit that Borrower shall pay Lender at the time of the first advance of Construction Line proceeds for each Unit.

2.14 Loan Repayment. On the A&D Loan Funding Termination Date, Borrower shall pay all principal and accrued and unpaid interest and costs for that portion of the A&D Loan that Lender has allocated to those Units for which Lender has not committed Construction Loans as of the A&D Loan Funding Termination Date. For all other Units, Borrower shall pay all principal and accrued and unpaid interest and costs for the A&D Loan allocated to a particular Unit and the Construction Loan for such Unit on or before the Construction Loan Maturity Date applicable to the Unit. Nothing in this Loan Agreement or the Commitment shall impose upon or imply that Lender has any obligation to extend the A&D Loan Funding Termination Date, the Construction Line Funding Termination Date, or any Construction Loan Maturity Date, the decision to extend any of those dates being within the sole and absolute discretion of Lender.

2.15 Letter of Credit Facility. On the basis of the representations, warranties and covenants this day made by Borrower in the Loan Documents and subject to satisfaction of the conditions herein set forth, Lender shall issue the Letters of Credit in favor of the Public Authorities pursuant to the facility schedule approved by Lender (the "**Schedule**") and on the following terms and conditions:

(a) Lender agrees, subject to the terms and conditions of this Loan Agreement, to issue the Letters of Credit for the account of Borrower from time to time, pursuant to the Schedule. The total aggregate amount of the Letters of Credit that Lender will issue shall not exceed **One Hundred Fifty Thousand Dollars (\$150,000)**. The obligation of Lender to issue any Letters of Credit under this Letter of Credit Facility shall expire on that date that is twenty-four (24) months from the date of this Loan Agreement, unless extended in writing by Lender in its sole discretion. The initial term of a Letter of Credit shall not exceed twenty-four (24) months and will be renewable automatically (but only if no Event of Default has occurred and remains

uncured as of the date of the renewal) for additional twelve (12) month periods to the extent that the Public Authorities require the extension of the applicable Letter of Credit. In no event shall Lender be obligated to issue or extend a Letter of Credit that would expire after February 20, 2018. Each Letter of Credit will be issued for the benefit of the Public Authority to secure Borrower's obligations to construct the Improvements required by the Public Authorities in connection with their approval of the Project.

(b) Each request for a Letter of Credit must be made in writing by an authorized representative of Borrower and must be accompanied by an appropriately completed Letter of Credit Agreement in form acceptable to Lender in its sole discretion, executed by Borrower, which must be received by Lender not less than five (5) business days prior to the date on which the Letter of Credit is to be issued. The purpose, form, amount and term of each Letter of Credit shall be subject to Lender's approval, in its sole discretion.

(c) Borrower agrees to pay to Lender a non-refundable commission payable in advance on the date the Letter of Credit is issued or renewed and on each anniversary date of the Letter of Credit after such issuance or renewal equal to two percent (2.0%) of the face amount of the Letter of Credit (the "Commission") on each date. Borrower hereby irrevocably authorizes and directs Lender to automatically debit the Commission from Borrower's operating account maintained with Lender on each date that the Commission is due.

(d) Borrower shall immediately reimburse Lender on demand for any drawings paid by Lender under a Letter of Credit. Borrower's reimbursement obligations with respect to draws on a Letter of Credit shall bear interest at a rate equal to the non-default rate of interest then being charged Borrower under the Note plus two percent (2%) (computed for the actual number of days during which any Letter of Credit is drawn upon and Lender remains unreimbursed) which interest shall be payable on demand. Borrower's reimbursement obligations shall, until paid, be treated as outstanding advances under the Loan, and shall be secured by the Deed of Trust.

(e) Each request for a Letter of Credit shall identify the portion of the Project to which the Letter of Credit is attributable, be in the form of a requisition, in form and substance satisfactory to and approved by Lender, and shall be accompanied by, and shall itself constitute, a certification by Borrower that all representations and warranties of Borrower and Guarantors in the Loan Documents remain true in all material respects as of the time of such request, and that no material adverse change in Borrower's or any of Guarantor's respective financial conditions has occurred since the immediately preceding issuance of a Letter of Credit.

(f) In no event will Lender be required to issue any Letter of Credit hereunder, or otherwise, if (i) an event shall have occurred which, with the passage of time or the giving of notice, or both, could constitute an Event of Default under (A) the Loan Documents; or (B) any financing junior (or subordinate) to the Deed of Trust and the Note secured thereby; or (C) any loan document evidencing or securing any other loan from Lender to Borrower or to any of the Guarantors, or (ii) Lender at any time determines, in its sole discretion, that the proceeds of the Loans remaining to be advanced are insufficient to complete the Project in accordance with the plans and specifications.

ARTICLE III
REPRESENTATIONS AND WARRANTIES

3.0 Representations and Warranties by Borrower. Borrower hereby represents and warrants to Lender, as of the date of the first advance of Loan proceeds and at all times thereafter, that:

3.1 Plans and Specifications. No work associated with the construction of the Improvements will be commenced by Borrower unless and until the Plans and Specifications are satisfactory to Borrower and Lender and, to the extent required by applicable law and any effective restrictive covenants, have been approved by all Public Authorities and by the beneficiaries of any such restrictive covenants, respectively.

3.2 Permits. No work associated with the development of the Land or the construction of the Improvements will be commenced by Borrower unless and until all grading, building, construction and other permits necessary or required in connection with the commencement of the construction of the Improvements have been validly issued and all fees and bonds (whether posted by Borrower or its seller) required in connection therewith have been paid or posted, as the circumstances may require.

3.3 Utilities. All utility services necessary for the construction of the Improvements and the operation thereof for their intended purpose are available at the boundaries of the Land, or there are easements in place which will allow Borrower to extend utility services to the boundaries of the Land, including, without limitation, telephone service, water supply, storm and sanitary sewer facilities, and natural gas or electric facilities (the "**Utilities**").

3.4 Access - Roads. All roads and other access necessary for the construction and full utilization of the Improvements for their intended purposes have either been completed or the necessary rights of way therefor have either been acquired by the appropriate Public Authorities or have been dedicated (or will be dedicated) to public use and has been or will be accepted by such Public Authorities or have been or will be created by recorded easement and all necessary steps have been taken or will be taken by Borrower or such Public Authorities to assure the complete construction and installation thereof by a time no later than the Completion Date.

3.5 Other Liens. Except as otherwise provided for in the Loan Documents, Borrower has made no contract or arrangement of any kind the performance of which by the other party thereto would give rise to a lien on the Mortgaged Property.

3.6 Financial Statements. Borrower's financial statements heretofore delivered to Lender are true and correct in all material respects, have been prepared in accordance with sound accounting practices consistently applied, and fairly present the respective financial conditions of the subjects thereof as of the respective dates thereof. No material adverse change has occurred in Borrower's financial condition reflected therein since the respective dates thereof and no material additional liabilities have been incurred by Borrower since the date thereof other than the borrowing contemplated herein or as approved in writing by Lender.

3.7 Defaults. There is no Event of Default on the part of Borrower under the Loan Documents and no event has occurred and is continuing which, with notice or the passage of time or both, would constitute an Event of Default under the Loan Documents.

3.8 Compliance in Zoning. The current or anticipated use of the Mortgaged Property complies with applicable zoning ordinances, regulations and restrictive covenants affecting the Land, all use requirements of any Public Authority have been satisfied, and no violation of any law or regulation exists with respect thereto.

ARTICLE IV
AFFIRMATIVE COVENANTS

4.0 Affirmative Covenants. Borrower hereby affirmatively covenants and agrees as follows:

4.1 Development and Construction. Borrower shall commence the on-site physical development of the Land on or before May 20, 2015 and shall commence vertical Unit construction on or before February 20, 2016 in accordance with the terms and provisions of this Loan Agreement and will pursue the same in good faith with diligence and continuity in accordance with the Plans and Specifications.

4.2. Approval and Permits. No work associated with the construction of the Improvements shall be commenced by Borrower unless and until the Plans and Specifications have been approved by Lender and, to the extent required by applicable law or any effective restrictive covenant, by all Public Authorities and by the beneficiary of any such restrictive covenant, and unless and until all building, construction and other permits necessary or required in connection with the commencement of the construction of the Improvements have been validly issued and all fees and bonds (whether posted by Borrower or its seller) required in connection therewith have been paid or posted, as the circumstances may require.

4.3 Completion. Construction of a Unit shall be completed by Borrower on or before the Completion Date, free and clear of all liens and claims of liens for materials supplied and for services or labor performed in connection with the construction of the Unit.

4.4 Compliance with Laws - Encroachments. The Improvements shall be constructed by Borrower in strict accordance with all applicable (whether present or future) laws, ordinances, rules, regulations, requirements and orders of any Public Authority. The Improvements shall be constructed entirely on the Land and will not encroach upon any easement or right-of-way, or upon the land of others. Construction of the Improvements shall be wholly within all applicable building restriction lines and set-backs, however established, and shall be in strict accordance with all applicable use or other restrictions and the provisions of any prior agreements, declarations, covenants and all applicable zoning and subdivision ordinances and regulations.

4.5 Surveys. Upon Lender's request from time to time, as construction progresses and upon the completion of the construction of the Improvements, Borrower shall furnish Lender with a plat of survey, currently certified to Lender by a registered land surveyor of the jurisdiction in which the Land is located, which plat of survey shall clearly designate at least (i) the location of the perimeter of the Land by courses and distances; (ii) the location of all easements, rights-of-way, alleys, streams, waters, paths and encroachments; (iii) the location of all building restriction lines and set-backs, however established; (iv) the location of any streets or roadways abutting the Land; and (v) the "as-built" location of the Improvements and the relation of the Improvements by courses and distances to the perimeter of the Land, building restriction lines and set-backs.

If at any time Borrower is required to furnish a plat of survey to Lender pursuant to the terms of this Loan Agreement, Borrower shall also furnish an original print thereof to the title insurance company and such plat of survey shall not be sufficient for purposes of this Loan Agreement unless and until the title insurance company shall advise Lender, by endorsement to the title insurance policy or otherwise, that the plat of survey discloses no violations, encroachments or other variances from applicable set-backs or other restrictions except such as Lender and its counsel shall approve, such approval not to be unreasonably withheld. All such plats of survey shall conform to the most recent Minimum Standard Detail Requirements for ALTA/ACSM Land Title Surveys jointly established and adopted by the American Land Title Association and the American Congress on Surveying and Mapping.

4.6 Inspections; Cooperation; Payment of Consulting Engineer. Borrower shall permit Lender and Lender's duly authorized representatives (including, without limitation, the Consulting Engineer or Progress Inspector) no more than twice per month to enter upon the Land and to inspect the Improvements and any and all materials to be used in connection with the construction of the Improvements and to examine all detailed plans and shop drawings and similar materials relating to the construction of the Improvements, during ordinary business hours. Borrower will at all times cooperate and use its reasonable good faith efforts to cause each and every of its subcontractors and materialmen to cooperate with Lender and Lender's duly authorized representatives (including, without limitation, the Consulting Engineer or Progress Inspector) in connection with or in aid of the performance of Lender's functions under this Loan Agreement. The fees of any Consulting Engineer or Progress Inspector engaged or employed by Lender in connection with or in aid of the performance of Lender's functions under this Loan Agreement shall be paid by Borrower.

4.7 Vouchers and Receipts. Borrower will furnish to Lender, promptly on demand, any contracts, bills of sale, statements, receipted vouchers or agreements pursuant to which Borrower has any claim of title to any materials, fixtures or other articles delivered or to be delivered to the Land or incorporated or to be incorporated into the Improvements. Borrower will furnish to Lender, promptly on demand, a verified written statement, in such form and detail as Lender may reasonably require, showing all amounts paid and unpaid for labor and materials and all items of labor and materials to be furnished for which payment has not been made and the amounts to be paid therefor.

4.8 Payments for Labor and Materials. Borrower will pay when due all bills for materials supplied and for services or labor performed in connection with the construction of the Improvements, subject to Borrower's contest rights set forth in Section 4.6 of the Deed of Trust.

4.9 Correction of Construction Defects. In the event there are any defects in the work or any material departures or deviations from the plans and specifications not approved by Lender, as such defects, departures or deviations are certified to Lender by an outside engineer chosen by Lender, then promptly following any demand by Lender, Borrower will correct or cause the correction of such defects, departures or deviations.

4.10 Insurance. The original policy or policies of insurance, a certified true copy thereof and an original endorsement to the policy or policies of insurance issued by the approved insurance company that endorses the policy or policies to add Lender as the mortgagee, loss payee and/or additional insured as its interests may appear shall be deposited with Lender (the "**Endorsement**"), together with a paid receipt for the premiums thereunder for at least the quarterly period following the date of this Loan Agreement. All policies of insurance shall be written with a company or companies licensed to do business in the jurisdiction where the Mortgaged Property is located and with a company or companies satisfactory to Lender. Each policy of insurance shall provide that such policy may not be surrendered, cancelled or substantially modified, including without limitation cancellation for non-payment of premiums, without at least thirty (30) days' prior written notice to all parties named as insured therein, including Lender.

At no cost to Lender, Borrower shall provide and maintain:

(a) BUILDER'S RISK INSURANCE – "Builder's Risk" insurance (non-reporting form) of the type customarily carried in the case of similar construction for the full replacement cost of work in place and material stored at or upon the Mortgaged Property, comprehensive broad form "all risk" casualty insurance and insurance for other risks of a similar or dissimilar nature, in such forms and amounts as Lender may require. Such insurance policy shall name Lender as mortgagee.

(b) FIRE/HAZARD INSURANCE WITH EXTENDED COVERAGE – Insurance against any act or occurrence of any kind or nature that results in damage, loss or destruction to the Mortgaged Property under a policy or policies covering such risks as are ordinarily insured against by similar businesses, but in any event including fire, lightning, windstorm, hail, explosion, riot, riot attending a strike, civil commotion, damage from aircraft, smoke, vandalism and malicious mischief, upon the completion of the construction of the Improvements or upon the occupancy thereof for the purposes intended, whichever shall first occur. Unless otherwise agreed in writing by Lender, such insurance shall be for the full insurable value of the Mortgaged Property. The term "full insurable value" means the actual replacement cost of the Mortgaged Property (excluding foundation and excavation costs and costs of underground flues, pipes, drains and other uninsurable items). The deductible amount under such policy or policies shall not exceed \$5,000.00. No policy of insurance shall be written such that the proceeds thereof will produce less than the minimum coverage required by this section by reason of coinsurance provisions or otherwise. The "full insurable value" shall be determined from time to time at the request of Lender, by an appraiser or appraisal company or one of the insurers, who shall be selected and paid for by Borrower but subject to Lender's approval. Such insurance policy shall name Lender as mortgagee.

(c) LIABILITY INSURANCE - Comprehensive general public liability and indemnity insurance in such forms and in such amounts as Lender may require, but in any event not less than \$1,000,000.00 covering claims for bodily injury or death and property damage arising out of a single occurrence and \$2,000,000.00 for the aggregate of all occurrences during any given annual policy period. Such insurance policy shall name Lender as mortgagee.

(d) WORKER'S COMPENSATION INSURANCE - Worker's compensation insurance for all employees (if any) of Borrower in accordance with the applicable requirements of law. Such insurance policy shall name Lender as mortgagee.

4.11. Flood Insurance. If required by applicable law or regulation or if required by Lender, Borrower shall provide or cause to be provided to Lender a separate policy of flood insurance in the amount of the Note or the maximum limit of coverage available with respect to the Mortgaged Property, whichever is the lesser, from a company or companies satisfactory to Lender and written in strict conformity with the Flood Disaster Protection Act of 1973, as amended, and all applicable regulations adopted pursuant thereto, or alternatively if flood insurance is not available for the Mortgaged Property or the Mortgaged Property is not within a flood hazard area, Borrower shall supply Lender with written evidence, in form and substance satisfactory to Lender, to that effect. Any such policy shall provide that the policy may not be surrendered, cancelled or substantially modified (including, without limitation, cancellation for non-payment of premiums) without at least thirty (30) days' prior written notice to any and all insureds named therein, including Lender.

4.12 Fees and Expenses - Indemnity. Borrower will pay to Lender or as Lender directs all reasonable fees, charges, costs and expenses required to satisfy the conditions of the Loan Documents and the Commitment. Borrower will hold Lender harmless and indemnify Lender from all claims of brokers and "finders" arising by reason of the execution and delivery hereof or the consummation of the transaction contemplated hereby.

4.13 Prompt Applications. Borrower shall cause all applications for advances of Loan proceeds to be made and delivered to Lender promptly in order to obtain advances of Loan proceeds as they become available for disbursement pursuant to the terms of this Loan Agreement.

4.14 Hazardous Materials. Borrower will immediately remove all Hazardous Materials from the Land and Improvements or follow the recommendations of a qualified environmental consultant approved by Lender immediately after Borrower has been notified that Hazardous Materials have been used in the construction of the Improvements or are or have been stored or located upon the Land or the Improvements in violation of Environmental Requirements or Environmental Laws.

4.15 Financial Reporting. On or before May 31 of each year, Borrower and Guarantors will furnish to Lender a current financial statement including (i) a detailed balance sheet, (ii) a report disclosing in detail Borrower's income, expenses and net cash flow, (iii) a detailed,

comprehensive schedule of all contingent liabilities, and (iv) a certified true copy of its federal income tax return for the previous fiscal year. Borrower shall furnish Lender with a monthly sales status report for the Project on the tenth (10th) day of each month commencing on the tenth (10th) day of the first full month after the date hereof. Borrower and Guarantors will also furnish to Lender such other financial and operating information as Lender may from time to time request.

4.16 End Loans and Sales Contracts.

Borrower shall provide Lender with copies of all executed Contracts for the sale of Units within five (5) business days after full execution. Lender shall be provided the opportunity to offer loans to purchasers of Units and Borrower will include the terms of Cardinal's terms in its sales packages. However, notwithstanding the provisions of the preceding sentence, Borrower's sales documents shall not require the purchasers of individual Units to obtain their purchase financing from Lender or its subsidiary.

4.17 Deposit Accounts. Borrower shall maintain its primary operating and deposit accounts with Lender at all times during the term of the Loans.

4.18 Master Association. Borrower shall submit all existing or proposed documentation (the "**Master Association Documents**") intended or necessary to subject the Land and Improvements to a master association (the "**Master Association**") to Lender for Lender's review and approval concurrently with Borrower's submission of the Master Association Documents to any Public Authority required to review and approve the Master Association Documents as a precondition to creation of the Master Association. Once Lender has approved the Master Association Documents, which approval shall not be unreasonably withheld, delay, or conditioned, Lender shall consent to and/or execute such Master Association Documents as are required of Lender, in its capacity as the holder of a security interest in the Mortgaged Property, to facilitate Borrower's establishment of a Master Association for the Project under the laws of the Commonwealth of Virginia. Lender acknowledges that Borrower intends to have the Project annexed into the Stone Ridge Homeowners Association, Inc. ("SRHA"), an existing Master Association. Subject to Lender's review and approval of the pertinent annexation documents, which approval shall not be unreasonably conditioned, withheld or delayed, Lender agrees that Borrower can annex the Project into SRHA.

4.19 Utilities and Roads. On or before February 20, 2016, Borrower shall provide Lender with evidence that all Utilities are available for hook-up to each Lot and that all roads within the Project have been base paved.

4.20 Unit Sale Requirements. Borrower shall meet or exceed each of the following minimum Unit sale requirements on or before the specified date:

- (a) On or before February 20, 2016, Borrower shall have entered into a non-contingent Contract for the sale of at least one (1) Unit.
- (b) On or before August 20, 2016, Borrower shall have sold and closed on at least four (4) Units.

(c) On or before February 20, 2017, Borrower shall have sold and closed on at least ten (10) Units.

(d) On or before August 20, 2017, Borrower shall have sold and closed on at least eighteen (18) Units.

ARTICLE V
NEGATIVE COVENANTS

5.0 Negative Covenants. Until the Indebtedness shall have been paid in full, Borrower covenants and agrees as follows:

5.1 Other Liens; Transfers; "Due-on-Sale", etc. Borrower shall not, without the prior written consent of Lender, create or permit to be created or remain with respect to the Mortgaged Property or any part thereof or income therefrom, any mortgage, pledge, lien, encumbrance, charge, security interest, conditional sale or other title retention agreement, whether prior or subordinate to the lien of the Security Documents, other than in connection with the Security Documents or as otherwise provided for or permitted therein. Except for any grant, conveyance, sale, assignment or transfer in the ordinary course of Borrower's business and which is specifically conditioned upon the release of record of the lien of the Deed of Trust and the other Security Documents as to that portion of the Mortgaged Property granted, conveyed, sold, assigned or transferred, Borrower shall not, without the prior written consent of Lender, make, create, permit or consent to any conveyance, sale, assignment or transfer of the Mortgaged Property or any part thereof, or Borrower's legal or equitable interest in the Mortgaged Property, other than in connection with the Security Documents or as otherwise provided for or permitted therein. Borrower will not, without the prior written consent of Lender, make, create or consent to any grant, conveyance, sale, assignment or transfer of any partnership interest or other interest in Borrower.

5.2 Impairment of Security. Borrower shall take no action which will in any manner impair the value of the Mortgaged Property or the validity, priority or security of the Deed of Trust.

5.3 Conditional Sales. Borrower will not incorporate in the Improvements any property acquired under a conditional sales contract or lease, or as to which the vendor retains title or a security interest, without the prior written consent of Lender.

5.4 Changes to Plans and Specifications. Borrower will not permit any material changes in the Plans and Specifications, including, without limitation, any change by altering or adding to the work to be performed, orders for extra work, any change which will result in a material net construction cost increase or a material net cumulative construction cost decrease, or any material change in the design concept for the Improvements, without the prior written consent of Lender, which consent shall not be unreasonably withheld, conditioned or delayed and under such reasonable conditions as Lender may then establish.

5.5 Bonds. Borrower will not do or permit anything to be done that would affect the coverage or indemnities provided for pursuant to the provisions of any performance bond, labor and material payment bond or any other bond required pursuant to the provisions of the Loan Documents.

ARTICLE VI
EVENTS OF DEFAULT

6.0 Events of Default. The term “**Event(s) of Default**” as used in this Loan Agreement shall mean the occurrence or happening, from time to time, of any one or more of the following, beyond any applicable cure period:

6.1 Payment of Indebtedness. If Borrower shall fail to pay to Lender any and all amounts payable by Borrower to Lender under the terms of the Loan Documents, including but not limited to any principal payment, interest payment, loan fee, extension fee or late charge, within 10 days after written notice of such failure is sent by Lender to Borrower.

6.2 Performance of Obligations. If Borrower shall default in the due observance or performance of any of the Obligations, specifically including, but not limited to, those specified in Sections 6.3 through 6.12 of this Article, and such default continues for thirty (30) days after written notice of such default is sent by Lender to Borrower, or if such default cannot be reasonable cured within such thirty (30)-day period, the failure to commence such cure or diligently to prosecute the same to completion, provided in no event shall such default continue uncured for more than ninety (90) days after written notice thereof.

6.3 Other Defaults. If any other default shall occur under the Loan Documents.

6.4 Representation and Warranties. If any representation or warranty contained in this Loan Agreement or in any other document, certificate or opinion delivered to Lender in connection with the Loans shall prove at any time to be incorrect or misleading in any material respect when made.

6.5 Progress of Construction. Except for delays unavoidably occasioned by strikes, lock-outs, war or civil disturbance, governmental actions (e.g., moratorium), natural disaster, acts of God, or extreme weather conditions, if construction of the Improvements is not carried on in good faith and with reasonable dispatch or if Borrower abandons the work or discontinues work for a period of more than thirty (30) consecutive days.

6.6 Failure to Complete. Except for delays unavoidably occasioned by strikes, lock- outs, war or civil disturbance, natural disaster, acts of God, or extreme weather conditions, if Borrower fails to complete the construction of a Unit on or before the Completion Date.

6.7 Conditions Precedent to Any Advance. Except for delays unavoidably occasioned by strikes, lock-outs, war or civil disturbance, natural disaster, acts of God, or extreme weather conditions, if Borrower is unable to satisfy any condition precedent to its right to receive an advance of the Construction Line proceeds for a period in excess of thirty (30) days.

6.8 [Intentionally omitted.]

6.9 [Intentionally omitted.]

6.10 Disclosure of Contractors. If Borrower shall fail to disclose to Lender, upon demand and within a reasonable time period, the names of all major contractors with whom Borrower has contracted or intends to contract for the construction of the Improvements or for the furnishing of labor or materials therefor.

6.11 Mechanic's Lien. If a lien for the performance of work or the supply of materials which is established against the Mortgaged Property remains unsatisfied or unbonded for a period of thirty (30) days after the date the lien becomes effective.

6.12 Impairment of Security. The occurrence of any condition or situation which, in the sole determination of Lender, constitutes a material danger to or impairment of the security for the repayment of the Loans, if such condition or situation is not remedied within thirty (30) days after written notice to Borrower thereof.

ARTICLE VII
DEFAULT - REMEDIES

7.0 Remedies on Default. Lender shall have the right, upon the happening of any Event of Default, to terminate this Loan Agreement by notice in writing to Borrower and, in addition to any rights or remedies available to it under the Deed of Trust or other Security Documents, to enter into possession of the Mortgaged Property and perform any and all work and labor necessary to complete the construction of the Improvements (whether or not in accordance with the Plans and Specifications) and to employ watchmen to protect the Mortgaged Property and the Improvements.

All sums expended by Lender for such purposes shall be deemed to have been paid to Borrower and secured by the Deed of Trust. For this purpose, Borrower hereby constitutes and appoints Lender Borrower's true and lawful attorney-in-fact with full power of substitution to complete the work in the name of Borrower, in a commercially sound and reasonable manner, and hereby empowers said attorney or attorneys as follows:

(a) To use any funds of Borrower including any balance which may be held in escrow and any funds which may remain unadvanced hereunder for the purpose of completing the construction of the Improvements, whether or not in the manner called for in the Plans and Specifications;

(b) To make such additions, changes and corrections in the Plans and Specifications that are necessary or desirable in the judgment of Lender to complete the construction of the Improvements;

- (c) To employ such contractors, subcontractors, agents, architects and inspectors as shall be required for said purpose;
- (d) To pay, settle or compromise all existing bills and claims which are or may be liens against the Mortgaged Property, or may be necessary or desirable for the completion of the work or the clearance of title;
- (e) To execute all applications and certificates which may be required in the name of Borrower; and
- (f) To do any and every act with respect to the construction of the Improvements which Borrower may do in its own behalf.

It is understood and agreed that this power of attorney shall be deemed to be a power coupled with an interest which cannot be revoked. Said attorney-in-fact shall also have power to prosecute and defend all actions or proceedings in connection with the construction of the Improvements and to take such actions and require such performance as is deemed necessary.

Borrower hereby irrevocably constitutes and appoints Lender Borrower's true and lawful attorney-in-fact to execute, acknowledge and deliver such documents, instruments and certificates, and to take such other actions, in the name and on behalf of Borrower and at the sole cost and expense of Borrower, as Lender, in its sole and reasonable discretion, deems necessary, desirable or appropriate to effectuate the provisions of this paragraph.

7.1 No Conditions Precedent to Exercise of Remedies. Neither Borrower nor any of the Guarantors shall be relieved of any obligation by reason of the failure of Lender to comply with any request of Borrower or of any other person to take action to foreclose on the Deed of Trust or otherwise to enforce any provisions of the Loan Documents, or by reason of the release, regardless of consideration, of all or any part of the Mortgaged Property, or by reason of any agreement of stipulation between any subsequent owner of the Mortgaged Property and Lender extending the time of payment or modifying the terms of the Loan Documents without first having obtained the consent of Borrower or any of the Guarantors; and in the latter event, Borrower and each of the Guarantors shall continue to be liable to make payments according to the terms of any such extension or modification agreement, unless expressly released and discharged in writing by Lender.

7.2 Remedies Cumulative and Concurrent. No remedy herein conferred upon or reserved to Lender is intended to be exclusive of any other remedies provided for in the Loan Documents, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder, under the Loan Documents, or now or hereafter existing at law or in equity or by statute. Every right, power and remedy given by the Loan Documents to Lender shall be concurrent and may be pursued separately, successively or together against Borrower, Guarantors, or the Mortgaged Property or any part thereof, or any one or more of them; and every right, power and remedy given by the Loan Documents may be exercised from time to time as often as may be deemed expedient by Lender.

7.3 Strict Performance. No delay or omission of Lender to exercise any right, power or remedy accruing upon the happening of an Event of Default shall impair any such right, power or remedy or shall be construed to be a waiver of any such Event of Default or any acquiescence therein. No delay or omission on the part of Lender to exercise any option for acceleration of the maturity of the Indebtedness, or for foreclosure of the Deed of Trust following any Event of Default as aforesaid, or any other option granted to Lender hereunder in any one or more instances, or the acceptance by Lender of any partial payment on account of the Indebtedness shall constitute a waiver of any such Event of Default, and each such option shall remain continuously in full force and effect.

ARTICLE VIII
MISCELLANEOUS

8.0 No Warranty by Lender. By accepting or approving anything required to be observed, performed or fulfilled by Borrower or to be given to Lender pursuant to this Loan Agreement, including, without limitation, any certificate, balance sheet, statement of profit and loss or other financial statement, survey, receipt, appraisal or insurance policy, Lender shall not be deemed to have warranted or represented the sufficiency, legality, effectiveness or legal effect of the same, or of any term, provision or condition thereof, and any such acceptance or approval thereof shall not be or constitute any warranty or representation with respect thereto by Lender.

8.1 Liability of Lender. Lender shall not be liable for any act or omission by it pursuant to the provisions of this Loan Agreement in the absence of fraud, gross negligence or willful misconduct. Lender shall incur no liability to Borrower or any other party in connection with the acts or omissions of Lender in reliance upon any certificate or other paper believed by Lender to be genuine or with respect to any other thing which Lender may do or refrain from doing, unless such act or omission amounts to fraud, gross negligence or willful misconduct. In connection with the performance of its duties pursuant to this Loan Agreement, Lender may consult with counsel of its own selection, and anything which Lender may do or refrain from doing, in good faith, in reliance upon the opinion of such counsel shall be full justification and protection to Lender.

8.2 No Partnership. Nothing contained in this Loan Agreement shall be construed in a manner to create any relationship between Borrower and Lender other than the relationship of borrower and lender, and Borrower and Lender shall not be considered partners or co-venturers for any purpose.

8.3 Severability. In the event any one or more of the provisions of this Loan Agreement shall for any reason be held to be invalid, illegal or unenforceable, in whole or in part or in any respect, or in the event any one or more of the provisions of the Loan Documents operate or would prospectively operate to invalidate this Loan Agreement, then and in either of those events, at the option of Lender, such provision or provisions only shall be held for naught and shall not affect any other provision of the Loan Documents or the validity of the remaining Obligations, and the remaining provisions of the Loan Documents shall remain operative and in full force and effect and shall in no way be affected, prejudiced or disturbed thereby.

8.4 Successors and Assigns. Each covenant, term, provision and condition of this Loan Agreement and the other Loan Documents shall apply to, bind and inure to the benefit of Borrower, its successors and those assigns of Borrower consented to in writing by Lender, and shall apply to, bind and inure to the benefit of Lender and the endorsees, transferees, successors and assigns of Lender, and all persons claiming under or through any of them.

8.5 Modification - Waiver. None of the terms or provisions of this Loan Agreement may be changed, waived, modified, discharged or terminated except by instrument in writing executed by the party or parties against which enforcement of the change, waiver, modification, discharge or termination is asserted. None of the terms or provisions of this Loan Agreement shall be deemed to have been abrogated or waived by reason of any failure or failures to enforce the same.

8.6 Third Parties - Benefit. All conditions of the obligations of Lender to make advances hereunder are imposed solely and exclusively for the benefit of Lender and its assigns, and no other persons shall have standing to require satisfaction of such conditions in accordance with their terms or be entitled to assume that Lender will refuse to make advances in the absence of strict compliance with any or all thereof and no other person shall, under any circumstances, be deemed to be a beneficiary of such conditions, any or all of which may be freely waived in whole or in part by Lender at any time in the sole and absolute exercise of its discretion. The terms and provisions of this Loan Agreement are for the benefit of the parties hereto and, except as herein specifically provided, no other person shall have any right or cause of action on account thereof. Lender shall in no event be responsible or liable to any person other than to Borrower for any advance of or failure to advance the proceeds of the Construction Line or any part thereof, and no contractor, subcontractor, materialman or other person shall have any right or claim against Lender pursuant to this Loan Agreement or the administration thereof.

8.7 Conditions - Verification. Any condition of this Loan Agreement which requires the submission of evidence of the existence or non-existence of a specified fact or facts implies as a condition the existence or non-existence, as the case may be, of such fact or facts and Lender shall, at all times, be free independently to establish to its satisfaction and in its absolute discretion such existence or non-existence.

8.8 Captions and Headings. The captions and headings contained in this Loan Agreement are included herein for convenience of reference only and shall not be considered a part hereof and are not in any way intended to limit or enlarge the terms hereof.

8.9 Counterparts. This Loan Agreement may be executed in any number of counterparts, each of which shall be considered an original for all purposes; provided, however, that all such counterparts shall together constitute one and the same instrument.

8.10 Notices. All notices, demands, requests and other communications required pursuant to the provisions of this Loan Agreement shall be in writing and shall be deemed to have been properly given or served for all purposes when presented personally or on the first (1st) business day after being sent by Federal Express or other similar overnight service or on the second (2nd) business day after being sent via United States Registered or Certified Mail, postage prepaid, to the respective addresses as follows:

(a) If to Borrower, then to it at:

c/o Comstock Holding Companies, Inc.
1886 Metro Center Drive, 4th floor
Reston, Virginia 20190
Attn: Christopher Clemente, CEO

With a copy to:

c/o Comstock Holding Companies, Inc.
1886 Metro Center Drive, 4th floor
Reston, Virginia 20190
Attn: Jubal Thompson

(b) If to Lender, then to it at:

Cardinal Bank
8270 Greensboro Drive, Suite 500
McLean, Virginia 22102
Attention: Real Estate Department

Any of the parties may designate a change of address by notice in writing to the other parties. Whenever in this Loan Agreement the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person or persons entitled to receive such notice. Notwithstanding the foregoing, no notice of change of address shall be effective except upon actual receipt. This Section shall not be construed in any way to affect or impair any waiver of notice or demand provided in the Note or any of the other Loan Documents or to require giving of notice or demand to or upon any person in any situation or for any reason.

8.11 Signs; Publicity. At Lender's request and expense, Borrower shall place a sign or signs (in a form or forms which Borrower has reasonably approved) at a location or locations on the Mortgaged Property satisfactory to Lender and Borrower, which signs shall recite, among other things, that Lender is financing the construction of the Improvements. Borrower expressly authorizes Lender to prepare and to furnish to the news media for publication from time to time news releases with respect to the Mortgaged Property, specifically to include but not limited to releases detailing Lender's involvement with the financing of the Mortgaged Property.

8.12 Applicable Law. This Loan Agreement shall be governed by and construed, interpreted and enforced in accordance with and pursuant to the laws of the Commonwealth of Virginia. In the event that the "choice of law" rules of the Commonwealth of Virginia can be construed or interpreted to require the laws of another jurisdiction to govern, the "choice of law" rules of the Commonwealth of Virginia shall not apply.

8.13 Time of Essence. Time shall be of the essence of each and every provision of this Loan Agreement of which time is an element.

8.14 Commitment. To the extent the terms of the Commitment are not incorporated in this Loan Agreement, the terms and conditions of the Commitment shall survive the execution of this Loan Agreement and shall continue to be the obligation of Borrower until the Loans are paid in full. Any discrepancy between the terms of the Commitment and the terms of the Loan Documents shall be construed in favor of the Loan Documents. Borrower agrees, from time to time, to execute and acknowledge such amendments or modifications as may reasonably be required to add, delete or modify provisions to this Loan Agreement in order to cause this Loan Agreement to conform to the terms of the Commitment.

[Signatures and acknowledgements commence on next page]

IN WITNESS WHEREOF, Borrower and Lender have executed and delivered these presents or caused these presents to be executed and delivered as of the year and day first above written.

BORROWER:

COMSTOCK STONE RIDGE, L.C., a Virginia limited liability company

By: Comstock Holding Companies, Inc., a Delaware corporation, its manager

By: _____ (SEAL)
Christopher D. Clemente
Chief Executive Officer

LENDER:

CARDINAL BANK, a Virginia state chartered bank

By: _____ (SEAL)
Richard F. Schoen
Senior Vice President

Exhibit A

Legal Description of Land

All those certain lots, pieces or parcels of land situate, lying and being in Loudoun County, Virginia, being more particularly described as follows:

All that certain tract of land shown as New Area ###-##-####, 1,169,316 S.F., 26.84381 Acres on plat entitled "Plat Showing Boundary Line Adjustment on Moon Glade, LLC", prepared by Bowman Consulting dated May 24, 2011 recorded among the land records of Loudoun County, Virginia as Instrument No. 20111108-0070072.

Exhibit B

LOAN AGREEMENT

THIS LOAN AGREEMENT, made to be effective as of the _____ day of March, 2015, by and between COMSTOCK TWO RIVERS I, L.C., a Virginia limited liability company, hereinafter called the "Borrower"; and EAGLEBANK, a Maryland banking corporation, hereinafter called the "Lender";

RECITALS:

WHEREAS, pursuant to the terms and provisions of that certain Sales Agreement dated effective as of May 29, 2014, by and between Borrower (as Purchaser) and Two Rivers Associates, LLC (as Seller) (the "Sales Agreement"), Borrower has contracted to purchase from time to time in phases up to sixty-six (66) subdivided residential townhouse building lots (the "Lots") in Sections 1 and 2, Two Rivers Infrastructure Subdivision, A Planned Unit Development Age Restricted Community (Regency at Two Rivers), located in Anne Arundel County, Maryland; and

WHEREAS, upon the closing of the Loan herein described, initially Borrower shall have acquired and shall be the fee simple title owner of those certain Lots of land more particularly described in Exhibit "A" attached hereto as of the effective date of this Loan Agreement; and

WHEREAS, the Lender has agreed to make a revolving credit line land acquisition and construction loan (the "Loan") to the Borrower in the maximum principal sum permitted to be outstanding at any one time of SIX MILLION SEVEN HUNDRED THOUSAND AND NO/100 DOLLARS (\$6,700,000.00), which sum is to be advanced in accordance with the terms hereof and is to be used by the Borrower for and on account of financing the costs and expenses associated with purchasing over time and from time to time the Lots pursuant to the Sales Agreement, and to finance the cost of materials to be furnished and the expense of labor and materials and services to be performed and provided, construction supervision expenses, and other costs in connection and associated with the construction of single family residential townhouse dwelling units (medium 28'-wide) on the Lots acquired (the "Project"); and

WHEREAS, simultaneously with the execution and delivery hereof, the Borrower has executed a certain Commercial Promissory Note of even date herewith for the repayment of the principal amount of the Loan aforesaid, with interest as therein provided.

AGREEMENT:

NOW THEREFORE WITNESSETH that for and in consideration of these presents, and in further consideration of the mutual covenants and agreements herein set forth and of the sum of TEN and No/100 Dollars (\$10.00) lawful money of the United States of America by each of the parties to the other paid, the receipt and sufficiency of which is hereby acknowledged, the parties hereto do hereby covenant and agree as follows:

ARTICLE I

DEFINITIONS

1.0 Definitions.

Borrower and Lender agree that, unless the context otherwise specifies or requires, the following terms shall have the meaning herein specified, such definitions to be applicable equally to the singular and the plural forms of such terms and to all genders.

(a) Commitment - The revised loan commitment letter from the Lender to the Borrower dated January 7, 2015, regarding the Loan, and as the same may be from time to time, amended and/or extended.

(b) Plans and Specifications - Any and all architectural and/or engineering plans and specifications prepared for the Borrower in connection with the construction of the Improvements as approved in writing by the Lender and as the same may from time to time be amended, which amendments shall be subject to the prior written approval of the Lender, which approval shall not be unreasonably withheld.

(c) Site Plans - Any and all preliminary and final approved site engineering plans and subdivision plans and plats prepared for the Seller and/or Borrower under the terms of the Sales Agreement in connection with the Lots and the construction of the improvements (site development work, infrastructure, public works improvements) as approved in writing by any Anne Arundel County, Maryland governmental authority having or claiming jurisdiction thereof, and as the same may from time to time be amended, which amendments shall be subject to the prior written approval of the Lender, which approval shall not be unreasonably withheld, conditioned or delayed.

1.1 Additional Definitions.

Borrower and Lender agree that unless the context otherwise specifies or requires, the following terms shall have the meaning herein specified, such definitions to be applicable equally to the singular and the plural forms of such terms and to all genders:

(a) Approved Sales Contract – A non-contingent (meaning no contingencies other than normal financing approval provisions, purchaser’s sale of existing home, and other customary contingencies) bona fide written agreement for the sale of a Lot and House (a) with either a third party owner/occupant not affiliated or identified with Borrower, or an affiliate of Borrower approved by Lender, and (b) containing an earnest money deposit acceptable to the Lender, which at a minimum shall be three percent (3%) of the agreed purchase price for the Lot and House; and (c) a copy of which executed Sales Contract, upon delivery to Lender, having attached to it a permanent lender pre-qualification letter which confirms that the purchaser is qualified for available permanent financing, and (d) the contract purchaser being otherwise obligated to fully and faithfully perform each and every obligation and undertaking required by the terms of such agreement to be performed by the contract purchaser without condition, precedent or subsequent, except such as the Lender shall approve in writing.

(b) Architect - The architect named in the Plans and Specifications.

(c) Borrower – The party hereinabove designated as such, and its successors and assigns.

(d) Consulting Engineer or Progress Inspector - Such person or firm as the Lender may, in its discretion, from time to time appoint or designate for purposes related to the inspection of the progress of the construction of the Improvements, monitoring and assessing conformity of construction with the Plans and Specifications, and for such other purposes as the Lender may from time to time deem appropriate or as may be required by the terms of this Loan Agreement.

(e) Deed of Trust - That certain Credit Line Deed of Trust and Security Agreement made by the Borrower to secure the Lender of even date herewith, as the same shall be amended and supplemented subsequent hereto from time to time.

(f) Event(s) of Default - Any of the happenings, events, circumstances or occurrences described in Article VI of this Loan Agreement which are continuing beyond any applicable grace or cure period therein provided.

(g) House – An individual single family residential townhouse unit as constructed on a Lot. For the purposes of this Loan Agreement, the entirety of the residential units shall be referred to collectively together as the “Houses”.

(h) Improvements - Any and all House structures, improvements, or other appurtenances now erected or at any time hereafter constructed or placed upon the Lots of the Borrower, including, without limitation, all equipment, apparatus, machinery and fixtures of any kind or character forming a part of said site infrastructure and the house structures, and appurtenances. It is contemplated that the Improvements shall consist of up to 66 single family residential townhouse units that are 28’-wide and known as medium townhouses pursuant to the Sales Agreement.

(i) Indebtedness - The principal of and the interest on and all other amounts, payments and premiums due on account of the Note, and all other indebtedness of the Borrower to the Lender payable pursuant to or secured by the Security Documents.

(j) Lender - The party hereinabove designated as such, its successors and assigns.

(k) Lot – Any residential building lot which is part of the Project and described on Exhibit “A” attached hereto, as may be from time to time supplemented as Borrower acquires Lots under the Sales Agreement (singularly a “Lot” and collectively the “Lots”)

(l) Mortgaged Property - The property described as such in the Deed of Trust.

(m) Note - The Commercial Promissory Note of Borrower to the order of the Lender dated of even date herewith in the maximum principal amount of SIX MILLION SEVEN HUNDRED THOUSAND AND NO/100 DOLLARS (\$6,700,000.00).

(n) Obligations - Any and all of the covenants, promises and other obligations (other than the Indebtedness) made or owing by the Borrower to or due to the Lender pursuant to the Note or the Security Documents.

(o) Project - The Lots and House Improvements as defined above.

(p) Security Documents - This Loan Agreement, the Deed of Trust, and any other instrument or instruments described or characterized as such in the Deed of Trust.

ARTICLE II

THE LOAN - ADVANCES

2.0 The Loan.

Subject to the provisions of the Note and the Security Documents, the Lender will make and the Borrower will take and accept a loan in the maximum principal amount recited in the Note.

2.1 Advances of Loan Proceeds.

With regard to the land acquisition component of the Loan, that advance shall be made and funded by Lender to Borrower on the date of closing of the Loan to acquire the initial Lots described in Exhibit "A" attached hereto; and thereafter from time to time as Borrower acquires Lots pursuant to the Purchase Agreement. The Lender shall advance to Borrower fifty percent (50%) of the Lot purchase price. With regard to the construction component of the Loan, no more frequently than twice monthly, the Borrower shall make applications to the Lender for advances of construction loan proceeds for the Houses on a "work in place" basis as construction progresses in accordance with the Plans and Specifications and budgets for said construction, by the standard Lender approved requisition form, and as provided for in the other separate draw schedules and budgets marked up and provided to Lender by Borrower for the Houses (there shall be separate draw schedules for the interior model unit of Borrower and for the exterior model unit of the Borrower) as are attached to "EXHIBIT B", all of which budgets shall be supported by subcontractor and materialmen contracts in sufficient detail that shall allow the Lender the opportunity to assess the accuracy of and set said draw schedules and budgets. Disbursement of loan proceeds shall be by transfer of Loan funds into a deposit account opened and maintained by Borrower with Lender, or upon specific written request of Borrower, by check payable to the order of Borrower and/or its general contractor. At the option of the Lender, the Borrower shall make each such application at least five (5) business days before the advance shall be called for in order to permit the Lender to make or cause such inspections as it shall from time to time consider appropriate, if any. Provided all of the conditions precedent to an advance provided for in this Loan Agreement are satisfied by the Borrower, the Lender shall cause the advance applied for to be disbursed within the said five (5) business days. The Lender shall require at its option that each application for an advance of loan proceeds be accompanied by true copies of all invoices as rendered by subcontractors, materialmen and suppliers of Borrower for payment that in fact require payment and are the subject of the application for advance. Should the Borrower be seeking direct reimbursement for costs and expenses already paid, evidence of prior payment accompanied by the billing invoices so paid shall be required to be provided by Borrower to Lender with the application for advance. The Lender shall have the right to require that each application for an advance of Loan proceeds be accompanied by a certificate of the Consulting Engineer or Progress Inspector in such form and detail as the Lender may require. All advances shall be made either by check or internal transfer of loan funds to an account established at and held by the Lender at its principal office opened in the name of Borrower, or at such other place as the Lender may from time to time designate. In no event shall advances hereunder exceed the value of the House construction work in place as of the date of such advance as determined by certifications prepared by the Consulting Engineer or Progress Inspector, which certifications shall contain an itemized valuation of the Improvements erected in place as of the date of each certification, and shall state that such House construction work complies with and conforms to the Plans and Specifications, and the Site Plans.

The proceeds of the Loan shall be advanced to the Borrower by the Lender with regard to actual House construction work undertaken by Borrower, and only for such construction activity which can be commenced by Borrower due to the existing building permit issued by the appropriate governmental authorities claiming jurisdiction over same in Anne Arundel County, Maryland. The Borrower must present to the Lender evidence of the existence of such permit(s) when making the initial application for draw advance(s) for the permitted work.

The proceeds of the Loan shall be advanced by the Lender only in amounts and for purposes specifically authorized by the Lender and contemplated by the provisions of this Loan Agreement, including, by way of example and not by way of limitation, amounts required for:

(a) An allowance on account of financing the cost of the acquisition of the Lots in the amount provided for in "EXHIBIT B" and incorporated herein and made a part hereof by this reference; and

(b) The payment of interest accruing on the Note when due, without further authorization or consent of the Borrower in the amount provided for in attached "EXHIBIT B",

(c) The fees of the Consulting Engineer or Progress Inspector, fees of attorneys, engineers, surveyors, and accountants, insurance premiums, permits, real estate taxes and other costs related to the construction of the Improvements in the amounts provided for in "EXHIBIT B"; and

(d) The actual costs incurred for labor, services, materials, construction supervision, and the like, and engineering and surveying fees and the actual cost of permits secured for and used or to be used in connection with the construction of the Houses as work progresses, including options, supported by receipts for payment of labor performed and materials installed if required by Lender, in the amounts provided for in "EXHIBIT B".

2.2 Schedule of Payments.

Applications for advances of Loan proceeds with respect to construction items shall be disbursed unit-by-unit on a "work in place" basis, for amounts equal to:

(a) The values of the classes of work completed to the reasonable satisfaction of the Lender; plus

(b) The values of materials and equipment incorporated in the Land to the reasonable satisfaction of the Lender; less

(c) The amount of previous advances.

The amount to be advanced on account of the items described in Section 2.1 of this Article, the "values" of the classes of work described in (a) of this Section and the "value" of the materials and equipment described in (b) of this Section shall be determined substantially in accordance with the amounts assigned thereto in the budgets set forth as "EXHIBIT B" attached hereto and incorporated herein by this reference. Notwithstanding the foregoing, it is agreed that if such Exhibit provides for an interest reserve (i.e., the Loan includes an allocation for interest during the term of the Loan), then as long as there does not exist a continuing Event of Default hereunder or under any of the other Loan Documents, and the Loan is otherwise deemed by the Lender (as budgeted) to be sufficient to fund the items set forth above in Section 2.1, then Lender shall advance, as a part of the principal of the Loan, a

portion of the interest reserve on each interest payment date as called for in the Note; provided, however, such Loan funds allocated for interest expense are subject to reallocation by the Lender in its reasonable discretion. Should the Lender not disburse the interest reserve, so long as there is no continuing Event of Default under any of the Security Documents, the Lender shall not use such Loan funds to curtail the principal of the Loan, but shall allocate such Loan funds to other active available funding categories under the Loan for investment in the Project. If the Lender elects not to disburse interest for any reason, the Lender shall notify the Borrower and the Borrower thereafter shall pay the interest due the Lender without the use of Loan proceeds at the time and in the manner provided in the Note. Advances for all other costs included in said "EXHIBIT B" which the Lender has agreed to fund shall be made at such times, in such amounts and for such items as the Lender shall determine. The Lender may advance parts or the whole of any advance before it becomes due and the Lender may increase or decrease the amount of any advance, if the Lender in each instance believes it advisable to do so and all advances shall be deemed to have been made in accordance with the terms, provisions and conditions of this Agreement.

Advances for House construction shall not be made and disbursed by the Lender until such time as the Borrower has provided to Lender the approved Site Plans and the Plans and Specifications and a copy of the building permit issued by the authorities of Anne Arundel County, Maryland, for such House construction. The Lender may advance parts or the whole of any advance before it becomes due and the Lender may increase or decrease the amount of any advance, if the Lender in each instance believes it advisable to do so and all advances shall be deemed to have been made in accordance with the terms, provisions and conditions of this Agreement.

2.3 Conditions Precedent to Advances.

The Lender shall not be obligated to make any advances of Loan proceeds hereunder, unless the following conditions have been satisfied:

(a) In the reasonable judgment of the Lender, all work completed at the time of the application for advance has been performed in a good and workmanlike manner and all materials and fixtures usually furnished and installed at that point of construction have in fact been furnished and installed; and

(b) No Event of Default which has not been cured has occurred under the Note, the Security Documents or the Commitment, and no event has occurred and is continuing which, with notice or the passage of time or both, would constitute an Event of Default under the Note, the Security Documents or the Commitment; and

(c) The Lender has received written evidence, in form and substance satisfactory to the Lender, to the effect that all work requiring inspection by governmental or regulatory authorities having or claiming jurisdiction has been duly inspected and approved by such authorities and by any rating or inspection organization, bureau, association or office having or claiming jurisdiction; and

(d) specifically as to any House which has been materially damaged by fire or other casualty, Lender shall not be obligated to make any advances of construction loan proceeds previously drawn by and disbursed to Borrower to the date of damage and/or casualty, and further, advances of construction loan proceeds as to the Building at issue shall not commence and begin again until such time as Borrower has repaired and reconstructed the unit to the point of construction that caused the last draw made prior to the damage or casualty to be advanced; and

(e) The Lender shall have received a paid policy or policies of title insurance (American Land Title Association Standard Form "B" Loan Policy - Current Edition), together with such reinsurance agreements and direct access agreements as may be required by the Lender, from a company or companies satisfactory to the Lender in the face amount of the Note and which may be endorsed or assigned to the successors and assigns of the Lender without additional cost, insuring the lien of the Deed of Trust to be a valid first lien on the Mortgaged Property, free and clear of all defects, exceptions and encumbrances, except such as the Lender and its counsel shall approve; and

(f) The Lender shall have received advice, in form and substance, and from a source satisfactory to the Lender, to the effect that a search of the applicable public records discloses no conditional sales contracts, chattel mortgages, leases of personalty, financing statements or title retention agreements filed or recorded against the Mortgaged Property except such as the Lender shall otherwise approve; and

(g) If requested by Lender, the Lender shall have received a notice of title continuation or an endorsement to the title insurance policy, indicating that since the last preceding advance, there has been no change in the status of title and no other exceptions not theretofore approved by the Lender, which endorsement shall have the effect of advancing the effective date of the policy to the date of the advance then being made and increasing the coverage of the policy by an amount equal to the advance then being made if the policy does not by its terms provide for such an increase; and

(h) The Lender shall have received all policies of insurance required by the terms of the Commitment and the Security Documents from a company or companies and in form and amount satisfactory to the Lender, together with written evidence, in form and substance satisfactory to the Lender, that all fees and premiums due on account thereof have been paid in full; and

(i) The Lender shall have received a plat of survey currently certified to the Lender by a Registered Land Surveyor of the jurisdiction in which the Land is located, which plat of survey shall clearly designate at least (i) the location of the perimeter of the Land by courses and distances; and (ii) the location of all easements, rights-of-way, alleys, streams, waters, paths and encroachments, and (iii) the location of all building restriction lines and setbacks, however established; and (iv) the location of any street or roadways abutting the Land. For these purposes the Lender agrees that the recorded plat of subdivision for the Lots shall suffice and be sufficient to satisfy the requirements of this subsection; and

(j) The Lender has received the certificate of the Consulting Engineer or Progress Inspector, in form and substance satisfactory to the Lender, which certificate shall contain at least the statement of the Consulting Engineer or Progress Inspector to the effect that all work then completed has been performed in substantial conformity with the Plans and Specifications and/or Site Plans, as the case may be.

(k) The representations and warranties made in Article III of this Loan Agreement shall be true and correct on and as of the date of the advance with the same effect as if made on such date; and

(l) Evidence satisfactory to the Lender that the Mortgaged Property (including the Land, surface water, ground water and Improvements) is free of any substantial amounts of waste and debris, and free of all contamination, including: (i) any "hazardous waste" as defined by the Resource Conservation and Recovery Act of 1976, as amended from time to time, and regulations promulgated thereunder; (ii) any "hazardous substance", as defined by the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended from time to time, and the regulations promulgated thereunder; and (iii) any substance, the presence of which on the Mortgaged Property is prohibited by any law similar to those set forth in this paragraph. For these purposes the Lender agrees that the Report of Phase I

Environmental Site Assessment Two Rivers, Sections G1A, G1B, and K, Anne Arundel County, Maryland (GTA Project No. 141045), dated June 20, 2014, as prepared by Geo-Technology Associates, Inc., previously provided by Borrower to Lender shall suffice and be sufficient to satisfy the requirements of this subsection; and

(m) If applicable, the Lender shall have received a separate policy of flood insurance in the face amount of the Note or the maximum limit of coverage available with respect to the Land and Improvements, whichever is the lesser, from a company or companies satisfactory to the Lender and written in strict conformity with the National Flood Insurance Act of 1968 and the Flood Disaster Protection Act of 1973, as amended, and all applicable regulations adopted pursuant thereto; provided, however, that in the alternative the Borrower may supply the Lender with written evidence, in form and substance reasonably satisfactory to the Lender, to the effect that the Mortgaged Property is not within an area that has been identified by the Director of the Federal Emergency Management Agency as an area having special flood hazards and in which flood insurance has been made available under the National Flood Insurance Act of 1968 and the Flood Disaster Protection Act of 1973; and

(n) The Lender shall have received from the Borrower written evidence, in form and substance satisfactory to the Lender, from all public utility companies or other utility companies having or claiming jurisdiction to the effect that all utility services are available for connection and use at the boundaries of the Land, including, without limitation, telephone service, water supply, storm and sanitary sewer, gas, electric, and cable; and

(o) All other terms and conditions of the Security Documents required to be met as of the date of that advance of Loan proceeds shall have been met to the satisfaction of the Lender.

2.4 Additional Conditions Precedent to First Construction Advance.

The following shall be conditions precedent to the first construction advance with respect to each Unit, and the Lender shall not be obligated to make the first advance of loan proceeds with respect to construction items for any Unit unless the conditions described in Section 2.3 and the following additional conditions have been satisfied.

(a) The Lender shall have received from the Borrower a construction progress schedule, in form and substance satisfactory to the Lender, calling for completion of the House or Houses at issue by the Completion Date; and

(b) The Lender shall have received from the Borrower written evidence, in form and substance satisfactory to the Lender, from all governmental authorities having or claiming jurisdiction to the effect that all building, construction or other permits necessary or required in connection with the construction of the House or Houses at issue have been validly issued and that all fees and bonds required in connection therewith have been paid in full or posted, as the circumstances may require; and

(c) The Lender shall have received from the Borrower written evidence, in form and substance satisfactory to the Lender, from all public utility companies or other utility companies having or claiming jurisdiction to the effect that all utility services required by the Plans and Specifications or otherwise necessary to the construction of the units, and the operation thereof for their intended purpose are available for connection and use at the boundaries of the subject land, including, without limitation, telephone service, water supply, storm sewer facilities, and natural gas or electric facilities; and

(d) The Lender shall have received from the Borrower a complete set of the Plans and Specifications for the model of House being constructed for which funding is being made, initialed or otherwise identified by the Borrower for the Lender, and such other parties as the Lender may reasonably require, together with written evidence, in form and substance reasonably satisfactory to the Lender, to the effect that the Plans and Specifications are satisfactory to the Borrower, and to the extent required by applicable law or any effective restrictive covenants, have been approved by all governmental authorities having or claiming jurisdiction and by the beneficiaries of any such restrictive covenants, respectively; and

(e) At such time as the footings are set and the foundations for each row of Houses within the Project are completed and in-ground, Borrower shall furnish at its expense and deliver to Lender an "in place" wall check survey showing the exact location of said footings and foundation within the lot lines, and designating all applicable building setback restriction lines imposed by law or recorded instrument.

2.5 Additional Conditions Precedent to Final Construction Advance.

The Lender shall not be obligated to make the final advance of Loan proceeds with respect to the completed Building unless the conditions described in Section 2.3 and Section 2.4 and the following additional conditions have all been satisfied:

(a) The Lender shall have received the written certificate of the Consulting Engineer or Progress Inspector, in form and substance satisfactory to the Lender, which certificate shall contain a statement to the effect that the Building has been completed by the Borrower in accordance with the Plans and Specifications; and

(b) To the extent any such occupancy certificate / permit is a condition of the lawful use and occupancy of the Houses, the Lender shall have received written evidence, in form and substance satisfactory to the Lender, to the effect that the requisite certificate of occupancy for each House has been validly issued by the appropriate authorities of Anne Arundel County, Maryland; and

(c) All other terms and conditions of the Security Documents required to be met as of the date of the final advance of Loan proceeds shall have been met to the satisfaction of the Lender.

2.6 Release of Liens.

Before making any advance of Loan proceeds, the Lender may require the Borrower to obtain from all contractors, subcontractors and materialmen dealing directly with the Borrower acknowledgements of payment and releases of liens and rights to claim liens down to the date of the last preceding advance. All such acknowledgements and releases shall be in form and substance satisfactory to the Lender and the title insurance company.

2.7 Trust Funds.

The Borrower will receive the advances to be made hereunder and will hold the right to receive the same as a trust fund for the purpose of paying the cost of the construction of the Improvements, and the Borrower agrees not to expend any part of the proceeds of the Loan for any purpose except in connection with uses and purposes provided for in this Loan Agreement without the prior written consent of the Lender.

2.8 Advances to Others for Account of Borrower.

At the option of the Lender and upon notice to the Borrower, the Lender may apply amounts due hereunder to the satisfaction of the conditions of this Agreement, or the Note, and any amounts so applied shall be part of the Loan. No further direction or authorization from the Borrower shall be necessary to warrant such direct advances and all such advances shall satisfy the obligations of the Lender hereunder and shall be secured by the Deed of Trust as fully as if made to Borrower, regardless of the disposition thereof by the party or parties to whom such advance is made. Notwithstanding the foregoing provisions, any bill, lien, encumbrance, claim, charge of assessment then in dispute, or in the process of being negotiated or litigated by the Borrower shall not be unilaterally paid by Lender without inquiry and without advance notice to Borrower, so long as said bill, lien, encumbrance, claim, charge or assessment is being challenged in a court of competent jurisdiction by Borrower and either the Borrower or its general contractor has bonded off such lien, encumbrance, claim, charge or assessment or otherwise posted adequate security with the court or Borrower's title insurer to insure its future payment and satisfaction.

2.9 Advances of Other Funds.

In the event that any funds required for the construction of Improvements over and above the proceeds of the Loan have been or are in the future deposited with the Lender, then the Borrower agrees that any funds deposited with the Lender for such purposes shall be advanced by the Lender to the Borrower prior to any advance of the proceeds of the Loan.

2.10 Assignments.

The Borrower agrees not to transfer, assign, pledge or hypothecate any right or interest in any payment or advance due pursuant to this Loan Agreement, or any of the other benefits of this Loan Agreement to any other party without the prior written consent of the Lender. Any assignment made or attempted by the Borrower without the prior written consent of the Lender shall be void. No consent by the Lender to an assignment by the Borrower shall release the Borrower as the party primarily obligated and liable under the terms of this Loan Agreement unless the Borrower shall be released specifically by the Lender in writing. No consent by the Lender to an assignment shall be deemed to be a waiver of the requirement of prior written consent by the Lender with respect to each and every further assignment and as a condition precedent to the effectiveness of such assignment.

2.11 Costs of Inspections.

All reasonable costs and fees levied and invoiced in connection with any on-site inspections precedent to loan draw advances made by the Consulting Engineer or Progress Inspector (to the extent utilized by Lender) shall be paid by the Borrower.

2.12 Proceeds Insufficient to Complete.

If at any time the Lender reasonably determines that the amount of undisbursed net proceeds of the Loan, including, without limitation, any remaining amount to be utilized as a reserve for the payment of interest on the Note, if any, is less than the amount necessary or required to complete and pay for the construction of Improvements in accordance with the Plans and Specifications, and related expenses, by a date not later than the Completion Date and complete all of the interest payments projected to be due on account of the Note through its maturity date (the "interest carry"), then within thirty (30) days after a

request in writing by the Lender, the Borrower shall deposit with Lender an amount equal to the difference between (i) the estimated cost of said completion of the construction of Improvements, and related expenses, and the interest carry as determined by the Lender, and (ii) the amount of the Loan which remains to be disbursed (excluding funds then unavailable for advance pursuant to some special limitation or restriction set forth in this Agreement). In the event that Borrower fails to make the above required payment, then Lender shall suspend the disbursement of all advances under the Loan until such payment is made by Borrower.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

3.0 Representations and Warranties by Borrower.

The Borrower each hereby represents and warrants to the Lender, as of the date of the first advance of Loan proceeds and at all times thereafter, that:

3.1 Building Permits.

No work associated with the construction of Improvements on the Lots will be commenced by the Borrower unless and until all permits necessary or required in connection with the construction of Improvements on the Lots have been validly issued and all fees and bonds required in connection therewith have been paid or posted, as the present circumstances may require. .

3.2 Financial Statements.

The financial statements heretofore delivered to the Lender are true and correct in all material respects, have been prepared in accordance with generally accepted accounting practices consistently applied, and fairly present the respective financial conditions of the subjects thereof as of the respective dates thereof. No material adverse change has occurred in the financial conditions reflected therein since the respective dates thereto and no additional liabilities have been incurred by the Borrower since the date thereof other than the borrowing contemplated herein or as approved in writing by the Lender.

3.3 Utilities.

All utility services necessary for the construction of the Improvements are available at the boundaries of the Lots, including, without limitation, telephone service, water supply, storm and sanitary sewer facilities, and natural gas or electric facilities.

3.4 Defaults.

There is no default on the part of the Borrower under the Note or the Security Documents and no event of default has occurred and is continuing which, with notice or the passage of time, or both, would constitute a default under the Note or the Security Documents.

3.5 Access - Roads.

All roads and other access necessary for the construction and eventual full utilization of the Improvements for their intended purposes have either been completed or the necessary rights of way therefor have been platted and approved by the appropriate governmental authorities.

3.6 Restrictive Covenants.

No work associated with the construction of the Improvements will be commenced by the Borrower unless and until, to the extent required by applicable law and any effective restrictive covenants, such work has been approved by all governmental authorities having or claiming jurisdiction and by the beneficiaries of any such restrictive covenants, respectively.

ARTICLE IV

AFFIRMATIVE COVENANTS

4.0 Affirmative Covenants.

Borrower hereby affirmatively covenants and agrees as follows:

4.1 Construction.

The Borrower will prosecute the construction of the Improvements on the Lots in good faith with diligence and continuity in accordance with the Plans and Specifications.

4.2 Completion of Construction; Compliance with Laws.

Construction of all of the Improvements hereunder shall be completed by the Borrower in substantial accordance with the Plans and Specifications, free and clear of all liens and claims of liens for materials supplied and for services or labor performed on or before the Completion Date. The Improvements shall be constructed by the Borrower in strict accordance with all applicable (whether present or future) laws, ordinances, rules, regulations, requirements and orders of any governmental or regulatory authority having or claiming jurisdiction, and shall be in strict accordance with all applicable use or other restrictions and the provisions of any prior agreements, declarations, covenants and all applicable zoning and subdivision ordinances and regulations.

4.3 Inspections - Cooperation - Progress Inspector.

To the extent utilized by Lender, upon prior notice made by Lender to Borrower, the Borrower will permit the Lender and its duly authorized representatives (including, without limitation, the Consulting Engineer or Progress Inspector) to enter upon the Land and to inspect the Improvements, and any and all materials to be used in connection with the construction thereof and to examine all detailed plans and similar materials relating to the construction of Improvements. The Borrower will at all times reasonably cooperate and cause each and every of its contractors, subcontractors and materialmen, to reasonably cooperate with the Lender and its duly authorized representatives (including, without limitation, the Consulting Engineer or Progress Inspector) in connection with or in aid of the performance of the Lender's functions under this Loan Agreement. For each inspection conducted, the Borrower shall pay an inspection fee to be determined by the Lender, to be deducted from the Loan advance.

4.4 Vouchers and Receipts.

The Borrower will furnish to the Lender, promptly on demand, any contracts, bills of sale, statements, receipted vouchers or agreements pursuant to which the Borrower has any claim of title to any materials or other articles delivered or to be delivered to the Land. The Borrower will furnish to the Lender, promptly on demand, a verified written statement, in such form and detail as the Lender may require, showing all amounts paid and unpaid for labor and materials and all items of labor and materials to be furnished for which payment has not been made and the amounts to be paid therefor.

4.5 Surveys.

At any time the Borrower is required to furnish a plat of survey to the Lender pursuant to the terms of this Loan Agreement, the Borrower shall also furnish an original print thereof to the title insurance company and such plat of survey shall not be sufficient for purposes of this Loan Agreement unless and until the title insurance company shall advise the Lender, by endorsement to the title insurance policy or otherwise, that the plat of survey discloses no violations, encroachments or other variances from applicable setbacks or other restrictions except such as the Lender and its counsel shall approve, or shall have been permitted as exceptions on the mortgagee title insurance policy insuring the lien of the Deed of Trust.

4.6 Intentionally Deleted.

4.7 Payments for Labor and Materials.

The Borrower will pay when due all bills for materials supplied and for services of labor performed in connection with the construction of Improvements. Borrower is granted by Lender a term of forty-five (45) days from the date of filing and recordation of a mechanic's lien to either cause same to be paid and released from the land records or to bond off the mechanic's lien to the satisfaction of the title insurance carrier underwriting the mortgagee title insurance policy insuring the Lender.

4.8 Correction of Construction Defects.

Promptly following any demand by the Lender, the Borrower will correct or cause the correction of any structural defects in the Improvements and any material departures or deviations from the Plans and Specifications not previously approved by the Lender.

4.9 Insurance During Construction.

The Borrower will provide or cause to be provided, and shall maintain in full force and effect at all times prior to the completion of the construction, such policies of insurance as may be required by the terms of this Loan Agreement from a company or companies, and in form and amounts satisfactory to the Lender, including, by way of example and not by way of limitation,

(a) Workmen's compensation as required by law; and

(b) Comprehensive public liability insurance with broad form property damage coverage, with a combined single limit of Two Million Dollars (\$2,000,000), naming the Lender as an "additional insured"; and

(c) So-called "All Risk Builder's Risk Completed Value 100% Non-Reporting Form" insurance, including extended coverage for fire, vandalism, malicious mischief and collapse, in amounts not less than the face amount of the Note or as the Lender may otherwise agree in writing, sufficient to meet all applicable co-insurance requirements, naming the Lender as the mortgagee in the mortgage clause thereof and providing for "privilege granted to complete and occupy.

Each such policy shall provide that the policy may not be cancelled or substantially modified (including, without limitation, cancellation for non-payment of premiums) without at least thirty (30) days' prior written notice to any and all insureds named thereon, including the Lender.

If, on the Closing Date, or at any time thereafter, the Lot(s) is/are in an area that has been identified by the Federal Emergency Management Agency as having special flood and mud slide hazards, and in which the sale of flood insurance has been made available under the National Flood Insurance Act of 1968, as amended, the Borrower shall procure a flood insurance policy in the form satisfactory to the Lender. In the event the Lot(s) is/are not in an area having special flood and mud slide hazards, the Borrower shall deliver to the Lender at the Closing Date a certificate by the Borrower's insurance carrier stating that flood insurance is not required by the terms hereof.

The Borrower shall maintain in full force and effect at all times from a company or companies and in form and amount satisfactory to the Lender, a policy or policies of casualty or physical damage insurance in at least the amount of the Loan for the Lots, Houses and Improvements affording protection against loss or damage by fire or other hazards covered by the standard "Extended Coverage" endorsement and such other risks as shall be customarily covered with respect to projects similar in construction, location and use or as the Lender may from time to time otherwise require.

Each such policy shall provide that the policy may not be cancelled or substantially modified (including without limitation, cancellation for non-payment of premiums) without at least thirty (30) days' prior written notice to any and all insureds named thereon, including the Lender.

4.10 Fees and Expenses - Indemnity.

The Borrower will pay to the Lender, or as the Lender directs, all fees, charges, costs and expenses required to satisfy the conditions of the Security Documents and the Commitment. The Borrower has taken no action that will result in claims of brokers and "finders" arising by reason of the execution and delivery hereof or the consummation of the transaction contemplated hereby.

4.11 Insurance Upon Completion.

Upon the completion of the construction of the Improvements the Borrower will provide or cause to be provided, and shall maintain in full force and effect at all times from a company or companies and in form and amount satisfactory to the Lender, a policy or policies of casualty or physical damage insurance affording protection against at least loss or damage by fire or other hazards covered by the standard "Extended Coverage" endorsement and such other risks as shall be customarily covered with respect to projects similar in construction, location and use or as the Lender may from time to time otherwise require.

Each such policy shall provide that the policy may not be cancelled or substantially modified (including without limitation, cancellation for non-payment of premiums) without at least thirty (30) days' prior written notice to any and all insureds named thereon, including the Lender.

4.12 Advances.

The Borrower will cause application for advances of Loan proceeds to be made and delivered to the Lender promptly in order to obtain advances of Loan proceeds as they become available for disbursement pursuant to the terms of this Loan Agreement.

4.13 Conditions.

The Borrower will cause each and every of the conditions of the Commitment and this Loan Agreement to be satisfied to the extent it is within the power of the Borrower so to do.

ARTICLE V

NEGATIVE COVENANTS

5.0 Negative Covenants.

Until the Indebtedness shall have been paid in full, the Borrower covenants and agrees as follows:

5.1 Other Liens - Transfers and "Due-on-Sale".

(a) Borrower will not, without the prior written consent of the Lender, create or permit to be created or remain, any mortgage, pledge, lien, encumbrance or charge, or security interest, or conditional sale or other title retention agreement, with respect to the Mortgaged Property or any part thereof or income therefrom, whether prior or subordinate to the lien of the Security Documents, except for easements required in the course of the development of the Project.

(b) Except for any grant, conveyance, sale, assignment or transfer which is conditioned upon the release of record of the lien of the Deed of Trust and the other Security Documents, as to the Mortgaged Property granted, conveyed, sold, assigned or transferred, the Borrower will not, without the prior written consent of the Lender, make, create or consent to any conveyance, sale, assignment or transfer of the Mortgaged Property or any part thereof other than as provided for in the Security Documents.

5.2 Impairment of Improvements.

Borrower will take no action which will in any manner impair the value of the Lots and Improvements.

5.3 Bonds.

Borrower will not do or permit anything to be done that would affect the coverage or indemnities provided for pursuant to the provisions of any performance bond, labor and material payment bond or any other bond required pursuant to the provisions of this Loan Agreement.

5.4 Conditional Sales.

Borrower will not incorporate in the Improvements any property acquired under a conditional sales contract, or lease, or as to which the vendor retains title or a security interest.

5.5 Changes to Plans and Specifications.

(a) Borrower will not permit any material changes in the Plans and Specifications, including, without limitation, any change by altering or adding to the work to be performed, without the prior written consent of the Lender and under such reasonable conditions as the Lender may then establish.

(b) Borrower will not permit any material changes in the Plans and Specifications by orders for extra work resulting in material added costs unless such change order shall be fully paid for Borrower without resort to the Loan and does not substantially impair the value of the Improvements.

ARTICLE VI

EVENTS OF DEFAULT

The term "Event(s) of Default", as used in this Loan Agreement, shall mean the occurrence or happening, from time to time, of any one or more of the following which is continuing beyond any applicable stated cure or grace period:

6.0 Payment of Indebtedness.

If the Borrower shall default in the payment of any installment of the Indebtedness when and as the same shall become due and payable, whether at maturity or by acceleration or a part of any prepayment or otherwise, and such default shall continue for a period of ten (10) days after written notice thereof from the Lender to the Borrower.

6.1 Performance of Obligations.

If the Borrower shall default in the due observance or performance of any of the Obligations and such default shall continue for a period of thirty (30) days after written notice thereof from the Lender to the Borrower; provided however, that no such grace period shall be provided for the Obligations set forth in Sections 4.9 and 4.10 herein or for any default which could, in the absence of the immediate exercise by Lender of a right or remedy, result in harm to Lender, impairment of the Note or the Deed of Trust or impairment or loss of or damage or harm to any security for the payment of the Indebtedness or the performance of the Obligations; and provided further that no such notice or grace period shall be provided for any default specifically referred to in the other Sections of this Article VI. If any such non-monetary default is not capable of cure within the said 30-day period provided, then so long as Borrower commences to cure such non-monetary default within the 30-day cure period, and it is determined and ascertained in the reasonable discretion of the Lender and proven by the Borrower to the Lender that the remedial action(s) being taken to cure such non-monetary default will in fact affect such a remedy and cure, and Borrower is diligently and continually attempting to cure to completion of such remedial action, then the failure to cure the non-monetary default within the allotted 30-day cure period shall not be an Event of Default hereunder unless such non-monetary default remains uncured in excess of sixty (60) days after the original written notice of default to Borrower.

6.2 Other Defaults.

If any other default shall occur and continue beyond any applicable grace or cure period provided under the Note or any of the Security Documents not defined specifically herein.

6.3 False Representation.

If any material representation or warranty made by the Borrower under or pursuant to this Agreement, shall prove to have been false or knowingly misleading in any material respect as of the date on which such representation or warranty was made.

6.4 Progress of Construction.

Except for delays unavoidably occasioned by strikes, lockouts, war or civil disturbance, severe prolonged inclement weather, natural disaster, or Acts of God ("Force Majeure"), if the Borrower abandons the work or ceases work for a period of more than ninety (90) consecutive days, or such longer period of time approved by Lender in writing.

6.5 Failure to Complete and Comply.

Except for Force Majeure, if the Borrower fails to complete the construction of the Improvements on or before the Completion Date, and/or fails to comply with the requirements imposed on Borrower in this Loan Agreement, including by specific reference, Section 8.25 herein.

6.6 Conditions Precedent to Any Advance.

If the Borrower is unable to satisfy any condition precedent to its rights to receive an advance of Loan proceeds for a period in excess of thirty (30) days. The election of the Borrower not to receive a draw advance shall not be deemed an Event of Default hereunder.

6.7 Other Than First Lien.

If the Deed of Trust shall not give to Lender a valid first lien for the Indebtedness to be secured thereby on the Mortgaged Property, satisfactory to the Lender.

6.8 Failure to Allow Inspections.

If Borrower does not permit a representative of Lender to enter upon the Mortgaged Property and inspect the Property at all reasonable times after Lender has provided Borrower with notice of its intention to enter the Property to carry out the terms of this Loan Agreement.

6.9 Insolvency or Bankruptcy.

If Borrower shall commit any affirmative act of insolvency, or shall file any petition or action under any bankruptcy or insolvency law, or any other law or laws for the relief of, or relating to debtors; or if there shall be filed any insolvency petition under any bankruptcy or insolvency statute against Borrower or there shall be appointed any receiver or Trustee to take possession of any property of Borrower or and such petition or appointment is not set aside or withdrawn or does not cease within sixty (60) days from the date of such filing of appointment.

6.10 Assignment/Encumbrance.

If Borrower assigns this Loan Agreement, or any portion of the advances made pursuant hereto or any interest therein to any party, or if Borrower's interest in the Mortgaged Property or any right to income or rents related thereto be conveyed or encumbered in any way, without consent of Lender.

6.11 Failure to Properly Construct.

If Borrower does not erect the Improvements in substantial accordance with the approved Plans and Specifications and all applicable rules, regulations, ordinances and statutory provisions, and fails to take actions or measures to correct any failure that take the Improvements out of compliance upon receipt of notice of such non-compliance.

6.14 Failure to Maintain Security.

If Borrower during the progress of construction of the Improvements neglects to maintain such security for the protection of the Improvements, as Lender may reasonably deem appropriate. For the purposes of this section, Lender deems it reasonably appropriate to expect that any construction trailers on the site be kept locked and secure when not occupied, that all materials and supplies brought to the construction site that can be secured are in fact secured, and that unless ready to be incorporated into the office building or a unit, all materials and supplies be stored off-site and not otherwise brought or delivered to the construction site.

6.13 Encroachments.

If any portion of the Improvements shall encroach upon the street or upon adjoining property or violate restrictive covenants of record of local zoning ordinances.

6.14 Mechanic's Lien.

If the Borrower causes the filing of a mechanic's lien on the Project which is not timely bonded off, or otherwise satisfied and released as provided for herein under Section 4.7.

ARTICLE VII

DEFAULT - REMEDIES

7.0 Remedies on Default.

(a) Lender shall have the right, upon the happening of any Event of Default, to terminate this Agreement by notice in writing to the Borrower and, in addition to any rights or remedies available to it under the Deed of Trust or other Security Documents, to enter into possession of the Mortgaged Property and perform any and all work and labor necessary to complete the Improvements to the Lots and employ watchmen to protect the Mortgaged Property.

All sums expended by Lender for such purposes shall be deemed to have been paid to Borrower and secured by the Deed of Trust. For this purpose, upon the happening of an Event of Default hereunder,

Borrower hereby unconditionally and irrevocably constitutes and appoints Lender its true and lawful attorney-in-fact with full power of substitution to complete the development of the Lots and construction of the Improvements in the name of the Borrower, and hereby empowers said attorney or attorneys as follows:

- (i) To use any funds of Borrower, including any balance which may be held in escrow and any funds which may remain unadvanced hereunder for the purpose of completing the construction of the Improvements; and
- (ii) To make such additions and changes and corrections to subdivision plats and plans, including, without limitation the Plans and Specifications, which shall be necessary or desirable in the judgment of the Lender to complete the construction of the Improvements; and
- (iii) To employ such contractors, subcontractors, agents, engineers and inspectors as shall be required for said purpose; and
- (iv) To pay, settle or compromise all existing bills and claims which are or may be liens against the Mortgaged Property, or may be necessary or desirable for the completion of the construction of the Improvements, or the clearance of title; and
- (v) To execute all applications and certificates in the name of Borrower specific to the Project; and
- (vi) To do any and every act with respect to the construction of the Improvements which Borrower may do in its own behalf.

It is understood and agreed that this Power of Attorney shall be deemed to be a power coupled with an interest which cannot be revoked. Said attorney-in-fact shall also have power to take such actions and require such performance as is deemed necessary.

(b) Any advance made pursuant to this paragraph shall be (i) deemed to be an advance of Loan proceeds and, therefore, evidenced by the Note and secured by the Deed of Trust and other Security Documents, and (ii) may be made without notice to or request by the Borrower. The Lender is irrevocably authorized by the Borrower to make advances in accordance with this paragraph. The proceeds of any advance made pursuant to this paragraph shall be deposited by the Lender in a deposit account maintained by the Lender as collateral for all the obligations (whether contingent or otherwise) of the Borrower to the Lender with respect to the Loan and secured by the Deed of Trust and other Security Documents.

7.1 No Conditions Precedent to Exercise of Remedies.

Neither Borrower nor any guarantor of the payment of all or any part of the Indebtedness or the performance of any of the Obligations shall be relieved of any obligation by reason of the failure of the Lender to comply with any request of Borrower or of any other person to take action to foreclose on the Deed of Trust or otherwise to enforce any provisions of the Note or the Security Documents, or by reason of the release, regardless of consideration, of all or any part of the Mortgaged Property or by reason of any agreement or stipulation between any subsequent owner of the Mortgaged Property and the Lender extending the time of payment or modifying the terms of the Note or the Security Documents without first having obtained the consent of the Borrower or such guarantor; and in the latter event, the Borrower and all such guarantors shall continue to be liable to make payments according to the terms of any such extension or modification agreement, unless expressly released and discharged in writing by the Lender.

7.2 Remedies Cumulative and Concurrent.

No remedy herein conferred upon or reserved to the Lender is intended to be exclusive of any other remedies provided for in the Note or in the Security Documents, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given hereunder, or under the Note or the Security Documents, or now or hereafter existing at law in equity, or by statute. Every right, power and remedy given by the Note and the Security Documents to the Lender shall be concurrent and may be pursued separately, successively or together against the Borrower, any guarantor of the payment of all or any part of the Indebtedness or the performance of any of the Obligations, or the Mortgaged Property or any part thereof, or any one or more of them; and every right, power and remedy given by the Note or the Security Documents may be exercised from time to time as often as may be deemed expedient by the Lender.

7.3 Strict Performance.

No delay or omission of the Lender to exercise any right, power or remedy accruing upon the happening of an Event of Default shall impair any such right, power or remedy or shall be construed to be a waiver of any such Event of Default or any acquiescence therein. No delay or omission on the part of the Lender to exercise any provision for the acceleration of the maturity of the Indebtedness, or for foreclosure of the Deed of Trust following any Event of Default as aforesaid, or any other option granted to the Lender hereunder in any one or more instances, or the acceptance by the Lender of any partial payment on account of the Indebtedness shall constitute a waiver of any such Event of Default and each such option shall remain continuously in full force and effect.

ARTICLE VIII

MISCELLANEOUS AND ADDITIONAL PROVISIONS

8.0 No Warranty by Lender.

By accepting or approving anything required to be observed, performed or fulfilled by the Borrower or to be given to Lender pursuant to this Loan Agreement, including, without limitation, any certificate, balance sheet, statement of profit and loss or other financial statement, survey, receipt, appraisal or insurance policy, the Lender shall not be deemed to have warranted or represented the sufficiency, legality, effectiveness or legal effect of the same, or of any term, provision or condition thereof, any such acceptance or approval thereof shall not be or constitute any warranty or representation with respect thereto by Lender. Neither the approval by the Lender of the Plans and Specifications, nor any subsequent inspections or approvals by or for the Lender during the course of the construction of Improvements shall constitute a representation or warranty by the Lender, of any of the Lender's employees, agents or representatives, as to any matter or fact with respect to or concerning the Project or any of its component parts. Borrower agrees to indemnify and hold the Lender harmless of and from any and all loss or expense (including reasonable attorneys' fees) resulting from any third party claim, action, settlement or liability for acts (or failure to act) in connection with such inspections and/or approvals by or for the Lender.

8.1 Liability of Lender.

The Lender shall not be liable for any act or omission by it pursuant to the provisions of this Loan Agreement in the absence of fraud, willful misconduct, or gross negligence. The Lender shall incur no liability to the Borrower, or any other party in connection with the acts or omissions of the Lender in reliance upon any certificate or other paper believed by the Lender to be genuine or with respect to any other thing which the Lender may do or refrain from doing, unless such act or omission amounts to fraud or gross negligence. In connection with the performance of its duties pursuant to this Loan Agreement, the Lender may consult with counsel of its own selection, and anything which the Lender may do or refrain from doing, in good faith, in reliance upon the opinion of such counsel shall be full justification and protection to the Lender. Borrower hereby agrees to indemnify and hold the Lender harmless of and from any and all loss or expense (including reasonable attorney's fees) resulting from any claim, action, settlement or liability for acts (or failure to act) in connection with site inspections or approvals by or for the Lender during the course of the contemplated House construction.

8.2 Relationship of the Parties; No Partnership.

Nothing contained in this Loan Agreement shall be construed in a manner to create any relationship between the Borrower and the Lender other than the relationship of Borrower and Lender and the Borrower and the Lender shall not be considered partners or co-venturers for any purpose.

This Agreement provides for the making of a loan or loans by Lender, in its capacity as a lender, to the Borrower, in its capacity as a borrower, and for the payment of interest and repayment of principal by the Borrower to Lender. The relationship between Lender and the Borrower is limited to that of creditor/secured party, on the one hand, and debtor, on the other hand. The provisions herein for compliance with financial covenants and delivery of financial statements, are intended solely for the benefit of Lender to protect its interests as lender in assuring payments of interest and repayment of principal, and nothing contained in this Agreement shall be construed as permitting or obligating Lender to act as a financial or business advisor or consultant to Borrower, as permitting or obligating the Lender to control Borrower or to conduct Borrower's operations, as creating any fiduciary obligation on the part of Lender to Borrower, or as creating any joint venture, agency, or other relationship between the parties other than as explicitly and specifically stated in this Agreement. The Borrower acknowledges that it has had the opportunity to obtain the advice of experienced counsel of its own choosing in connection with the negotiation and execution of this Agreement and to obtain the advice of such counsel with respect to all matters contained herein, including, without limitation, the provision for waiver of trial by jury. The Borrower further acknowledges that it is experienced with respect to financial and credit matters and has made its own independent decision to apply to Lender for credit and to execute and deliver this Agreement.

8.3 Severability.

In the event any one or more of the provisions of this Loan Agreement shall for any reason be held to be invalid, illegal or unenforceable, in whole or in part or in any respect, or in the event any one or more of the provisions of the Note or the Security Documents operate or would prospectively operate to invalidate this Loan Agreement, then and in either of those events, at the option of the Lender, such provision or provisions only shall be held for naught and shall not affect any other provision of the Note or the Security Documents or the validity of the remaining Obligations and the remaining provisions of the Note and the Security Documents shall remain operative and in full force and effect and shall in no way be affected, prejudiced or disturbed thereby.

8.4 Successors and Assigns.

Each and every of the covenants, terms, provisions and conditions of this Loan Agreement, the Note and the Security Documents shall apply to, bind and inure to the benefit of the Borrower, its successors and those assigns of the Borrower consented to in writing by the Lender, and shall apply to, bind and inure to the benefit of the Lender and the endorsees, transferees, successors and assigns of the Lender, and all persons claiming under or through any of them.

8.5 Modification - Waiver.

None of the terms or provisions of this Loan Agreement may be changed, waived, modified, discharged or terminated except by instrument in writing executed by the party or parties against which enforcement of the change, waiver, modification, discharge or termination is asserted. None of the terms or provisions of this Agreement shall be deemed to have been abrogated or waived by reason of any failure or failures to enforce the same.

8.6 Third Parties - Benefit.

All conditions of the obligations of the Lender to make advances hereunder are imposed solely and exclusively for the benefit of the Lender and its assigns and no other person shall have standing to require satisfaction of such conditions in accordance with their terms or be entitled to assume that the Lender will refuse to make advances in the absence of strict compliance with any or all thereof and no other person shall, under any circumstances, be deemed to be beneficiary of such conditions, any or all of which may be freely waived in whole or in part by the Lender at any time in the sole and absolute exercise of its discretion. The terms and provisions of this Loan Agreement are for the benefit of the parties hereto and, except as herein specifically provided, no other person shall have any right or cause of action on account thereof.

The Lender shall in no event be responsible or liable to any person other than to the Borrower for any advance of or failure to advance the proceeds of the loan or any part thereof and no contractor, subcontractor, materialman or other person shall have any right or claim against the Lender pursuant to this Loan Agreement or the administration thereof.

The Lender shall in no event be responsible or liable to any person other than to the Borrower for any advance of or failure to advance the proceeds of the Loan or any part thereof and no contractor, subcontractor, materialman or other person shall have any right or claim against the Lender pursuant to this Loan Agreement or the administration thereof.

8.7 Conditions - Verification.

Any condition of this Loan Agreement which requires the submission of evidence of the existence or non-existence of a specified fact or facts implies as a condition the existence or non-existence, as the case may be, of such fact or facts, and the Lender shall, at all times, be free independently to establish to its satisfaction and in its absolute discretion such existence or non-existence.

8.8 Captions and Headings.

The captions and headings contained in this Loan Agreement are included herein for convenience of reference only and shall not be considered a part hereof and are not in any way intended to limit or enlarge the terms hereof.

8.9 Counterparts.

This Loan Agreement may be executed in any number of counterparts, each of which shall be considered an original for all purposes; provided, however, that all such counterparts shall together constitute one and the same instrument.

8.10 Notices.

All notices, demands, requests and other communications required pursuant to the provisions of this Loan Agreement shall be in writing and shall be deemed to have been properly given or served for all purposes when presented personally, or one business day after having been sent by a nationally recognized overnight delivery service or a local courier service, charges prepaid, or three (3) calendar days after having been sent by United States Registered or Certified Mail - Return Receipt Requested, postage prepaid, to the respective addresses as follows:

(a) If to the Borrower, then to it at: 1886 Metro Center Drive, 4th Floor, Reston, Virginia 20190, Attention: Christopher Clemente, with a copy at the same address provided to Jubal R. Thompson, Esq., General Counsel.

(b) If to the Lender, then to it at: 7815 Woodmont Avenue, Bethesda, Maryland 20814.

Any of the parties may designate a change of address by notice in writing to the other parties. Whenever in this Loan Agreement the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person or persons entitled to receive such notice.

8.11 Publicity.

At its option, the Lender may announce and publicize the source of the financing contemplated hereby in such manner as the Lender may elect, including, without limitation, the placement of a sign for display upon the Property. Any such sign shall be provided at the expense of the Lender; provided, however, that if the Lender provides a sign to the Borrower, then as long as such sign is not otherwise prohibited by the Declaration governing the Two Rivers Subdivision, the Borrower agrees to provide a prominent and suitable location for the display of the sign, subject to compliance with the rules and regulations regarding signs established for the Two Rivers Subdivision. Lender shall maintain the display of such sign for the duration of the term of the Loan.

8.12 Applicable Law.

This Agreement shall be governed by and construed, interpreted and enforced in accordance with and pursuant to the laws of the State of Maryland, without regard to its conflicts of law principles.

8.13 Time of Essence.

Time shall be of the essence of each and every provision of this Agreement.

8.14 Waiver of Jury Trial.

The Borrower and Lender each hereby (i) covenants and agrees not to elect a trial by jury of any issue triable of right by a jury, and (ii) waives any right to trial by jury fully to the extent that any such right shall now or hereafter exist. This waiver of right to trial by jury is separately given, knowingly and voluntarily, by the Borrower and the Lender, and this waiver is intended to encompass individually each instance and each issue as to which the right to a jury trial would otherwise accrue. Either party is hereby authorized and requested to submit this agreement to any court having jurisdiction over the subject matter and the parties hereto, so as to serve as conclusive evidence of the waiver of the right to jury trial.

8.15 Commitment Incorporated.

The parties hereto agree that the terms and provisions of the Commitment Letter, as revised and amended by and between Borrower and Lender by supplemental letter agreement, are deemed incorporated herein by this reference as though fully stated and set forth herein; provided, however, that in the event of contradiction or inconsistency of the Commitment with any provisions contained in this Loan Agreement, the Loan Agreement shall prevail.

8.16 Appraisal; Fees.

From time to time during the term of the Loan as required by Lender in its sole discretion, but no more frequently than once during the Loan term, the Lender may obtain an appraisal of the Mortgaged Property addressed to the Lender from an appraiser approved by Lender, as well as an independent review of said appraisal acceptable to Lender if so required by any agency that regulates the business activities of the Lender, which appraisals and reviews shall be satisfactory to the Lender in its sole judgment. All appraisal costs incurred by the Lender in connection with the Mortgaged Property shall be paid by the Borrower.

8.17 Loan-to-Value Restrictions.

The total acquisition and construction loan shall not exceed a 71% loan to value ratio and 80% loan to cost ratio, based on the lesser of appraised discounted value of the "as complete" unit or 100% of cost (which shall exclude marketing costs and commissions). The total construction loan for Houses shall never exceed a 85% loan to cost ratio based on the lesser of appraised discounted value of the "as complete" unit or 100% of cost. In the event Lender or any regulatory agency reasonably determines at any time during the term of the Loan that the committed amount of the Loan exceeds any of the above loan-to-value ratios and/or loan-to-cost ratios, then after not less than thirty (30) calendar days' prior notice of Lender to Borrower, Borrower shall either deposit current funds with Lender on demand, to be advanced by Lender for payment of costs previously allocated within the Loan budget, or curtail the Loan in an amount sufficient to reduce the loan-to-value ratio to the proper and required percentage.

8.18 Limitations on Advances.

Anything in the Security Documents to the contrary notwithstanding, the maximum principal amount of the Loan permitted to be advanced and outstanding at any one time shall not exceed the principal sum of SIX MILLION SEVEN HUNDRED THOUSAND AND NO/100 DOLLARS (\$6,700,000.00).

Anything in the Security Documents to the contrary notwithstanding, the maximum amount in the aggregate of all principal advances made pursuant to the Loan Agreement with specific regard to the Loan described herein shall not exceed the sum of TWENTY MILLION EIGHT HUNDRED THOUSAND AND NO/100 DOLLARS (\$20,800,000.00).

8.19 Loan Fee.

The Loan Commitment Fee for the Loan is \$100,100.00, of which Fee \$35,750.00 is to be paid by the Borrower to the Lender concurrent with the execution and delivery of this Loan Agreement, net of any portion of such Fee which has been previously prepaid by Borrower to Lender, with the remaining balance of the Fee being paid on a per Lot basis at the time the Borrower acquires a Lot in the amount of \$975.00.

8.20 Cooperation.

The Trustees named in the Deed of Trust, upon written request from Borrower, and with the consent of the Lender, if required, (which consent shall not be unreasonably withheld) and further without any release payment or curtail of principal, shall execute, acknowledge and join in (a) plats or plans of subdivision or resubdivision, (b) to the extent required to be parties by the beneficiaries / grantees thereof, execute, acknowledge and join in any easements, rights of way and dedications as may be necessary and/or required by local, county, state, or federal authorities or public utility companies for the purpose of acquiring or obtaining utilities, sanitary and storm sewer, flood plain, water, gas, electric and telephone facilities upon, under and over the premises or off-site, (c) to the extent required to be parties by the beneficiaries / grantees thereof, execute, acknowledge and join in any easements, rights of way, or dedications for public roads, streets, gutters, sidewalks or similar improvements, and (d) execute, acknowledge and join in any and all other instruments that may be required by the appropriate governmental authorities for approval with regard to the Borrower's construction upon the Land. With regard to any and all documents described herein, (x) the Lender shall have the right to review and approve same in advance if the endorsement of the Lender and/or Trustees is required; (y) the Borrower shall pay all costs and fees of preparation, Lender review (including reasonable attorney's fees), recordation and filing of said documents; and (c) no such documents shall impose any obligation or liability, monetary or otherwise, on the Lender.

8.21 End Loan.

Borrower shall provide Lender the opportunity to offer purchase money loans to the contract purchasers under Approved Sales Contracts by including Lender's loan terms in its sales packages. Notwithstanding the foregoing, individual purchasers of Lots and Houses shall not be bound or obligated to obtain purchase money financing from Lender.

8.22 Partial Release.

Provided (a) that the Borrower has completed construction of a House to the Lender's satisfaction in accordance with the terms and provisions contained herein, and (b) provided no Event of Default which remains uncured has occurred with respect to this Loan Agreement or the Note or the Deed of Trust, and provided no event has occurred and is continuing which, with notice or the passage of time or both, would constitute an Event of Default with respect to this Loan Agreement or the Note or the Deed of Trust, then Lender agrees to cause the Trustees named in the Deed of Trust, at the request and expense of the Borrower, to release an individual Lot and House from the lien, legal effect and operation of the Deed of Trust upon payment to or for the account of the Lender by or for the account of the Borrower for each such Lot and House sought to be released of 100% of the principal sum determined by Lender to have been previously advanced under the Loan specifically allocated to finance the costs and expenses associated with the acquisition of the Lot and to finance the costs and expenses associated with its improvement by the construction of a House on such Lot, together with interest outstanding on account thereof to the date of payment, and any fees and costs, if any, due on account of the Loan.

8.23 Sales Contracts; Sales Data.

Promptly after Borrower's execution of the same, the Borrower shall transmit to the Lender a copy of each contract providing for the sale of any Lot and House. Monthly Borrower shall provide the Lender with detailed sales and settlement reports for the Project that is the subject of the Loan, including, but not limited to the contract purchaser's name and address, the Lot and House sold, the base contract sales price, a description of any options selected and pricing, the amount of earnest money deposits, the amount of the expected purchase money loan amount and the identity of the Lender providing the purchase money loan, and evidence of pre-qualification for the purchase money loan.

8.24 Lot Acquisition and House Construction Limitations.

Borrower shall be immediately permitted to construct the Houses on the Lots initially acquired by Borrower and described on attached Exhibit "A" and Lender will fund the costs of construction for those Houses. Lot Inventory shall be limited to a total of twenty-two (22) Lots at any one time, of which two (2) lots can be models, and four (4) Lots can be "spec" Lots, meaning those Lots are not the subject of an Approved Sales Contract. Lot Inventory funded under this Loan shall be inclusive of all Lots on which Houses are under construction, including model House Inventory. Model House inventory is limited to two (2) units. Construction Inventory shall be limited to twenty-two (22) Houses under construction at any one time (including model Houses), of which number four (4) Houses can be "spec" Houses, meaning those Houses are not the subject of an Approved Sales Contract. All of the foregoing shall only apply to Lots and Houses that are subject to funding under the herein Loan.

The Lender shall not permit Borrower to seek and make application for an advance of Loan proceeds for the acquisition of a Lot or Lots and the construction of a House or Houses thereon beyond that date which is thirty-two (32) calendar months from the date of this Loan Agreement unless Borrower can prove to the reasonable satisfaction of Lender that the Lot and completed House can be sold and settled under an Approved Sales Contract by the maturity date of this Loan stated in the Note. Lender shall not be obligated to continue to advance Loan proceeds for the construction of a House or Houses then under construction as of the maturity date stated in the Note unless Lender and Borrower mutually agree to extend the maturity date of the Loan and continue to disburse Loan proceeds for the completion of the House or Houses.

8.25 Minimum Sales Rate Absorption.

Commencing one hundred eighty (180) calendar days after the settlement of the sale of the first House pursuant to an Approved Sales Contract, the Borrower shall be required to maintain an average quarterly sales rate of six (6) Houses.

8.26 Operating Accounts.

Borrower shall open and maintain its business operating account and all escrow accounts with and at the Lender. Borrower and any affiliated and related entities shall maintain in money market and demand deposit accounts an aggregate monthly average deposit relationship of not less than ten percent (10%) of the average outstanding loan balances of the combined loans of such companies with Lender (the "Compensating Balances"). In the event the Compensating Balances average less than ten percent (10%) of the outstanding loan balances, the such failure shall not be an Event of Default under the Loan; however, the interest rate spread on the Loan and floor shall be increased by 0.25% until such time as the Compensating Balances are maintained at 10% for a continuous period of six (6) months. The foregoing requirement is in addition to and supplements any other deposit requirements for loans with Lender made to Borrower and/or any affiliated and related entities.

8.27 Future Amendments.

Borrower acknowledges and agrees that as Borrower takes down and acquires new Lots under the Sales Agreement, it will be necessary for Borrower and Lender to enter into an amendment and modification agreement to the Deed of Trust in order to supplement the Deed of Trust by the addition of the acquired Lots as collateral security for the Loan, and to also enter into an omnibus modification agreement for the same purpose with regard to the balance of the Loan Documents made, executed and delivered by Borrower to evidence and secure the Loan.

IN WITNESS WHEREOF, the Borrower and the Lender have executed these presents to be effective on the year and day first above written.

BORROWER:

COMSTOCK TWO RIVERS I, L.C., a Virginia limited liability company

By: COMSTOCK HOLDING COMPANIES, INC., a Delaware corporation, its Manager and Sole Member

By: _____(SEAL)
Christopher Clemente, Chairman and Chief Executive Officer

COMMONWEALTH OF VIRGINIA)
) ss:
COUNTY OF FAIRFAX)

I hereby certify that on this _____ day of March, 2015, before me, the undersigned Notary Public, of the jurisdiction aforesaid,, personally appeared Christopher Clemente, known to me (or satisfactorily proven) to be the person whose name is subscribed to the foregoing instrument, who acknowledged that he executed the same for the purposes therein contained in his official and authorized capacity as the Chairman and Chief Executive Officer of Comstock Holding Companies, Inc., a Delaware corporation, (“the Corporation”), said Corporation being the Manager and Sole Member of Comstock Two Rivers I, L.C., a Virginia limited liability company (the “Company”), and that he as such officer of the Corporation being authorized so to do, signed the name of the Corporation as the Manager and Sole Member of the Company.

Notary Public

My Notary Commission Expires: _____

My Notary Registration No. is: _____

LENDER:

EAGLEBANK, a Virginia banking corporation

By: _____(SEAL)
Name:
Title:

STATE OF _____)
) ss:
COUNTY OF _____)

I HEREBY CERTIFY that on March _____, 2015, before me, a Notary Public of the jurisdiction aforesaid, personally appeared _____ in his/her official and authorized capacity as a _____ of EAGLEBANK, a Maryland banking corporation (the "Bank"), and that he/she, as such officer of the Bank, being authorized so to do, executed the foregoing instrument for the purposes therein contained by signing the name of the Bank.

WITNESS my hand and Notarial Seal.

Notary Public

My Commission Expires: _____

My Notary Registration Number is: _____

**CERTIFICATION OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Christopher Clemente, certify that:

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

Date: May 15, 2015

/s/ Christopher Clemente

Christopher Clemente
Chairman and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Joseph M. Squeri, certify that:

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

Date: May 15, 2015

/s/ Joseph M. Squeri

Joseph M. Squeri

Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

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

In connection with the Quarterly Report on Form 10-Q of Comstock Holding Companies, Inc. (the "Company") for the quarter ended March 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of Christopher Clemente, Chairman and Chief Executive Officer of the Company, and Joseph M. Squeri, Chief Financial Officer of the Company, certifies, to his best knowledge and belief, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 15, 2015

/s/ Christopher Clemente

Christopher Clemente
Chairman and Chief Executive Officer

Date: May 15, 2015

/s/ Joseph M. Squeri

Joseph M. Squeri
Chief Financial Officer