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

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**FORM 10-Q**

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

For the quarterly period ended June 30, 2014

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

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**Comstock Holding Companies, Inc.**

(Exact name of registrant as specified in its charter)

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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)

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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 August 13, 2014, 18,818,869 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, of the registrant were outstanding.

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**COMSTOCK HOLDING COMPANIES, INC. AND SUBSIDIARIES**  
**FORM 10-Q**  
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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)

	June 30, 2014 (unaudited)	December 31, 2013
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,814	\$ 11,895
Restricted cash	2,956	2,458
Trade receivables	1,299	346
Real estate inventories	43,387	39,843
Property, plant and equipment, net	202	243
Other assets	2,848	2,094
TOTAL ASSETS	<u>\$ 55,506</u>	<u>\$ 56,879</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Accounts payable and accrued liabilities	\$ 10,791	\$ 7,506
Notes payable—secured by real estate inventories	25,151	22,701
Notes payable—due to affiliates, unsecured	4,462	4,687
Notes payable—unsecured	2,322	2,580
Income taxes payable	33	346
TOTAL LIABILITIES	<u>42,759</u>	<u>37,820</u>
Commitments and contingencies (Note 8)	—	—
<b>STOCKHOLDERS' EQUITY</b>		
Class A common stock, \$0.01 par value, 77,266,500 shares authorized, 18,810,281 and 18,629,638 issued and outstanding, respectively	188	186
Class B common stock, \$0.01 par value, 2,733,500 shares authorized, issued and outstanding	27	27
Additional paid-in capital	171,021	170,811
Treasury stock, at cost (426,633 shares Class A common stock)	(2,480)	(2,480)
Accumulated deficit	(167,622)	(164,379)
TOTAL COMSTOCK HOLDING COMPANIES, INC. EQUITY	1,134	4,165
Non-controlling interest	11,613	14,894
TOTAL EQUITY	<u>12,747</u>	<u>19,059</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 55,506</u>	<u>\$ 56,879</u>

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

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

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Revenues</b>				
Revenue—homebuilding	\$ 11,657	\$ 11,987	\$ 19,488	\$ 23,383
Revenue—other	143	226	266	387
Total revenue	<u>11,800</u>	<u>12,213</u>	<u>19,754</u>	<u>23,770</u>
<b>Expenses</b>				
Cost of sales—homebuilding	9,459	9,621	15,715	18,417
Cost of sales—other	85	276	178	497
Impairment reversal	—	—	—	(722)
Sales and marketing	559	511	1,097	957
General and administrative	2,318	1,704	4,207	3,259
Interest, real estate taxes and indirect costs related to inactive projects	3	118	5	344
Operating (loss) income	<u>(624)</u>	<u>(17)</u>	<u>(1,448)</u>	<u>1,018</u>
Other income, net	12	131	67	158
(Loss) income before income tax expense	<u>(612)</u>	<u>114</u>	<u>(1,381)</u>	<u>1,176</u>
Income tax expense	(57)	—	(131)	—
Net (loss) income	<u>(669)</u>	<u>114</u>	<u>(1,512)</u>	<u>1,176</u>
Net income attributable to non-controlling interests	995	952	1,731	1,291
Net loss attributable to Comstock Holding Companies, Inc.	<u>\$ (1,664)</u>	<u>\$ (838)</u>	<u>\$ (3,243)</u>	<u>\$ (115)</u>
Basic net loss per share	<u>\$ (0.08)</u>	<u>\$ (0.04)</u>	<u>\$ (0.15)</u>	<u>\$ (0.01)</u>
Diluted net loss per share	<u>\$ (0.08)</u>	<u>\$ (0.04)</u>	<u>\$ (0.15)</u>	<u>\$ (0.01)</u>
Basic weighted average shares outstanding	21,089	20,674	21,012	20,599
Diluted weighted average shares outstanding	21,089	20,674	21,012	20,599

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 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, 2012	17,628	\$ 176	2,733	\$ 27	\$170,070	\$(2,480)	\$(162,349)	\$ 935	\$ 6,379
Stock compensation and issuances	754	7	—	—	328	—	—	—	335
Warrants	25	1	—	—	(1)	—	—	—	—
Shares withheld related to net share settlement of restricted stock awards	(11)	—	—	—	(8)	—	—	—	(8)
Non-controlling interest contributions	—	—	—	—	146	—	—	7,763	7,909
Net (loss) income	—	—	—	—	—	—	(115)	1,291	1,176
Balance at June 30, 2013	<u>18,396</u>	<u>\$ 184</u>	<u>2,733</u>	<u>\$ 27</u>	<u>\$170,535</u>	<u>\$(2,480)</u>	<u>\$(162,464)</u>	<u>\$ 9,989</u>	<u>\$15,791</u>
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	222	2	—	—	272	—	—	—	274
Shares withheld related to net share settlement of restricted stock awards	(41)	—	—	—	(62)	—	—	—	(62)
Non-controlling interest distributions	—	—	—	—	—	—	—	(5,012)	(5,012)
Net (loss) income	—	—	—	—	—	—	(3,243)	1,731	(1,512)
Balance at June 30, 2014	<u>18,810</u>	<u>\$ 188</u>	<u>2,733</u>	<u>\$ 27</u>	<u>\$171,021</u>	<u>\$(2,480)</u>	<u>\$(167,622)</u>	<u>\$ 11,613</u>	<u>\$12,747</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>Six Months Ended June 30,</u>	
	<u>2014</u>	<u>2013</u>
<b>Cash flows from operating activities:</b>		
Net (loss) income	\$ (1,512)	\$ 1,176
Adjustment to reconcile net (loss) income to net cash (used in) provided by operating activities		
Amortization of loan discount and deferred financing fees	142	305
Depreciation expense	48	25
Provision for bad debt	10	2
Earnings from unconsolidated joint venture, net of distributions	29	42
Impairment reversal	—	(722)
Amortization of stock compensation	96	278
Changes in operating assets and liabilities:		
Restricted cash—purchaser deposits	(296)	(372)
Trade receivables	(963)	(66)
Real estate inventories	(3,528)	132
Other assets	(880)	(482)
Accrued interest	416	(116)
Accounts payable and accrued liabilities	3,447	2,623
Income taxes payable	(313)	—
Net cash (used in) provided by operating activities	<u>(3,304)</u>	<u>2,825</u>
<b>Cash flows from investing activities:</b>		
Investment in unconsolidated joint venture	—	(7)
Purchase of property, plant and equipment	(7)	(69)
Restricted cash	(202)	—
Proceeds from sale of Cascades multi-family—operating real estate, net	—	279
Net cash (used in) provided by investing activities	<u>(209)</u>	<u>203</u>
<b>Cash flows from financing activities:</b>		
Proceeds from notes payable	12,841	16,235
Payments on notes payable	(11,290)	(19,170)
Loan financing costs	(45)	(123)
Distributions to non-controlling interests	(5,012)	—
Contributions from non-controlling interests	—	7,909
Proceeds from exercise of stock options	—	1
Taxes paid related to net share settlement of equity awards	(62)	(8)
Net cash (used in) provided by financing activities	<u>(3,568)</u>	<u>4,844</u>
Net (decrease) increase in cash and cash equivalents	(7,081)	7,872
Cash and cash equivalents, beginning of period	11,895	3,539
Cash and cash equivalents, end of period	<u>\$ 4,814</u>	<u>\$ 11,411</u>
<b>Supplemental disclosure for non-cash activity:</b>		
Interest paid, net of interest capitalized	\$ (417)	\$ 212
Increase in class A common stock par value in connection with vesting and issuance of stock compensation	\$ 2	\$ 8
Accrued liability settled through issuance of stock	\$ 162	\$ —

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

**COMSTOCK HOLDING COMPANIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Dollars in thousands, except per share data)**

**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, 2013.

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.). The Company has substantial experience with building a diverse range of products including multi-family units, 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 and six months ended June 30, 2014 and 2013, comprehensive loss equaled net loss; therefore, a separate statement of comprehensive loss is not included in the accompanying consolidated financial statements.

**Recently Issued Accounting Standards**

In April 2014, the FASB issued ASU 2014-08, Presentation of Financial Statements and Property, Plant, and Equipment: Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, (“ASU 2014-08”). ASU 2014-08 is intended to change the criteria for reporting discontinued operations and enhance disclosures in this area. Under the new guidance, only disposals representing a strategic shift in operations that has a major effect on the entity’s operations and financial results should be presented as discontinued operations. If the disposal does qualify as a discontinued operation, the entity will be required to provide expanded disclosures, as well as disclosure of the pretax income attributable to the disposal of a significant part of an entity that does not qualify as a discontinued operation. ASU 2014-08 will be effective prospectively for fiscal years, and interim reporting periods within those years, beginning after December 15, 2014 (early adoption is permitted only for disposals that have not been previously reported). The implementation of this guidance is not expected to have a material impact on our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, (“ASU 2014-09”). ASU 2014-09 provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU No. 2014-09 will require an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This update creates a five-step model that requires entities to exercise judgment when considering the terms of the contract(s) which include (i) identifying the contract(s) with the customer, (ii) identifying the separate performance obligations in the contract, (iii) determining the transaction price, (iv) allocating the transaction price to the separate performance obligations, and (v) recognizing revenue when each performance obligation is satisfied. ASU 2014-09 will be effective for fiscal year beginning after December 1, 2017 and subsequent interim periods. The Company has the option to apply the provisions of ASU 2014-09 either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of applying this ASU recognized at the date of initial application. Early adoption is not permitted. The Company is currently evaluating the method and impact the adoption of ASU 2014-09 will have on the Company’s condensed consolidated financial statements.

## 2. REAL ESTATE INVENTORIES

Real estate inventories consist of the following:

	June 30, 2014	December 31, 2013
Land and land development costs	\$26,108	\$ 26,805
Cost of construction (including capitalized interest and real estate taxes)	17,279	13,038
	<u>\$43,387</u>	<u>\$ 39,843</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. 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.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Balance at beginning of period	\$ 514	\$ 984	\$ 510	\$ 963
Additions	306	44	344	84
Releases and/or charges incurred	(98)	(16)	(132)	(35)
Balance at end of period	<u>\$ 722</u>	<u>\$ 1,012</u>	<u>\$ 722</u>	<u>\$ 1,012</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 June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Total interest incurred and capitalized	\$ 551	\$ 439	\$1,080	\$ 904
Total real estate taxes incurred and capitalized	51	20	104	96
Total interest and real estate taxes incurred and capitalized	<u>\$ 602</u>	<u>\$ 459</u>	<u>\$1,184</u>	<u>\$1,000</u>
Interest expensed as a component of cost of sales	\$ 89	\$ 1,071	\$ 141	\$1,975
Real estate taxes expensed as a component of cost of sales	25	100	56	205
Interest and real estate taxes expensed as a component of cost of sales	<u>\$ 114</u>	<u>\$ 1,171</u>	<u>\$ 197</u>	<u>\$2,180</u>

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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, real estate taxes and indirect costs related to inactive projects.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Total interest incurred and expensed for inactive projects	\$ —	\$ 16	\$ —	\$ 73
Total real estate taxes incurred and expensed for inactive projects	3	14	5	47
Total production overhead incurred and expensed for inactive projects	—	88	—	224
	<u>\$ 3</u>	<u>\$ 118</u>	<u>\$ 5</u>	<u>\$ 344</u>

## 5. LOSS PER SHARE

The weighted average shares and share equivalents used to calculate basic and diluted income per share for the three and six months ended June 30, 2014 and 2013 are presented in the accompanying consolidated statements of operations. Restricted stock awards, stock options and warrants for the three and six months ended June 30, 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.

As a result of net losses for the three and six months ended June 30, 2014 and 2013, the following have been excluded from the diluted share computation as their inclusion would be anti-dilutive:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Restricted stock awards	261	662	279	593
Stock options	157	370	188	293
Warrants	404	1,057	543	863
	<u>822</u>	<u>2,089</u>	<u>1,010</u>	<u>1,749</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.

For our Homebuilding operations, we develop properties with the intent that they be sold either as fee-simple properties or condominiums to individual unit buyers or as investment properties sold 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.

For 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.

Our Real Estate Services segment pursues 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.

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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.

	<u>Homebuilding</u>	<u>Multi-family</u>	<u>Real Estate Services</u>	<u>Total</u>
<b>Three Months Ended June 30, 2014</b>				
Gross revenue	\$ 11,657	\$ —	\$ 143	\$11,800
Gross profit	2,198	—	58	2,256
Net (loss) income	(727)	—	58	(669)
Total assets	55,143	—	363	55,506
Depreciation and amortization	24	—	—	24
Interest expense	—	—	—	—
<b>Three Months Ended June 30, 2013</b>				
Gross revenue	\$ 11,990	\$ —	\$ 223	\$12,213
Gross profit	2,201	—	115	2,316
Net income	12	—	102	114
Total assets	46,647	—	1,036	47,683
Depreciation and amortization	121	—	—	121
Interest expense	16	—	—	16
<b>Six Months Ended June 30, 2014</b>				
Gross revenue	\$ 19,488	\$ —	\$ 266	\$19,754
Gross profit	3,773	—	88	3,861
Net (loss) income	(1,600)	—	88	(1,512)
Total assets	55,143	—	363	55,506
Depreciation and amortization	48	—	—	48
Interest expense	—	—	—	—
<b>Six Months Ended June 30, 2013</b>				
Gross revenue	\$ 23,439	\$ —	\$ 331	\$23,770
Gross profit	4,620	—	236	4,856
Net income	954	—	222	1,176
Total assets	46,647	—	1,036	47,683
Depreciation and amortization	303	—	—	303
Interest expense	73	—	—	73

The Company allocates sales, marketing, 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

The Company recorded valuation allowances for certain tax attributes and other deferred tax assets. Currently, sufficient uncertainty exists regarding the future realization of these deferred tax assets through future taxable income. If, in the future, the Company believes that it is more likely than not that these deferred tax benefits will be realized, the valuation allowances will be reversed. The Company has recorded a tax provision of \$57 and \$131 for the three and six months ended June 30, 2014, respectively, based on an effective tax rate of 4% related to statutory tax rates in the District of Columbia where the Company has no deferred tax benefit to offset the tax liability. No such provision was recorded for the three and six months ended June 30, 2013.

The Company currently has approximately \$118 million in federal and state net operating losses (NOLs), which based on current statutory tax rates represents approximately \$46 million in tax savings. If unused, these NOLs will begin expiring in 2028. Under Internal Revenue Code Section 382 ("Section 382"), if a change of ownership is triggered, the Company's NOL assets and possibly certain other deferred tax assets may be impaired. We estimate that as of June 30, 2014, 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 June 30, 2014, 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 June 30, 2014 and 2013. We file U.S. and state and local income tax returns in jurisdictions with varying statutes of limitations. The 2010 through 2013 tax years remain subject to examination by federal and most 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 these legal proceedings.

### *Letters of credit, performance bonds and compensating balances*

The Company has commitments as a result of contracts entered into with certain third parties, primarily local governmental authorities, to meet certain performance criteria as 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. The 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 June 30, 2014 and 2013, the Company had \$4.3 million and \$3.6 million in letters of credit, respectively, and \$4.3 million and \$1.0 million in performance and payment bonds, respectively, outstanding to third parties. No amounts have been drawn against the 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 June 30, 2014 and 2013, we had approximately \$282 and \$0, respectively, in these escrow accounts, which is included in 'Restricted cash' in the consolidated balance sheets.

## 9. RELATED PARTY TRANSACTIONS

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

2014	\$158
2015	320
2016	329
2017	167
Total	<u>\$974</u>

For the three months ended June 30, 2014 and 2013, total payments made under this lease agreement were \$76 and \$49, respectively. For the six months ended June 30, 2014 and 2013, total payments under this lease agreement were \$152 and \$124, respectively. As of June 30, 2014, the Company recorded a straight-line rent payable of \$28, which is included in 'Accounts payable and accrued liabilities' in the consolidated balance sheets.

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 June 30, 2014 and 2013, the Company billed Comstock Asset Management, L.C. \$131 and \$114, respectively, for services and out-of-pocket expenses incurred. For the six months ended June 30, 2014 and 2013, Comstock Asset Management, L.C. was billed \$233 and \$226, respectively, for services and out-of-pocket expenses incurred. Revenues from this arrangement are included within 'Revenue – other' in the accompanying consolidated statements of operations. As of June 30, 2014 and December 31, 2013, the Company was owed \$131 and \$61, respectively, under this contract, which is included in 'Trade receivables' in the 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 monthly to Stonehenge, to be allocated first to accrued and unpaid interest and then to unpaid principal outstanding, beginning on April 1, 2013. For the three and six months ended June 30, 2014, the Company made payments of \$150 and \$300, respectively, under the Extension Agreement. For the three and six months ended June 30, 2013, the Company made payments of \$150.

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See Note 10 for a summary of the Comstock VII Private Placement and Comstock VIII Private Placement, which involved certain of our officers and directors.

In connection with the departure of Gregory V. Benson, our former President and Chief Operating Officer, in May 2014, the Company entered into a Separation Agreement on June 24, 2014. See Note 15 for a summary of the Separation Agreement.

### **10. VARIABLE INTEREST ENTITY**

#### **Consolidated Real Estate Inventories**

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 six months ended June 30, 2014, New Hampshire Ave. Ventures, LLC, distributed \$1.9 million to its non-controlling interest member, the 6000 New Hampshire Avenue, LLC. No distributions were made in the six months ended June 30, 2013.

On September 27, 2012, the Company formed Comstock Eastgate, L.C., a joint venture of Comstock Holding Companies, Inc. 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. In the six months ended June 30, 2014, Comstock Eastgate, L.C. distributed \$1.0 million to its non-controlling interest member, BridgeCom Development II, LLC. No distributions were made in the six months ended June 30, 2013.

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 former Chief Operating Officer, Chief Financial Officer and General Counsel 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 Falls Grove project in Prince William County, Virginia consisting of 19 single family homes and Townes at Falls Grove project in Prince William County, Virginia consisting of 110 townhomes (collectively, the "Projects"). Proceeds of the Comstock VII Private Placement are to be 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. During the six months ended June 30, 2014, the Company paid distributions in the amount of \$2.1 million to the Comstock VII Class B Members which were considered non controlling interests. No distributions were made in the six months ended June 30, 2013.

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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 former Chief Operating Officer and the Chief Financial 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 will be 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 to be 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 to date.

At June 30, 2014 and December 31, 2013 total assets of these VIEs were approximately \$48.7 million and \$46.3 million, respectively, and total liabilities were approximately \$32.1 million and \$27.4 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 consolidated balance sheets.

### **11. 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 our proportionate share of earnings, losses and distributions. The investment in the unconsolidated joint venture is included within ‘Other assets’ in the consolidated balance sheets as of June 30, 2014. Earnings from this unconsolidated joint venture of \$21 and \$37 is included in ‘Other income, net’ in the accompanying consolidated statement of operations for the three and six months ended June 30, 2014, respectively. During the six months ended June 30, 2014, the Company collected and recorded a distribution of \$66 from this joint venture as a return on investment. During the three and six months ended June 30, 2013, earnings from this unconsolidated joint venture of \$42 was included in ‘Other income, net’ within the accompanying consolidated statement of operations. No distributions were received during the six months ended June 30, 2013.

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

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Statement of Operations:</b>				
Total net revenue	\$ 71	\$ 120	\$ 132	\$ 120
Total expenses	30	36	59	36
Net income	\$ 41	\$ 84	\$ 73	\$ 84
Comstock Holding Companies, Inc. share of net income	\$ 21	\$ 42	\$ 37	\$ 42

## 12. CREDIT FACILITIES

Notes payable consisted of the following:

	<u>June 30, 2014</u>	<u>December 31, 2013</u>
Construction revolving	\$ 5,744	\$ 4,053
Development and acquisition notes	12,967	12,304
Mezzanine notes	6,440	6,344
Total secured notes	25,151	22,701
Unsecured note	2,322	2,580
Notes payable to affiliate, unsecured	4,462	4,687
Total notes payable	<u>\$31,935</u>	<u>\$ 29,968</u>

### *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 June 30, 2014, the Company had secured construction revolving credit facilities with a maximum loan commitment of \$26.8 million. The Company may borrow under its 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 first closings of homes sold, subject to a minimum release price. Interest rates charged under the facilities include the London Interbank Offered Rate (“LIBOR”) and prime rate pricing options, subject to minimum interest rate floors. As of June 30, 2014, the Company had approximately \$21.1 million of unused loan commitments. The Company had \$5.7 million and \$4.1 million of outstanding construction borrowings as of June 30, 2014 and December 31, 2013, respectively. At June 30, 2014 and December 31, 2013, the weighted average interest rate on the Company’s outstanding construction revolving facility was 5.2% per annum and 5.3% per annum, respectively.

As of June 30, 2014, the Company had approximately \$26.1 million of aggregate acquisition and development loan commitments of which \$13.0 million was outstanding. The loans have maturity dates ranging from December 2014 to December 2015, including extension options subject to certain conditions. The development and acquisition loans bear interest at a rate based on LIBOR and Prime Rate pricing options, with interest rate floors ranging from 4.0% to 6.0%. At December 31, 2013, the Company had approximately \$12.3 million in outstanding acquisition and development loans. As of June 30, 2014 and December 31, 2013, the weighted average interest rate was 4.9% per annum.

As of June 30, 2014, the Company had two secured mezzanine loans. The first mezzanine loan had a loan commitment and outstanding balance of \$3.0 million at June 30, 2014 and December 31, 2013. 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. The 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. The mezzanine loan is secured by a second deed of trust.

The second mezzanine loan is being used to finance the development of the Townes at Shady Grove Metro and Momentum| Shady Grove projects. The maximum principal commitment amount of this loan was \$3.2 million of which the full amount was outstanding as of June 30, 2014. This financing carries an interest rate of 12% of which 6% is paid on a monthly basis while the remaining 6% is being accrued and paid at maturity. A portion of this financing, \$1.1 million in principal balance plus accrued interest matures in December 2014 with the remaining \$2.1 million in principal plus accrued interest maturing in March 2015. This loan is guaranteed by the Company and our Chief Executive Officer.

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### **Unsecured note**

At June 30, 2014 and December 31, 2013, the Company had balances of \$2.3 million and \$2.6 million, respectively, outstanding to a major bank under a 10-year unsecured note. Interest is charged on this financing at LIBOR plus 2.2%. At June 30, 2014 and December 31, 2013, the interest rate was 2.4%. 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**

As of June 30, 2014, the Company has one senior unsecured note with Stonehenge Funding L.C, an entity wholly-owned by our Chief Executive Officer. During fiscal year 2013, the Company and Stonehenge, entered into an agreement extending the maturity date to January 1, 2016. Interest is charged to the loan based on LIBOR plus 3% per annum. As of June 30, 2014 and December 31, 2013, the interest rate was 3.6% per annum. The Company had approximately \$4.5 million and \$4.7 million in outstanding borrowings as of June 30, 2014 and December 31, 2013, respectively. Under the terms of the extension agreement, the Company is required to make a monthly payment of \$50 which is allocated first to accrued and unpaid interest and then to unpaid principal.

As of June 30, 2014, maturities and/or curtailment obligations of all borrowings are as follows:

2014	\$ 6,644
2015	18,507
2016	4,462
2017	—
2018	2,322
Total	<u>\$31,935</u>

## **13. 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 observable market rates (Level 2 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:

	June 30, 2014	December 31, 2013
Carrying amount	\$31,935	\$ 29,968
Fair value	\$30,310	\$ 27,943

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.

In September 2012, management evaluated its strategic alternatives with respect to its real estate projects classified as held for sale, Eclipse and Penderbrook, with the objective of creating additional near term liquidity. As a result, a decision was made to market the Eclipse project in a bulk sale transaction, rather than by selling directly to prospective home buyers, significantly accelerating absorption. During the first quarter of 2013, in the absence of a prospective bulk sale buyer and as a result of the increased sales activity, the Company revised its previous disposition strategy and reversed a previously recorded impairment charge of \$0.7 million to reflect the for sale project at fair market value less costs to sell, consistent with the provisions of Accounting Standards Codification (“ASC”) 360. During the first half of 2013, the Company sold all remaining units at the Eclipse and Penderbrook projects. There were no impairment charges or reversals in the three and six months ended June 30, 2014.

**14. RESTRICTED STOCK, STOCK OPTIONS AND OTHER STOCK PLANS**

During the three and six months ended June 30, 2014, the Company did not issue any stock options. In the three and six months ended June 30, 2013, the Company issued 30 stock options with a fair value of \$19 which vest ratably over four years. No restricted stock awards were issued during the three and six months ended June 30, 2014 and 2013.

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 June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Real estate inventories—Assets	\$ —	\$ 23	\$ 16	\$ 56
General and administrative—Expenses	(38)	107	96	278
	<u>\$ (38)</u>	<u>\$ 130</u>	<u>\$ 112</u>	<u>\$ 334</u>

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. We settled 8 and 133 restricted stock awards in the three and six months ended June 30, 2014, of which, 3 and 41, respectively, were net settled by withholding shares, which represented the employees' minimum statutory obligation for each such employee's applicable income and other employment taxes and remitted cash totaling of \$4 and \$62, respectively, to the appropriate tax authorities. The amount remitted to the tax authorities for the employees' tax obligation was reflected as a financing activity in the accompanying consolidated statements of cash flows. These shares withheld by us as a result of the net settlement election are not considered issued and outstanding, thereby reducing our shares outstanding used to calculate earnings per share.

As of June 30, 2014, the weighted-average remaining contractual term of unexercised stock options was 6.7 years. As of June 30, 2014 and December 31, 2013, there was \$498 and \$843, respectively, of unrecognized compensation cost related to stock issuances granted.

**15. SEVERANCE AND RESTRUCTURING**

In connection with the departure of Gregory V. Benson, our former President and Chief Operating Officer, in May 2014, the Company entered into a Separation Agreement on June 24, 2014. The Separation Agreement provides for cash severance payment and incremental healthcare insurance through COBRA. The severance cost is \$597, paid in 36 semi-monthly installments following May 1, 2014. The total healthcare cost is \$14 over 12 months beginning on May 1, 2014. In accordance with ASC 712, the Company performed an analysis of the costs associated with his departure and recorded a one-time severance and restructuring charge and recorded the forfeiture of the stock options and restricted stock awards against stock based compensation as follows:

Severance	<u>\$ 597</u>
Healthcare cost	14
Forfeiture of stock option and restricted stock awards	<u>(131)</u>
Total	<u>\$ 480</u>

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); 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. In accordance with US GAAP, 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." The impact of the call option resulting in a net impact of \$0, in the Consolidated Statement of Changes in Stockholders' Equity.

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As of June 30, 2014, a liability of \$542 was outstanding and included in the “Accounts payable and accrued liabilities” line in the accompanying consolidated balance sheets. The Severance and Restructuring charge is included in “General and administrative” expenses in the accompanying consolidated statements of operations for the three and six months ended June 30, 2014.

### **16. SUBSEQUENT EVENTS**

In July 2014, Comstock Eastgate, L.C. distributed \$0.9 million to its non-controlling interest member, BridgeCom Development II, LLC.

In July 2014, the Company entered into a Land Purchase Option Agreement (LPO) for land to be developed as an age restricted community in the form of town homes in the State of Maryland and deposited \$1.7 million to perform feasibility study and due diligence work. After satisfaction and completion of the study period, the Company will follow a set of scheduled lot takedowns to begin construction in the Spring of 2015.

On July 15, 2014, the Company entered into a Line of Credit and Security Agreement and a Revolving Line of Credit Note with Eagle Bank securing a \$5.0 million line of credit. This line of credit will be used to finance its wholly owned subsidiaries’ predevelopment related expenses and deposits for their current and future projects located in the Washington, D.C. metropolitan area. The line of credit bears a variable interest rate tied to a one-month LIBOR rate plus 3.25% per annum, with an interest rate floor of 5.0%, and an initial maturity date of 12 months from closing of the agreement. The agreement also calls for the Company to adhere to several financial covenants, including a minimum EBITDA, a minimum net worth and minimum liquidity, all measured quarterly on a trailing twelve (12) month basis. The line of credit is guaranteed by our Chief Executive Officer. Through the date of filing of this Form 10-Q, we have drawn \$2.3 million against this line of credit.

On July 23, 2014, the Company entered into a development and construction loan agreement with Cardinal Bank for \$6.1 million in connection with the Falls Grove project. The loan provides for a variable interest rate of Prime plus 0.5% per annum with an interest rate floor of 4.5% per annum. This loan matures on May 28, 2015. This loan is collateralized by the first deed of trust on the project and a limited guaranty by our Chief Executive Officer. Through the date of filing of this Form 10-Q, we have made no draws against this loan.

In August 2014, the Company made distributions in the amount of \$0.7 million to the Comstock VII Class B Members representing priority return and partial return of capital.

In August 2014, New Hampshire Ave. Ventures, LLC, distributed \$0.7 million to its non-controlling interest member, 6000 New Hampshire Avenue.

**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.

***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; 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, 2013. 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 units, 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 of our consolidated financial statements. We are currently focused on the Washington, D.C. metropolitan area, which is the seventh largest metropolitan statistical area in the United States.

We currently have communities under development in multiple counties throughout the Washington, D.C. area market. At June 30, 2014, we either owned or controlled under purchase option agreements approximately 398 building lots.

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The following table summarizes certain information for our owned or controlled communities as of June 30, 2014:

Project	As of June 30, 2014							Average New Order Revenue Per Unit to Date
	State	Product Type (2)	Estimated Units at Completion	Units Settled	Backlog (3)	Units Owned Unsold	Units under Option Agreement Unsold	
City Homes at the Hampshires (1)	DC	SF	38	23	7	8	—	\$ 737
Townes at the Hampshires (1)	DC	TH	73	25	8	40	—	\$ 549
Villas at Eastgate	VA	Condo	66	66	—	—	—	\$ 389
Estates at Falls Grove (1)	VA	SF	19	—	3	16	—	\$ 528
Townes at Falls Grove (1)	VA	TH	110	19	13	78	—	\$ 300
Townes at Shady Grove Metro (1)	MD	TH/SF	39	—	12	27	—	\$ 614
Momentum   Shady Grove Metro (1)	MD	Condo	117	—	—	117	—	\$ —
Estates at Emerald Farm (4)	MD	SF	84	78	—	6	—	\$ 452
Townes at Maxwell Square (1)	MD	TH	45	—	5	40	—	\$ 422
Townes at Hallcrest (1)	VA	TH	42	—	—	42	—	\$ —
Estates at Leeland(1)	VA	SF	24	—	—	24	—	\$ —
<b>Total</b>			<b>657</b>	<b>211</b>	<b>48</b>	<b>398</b>	<b>—</b>	<b>\$ 470</b>

- (1) Community in development and/or construction with units available for sale.
- (2) “SF” means single family home, “TH” means townhouse, “Condo” means condominium.
- (3) “Backlog” means we have an executed order with a buyer but the settlement has not yet taken place.
- (4) Developed and planned for construction activities in 2014.

## Results of Operations

### Three and six months ended June 30, 2014 compared to three and six months ended June 30, 2013

#### Orders, cancellations and backlog

The following table summarizes certain information related to new orders, settlements and backlog for the three and six month periods ended June 30, 2014 and 2013:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Gross new orders	42	48	78	87
Cancellations	6	4	11	10
Net new orders	36	44	67	77
Gross new order revenue	\$ 20,685	\$ 23,061	\$ 36,522	\$ 41,364
Cancellation revenue	\$ 2,290	\$ 1,483	\$ 4,564	\$ 4,560
Net new order revenue	\$ 18,395	\$ 21,578	\$ 31,958	\$ 36,804
Average gross new order price	\$ 492	\$ 480	\$ 468	\$ 475
Settlements	28	22	47	43
Settlement revenue—homebuilding	\$ 11,657	\$ 11,987	\$ 19,488	\$ 23,383
Average settlement price	\$ 416	\$ 545	\$ 415	\$ 544
Backlog units	48	43	48	43
Backlog revenue	\$ 24,817	\$ 18,842	\$ 24,817	\$ 18,842
Average backlog price	\$ 517	\$ 438	\$ 517	\$ 438

#### Revenue – homebuilding

At June 30, 2014, we had a total of 48 units in backlog to generate future revenue of \$24.8 million as compared to \$18.8 million from 43 units at June 30, 2013, resulting in a 32% increase. Gross new order revenue, consisting of revenue from all units sold, for the three months ended June 30, 2014 was \$20.7 million on 42 units as compared to \$23.1 million on 48 units for the three months ended June 30, 2013. Gross new order revenue for the six months ended June 30, 2014 was \$36.5 million on 78 units as compared to \$41.4 million on 87 units for the six months ended June 30, 2013. Net new order revenue, representing revenue for all units sold less revenue from cancellations, for the three months ended June 30, 2014 was \$18.4 million on 36 units as compared to \$21.6 million on 44 units for the three months ended June 30, 2013. Net new order revenue for the six months ended June 30, 2014 was \$32.0 million on 67 units as compared to \$36.8 million on 77 units for the six months ended June 30, 2013. Average gross new order revenue per unit for the three months ended June 30, 2014 increased \$12 to \$492, as compared to \$480 for the three months ended June 30, 2013. Average gross new order revenue per unit for the six months ended June 30, 2014 was \$468, as compared to \$475 for the six months ended June 30, 2013. The change is related directly to the number and mix of units sold. For the six months ended June 30, 2014, gross new orders totaled 25 units at The Hampshires and 12 units at Villas at Eastgate, 28 units at Falls Grove, 7 units at Shady Grove, and 6 units at Maxwell Square as compared to 1 unit at Penderbrook and 19 units at Eclipse, 16 units at The Hampshires and 51 units at Eastgate for the six months ended June 30, 2013. In addition, our homebuilding gross margin percentage for the three months ended June 30, 2014 and 2013 remains consistent at 19%. The homebuilding gross margin percentage for the six months ended June 30, 2014 decreased by 1.5% to 19.7% as compared to the 21.2% for the six months ended June 30, 2013. The decrease noted in revenue and margins was a result of the decrease in the number of homes and the mix of units settled, in addition to adverse weather conditions delaying development and construction activities as compared to prior year, increasing carrying cost due to delayed absorption.

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### *Revenue – other*

Revenue-other decreased approximately \$0.1 million to \$0.1 million during the three months ended June 30, 2014, as compared to \$0.2 million for the three months ended June 30, 2013. Revenue-other decreased approximately \$0.1 million to \$0.3 million during the six months ended June 30, 2014, as compared to \$0.4 million for the six months ended June 30, 2013. The decrease primarily relates to revenue from real estate services as the number of rental units at Penderbrook and Eclipse continued to decline until all units were sold in the second quarter of 2013.

### *Cost of sales – homebuilding*

Cost of sales – homebuilding for the three months ended June 30, 2014 decreased by \$0.1 million to \$9.5 million, as compared to \$9.6 million for the three months ended June 30, 2013. Cost of sales – homebuilding for the six months ended June 30, 2014 decreased by \$2.7 million to \$15.7 million, as compared to \$18.4 million for the six months ended June 30, 2013. The unit mix and number of homes settled during the quarter and the year accounted for the increase in the aggregate cost of sales figure.

### *Cost of sales – other*

Cost of sales – other decreased approximately \$0.2 million to \$0.1 million during the three months ended June 30, 2014 as compared to \$0.3 million in the three months ended June 30, 2013. Cost of sales – other decreased approximately \$0.3 million to \$0.2 million during the six months ended June 30, 2014 as compared to \$0.5 million in the six months ended June 30, 2013. This decrease in cost of sales – other was primarily due to the absorption and sale of the condominium units at Penderbrook and Eclipse through the end of Q2, 2013 leading to a decline in the number of units used in rental operations.

### *Impairment reversal*

We evaluate all of our projects to the extent of the existence of any impairment indicators requiring evaluation to determine if recorded carrying amounts were recoverable by evaluating discount rates, sales prices, absorption and our analysis of the best approach to marketing our projects for sale. Due to a change to an individual unit retail sale model from our previous bulk sale disposition strategy for the Eclipse project, we reversed a previously recorded impairment charge of \$0.7 million during the six months ended June 30, 2013. There were no similar actions in the current year. See Note 13 to the consolidated financial statements.

### *Sales and marketing*

Sales and marketing expenses for the three months ended June 30, 2014 increased by \$0.1 million to \$0.6 million, as compared to \$0.5 million for the three months ended June 30, 2013. Sales and marketing expenses for the six months ended June 30, 2014 increased by \$0.1 million to \$1.1 million, as compared to \$1.0 million for the six months ended June 30, 2013. The increase in sales and marketing expenses over the same period in the prior year is directly attributable to increases in the number of active developments and marketing efforts.

### *General and administrative*

General and administrative expenses for the three months ended June 30, 2014 increased \$0.6 million to \$2.3 million, as compared to \$1.7 million for the three months ended June 30, 2013. General and administrative expenses for the six months ended June 30, 2014 increased \$0.9 million to \$4.2 million, as compared to \$3.3 million for the six months ended June 30, 2013. The increase in general and administrative expenses over the three month period is attributable to additional full time employees and the charges related to the Separation Agreement with the Company's former Chief Operating Officer as further detailed in Note 15 to the consolidated financial statements.

### *Income taxes*

The Company recorded a tax provision of \$57 and \$131 for the three and six months ended June 30, 2014, respectively, based on an effective tax rate of 4%, related to statutory tax rates in the District of Columbia where the Company has no deferred tax benefit to offset the tax liability. No such provision was recorded for the three and six month periods ended June 30, 2013.

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### ***Liquidity and Capital Resources***

We require capital to operate, to make 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 included, and will continue to include, funds derived from various secured and unsecured borrowings, project level equity raises, cash flow from operations, which includes the sale and delivery of constructed homes, rental apartment projects, finished and raw building lots and the sale of equity and debt securities.

The Company is involved in ongoing discussions with lenders and potential equity investors in an effort to provide additional growth capital to fund various new business opportunities. We anticipate that through settlement curtailments and ongoing renegotiations with lenders we will satisfy the short-term financing obligations, as illustrated in Note 12 to the consolidated financial statements. Further, we are anticipating that through a combination of current available cash on hand, the additional cash from settlement proceeds, proceeds from debt, project level raises and the cash generated from settlements at our new communities currently under development, the Company will have sufficient financial resources to service its debt, invest in new projects, and cover its overhead/working capital through the next 12 months.

### ***Credit Facilities***

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 property. 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. Refer to Note 12 in the consolidated financial statements for details of our credit facilities and maturities of all of our borrowings.

### ***Cash Flow***

Net cash used in operating activities was \$3.3 million for the six months ended June 30, 2014. This represents a decrease from the net cash provided by operating activities of \$2.8 million for the six months ended June 30, 2013. The change is primarily attributable to the increase in cash out flow for real estate inventories as the Company continues to invest in new projects and positions itself for growth, as well as the impact of adverse weather conditions delaying the development of projects and the related construction of homes for sale.

Net cash used in financing activities was \$3.6 million for the six months ended June 30, 2014, primarily attributable to the distributions made to non-controlling interest members including preferred returns. Net cash provided by financing activities was \$4.8 million for the six months ended June 30, 2013, primarily attributable to the proceeds from the Comstock VII Private Placement of \$7.0 million and \$16.2 million in proceeds from notes payable offset by \$19.1 million net repayment of notes payable.

### ***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. Since 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.

### ***Recently Issued Accounting Standards***

See Note 1 in 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 and six months ended June 30, 2014 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, 2013.

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### **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 June 30, 2014. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of June 30, 2014.

#### **Limitations on the Effectiveness of Controls**

We do not expect that our disclosure controls and internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, a control may become inadequate because of changes in conditions or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected.

#### **Changes in Internal Control**

No change has occurred in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the quarter ended June 30, 2014, 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, 2013.

#### ***We are dependent on the services of certain key employees, and the loss of their services could harm our business.***

Our success largely depends on the continuing services of certain key employees, including Christopher Clemente, our Chairman and Chief Executive Officer; Jubal Thompson, our General Counsel and Secretary; and Joseph Squeri, our Chief Financial Officer. Our continued success also depends on our ability to attract and retain qualified personnel. We believe that Messrs. Clemente, Thompson and Squeri each possess valuable industry knowledge, experience and leadership abilities that would be difficult in the short term to replicate. The loss of these or other key employees could harm our operations, business plans and cash flows.

### **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 10 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 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.

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### **ITEM 6. EXHIBITS**

- 3.1 Amended and Restated Certificate of Incorporation (incorporated by reference to an exhibit to the Registrant's Annual Report on Form 10-K filed with the Commission on March 31, 2005).
- 3.2 Amended and Restated Bylaws (incorporated by reference to an exhibit to the Registrant's Annual Report on Form 10-K filed with the Commission on March 31, 2005).
- 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 (No. 333-118193)).
- 10.86\* Separation Agreement, dated June 24, 2014, between Comstock Holding Companies, Inc. and Gregory V. Benson.
- 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 June 30, 2014, formatted in XBRL (Extensible Business Reporting Language): (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.

**SIGNATURES**

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

COMSTOCK HOLDING COMPANIES, INC.

Date: August 13, 2014

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

Date: August 13, 2014

By: \_\_\_\_\_ /s/ JOSEPH M. SQUERI  
**Joseph M. Squeri**  
**Chief Financial Officer**  
**(Principal Financial Officer)**

## SEPARATION AGREEMENT

This Separation Agreement (this "Agreement") is made effective the 24<sup>th</sup> day of June, 2014 (the "Effective Date"), between **Comstock Holding Companies, Inc.**, a Delaware corporation ("Company"), and **Gregory V. Benson** ("Employee").

### Recitals

A. Company is in the business of developing and selling residential real estate and provides services related thereto in the Washington D.C. metropolitan statistical area.

B. Employee was, until recently, President and Chief Operating Officer of Company and is presently a member of the Board of Directors of Company.

C. Employee and its affiliate owns shares of Company's Class A Common Stock, par value \$0.01 per share (the "Class A Common Stock"), and Company's Class B Common Stock, par value, \$0.01 per share (the "Class B Common Stock" and together with the Class A Common Stock, the "Common Stock").

D. The parties desire to enter into this Agreement for the reasons stated herein.

E. In consideration of the mutual promises contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the undersigned, intending to be legally bound, state and agree as provided below.

### Agreements

**1. Termination Date.** The employment of Employee by Company and all rights and obligations of Employee and Company with respect to such employment, were duly and effectively terminated as of May 5, 2014 (the "Termination Date"). Employee acknowledges and agrees that he has been paid all wages and accrued benefits to which he is entitled through the Termination Date. Other than the payments set forth in this Agreement, the parties agree that Company owes no additional amounts to Employee for wages, back pay, severance pay, bonuses, damages, accrued vacation, benefits, insurance, sick leave, other leave, or any other reason. This Agreement is intended to and does settle and resolve all claims of any nature that Employee might have against Company and the Company against Employee arising out of their employment relationship or the termination of employment.

**2. Severance Allowance.** The parties desire an amicable and professional separation and in consideration of Employee's release below and to facilitate an amicable separation, as soon as practicable after execution of this Agreement, as severance allowance and not as salary, Company will pay Employee a total of \$597,000, payable in 36 semi-monthly installments of \$16,583 ("Severance Allowance"). This Severance Allowance will commence on May 1, 2014 and be payable in arrears on a semi-monthly basis until paid (the "Severance Allowance Period"). The initial severance payment shall be made on or before July 1, 2014 and shall cover the two month period, May 1, 2014 through June 30, 2014 (a total of four semi-monthly payments totaling \$66,332). Subsequent severance payments shall be made semi-monthly in arrears with the first such payment to be made on July 15, 2014. It is the intention of the parties that these payment be "synched" with the Company's regular payroll program and be direct deposited. The Severance Allowance will be made without regard to whether Employee secures subsequent employment. Company will withhold from the Severance Allowance estimated federal and state income taxes and FICA and all other deductions authorized by Employee and forward to the taxing authorities, provided however, Employee is responsible for any and all tax liability associated with the Severance Allowance.

**3. Cobra Benefits.** If Employee elects to continue participation in any group medical, dental, vision and/or prescription drug plan benefits to which Employee and/or Employee's eligible dependents would be entitled under Section 4980B of the Code (COBRA), then, during the first 12 months of the Severance Allowance Period (the "Benefits Continuation Period" which shall have begun on May 1, 2014), Company will pay the excess of (i) the COBRA cost of such coverage over (ii) the amount that Employee would have had to pay for such coverage if he had remained employed during the Benefits Continuation Period and paid the active employee rate for such coverage. ; provided, however, that (A) if, during the Benefits Continuation Period, Employee becomes eligible to receive group health benefits under a program of a subsequent employer or otherwise (including coverage available to Employee's spouse), then Company's obligation to pay any portion of the cost of health coverage as provided under this Section 3 shall thereupon immediately cease, except as otherwise provided by law, and terminate at the date of earliest possible commencement of medical coverage by the subsequent employer; (B) the Benefits Continuation Period shall run concurrently with any period for which Employee is eligible to elect health coverage under COBRA; (C) during the Benefits Continuation Period, the benefits provided in any one calendar year shall not affect the amount of benefits provided in any other calendar year (other than the effect of any overall coverage benefits under the applicable plans); (D) the reimbursement of an eligible taxable expense shall be made as soon as practicable but not later than December 31 of the year following the year in which the expense was incurred; and (E) Employee's rights pursuant to this Section 3 shall not be subject to liquidation or exchange for another benefit.

Further, under the COBRA guidelines, Employee is entitled to pay premiums to extend medical and dental insurance coverage beyond the Benefits Continuation Period (see attached forms). However, the extended coverage available under the COBRA guidelines cease upon eligibility for another employer's medical insurance plan. Employee agrees to notify Company within seven days of becoming eligible for another employer's medical insurance plan. Should Employee fail to notify Company in a timely manner of his eligibility to receive group health benefits under a program of a subsequent employer or otherwise, then Employee will be liable for all payments made by Company pursuant to this Section 3 from the date of commencement of subsequent group health coverage through the end of the Benefits Continuation Period.

**4. Company Property.** Employee has returned his laptop to the Company. Employee represents and warrants he has no other Company property except hard copies and electronic files relating to his employment and other business relationships between the Employee and the Company including documents Employee has retained in his capacity as a Director.

**5. Proprietary Information; Non-Disparagement.** During the course of employment with Company, Employee acquired certain information relative to Company or its affiliates or customers or employees which is either sensitive or proprietary. For the consideration herein provided, Employee agrees to keep such sensitive or proprietary information confidential and not to disclose said information to any prospective or subsequent employers or to any party outside Company. In addition to the contractual obligations regarding confidentiality accepted hereunder and any other requirements by law pertaining to “Insiders” as defined by the Securities and Exchange Commission (the “SEC”), Employee understands that he has a common law duty not to disclose trade secrets of Company, its affiliates and/or customers acquired during the course of his employment by Company. Further, Employee agrees that, except as may be required by law or court order, he will not, directly or indirectly, make any statement, oral or written, or perform any act or omission which disparages or casts in a negative light Company or any of its affiliates, its products, customers or employees. Similarly the Company shall not disparage or cast in a negative light the Employee except as required by law or by court order. The provisions of Section 5 of this Agreement will survive completion of the performance of this Agreement. This Section 5 is not intended to in any way limit any of the Protected Rights contained in Section 13. Notwithstanding the foregoing, the Employee in his capacity as a Director shall utilize sensitive or proprietary information consistent with his fiduciary obligations.

**6. Termination of Employment Agreement; Status of Other Contracts and/or Investments.** Company and Employee acknowledge and agree that the Employment Agreement (with the exception of Schedule 2.2 “Employer-Permitted Activities) by and between Employee and Company, formerly known as Comstock Homebuilding Companies, Inc., dated December 7, 2004 (the “Employment Agreement”) is hereby terminated and of no further force and effect. The parties agree that (i) this Agreement constitutes the “Notice of Termination” required by Paragraph 1.5 of the Employment Agreement, (ii) Employee’s employment was mutually terminated pursuant to Paragraph 5.8 of the Employment Agreement, and (iii) no further document is necessary to effect the termination of Employee’s employment with Company or to satisfy Paragraph 1.5 of the Employment Agreement.

Notwithstanding the foregoing, the parties further acknowledge and agree that the following agreements, all of which are attached as Exhibits to this Agreement, remain in full force and effect as of the Termination Date until their expiration or termination in accordance with the terms set forth therein with no modifications or changes due to the termination of Employee:

- a. Confidentiality and Non-Competition Agreement dated December 7, 2004 by and between Company and Employee (the “Non-Competition Agreement”);
- b. Credit Enhancement and Indemnification Agreement dated February 17, 2011, by and between Company, Christopher D. Clemente, and Employee (the “CEIA”);
- c. Corporate Indemnification Agreement dated July 28, 2005 by and between Company and Employee;
- d. Operating Agreement of Comstock Investors VII, L.C.; and
- e. Operating Agreement of Comstock Investors VIII, L.C.

Employee and Dan Martin, a former employee of the Company, contemplate entering into a business arrangement. To the extent the entry into a business arrangement by the Employee and Dan Martin constitutes a violation of the “no raid” provisions of the Non-Competition Agreement, the Company hereby waives any such violation provided Employee otherwise adheres to all other provisions of the Non-Competition Agreement.

**7. CEIA Transaction Fees/Stonehenge Funding.** The parties acknowledge and agree that the indemnification provisions of the CEIA remain in full force in effect but Employee hereby waives his right to receive a Transaction Fee (as defined in the CEIA) on any commercial loan for which Employee is or was a guarantor under a loan or the related loan documents. Provided however, if Company agrees that any Transaction Fees are to be paid in the future to Christopher Clemente under the CEIA for loans also guaranteed by Employee as of the date of the Termination Date, the same Transaction Fees shall also be paid to Employee. Employee holds a participation interest in a loan made by Stonehenge Funding, an entity controlled by the Chief Executive Officer of the Company, to the Company (the “Stonehenge Loan”). Employee agrees the release set forth in Section 11 extends to the Stonehenge Loan (in that Employee, as the owner of a participating interest in Stonehenge Funding, shall not initiate or cause Stonehenge Funding to initiate a lawsuit or other collection action against the Company) provided that in the event the Company and Stonehenge Funding enter into a modification of the Stonehenge Loan, the Company will not enter into an amendment that purports to treat any participant of the Stonehenge Loan in a disparate manner from the Chief Executive Officer of the Company.

**8. Board of Directors; Remainder of Term.** The parties acknowledge that Employee is a current member of Company’s Board of Directors (the “Board”), whose term is set to expire at the annual meeting of stockholders in 2015. Company and Employee agree that Employee may, at his election, maintain his position as a director of Company for the remainder of his term and shall be provided all Board materials, provided, however, Employee shall not be entitled to any compensation as a result of serving as a director for the remainder of his current term. Employee may stand for re-election to the Board if so requested by a majority of the members of the Board prior to the 2015 annual meeting of stockholders. Notwithstanding the foregoing, at such time as Employee owns less than 5% of the Company’s outstanding Class A Common Stock (on an as converted basis), at the request of the Board, Employee shall resign from the Board.

**9. 2014 Annual Meeting.** Employee and Clareth LLC, an entity owned by Employee (“Clareth”), agree not to vote any or all of their Class A Shares and Class B Shares against the approval of the three agenda items for the 2014 annual meeting of stockholders: (a) the re-election of three director nominees to the Board, (b) the appointment of PriceWaterhouse Coopers as the independent auditor of the Company through December 31, 2014, and (c) the non-binding advisory vote approving the annual compensation of Company’s named executive officers. Additionally, if requested by the Company, Employee and Clareth agree to provide to the Company an irrevocable proxy to the vote all of their Class A Shares and Class B Shares in favor of substantially similar agenda items for the 2015 annual meeting of stockholders.

#### **10. Option to Purchase Class A Shares and Class B Shares.**

a. Company, or its designee(s), will have the option (but not the obligation) to purchase from Employee and Clareth (referred to herein in this Sections 10 and 11 each as a "Seller" and collectively as, "Sellers") shares of Company's Class A Common Stock (the "Class A Shares"), and Class B Common Stock (the "Class B Shares") owned by Sellers on or before June 30, 2015 for \$1.09 per share (subject to adjustment below) (the "Purchase Price") in one or more transactions (the "Option"). If Company exercises the Option and Company, or its designee(s), elects to purchase less than all of Sellers' Class A Shares and Class B Shares in a single transaction, then the following shall apply to each transaction;

- (i) each transaction shall include the purchase of a pro-rata portion of the Class A Shares and the Class B Shares;
- (ii) the first such purchase must include a minimum of 1,000,000 of Employees' Class A Shares and Class B Shares (cumulative number of Sellers' Class A Shares and Class B Shares); and
- (iii) each subsequent purchase must include a minimum of 100,000 Class A Shares and Class B Shares (cumulative number of Sellers' Class A Shares and Class B Shares) until all Class A Shares and Class B Shares have been purchased.

Notwithstanding the above, if Company or its designee(s) exercises the Option simultaneous with, or within 120 days of, the sale by members of the Board, the Chief Executive Officer, the Chief Financial Officer, and the General Counsel of Company (collectively, the "Affiliates") of more than 500,000 shares of Company's Common Stock in the aggregate, or the Company has knowledge of a potential transaction of which it must provide notice to Employee the Purchase Price will be the greater of (x) \$1.09 or (y) 80% of the highest price at which any of the Affiliates sells shares of Common Stock in such transaction.

Company may exercise its rights under this Section 10 at any time prior to the expiration of the Option by providing Employee with a notice setting forth the number of Class A Shares and Class B Shares that it will purchase in the transaction. The closing of such purchase shall occur on the fifth business day after Company delivers the notice to Employee. At the closing, (i) Sellers shall transfer to Company the number of Class A Shares and Class B Shares identified in the notice free and clear of all liens and (ii) Company shall pay to Sellers the Purchase Price for each share purchased by wire transfer in immediately available funds in accordance with the written instructions provided by Employee to Company at least 1 business day prior to closing.

b. Company shall, for a period of 12 months following the Effective Date, use its commercially reasonable efforts to seek a third party buyer on Employee's behalf to purchase all or a portion of Sellers' Class A Shares and Class B Shares. The agreement of Company in this Section 10(b) shall in no way prejudice or limit the Company from exercising all or a portion of the Option. Following the identification of such a third party buyer, the terms of any such sale shall be negotiated between Employee and such third party buyer and Company shall have no liability to Employee whatsoever regarding the price, manner or terms of such sale. In return for Company's efforts to facilitate the sale of Sellers' Class A Shares and Class B Shares, each Seller agrees that it will not sell or transfer any of his/its Class A Shares or Class B Shares in the open market or in a private transaction without the prior approval of the Board, which approval will not be unreasonably withheld, conditioned, or delayed, for the period of twelve months after the Effective Date of this Agreement.

**11. General Release and Covenant Not to Sue.** Employee and Clareth each forever releases Company, its successors, subsidiaries, parent companies, assigns, joint ventures, and affiliated companies and their respective stockholders, officers, directors, agents, legal representatives, attorneys, employees, members, and managers (collectively, the "Releasees") from any and all claims, suits, debts, damages, liabilities, demands, or causes of action for any event, transaction, or matter which he or it may by law release, as well as all contractual obligations not expressly set forth in this Agreement, whether known or unknown, fixed or contingent, that he or it may have or claim to have against any Releasee for any reason prior to the Effective Date, exclusively as to any matter related to Employee's employment with Company or the termination of Employee's employment. This release includes, but is not limited to, claims arising under federal, state or local laws prohibiting employment discrimination; claims arising under severance plans and contracts; and claims growing out of any legal restrictions on Company's rights to terminate its employees or to take any other employment action, whether statutory, contractual or arising under common law or case law. Employee expressly agrees and understands that this Agreement is intended to release and does in fact release any claim he might have or believe he has against the Releasees under federal, state and local employment laws including, but not limited to, the Employee Retirement Income Security Act, Title VII of the Civil Rights Act of 1964, 42 U.S.C. § 1981, Americans with Disabilities Act, Age Discrimination in Employment Act, Older Workers Benefit Protection Act, Fair Labor Standards Act, Family and Medical Leave Act, Genetic Information Nondiscrimination Act, Occupational Safety and Health Act, or any other federal, state, or local employment statute or under common law.

Employee and Clareth each agrees and understands that this release is also intended as a general release of any claim he/it may have or have had against Releasees with respect to the Employment Agreement. Employee and Clareth each warrants that he/it is authorized to make this release, that he/it has not assigned or otherwise transferred any claim he or it might have against Company or any of the Releasees, and that he/it has not filed any notices, claims, complaints, charges, or lawsuits of any kind whatsoever against Company or any of the Releasees as of the date of execution of this Agreement.

Except as provided by Section 12, Employee and Clareth each further hereby agrees not to file a lawsuit or other legal claim or charge to assert against any of the Releasees any claim released by this Agreement. By signing this Agreement, Employee and Clareth each acknowledges that he/it is doing so knowingly and voluntarily, that he/it understands that he/it may be releasing claims he/it may not know about, and that he/it is waiving all rights he may have had under any law that is intended to protect him/it from waiving unknown claims.

**12. Protected Rights.** Employee understands that nothing contained in this Agreement limits his ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board or any other federal, state or local governmental agency or commission ("Government Agencies"). Employee further understands that this Agreement does not limit his ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agencies in connection with any charge or complaint, whether filed by Employee, on his behalf, or by any other individual. However, based on Employee's release of claims set forth in Section 11, Employee understands that he is releasing all claims that he may have, as well as his right to recover monetary damages or obtain other relief that is personal to Employee in connection with any charge or complaint that may be filed with any Government Agencies relating to Employee's employment with Company.

**13. Cooperation.** Employee shall cooperate fully with Company in its defense or prosecution of any and all litigation filed against or by Company, including any claims filed with federal, state or local governments or agencies, whether known or unknown at the time of the Effective Date, provided however, Employee shall be reasonably compensated for his time in defense or prosecution of such litigation. Employee shall also cooperate with the transition of the Employee's job function and shall answer any questions pertaining to his job duties for a reasonable time after the Effective Date, provided however, all such communications shall be made directly between the Employee and the General Counsel of the Company.

**14. Confidentiality.** Employee understands that the terms of this Agreement and the related facts giving rise to this separation are strictly confidential except to the extent disclosure is required by federal securities regulations. Employee agrees he shall not disclose the terms of this Agreement and the related facts giving rise to this separation to any person except as Company may expressly direct under Section 15. Employee agrees that in the event anyone not a party to this Agreement should inquire as to the status of his employment or relationship with Company, he shall state only that he is no longer affiliated with Company except in his capacity as a director (for so long as he serves as a director).

#### **15. Enforcement.**

**A. Breach of Agreement.** Except for any injunctive relief either party may be entitled to in accordance with this Agreement, in the event that either Employee or the Company should be in breach of this Agreement, the remedy shall be to utilize the arbitration provisions of Section 18.

**B. Compliance with Employee Handbook.** Deliberately Omitted.

**C. Legal Fees and Costs.** The prevailing party in arbitration shall be entitled to recover any legal fees and expenses

**16. Costs.** The parties intend that each shall bear its own costs, if any, that may have been incurred relating to this Agreement.

**17. No Admission of Liability.** This Agreement is not intended as an admission of liability by any party.

**18. Arbitration.** If the parties are unable to resolve any dispute arising under this Agreement then such dispute shall be submitted to binding arbitration in accordance with the employment arbitration rules of the American Arbitration Association then in effect at the American Arbitration Association office nearest to Company's Fairfax County, Virginia office. However, neither the Company nor Employee shall initiate any action unless the alleged breaching party has been given written notice of such breach and a 10 day opportunity to cure. Further, in the case of the Company, no action of any kind shall be initiated without prior written consent of the Board of Directors of the Company. The arbitrator shall be an attorney, who shall make findings of fact and reach conclusions of law and render a written 'reasoned opinion.'

A petition for arbitration may be brought at any time within the applicable statute of limitation. Judgment on an award rendered by an arbitrator may be entered in any court having competent jurisdiction for enforcement. This provision is intended to be liberally construed in favor of requiring arbitration.

**19. Notice.** In the event that any notice is to be given to any party under this Agreement, it shall be given by certified mail, return receipt requested, and addressed to the party as follows:

To Company: Office of the General Counsel  
Comstock Holding Companies, Inc. 1886  
Metro Center Drive, 4th Floor  
Reston, VA 20190

To Employee: Gregory Benson  
12357 Clareth Drive  
Oak Hill, Virginia 20171

**20. Modification.** This Agreement, or any provision hereof, may not be modified unless agreed to in writing by each of the parties.

**21. Waiver.** No waiver of a breach or default to this Agreement shall be deemed a waiver of any subsequent breach or default.

**22. Choice of Law.** This Agreement shall be governed by, and construed in accordance with, the laws of the Commonwealth of Virginia without giving any force or effect to the provisions of any conflict of law rule thereof.

**23. Severability.** In the event that, for any reason, any section or provision of this Agreement should be held invalid or otherwise unenforceable, it is agreed that the same shall not affect any other section or provision of this Agreement, and the remaining provisions of this Agreement shall remain in full force and effect.

**24. Binding Agreement.** This Agreement shall be binding on, and inure to the benefit of, the parties hereto, their successors, heirs, personal representatives, and assigns.

**25. Entire Agreement.** This Agreement contains the entire agreement between the parties relating to the termination of Employee's employment with Company.

**26. Acknowledgement and Other Terms.** The parties acknowledge that they have carefully read and understand all of the provisions of this Agreement, that they have had sufficient opportunity to make diligent inquiry into, and to consult with independent counsel concerning, this Agreement, and that they are voluntarily entering into this Agreement. The parties further represent and acknowledge that in executing this Agreement, they are not relying and have not relied upon any representation or statement made by any other party (including their respective affiliates, stockholders, agents, representatives, employees and attorneys) with regard to the subject matter, basis or effect of this Agreement.

**Employee expressly acknowledges and agrees that he has been offered at least 21 days to consider this Agreement before signing it and that he has read this Agreement and the general release carefully. Employee acknowledges and agrees that he/it fully understands that this Agreement is final and binding and that it contains a full release of all claims and potential claims.**

**27. Advice of Counsel.** Company hereby advises Employee to consult with an attorney prior to executing this Agreement on behalf of himself and Clareth. Employee acknowledges that he has been so advised and has had the opportunity to consult with his own legal and/or financial advisors regarding the terms of this Agreement, and that he has either consulted with such advisors or has determined that he has the requisite knowledge and expertise with such matters as to render such advice unnecessary.

**28. Code Section 409A.** The tax treatment of the benefits provided under this Agreement is not warranted or guaranteed. Neither Company nor its directors, officers, employees or advisers shall be held liable for any taxes, interest, penalties or other monetary amounts owed by Employee as a result of the application of Section 409A of the Internal Revenue Code of 1986, as amended.

**29. Forum Selection and Consent to Jurisdiction.** With respect to any litigation based on, arising out of, or in connection with this Agreement, the parties hereby expressly submit to the personal jurisdiction of the Fairfax County Circuit Court for the Commonwealth of Virginia and of the United States District Court for the Eastern District of Virginia. The parties hereby expressly waive, to the fullest extent permitted by law, any objection that they may now or hereafter have to the laying of venue of any such litigation brought in any such court referred to above, including without limitation any claim that any such litigation has been brought in an inconvenient forum.

**30. Revocation and Effective Date.** The parties agree Employee may revoke this Agreement at will within seven days after he executes this Agreement by giving written notice of revocation to Company. Such notice must be delivered to Jubal R. Thompson, General Counsel of Company and must actually be received by him at or before the above-referenced seven-day deadline. This Agreement may not be revoked after the expiration of the seven-day deadline. The effectiveness of this Agreement is expressly contingent on Employee not revoking the Agreement. In the event that Employee revokes this Agreement within the revocation period described in this Section 30, this Agreement shall not be effective or enforceable, and all rights and obligations hereunder shall be void and of no effect. Assuming that Employee does not revoke this Agreement within the revocation period described above, the effective date of this Agreement shall be the eighth day following the date on which Employee executes this Agreement.

**31. Counterparts.** This Agreement may be executed in any number of counterparts and may be delivered by facsimile, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Agreement as of the date first set forth above.

COMPANY:

Comstock Holding Companies, Inc.

By: \_\_\_\_\_

Name: Christopher Clemente, CEO

EMPLOYEE:

Gregory V. Benson

\_\_\_\_\_

The undersigned has joined this Agreement for purposes of Sections 9, 10, 11 and 12 of this Agreement.

CLARETH LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**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: August 13, 2014

/s/ Christopher Clemente

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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: August 13, 2014

/s/ Joseph M. Squeri

Joseph M. Squeri  
Chief Financial Officer  
(Principal financial 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 June 30, 2014 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, certify, to our 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, as amended 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: August 13, 2014

/s/ Christopher Clemente  
\_\_\_\_\_  
Christopher Clemente  
Chairman and Chief Executive Officer

Date: August 13, 2014

/s/ Joseph M. Squeri  
\_\_\_\_\_  
Joseph M. Squeri  
Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.