

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K**

- (Mark One)
- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2019
- 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 001-32375

Comstock Holding Companies, Inc.

(Exact name of Registrant as specified in its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
1886 Metro Center Drive, 4th Floor
Reston, VA
(Address of principal executive offices)

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

20190
(Zip Code)

Registrant's telephone number, including area code: (703) 230-1985

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, par value \$0.01 per share	CHCI	The Nasdaq Capital Market

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES NO

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. YES NO

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). YES NO

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, based on the closing price of the shares of common stock on The NASDAQ Stock Market on June 30, 2019, was \$5,978,813.

The number of shares of Registrant's Common Stock outstanding as of April 10, 2020 was 7,897,100.

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) Any annual report to security holders; (2) Any proxy or information statement; and (3) Any prospectus filed pursuant to Rule 424(b) or (c) under the Securities Act of 1933. The listed documents should be clearly described for identification purposes (e.g., annual report to security holders for fiscal year ended December 24, 1980)

COMSTOCK HOLDING COMPANIES, INC.

ANNUAL REPORT ON FORM 10-K
For the Fiscal Year Ended December 31, 2019**TABLE OF CONTENTS**

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PART I

CAUTIONARY NOTES REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements contained in this Annual Report on Form 10-K include forward-looking statements. 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 including certain risks described in this Annual Report on Form 10-K. When considering those forward-looking statements, you should keep in mind the risks, uncertainties and other cautionary statements made in this Annual Report on Form 10-K. 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: general economic and market conditions, including interest rate levels; changes in the real estate markets; inherent risks in investment in real estate; our ability to attract and retain clients; our ability to compete in the markets in which we operate; regulatory actions; fluctuations in operating results; shortages and increased costs of labor or materials; adverse weather conditions and natural disasters; our ability to raise debt and equity capital and grow our operations on a profitable basis; and our continuing relationships with affiliates.

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Company’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020. The following discussions are subject to the future effects of the COVID-19 outbreak.

Our actual results could differ materially from these projected or suggested by the forward-looking statements. The Company undertakes no obligation to update publicly or revise any forward-looking statements in light of new information or future events, except as required by law.

Item 1. Business

The following business description should be read in conjunction with our Consolidated Financial Statements and related notes appearing elsewhere in this Annual Report on Form 10-K.

Financial information for each of our reportable segments is included in Note 20 to our Consolidated Financial Statements.

Throughout this annual report on Form 10-K, dollar amounts are presented in thousands, except per share data, number of units, or as otherwise noted.

Overview

Comstock Holding Companies, Inc. (“CHCI” or “the Company”) is a developer, operator, and asset manager of mixed-use and transit-oriented development properties in the greater Washington, D.C. metropolitan area, where we focus primarily on select high-growth urban and transitioning “sub-urban” markets. We provide a broad range of real estate asset management services, including development, construction management, leasing and property management services, to owners of real estate properties that we manage. We invest capital on behalf of our asset management clients and institutional real estate investors in office, retail, residential and mixed-use properties, generally retaining an economic interest for the Company and providing management services to those properties, enabling the Company to increase its assets under management (“AUM”) in order to realize competitive advantages of scale and enhance our overall returns. The Company also provides additional fee-based real estate services, including corporate planning, capital markets, brokerage, title insurance, design, and environmental consulting and remediation services, to properties in the Company’s managed portfolio and to other clients in the U.S. Mid-Atlantic Region.

As a vertically integrated real estate operating and investment company, we earn revenue from multiple sources, including fees generated from asset management services that we provide to our managed portfolio of real estate assets on behalf of our asset management clients, and fees from additional real estate-related services, including environmental remediation and consulting services provided to our managed properties and unrelated third party clients in the Mid-Atlantic Region. In addition, the Company expects to generate revenue from co-investments with our partners in certain property acquisitions and from performance-based incentive compensation from certain assets in our managed portfolio. The Company can earn these incentive-based fees upon the occurrence of certain transaction-related events or when the performance of the subject properties meets defined performance metrics.

The services we provide pursuant to the asset management agreements covering our AUM properties vary by property, and include property management, development and construction management, leasing management, acquisition and disposition management, origination and negotiation of debt and equity facilities, risk management, and various other property-specific services. Substantially all of the properties included in our managed portfolio are covered by full-service asset management agreements encompassing substantially all aspects of development, construction, and operations management relating to the subject properties. A limited number of properties in our managed portfolio are covered by service-specific asset management contracts that focus our services on defined critical elements of operations, such as marketing, leasing, and construction management, where the property owner continues to manage other operating functions. The full-service asset management agreement for our Anchor Portfolio as defined below is a long-term contract with an original term of 10 years that provides for significant payments to Comstock in the case of early termination by the asset owner. The asset management agreement for the Hartford Building acquired in December 2019 as described below, the Company’s initial co-investment asset, is medium term in duration, and the duration of co-investment asset management agreements generally are expected to align with the duration of the applicable co-investment business plan. The co-investment business plans are property specific and therefore vary in expected duration but are generally expected to be between four and seven years. Our limited-service asset management agreements generally are anticipated to be short term in nature and do not include material early termination penalties. Presently, there are only one co-investment management agreement and one limited-service management agreement in place in addition to the management agreements covering our Anchor Portfolio.

Anchoring the Company’s asset management services platform is a long-term full service asset management agreement (the “2019 AMA”) with an affiliate of the Company’s Chief Executive Officer, Christopher Clemente, that encompasses the majority of the properties we currently manage, including two of the largest transit-oriented, mixed-use developments in the Washington, DC area: Reston Station, a nearly five million square foot transit-oriented, mixed-use development located in Reston, VA, and Loudoun Station, a nearly 2.5 million square foot transit-oriented, mixed-use development in Ashburn, VA, as well as other additional development assets, which together constitute our anchor portfolio (the “Anchor Portfolio”).

The 2019 AMA provides the Company fee based revenue based on a general formula charging the greater of (i) the defined operating costs of the Company plus a base fee of \$1,000,000 per annum and various supplemental fees, or (ii) market rate fees delineated in the 2019 AMA.

Reston Station - Strategically located mid-way between Tysons Corner and Dulles International Airport, Reston Station is among the largest mixed use, transit-oriented developments in the Washington, DC area. Located at the terminus of Phase I of Metro's Silver Line and encompassing nearly 40 acres spanning the Dulles Toll Road and surrounding Reston's first Metro Station, Reston Station is already home to more than 1,000 residents and numerous businesses, including multiple retail establishments and popular restaurants. With more than one million square feet of completed and stabilized buildings, approximately four million square feet of additional development in various stages of entitlement, development and construction, and a 3,500-space underground parking garage and bus transit facility adjacent to the Wiehle-Reston-East Metro Station, the Reston Station neighborhood is leading the urban transformation of the Dulles Corridor.

Loudoun Station - Located at the terminus station on Metro's Silver Line, minutes from Dulles International Airport, Loudoun Station represents Loudoun County's first (and currently its only) Metro-connected development. Loudoun Station has approximately 600,000 square feet of mixed-use development completed, including hundreds of rental apartments, approximately 125,000 square feet of retail, restaurants, and entertainment venues, 50,000 square feet of Class-A office, and a 1,500+ space commuter parking garage. Approximately two million square feet of additional development is slated for Loudoun Station. Located adjacent to Metro's Ashburn Station, the Loudoun Station neighborhood represents Loudoun County's beginning transformation into a transit connected community with direct connectivity to Dulles International Airport, Reston, Tysons Corner and downtown Washington, DC.

Our Business Strategy

In early 2018, the Company transitioned our business strategy and operating platform from being focused on the development and sale of residential homes to our current fee-based services model focused on commercial and mixed-use real estate primarily in the greater Washington, D.C. region. We generate base fees, incentive fees and profit participation by providing a broad range of real estate asset management services, including development, construction management, leasing and property management services, as well as acquisition and disposition services, employing our substantial experience in entitling, designing, developing, and managing a diverse range of properties. While our Anchor Portfolio, concentrated primarily along the rapidly growing Dulles Corridor in Northern Virginia, provides a stable cost-plus fee structure foundation under the 2019 AMA, our business strategy includes expanding our total AUM by identifying high-quality office, retail, residential and mixed-use properties in the greater Washington, D.C. region and identifying institutional real estate investors that seek investment opportunities in such real estate assets while lacking the operational or local expertise needed to manage such properties. This approach enables the Company to generate earnings through the management of the Anchor Portfolio and provides the opportunity to increase earnings through the expansion of our managed portfolio of properties through additional acquisitions and related management agreements. Our acquisition strategy is currently focused on value-add, core, and core-plus opportunities and other opportunistic asset acquisitions. In addition to our asset management services, we provide a suite of real estate-related services to our managed real estate portfolio and to additional third-party clients, and we may seek to expand the services we offer through organic growth.

We believe that we have many strengths that distinguish our business focus and strategy:

- *Revenue Base* - Our revenues are generated primarily from recurring asset management fees and additional real estate services fees. Our asset management agreements provide a highly visible and reliable source of revenue and position the Company to enhance bottom line results as the Company's Anchor Portfolio and other assets under management expand.
- *Management Services* - During recent years, we have made several changes to our management team as we refocused our operating platform from residential home building to commercial real estate and asset management. As a result of this effort, our current management team has significant experience managing large-scale portfolios of real estate assets, including rental apartments, office buildings, hotels, commercial garages, leased lands, retail properties, mixed-use developments, and transit-oriented developments.
- *Geographic Focus* - The properties included in our Anchor Portfolio that we currently manage are located primarily in the Dulles Corridor, which is the location of the Silver Line, the first new rail line added to Washington D.C.'s Metro rail system in almost 20 years, which will serve Arlington, Fairfax and Loudoun Counties in Virginia. Our property acquisition initiatives with institutional partners are focused on multiple high-growth areas throughout the Washington, D.C. region, and our first such acquisition, which closed in December 2019, is located in Arlington County. We also provide environmental consulting and remediation services throughout a wider region stretching from the Washington, D.C. region to the Philadelphia, Pennsylvania and New Jersey regions.

- *Real Estate Services* – In addition to the asset management services we provide in connection with our assets under management, we also provide a variety of supplemental real estate services in the areas of strategic corporate planning, capital markets and financial consulting, commercial mortgage brokerage, title, design and environmental remediation management services, and industrial hygiene services. Our environmental services group provides consulting, environmental studies, remediation management services and site-specific solutions for properties that may require or benefit from environmental due diligence, site-specific assessments, environmental remediation and industrial hygiene services. Our real estate services business platform allows us to generate positive fee income from our highly qualified personnel and serves as a potential catalyst for joint venture and strategic acquisition opportunities.
- *Quality and Depth of Management* - We have a highly qualified and experienced management team with a broad base of deep expertise and a proven track record providing services to our clients. Our services platform leverages the diverse capabilities and relationships of our management team developed over more than thirty years.
- *Geographic Focus* - Unlike many of our competitors with a national or international presence, we focus our efforts primarily on the greater Washington, D.C. metropolitan market, one of the most compelling real estate markets in the United States, with a near-term focus on the transit-oriented areas surrounding or proximate to the new Silver Line on Washington, D.C.'s Metro. The Company believes its significant presence in the Dulles Corridor and its in-depth understanding of high-density, mixed-use developments that are encouraged in these high-density transportation nodes give us unmatched insight into emerging trends that provide both short and long-term opportunities in these locales.
- *The Company's various business units work in concert to leverage the collective skill sets of our organization* - The talent and experience of our personnel allow workflow flexibility and a multitasking approach to managing various projects. We believe that our focus and our business network in the Washington, D.C. market provides us with a competitive advantage in sourcing and executing on investment opportunities. While the Company has previously developed numerous properties in multiple key markets throughout the southeastern United States, and our management team has experience managing large national portfolios, we believe the greater Washington, D.C. market provides compelling growth opportunities for our business.
- *Long Track Record* - The Company and its management team have been active in the metropolitan Washington, D.C. region since 1985 and have developed, acquired, and managed thousands of residential units and millions of square feet of mixed-use properties throughout the region and in other key markets in the United States.
- *Multiple Public-Private Partnerships* - Affiliates of the Company have been selected by multiple local governments (including Fairfax County, Loudoun County, and the Town of Herndon, Virginia) to develop and manage large-scale mixed-use and transit facility developments through public-private partnerships at a time when local jurisdictions are focused on public-private partnerships as a means of leveraging private sector capabilities to meet public infrastructure development needs.
- *Economic Drivers* - Significant growth trends in demand for cyber security and other technology services in the government sector, as well as in the private sector, have generated substantial growth and attracted to Northern Virginia large tech companies, such as Microsoft, Google, and Amazon. In 2018, Northern Virginia was selected by Amazon as the location for its highly publicized "HQ2" search for a location to develop its second headquarters, which it has said will create tens of thousands of new jobs over the next several years. The Northern Virginia market has for a number of years captured a majority of the new jobs created in the Washington, D.C. metropolitan area, including corporate relocations and expansions, as well as numerous start-ups. Further, Northern Virginia's significant data infrastructure, capable of serving the needs of the federal government and its defense and information contractors, has spurred the expansion and/or relocation of several federal government agencies, including the FBI, CIA, NSA, and the Customs and Border Patrol agency, to the Dulles Corridor. The Dulles Corridor has become known as the "Internet Capitol of the World", because of its tremendous network of data centers, primarily located in Loudoun County in the western portion of the Dulles Corridor. Loudoun County has experienced tremendous growth in data center development and has become the global leader in data center space while accounting for more than 40% of national data center space absorption in recent years.

- *Diverse Employment Base* - The diverse and well-educated employment base in the greater Washington, D.C. region, coupled with proximity to the federal government and the presence of well-established government contractors, is contributing to the attractiveness of the region to technology companies.
- *Metro's Silver Line* - Phase I of Metro's Silver Line opened in 2014, connecting Tysons Corner and Reston to Arlington, Virginia and downtown Washington, D.C. Phase II is scheduled to open in late 2020 or early 2021 and will extend service from the terminus of Phase I located in the center of the Company's Reston Station development to Herndon, Dulles International Airport, and Loudoun County, Virginia, terminating at the Company's Loudoun Station development.
- *Regional Land Use Plans* - Recent changes to Comprehensive Land Use Plans of Fairfax County and Loudoun County encourage high density and mixed-use development proximate to the new Silver Line Metro Stations, resulting in compelling growth opportunities for the Company and its managed portfolio.
- *Increased Demand for Transit-Oriented and Mixed-Use Developments* - Recent trends indicate commercial tenants are increasingly seeking to locate (or relocate) offices to urban, mixed-use developments in "sub-urban" markets, such as Northern Virginia's Dulles Corridor, and have demonstrated willingness to pay premium rents for commercial space at the Metro-accessible sites, such as those that make up a significant portion of the Company's portfolio of managed assets. Additionally, demand for housing in transit-oriented, mixed-use neighborhoods has increased steadily over the past decade while home ownership rates have decreased and demand for high quality rental housing has increased. The Company has been focused on these emerging trends for more than two decades and the Company, through the 2019 AMA, controls the development and asset management of a significant portfolio of high profile assets at the forefront of the urban transformation taking place in the Dulles Corridor. With a stabilized portfolio and development pipeline that include millions of square feet of mixed-use and transit-oriented properties located at key Metro stations in the Dulles Corridor, the Company is well positioned to capitalize on trends that we believe will shape the future commercial real estate landscape and provide opportunities for significant growth and attractive returns to the Company.

Asset Management Services

2019 AMA

Effective January 1, 2019, the Company entered into an Amended and Restated Master Asset Management Agreement with Comstock Development Services, LC ("CDS"), an entity owned and controlled by the Company's Chief Executive Officer, which provides the Company significant fees for services related to the development, marketing, and operations of the Anchor Portfolio of commercial and residential mixed-use real estate owned by CDS affiliates. The 2019 AMA covers two large-scale, transit-oriented, mixed-use developments in the Dulles Corridor: Reston Station and Loudoun Station, Virginia, as well as a mixed-use development asset located in Herndon, Virginia and other properties designated pursuant thereto from time to time. Separately, the Company also is party to fee-based management services arrangements with unrelated third parties, covering properties in Tysons Corner, Virginia and Rockville, Maryland.

Pursuant to the 2019 AMA, the Company provides asset management services related to the build out, lease-up and stabilization, and management of the Anchor Portfolio. CDS pays the Company and its subsidiaries annual fees equal to the greater of either (i) an aggregate amount equal to the sum of (a) an asset management fee equal to 2.5% of revenues generated by properties included in the Anchor Portfolio; (b) a construction management fee equal to 4% of all costs associated with Anchor Portfolio projects in development; (c) a property management fee equal to 1% of the Anchor Portfolio revenues, (d) an acquisition fee equal to up to 0.5% of the purchase price of acquired assets; and (f) a disposition fee equal to 0.5% of the sales price of an asset on disposition (collectively, the "Market Rate Fee"); or (ii) an aggregate amount equal to the sum of (x) the employment expenses of personnel dedicated to providing services to the Anchor Portfolio pursuant to the 2019 AMA, (y) the costs and expenses of the Company related to maintaining the public listing of its shares and complying with related regulatory and reporting obligations, and (z) a fixed annual payment of \$1,000,000 (collectively the "Cost Plus Fee"). The Company believes that the Cost-Plus Fee feature of the 2019 AMA provides a stable foundation of revenue to enable the Company to further expand its asset management business and AUM.

In addition to the annual payment of the greater of either the Market Rate Fee or the Cost Plus Fee, the Company also is entitled on an annual basis to the following additional fees: (i) an incentive fee equal to 10% of the free cash flow of each of the real estate assets comprising the Anchor Portfolio after calculating a compounding preferred return of 8% on CDS invested capital (the "Incentive Fee"); (ii) an investment origination fee equal to 1% of raised capital, (iii) a leasing fee equal to \$1.00/sf for new leases and \$0.50/sf for renewals; and (iv) mutually agreeable loan origination fees related to the Anchor Portfolio.

The 2019 AMA is a long-term agreement, with an initial term until December 31, 2027 ("Initial Term"), and will automatically renew for successive additional one-year terms (each, an "Extension Term") unless CDS delivers written notice of non-renewal of the 2019 AMA at least 180 days prior to the termination date of the Initial Term or any Extension Term. For a period of twenty-four months after the April 30, 2019 effective date of the 2019 AMA, CDS is entitled to terminate the 2019 AMA without cause upon 180 days advance written notice to the Company. In the event of such a termination and in addition to the payment of any accrued annual fees due and payable as of the termination date under the 2019 AMA, in the event of any such termination, CDS is required to pay a termination fee to the Company equal to (i) the Market Rate Fee or the Cost Plus Fee paid to the Company for the calendar year immediately preceding the termination, and (ii) a one-time payment of the Incentive Fee as if the Anchor Portfolio were liquidated for fair market value as of the termination date, or at CDS' election, the continued payment of the Incentive Fee as if a termination had not occurred.

The foregoing description of the material terms of the 2019 AMA is not exhaustive and is qualified in its entirety by reference to the full text of the 2019 AMA, which is filed as an exhibit to this Form 10-K.

Other Asset Management Agreements. The duration of our fee-based service agreements varies in nature. In addition to the long term nature of the 2019 AMA, our other asset management agreements for our co-investment opportunities are intended to cover the duration of the expected investment cycle of the portfolio property managed and are generally expected to last between four and seven years. However, these arrangements do not typically contain significant early-termination penalties. We also administer many various task-specific limited-service asset management agreements under short-term arrangements generally terminable at will.

Hartford Asset Management Agreement

On December 30, 2019, the Company made an investment related to the purchase of a stabilized commercial office building located at 3101 Wilson Boulevard in the Clarendon area of Arlington County, Virginia (the "Hartford Building"). The Company will retain a 2.5% equity interest in the asset at a cost of approximately \$1.2 million. The Company has entered into management arrangements for the Hartford Building under which the Company will receive asset management, property management and construction management fees for the Company's management and operation of the property and certain incentive fees relating to the performance of the investment.

Residential, Commercial and Parking Property Management Agreements

In December 2017 and January 2018, the Company entered into separate residential property management agreements with two properties in our Anchor Portfolio under which the Company receives fees to manage and operate the properties including tenant communications, leasing of apartment units, rent collections, building maintenance and day-to-day operations, engagement and supervision of contractors and vendors providing services for the buildings, and budget preparation and oversight.

During the period of May through and including December 2019, the Company entered into separate commercial property and parking management agreements with several properties in our Anchor Portfolio under which the Company receives fees to manage and operate the office, retail and parking portions of the properties, including tenant communications, rent collections, building maintenance and day-to-day operations, engagement and supervision of contractors and vendors providing services for the buildings, and budget preparation and oversight.

These property management agreements are each for one (1) year initial terms with successive, automatic one (1) year renewal terms, unless sooner terminated. The Company generally receives base management fees under these agreements based upon a percentage of gross rental revenues for the portions of the buildings being managed in addition to reimbursement of specified expenses, including employment expenses of personnel employed by the Company in the management and operation of each property.

Construction Management Agreements

On January 1, 2019, the Company entered into a construction management agreement for two properties in our Anchor Portfolio under which the Company receives fees to provide certain construction management and supervision services, including construction supervision and management of the buildout of certain tenant premises. The Company receives a flat construction management fee for each engagement under a work authorization based upon the construction management or supervision fee set forth in the applicable tenant's lease, which fee is generally one percent (1%) to four percent (4%) of the total costs (or total hard costs) of construction of the tenant's improvements in its premises, or as otherwise agreed to by the parties.

Real Estate Services

In addition to the asset management services that the Company provides related to the Anchor Portfolio and other managed assets, the Company's wholly owned subsidiaries, Comstock Real Estate Services and Comstock Environmental Services, LC ("Comstock Environmental") provide real estate-related services to our asset management clients and third-party customers. These services include environmental consulting and remediation services, industrial hygiene services, and other consulting services in the U.S. Mid-Atlantic Region.

Our Managed Communities

Reston Station

Reston Station is among the largest mixed-use, transit-oriented developments in the greater Washington D.C. market. Located at the terminus of Phase I of Metro's Silver Line, the Reston Station neighborhood upon completion of construction will contain approximately five million square feet of mixed-use development covering approximately 40 acres spanning the highly-trafficked Dulles Toll Road and surrounding Metro's Wiehle Reston-East Metro Station, the terminus station on Phase I of the Silver Line and the only Metro rail station currently in Reston, Virginia. The Company is providing a wide variety of its real estate and asset management services to the project pursuant to the 2019 AMA, including development and construction management services, leasing management services, property management services, and capital markets services. The Reston Station neighborhood is being developed in four distinct districts as follows:

Metro Plaza District

The Metro Plaza District has entitlements in place that allow for up to 1.7 million square feet of mixed-use development in five buildings on approximately seven acres leased pursuant to a long term (99-years) ground lease with Fairfax County, Virginia situated directly above the Reston Station Transit Facility, a 1.8 million square foot underground transit facility that includes approximately 2,300 parking spaces operated by Fairfax County as a Metro commuter parking facility, and approximately 1,200 parking spaces operated by the Company as a parking facility for retail and office users, as well as Metro commuters. As of December 31, 2019, construction has been completed on two of the five buildings located above the Reston Station Transit Facility including a 365,000 square foot Trophy-Class office tower, a significant portion of which has been leased to Google and other corporate users, and approximately 500,000 square foot residential tower including 448 rental apartments. Two additional office buildings are currently under construction, containing approximately 420,000 square feet of Class-A office space with one scheduled for delivery in 2020 and one scheduled for delivery in 2021. All buildings on the Metro Plaza have ground floor retail, which is substantially leased to high-quality tenants, including Starbucks, CVS and others. Entitlements allow for the construction of a fifth tower, a residential or hotel building of up to approximately 180,000 square feet, above a portion of the retail space on the Metro Plaza. The three office buildings referenced above are approximately 70% leased. The residential building is approximately 90% leased. The Metro Plaza District portion of the Reston Station development is situated adjacent to the north entrance to the Wiehle Reston-East Metro Station, includes the transit facility and parking garage, and is the subject of a public-private partnership agreement between the Board of Supervisors of Fairfax County and Comstock Reston Station Holdings, LC, an entity affiliated with CDS.

Promenade District

The Promenade District has entitlements in place that allow for approximately 1.4 million square feet of mixed-use development on approximately eight acres situated adjacent to Reston Station's Metro Plaza District and the Reston Station Transit Facility. As of December 31, 2019, the Company is providing asset management services for the existing buildings consisting of approximately 70,000 square feet of office space constructed prior to 1990, while designing new buildings that will be constructed on the site including office, retail, residential and hotel uses once the existing buildings are razed. Marriott International has entered into a franchise agreement with an affiliate of CDS concerning the development and operation of a Marriott Hotel and residential tower that is planned to be developed as the first phase of the Promenade District, including approximately 270 hotel rooms, approximately 90 residential units and retail, entertainment and conference spaces.

Commerce District

The Commerce District has entitlements in place that allow for approximately 1.5 million square feet of mixed-use development, including three existing Class-A office buildings that include a total of approximately 410,000 square feet. The Commerce District property is situated on approximately 12 acres located adjacent to the south entrance to the Wiehle Reston-East Metro Station and lies directly across the Dulles Toll Road from the Metro Plaza District of Reston Station and the Reston Station Transit Facility. Currently, Comstock is leasing and managing the three existing office buildings while it is also developing designs for new buildings that will include up to 1.1 million square feet of office, retail, hotel and residential uses. The Commerce District property was acquired by an affiliate of CDS in 2019. The Company is providing a variety of asset management and development services related to the Commerce District property.

West District

The West District at Reston Station consists of 8.5 acres of land located adjacent to the Promenade District. The West District has entitlements in place to allow for approximately 770,000 square feet of mixed-use development, including an existing 90,000 square foot Class A office building with Comstock's corporate headquarters, an existing 418-unit residential apartment building owned by an entity not affiliated with Comstock, and entitlements for additional residential and/or office/retail building. The Company is providing a variety of asset management and development services related to the portion of the West District property, which is owned by an affiliate of CDS.

Loudoun Station

Loudoun Station, located at the terminus of Phase II of Metro's Silver Line is Loudoun County's first Metro connected development and represents Loudoun County's beginning transformation into a transit connected community with direct metro rail connectivity to Dulles International Airport, Reston, Tysons Corner, and downtown Washington, D.C. Currently, Loudoun Station has approximately 600,000 square feet of mixed-use development completed, including 357 residential units, approximately 50 thousand square feet of Class-A office space, approximately 125,000 thousand square feet of retail spaces including an 11-sceen AMC Cinema, and a 1,500-space commuter parking garage. Phase II of Metro's Silver Line is under construction and expected to commence passenger service in late 2020 or early 2021. Construction of the next phase of residential, retail and commercial space commenced in 2018 and is expected to be completed in mid-2020, with leasing operations commencing in early 2020. The Company is providing a variety of its real estate and asset management services related to the existing buildings and future development pursuant to the 2019 AMA, including development and construction management services, leasing management services, property management services, and capital markets services.

Herndon Station

In late 2017, an affiliate of CDS entered into a public-private partnership with the Town of Herndon, Virginia to acquire, develop, and construct a mixed-use project in the historic downtown area of the Town of Herndon. The development will include up to approximately 500,000 square feet of residential, retail and entertainment spaces, including a performing arts center. The project will also include a large parking garage for public and private use and also anticipates improvements to existing connections to the adjacent WO&D trail, a popular pedestrian and bicycle route managed by Fairfax County Parks Department and others. The Company is providing a variety of asset management and development services related to the Herndon Station development pursuant to the 2019 AMA.

Shady Grove Metro

In mid-2018, the Company sold a building pad site for 110 multifamily dwelling units in Rockville, Maryland adjacent to the Shady Grove Metro Station to a joint venture between a subsidiary of the Company and Stratford Capital, LLC (the “Comstock Stratford JV”). The Company, as construction manager for the Comstock Stratford JV, commenced construction of the project in late-2018 and is scheduled for completion in early to mid-2020. The project is being developed as an all work-force housing development and qualified as a low-income housing tax credit (LIHTC) project. The Company is providing a variety of asset management and real estate development management services to the project through its completion pursuant to an asset management agreement with the Comstock Stratford JV.

International Gateway

In 2018, the Company entered into an asset management agreement with an unaffiliated property owner to provide asset management, property management and consulting services for a portfolio of two mixed-use retail/office buildings in Tysons Corner, Virginia, known as International Gateway.

The Hartford Building

In late 2019, the Company partnered with Comstock Partners, LC (“Partners”), an entity that is controlled by Christopher D. Clemente, the Chairman and CEO of the Company and wholly owned by Mr. Clemente and family, to acquire a Class-A office building immediately adjacent to Clarendon Station on Metro’s Orange Line in Arlington County’s premier transit-oriented office market, the Rosslyn-Ballston Corridor. Built in 2003, the 211,000 square foot mixed-use building is currently more than 90% leased to multiple high-quality tenants. As part of the transaction, the Company entered into asset management and property management agreements to manage the property.

Operations

As a vertically integrated real estate operating and investment company, the Company has broad real estate development and management capabilities that enable us to generate fees for services provided in connection with the real estate assets we manage. Our experienced management team provides a full range of services related to acquisition, development, and operations of real estate assets.

We believe that we are properly staffed for current market conditions, although the impact of COVID-19 is uncertain (see note 21 – Subsequent Events) and have the ability to manage growth as market conditions warrant. Our operations are focused mainly in the greater Washington, D.C. region, where we believe our 30-plus years of experience provides us the best opportunity to enhance stockholder value, and in respect of our environmental consulting and remediation services business, the U.S. Mid-Atlantic region.

Competition

The real estate asset management and services industry is highly competitive. Our growth will depend upon our ability to attract and maintain the appropriate personnel and to professionally manage the assets subject to the 2019 AMA and other management agreements and to expand our services to new clients on a cost-efficient basis. We compete with other businesses in the asset management and real estate-related services businesses on the basis of price, location, experience, service and reputation. Many of these competitors are larger than us and operate on a national or global scale and they and their clients may have greater technical, marketing and financial resources. Such competitors may also enjoy competitive advantages that result from, among other things, lower costs of capital, greater business scale and enhanced operating efficiencies. Their larger scale and broad national or global presence may allow them to offset downturns in certain localized markets or seasonality related to certain services with increased or steady operations in other markets. We also face competitors on a local and regional basis. Certain competitors may also be subject to different regulatory requirements or rules that may allow them more flexibility or better access to pursue potential investments and raise capital for themselves or their managed companies. In addition, certain competitors may have higher risk tolerance, different risk assessments or lower return thresholds, which could allow them to consider a broader range of investments and to bid more aggressively for investment opportunities than us. Our ability to continue to compete effectively will depend in large part upon the ability to attract, retain and motivate employees, and we must compete with other companies to attract and retain employees.

Governmental Regulation and Environmental Matters

We are subject to various local, state and federal statutes, ordinances, rules and regulations concerning finance, banking, investments, zoning, building design, construction, density requirements and similar matters. We may also be subject to periodic delays or may be precluded entirely from developing in certain communities due to building moratoriums or “slow-growth” or “no-growth” initiatives that could be implemented in the future in the states where we operate. Local and state governments also have broad discretion regarding the imposition of development fees for projects in their jurisdiction.

We are also subject to a variety of local, state and federal statutes, ordinances, rules and regulations concerning protection of the environment. Some of the laws to which we and our properties are subject to may impose requirements concerning development in waters of the United States, including wetlands, the closure of water supply wells, management of asbestos-containing materials, exposure to radon and similar issues. The particular environmental laws that apply to any given real estate asset vary based on several factors, including the environmental conditions related to a particular property and the present and former uses of the property.

Technology and Intellectual Property

We utilize our technology infrastructure to facilitate the management of our client’s assets and the marketing of our services. We use media and internet-based marketing platforms, primarily in lieu of print advertisements. We believe that the residential renting population will continue to increase its reliance on information available on the internet to help guide its rental decision. Accordingly, through our marketing efforts, we will continue to seek to leverage this trend to lower per sale marketing costs while maximizing potential sales.

Our Chief Executive Officer and Chairman of the Board, Christopher Clemente, has licensed his ownership interest in the “Comstock” brand and trademark to us in perpetuity. We have registered our trademarks and routinely take steps, and occasionally take legal action, to protect the Company against brand infringement from third parties. Mr. Clemente has retained the right to continue to use the “Comstock” brand and trademark including for real estate development projects in our current or future markets that are unrelated to the Company but, currently, substantially all of Mr. Clemente’s real estate development business is conducted with the Company pursuant to the 2019 AMA.

Seasonality

We experience limited seasonality across our business segments. With respect to our Asset Management segment, we do not expect seasonality to materially impact our operations. With respect to our Real Estate Services segment, we do anticipate being impacted by adverse weather conditions. The markets in which we operate are four-season markets that experience significant periods of rain and snow. Construction and remediation cycles and efforts are often adversely affected by severe weather. As a result of seasonal activity across our Real Estate Services business segment, our quarterly results of operations and financial position at the end of a particular fiscal quarter are not necessarily representative of the balance of our fiscal year.

Employees

At December 31, 2019, the Company had 106 full-time and 3 part-time employees. Our employees are not represented by any collective bargaining agreements and we have never experienced a work stoppage. We believe we have good relations with our employees.

We believe that we are properly staffed for current market conditions, although the impact of COVID-19 is uncertain (see note 21 – Subsequent Events) and have the ability to manage growth as market conditions warrant.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Since December 31, 2009, the Company has been leasing office space located at 1886 Metro Center Drive, Reston, Virginia for its corporate headquarters from an affiliate wholly owned by our Chief Executive Officer. Currently the amount of the leased space is 16,447 square feet. The term of the lease expires on September 30, 2020. See related party transactions in Note 15 in the accompanying Consolidated Financial Statements for additional information.

On July 17, 2017, the Company, through its subsidiary, Comstock Environmental, acquired the assets and liabilities of Monridge Environmental, LLC. On August 1, 2017, Comstock Environmental entered into a lease through February 29, 2022 for approximately 2,800 square feet of office space at 806 Fayette Street, Conshohocken, Pennsylvania. During 2018, Comstock Environmental also opened operations in the Washington, D.C. metropolitan area from the Company's corporate offices.

The Company believes that its properties are adequately maintained and suitable for their intended use and the Company's needs. For information regarding our projects, see Item 1 'Business – Our Developed Communities.'

Item 3. Legal Proceedings

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 or 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.

Item 4. Mine Safety Disclosures

Not applicable.

PART II**Item 5. Market for the Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities Market for Common Stock**

Our Class A common stock is traded on NASDAQ under the symbol “CHCI”. The high and low per share closing sales prices of the Company’s stock for each quarter during the past two years were as follows:

	High	Low
March 31, 2019	\$ 2.86	\$ 1.75
June 30, 2019	\$ 2.81	\$ 2.23
September 30, 2019	\$ 2.80	\$ 1.85
December 31, 2019	\$ 2.38	\$ 1.86
March 31, 2018	\$ 2.20	\$ 1.31
June 30, 2018	\$ 5.15	\$ 1.62
September 30, 2018	\$ 3.14	\$ 2.42
December 31, 2018	\$ 2.67	\$ 1.67

Holders

As of December 31, 2019, there were approximately 39 record holders of our Class A common stock. As of December 31, 2019, there was one holder of our Class B common stock.

Dividend Policy

We have never declared or paid any dividends on our common stock. We do not anticipate paying any dividends on our common stock during the foreseeable future but intend to retain any earnings for future growth of our business.

Issuer Purchases of Equity Securities

We have made no share repurchases under our share repurchase program in 2019 or 2018.

Equity Compensation Plan Information

For information regarding our equity compensation plan see Note 12 – *Restricted Stock, Stock Options and Other Stock Plans*.

Item 6. Selected Financial Data

Not Applicable.

Item 7. 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 Annual Report on Form 10-K. This discussion and analysis contain forward-looking statements that involve risks and uncertainties. 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 Annual Report on Form 10-K, particularly under the heading “Cautionary Notes Regarding Forward-looking Statements.”

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Company’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020. The following discussions are subject to the future effects of the COVID-19 outbreak.

Overview

In early 2018, the Company transitioned its operating platform from being primarily focused on the development and sale of residential homes to our current fee-based services model focused on commercial and mixed-use real estate primarily in the greater Washington, D.C. region. We are a developer, operator, and asset manager of mixed-use and transit-oriented development properties in the greater Washington, D.C. metropolitan area where we primarily focus on select high-growth urban and transitioning “sub-urban” markets. We also provide additional fee-based real estate services, including corporate planning, capital markets, brokerage, title insurance, design, and environmental consulting and remediation services, to properties in the Company’s managed portfolio and to other clients in the U.S. Mid-Atlantic Region

Recent Accounting Pronouncements

Information regarding recent accounting pronouncements is contained in Note 2 in the accompanying Consolidated Financial Statements.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States (“GAAP”), which require us to make certain estimates and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. On an ongoing basis, we evaluate our estimates including those related to the consolidation of variable interest entities (“VIEs”), revenue recognition and the fair value of equity method investments. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ materially from these estimates.

A summary of significant accounting policies is provided in Note 2 in the accompanying Consolidated Financial Statements. The following section is a summary of certain aspects of those accounting policies that require the most difficult, subjective or complex judgments and estimates.

Goodwill impairment

We test our goodwill for impairment on an annual basis, and more frequently when an event occurs, or circumstances indicate that the carrying value of the asset may not be recoverable. We believe the methodology that we use, including both a discounted cash flow model as well as a market multiple model, to review impairment of goodwill, which includes a significant amount of judgment and estimates, provides us with a reasonable basis to determine whether impairment has occurred.

Investments in real estate ventures at fair value

For investments in real estate ventures reported at fair value, we maintain an investment account that is increased or decreased each reporting period by the difference between the fair value of the investment and the carrying value as of the balance sheet date. These fair value adjustments are reflected as gains or losses on the Consolidated Statements of Operations. The fair value of these investments as of the balance sheet date is generally determined using a Discounted Cash Flow (“DCF”) analysis, income approach, or sales comparable approach, depending on the unique characteristics of the real estate venture.

Revenue recognition

Revenues generated through real estate professional services such as asset management and administrative support, environmental design, engineering and remediation represent a series of daily performance obligations delivered over time due to the continuous transfer of control to our clients. For asset management and administrative support, pricing is generally in the form of monthly management fees based on a cost-plus agreement, property-level cash receipts, square footage under management or some other variable metric recognized over time. For Real Estate Services, pricing is generally in the form of cost-plus contracts recognized over time.

Equity-based compensation

Compensation costs related to our equity-based compensation plans are recognized within our income statement or capitalized to real estate inventories reported in discontinued operations for awards issued to employees that are involved in production. The costs recognized are based on the grant-date fair value. Compensation costs for share-based grants are recognized on a straight-line basis over the requisite service period for the entire award (from the date of grant through the period of the last separately vesting portion of the grant).

The fair value of each option award is calculated on the date of grant using the Black-Scholes option pricing model which includes certain subjective assumptions. Expected volatilities are calculated based on our historical trading activities. We recognize forfeitures as they occur. The risk-free rate for the periods is based on the U.S. Treasury rates in effect at the time of grant. The expected term of options is based on the Company’s historical experience.

Income taxes

Income taxes are accounted for under the asset and liability method in accordance with ASC 740, *Accounting for Income Taxes*. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on the deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. We provide a valuation allowance when we consider it “more likely than not” (greater than a 50% probability) that a deferred income tax asset will not be fully recovered. Adjustments to the valuation allowance are a component of the deferred income tax expense or benefit in the Consolidated Statement of Operations.

Use of estimates

The preparation of the financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates. Material estimates are utilized in the valuation of investments at fair value, valuation of deferred tax assets, analysis of goodwill impairment, valuation of equity-based compensation, capitalization of costs and consolidation of variable interest entities.

Results of Operations

Year ended December 31, 2019 compared to year ended December 31, 2018

Revenue – asset management

Revenue from asset management for the years ended December 31, 2019 and 2018 was \$19.6 million and \$13.4 million, respectively. Revenue increased primarily due to increased headcount and other costs that are reimbursable from CDS under the 2019 AMA and the other asset management agreements. The reimbursable costs are recognized as revenue in the period in which the related costs are incurred. The increased headcount and associated personnel costs are primarily attributable to the additional real estate assets being managed along with the additional management agreements year over year.

On April 30, 2019, CAM, an entity wholly owned by the Company, entered into the 2019 AMA with CDS, which amends and restates in its entirety the asset management agreement between the parties dated March 30, 2018 with an effective date as of January 1, 2018. Pursuant to the 2019 AMA, CDS has engaged CAM to manage and administer CDS's commercial portfolio ("Anchor Portfolio") and the day to-day operations of CDS and each property-owning subsidiary of CDS (collectively, the "CDS Entities").

Pursuant to the 2019 AMA, the Company provides asset management services related to the build out, lease-up and stabilization, and management of the Anchor Portfolio. CDS pays the Company and its subsidiaries annual fees equal to the greater of either (i) an aggregate amount equal to the sum of (a) an asset management fee equal to 2.5% of revenues generated by properties included in the Anchor Portfolio; (b) a construction management fee equal to 4% of all costs associated with Anchor Portfolio projects in development; (c) a property management fee equal to 1% of the Anchor Portfolio revenues, (d) an acquisition fee equal to up to 0.5% of the purchase price of acquired assets; and (f) a disposition fee equal to 0.5% of the sales price of an asset on disposition (collectively, the "Market Rate Fee"); or (ii) an aggregate amount equal to the sum of (x) the employment expenses of personnel dedicated to providing services to the Anchor Portfolio pursuant to the 2019 AMA, (y) the costs and expenses of the Company related to maintaining the public listing of its shares and complying with related regulatory and reporting obligations, and (z) a fixed annual payment of \$1,000,000 (collectively the "Cost Plus Fee"). The Company believes that the Cost-Plus Fee feature of the 2019 AMA provides a stable foundation of revenue to enable the Company to further expand its asset management business and AUM.

In addition to the annual payment of the greater of either the Market Rate Fee or the Cost Plus Fee, the Company also is entitled on an annual basis to the following additional fees: (i) an incentive fee equal to 10% of the free cash flow of each of the real estate assets comprising the Anchor Portfolio after calculating a compounding preferred return of 8% on CDS invested capital (the "Incentive Fee"); (ii) an investment origination fee equal to 1% of raised capital, (iii) a leasing fee equal to \$1.00/sf for new leases and \$0.50/sf for renewals; and (iv) mutually agreeable loan origination fees related to the Anchor Portfolio.

Revenue – real estate services

Revenue from real estate services for the years ended December 31, 2019 and 2018 was \$5.7 million and \$3.0 million, respectively. The increase is primarily attributable to continued organic revenue growth within our Comstock Environmental business and closing financing transactions which generated incremental revenue of \$1.1 million during the year ended December 31, 2019.

Direct costs – asset management

Direct costs – asset management for the years ended December 31, 2019 and 2018 was \$16.6 million and \$12.2 million, respectively. This increase of \$4.4 million was primarily related to increased personnel expense from headcount increases as well as from the continued growth of our asset management operations.

Direct costs – real estate services

Direct costs – real estate services increased by \$1.5 million to \$4.6 million during the year ended December 31, 2019, as compared to \$3.1 million during the year ended December 31, 2018. The increase primarily relates to our new initiatives within our real estate services segment to expand our footprint in the real estate consulting and environmental study fields.

General and administrative

General and administrative expenses for the year ended December 31, 2019 increased \$0.7 million to \$1.5 million, as compared to \$0.8 million for the year ended December 31, 2018. The year-over-year increase is attributable to increases in employee headcount and general overhead increases.

Sales and marketing

Sales and marketing expenses was \$383 thousand for the year ended December 31, 2019. Sales and marketing expense for 2018 is reflected within 'net (loss) from discontinued operations, net of tax'. The increase in sales and marketing expense from continuing operations was primarily attributable to our new sales initiatives within our Real Estate Services segment. Real Estate Services did not have sales and marketing expense in 2018.

Interest expense

For the years ended December 31, 2019 and 2018 non-capitalized interest expense was \$474 thousand and \$90 thousand, respectively. This was an increase of \$384 thousand primarily driven by the April 30, 2019 Master Transfer Agreement ("MTA"). Prior to the MTA certain interest expense was capitalized to homebuilding projects and expensed when the projects were sold. After the MTA this interest expense is no longer capitalized into homebuilding projects but expensed as incurred.

Income taxes

During the year ended December 31, 2019, the Company recognized an income tax expense related to continuing operations of \$2 thousand. During the year ended December 31, 2018, the Company recognized income tax benefit of \$1.1 million primarily related to the conversion of Comstock Growth Fund I & II to Series C Preferred Stock. Refer to Note 9 – Debt to the Consolidated Financial Statements for more information.

Liquidity and Capital Resources

We finance our Asset management and Real Estate Services operations, capital expenditures, business acquisitions and real estate investments with internally generated funds, borrowings from our credit facilities and long-term debt. Pursuant to Master Transfer Agreement (the "MTA"), the Company transferred to CDS management of its Class A membership interests in Investors X, the entity owning the Company's residual homebuilding operations in exchange for residual cash flows estimated to be \$7.5 million over the next three years. Refer to Note 13 – Consolidation of Variable Interest Entities for further discussion regarding the accounting related to discontinued operations. The associated debt obligations were also transferred to CDS. See Note 9 in the accompanying Consolidated Financial Statements for more details on our debt and credit facilities.

At December 31, 2019, \$5.7 million of our notes payable to affiliates are set to mature prior to the end of 2020. These funds were originally obtained from entities wholly owned by our Chief Executive Officer. On March 19, 2020, the Company entered into a revolving line of credit with CDS for \$10 million. The Company utilized a portion of the line of credit to retire the \$5.7 million in notes payable to affiliates. See Note 21 – Subsequent Events for additional information about the transaction.

Cash Flow

Net cash provided by operating activities was \$8.4 million for the year ended December 31, 2019. The \$8.4 million net cash provided by operations in 2019 was primarily due to \$7.8 million in cash provided by discontinued operations.

Net cash used in investing activities attributable to continuing operations was immaterial for the years ended December 31, 2019 and 2018.

Net cash used in financing activities attributable to continuing operations was immaterial for the year ended December 31, 2019. Net cash used in financing activities from discontinued operations was \$5.9 million primarily as a result of note payoff related to each lot or unit sale in the Investors X communities. Net cash used in financing activities attributable to continuing operations was \$4.7 million during the year ended December 31, 2018. This was primarily attributable to the pay downs on notes payable of \$3.1 million along with distributions of \$1.8 million to the Investor X Class B Members.

Share Repurchase Program

In November 2014, our board of directors approved a new share repurchase program authorizing the Company to repurchase up to 429,000 shares of our Class A common stock in one or more open market or privately negotiated transactions. We made no share repurchases under our share repurchase program in 2019 or 2018.

Trends and Uncertainties

In December 2019, a novel strain of coronavirus (“COVID-19”) surfaced in Wuhan, China. Through March 2020, the spread of this virus has caused business disruption primarily in the travel, leisure and hospitality industries and with respect to companies that have significant operations or supply chains in China. The spread of COVID-19 has also caused significant volatility in U.S. and international debt and equity markets, which can negatively impact consumer confidence. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. economy and consumer confidence. The extent to which COVID-19 impacts our results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and the actions taken to contain it or treat its impact. While we have not seen a significant impact on our business resulting from COVID-19 to date, if the virus continues to cause significant negative impacts to economic conditions or consumer confidence, our results of operations and financial condition could be adversely impacted.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 8. Financial Statements and Supplementary Data

Reference is made to the Consolidated Financial Statements, the notes thereto, and the report thereon, commencing on page F-1 of this Annual Report on Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (“Exchange Act”), as of December 31, 2019. Disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of December 31, 2019 due to the material weakness described below.

Notwithstanding the material weakness in our internal controls over financial reporting as of December 31, 2019, management has concluded that the consolidated financial statements and notes to the consolidated financial statements included in this Form 10-K present fairly, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with accounting principles generally accepted in the United States.

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 assurance, at the reasonable assurance level, 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.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over our financial reporting, as such term is defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2019, based on criteria set forth in the framework in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Based on this assessment, and in light of the material weakness in the operation of our internal control over financial reporting disclosed below, management has concluded that our internal control over financial reporting was not effective as of December 31, 2019.

Material Weakness

In the fourth quarter of 2019, we identified a material weakness in our internal controls over financial reporting involving the review and reconciliation of debt balances and amortization of related debt discounts.

In an effort to remediate the weakness described above we are in the process of (i) expanding our technical accounting resources and (ii) implementing more detailed reviews of debt reconciliations including the amortization of related debt discounts. This remediation is expected to result in more thorough accuracy in evaluating and concluding on the accounting and periodic reporting and disclosure requirements for debt instruments and related debt discounts.

Changes in Internal Control Over Financial Reporting

No other changes, other than those identified above relating to on-going remediation efforts, have occurred in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the quarter ended December 31, 2019, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

The certifications of our principal executive officer and principal financial officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a) are filed with this Annual Report on Form 10-K as Exhibits 31.1 and 31.2. The certifications of our principal executive officer and principal financial officer pursuant to 18 U.S.C.1350 are furnished with this Annual Report on Form 10-K as Exhibit 32.1.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item is incorporated herein by reference to the definitive Proxy Statement to be filed pursuant to Regulation 14A of the Exchange Act for our 2020 Annual Meeting of Stockholders or an amendment to this Annual Report on Form 10-K.

Item 11. Executive Compensation

The information required by this Item is incorporated herein by reference to the definitive Proxy Statement to be filed pursuant to Regulation 14A of the Exchange Act for our 2020 Annual Meeting of Stockholders or an amendment to this Annual Report on Form 10-K.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item is incorporated herein by reference to the definitive Proxy Statement to be filed pursuant to Regulation 14A of the Exchange Act for our 2020 Annual Meeting of Stockholders or an amendment to this Annual Report on Form 10-K.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item is incorporated herein by reference to the definitive Proxy Statement to be filed pursuant to Regulation 14A of the Exchange Act for our 2020 Annual Meeting of Stockholders or an amendment to this Annual Report on Form 10-K.

Item 14. Principal Accountant Fees and Services

The information required by this Item is incorporated herein by reference to the definitive Proxy Statement to be filed pursuant to Regulation 14A of the Exchange Act for our 2020 Annual Meeting of Stockholders or an amendment to this Annual Report on Form 10-K.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this Annual Report on Form 10-K:

(1) Consolidated Financial Statements are listed in the Index to Financial Statements on page F-1 of this Annual Report on Form 10-K.

(2) Schedules have been omitted because they are not applicable or because the information required to be set forth therein is included in the Consolidated Financial Statements or notes thereto.

(3) Exhibits

Exhibit Number	Exhibit
3.1	Amended and Restated Certificate of Incorporation (incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on November 16, 2015).
3.2	Certificate of Amendment of Amended and Restated Certificate of Incorporation of Comstock Holding Companies, Inc. (incorporated by reference to an exhibit to the Registrant's Current Report on Form 8-K filed with the Commission on February 19, 2019).
3.3	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).
3.4	Certificate of Designation of Series C Non-Convertible Preferred Stock of Comstock Holding Companies, Inc., filed with the Secretary of the State of Delaware on March 22, 2017 (incorporated by reference to an exhibit to the Registrant's Current Report on Form 8-K filed with the Commission on March 28, 2017).
3.5	Certificate of Amendment of Certificate of Designation of Series C Non-Convertible Preferred Stock of Comstock Holding Companies, Inc. filed with the Secretary of State of the State of Delaware on February 15, 2019 (incorporated by reference to an exhibit to the Registrant's Current Report on Form 8-K filed with the Commission on February 19, 2019).
4.1	Specimen Stock Certificate (incorporated by reference to an exhibit to the Registrant's Registration Statement on Form S-1, as amended, initially filed with the Commission on August 13, 2004 (No. 333-118193)).
10.1	Form of Indemnification Agreement (incorporated by reference to an exhibit to the Registrant's Registration Statement on Form S-1, as amended, initially filed with the Commission on August 13, 2004 (No. 333-118193)).
10.2	2004 Long-Term Incentive Compensation Plan (incorporated by reference to an exhibit to the Registrant's Registration Statement on Form S-1, as amended, initially filed with the Commission on August 13, 2004 (No. 333-118193)). +
10.3	Employee Stock Purchase Plan (incorporated by reference to an exhibit to the Registrant's Registration Statement on Form S-1, as amended, initially filed with the Commission on August 13, 2004 (No. 333-118193)). +
10.4	Services Agreement, dated March 4, 2005, with Comstock Asset Management, L.C. (incorporated by reference to an exhibit to the Registrant's Annual Report on Form 10-K filed with the Commission on March 31, 2005).
10.5	Employment Agreement with Christopher Clemente (incorporated by reference to an exhibit to the Registrant's Registration Statement on Form S-1, as amended, initially filed with the Commission on August 13, 2004 (No. 333-118193)). +
10.6	Confidentiality and Non-Competition Agreement with Christopher Clemente (incorporated by reference to an exhibit to the Registrant's Registration Statement on Form S-1, as amended, initially filed with the Commission on August 13, 2004 (No. 333-118193)). +
10.7	Trademark License Agreement (incorporated by reference to an exhibit to the Registrant's Registration Statement on Form S-1, as amended, initially filed with the Commission on August 13, 2004 (No. 333-118193)).
10.8	Lease Agreement, dated on or about December 31, 2009, with Comstock Asset Management, L.C. by Comstock Property Management, L.C., a subsidiary of Registrant (incorporated by reference to an exhibit to the Registrant's Annual Report on Form 10-K filed with the Commission on March 31, 2010).

- 10.9 [Credit Enhancement and Indemnification Agreement, dated February 17, 2011, by and between Registrant and Christopher D. Clemente and Gregory V. Benson \(incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on May 13, 2011\).](#)
- 10.11 [Form of warrant issued in connection with private placement by Comstock Growth Fund, L.C. \(incorporated by reference to an exhibit to the Registrant's Annual Report on Form 10-K filed with the Commission on April 14, 2015\).](#)
- 10.12 [Section 382 Rights Agreement between Comstock Holding Companies, Inc. and American Stock Transfer & Trust Company, LLC dated March 27, 2015 \(incorporated by reference to an Exhibit to the current report on Form 8-K filed with the Commission on March 27, 2015\).](#)
- 10.13 [Form of Subscription Agreement and Operating Agreement dated August 15, 2016, between Comstock Investors X, L.C. and \[-\], with accompanying Schedule A identifying subscribers \(incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on November 14, 2016\).](#)
- 10.14 [Form of Warrant issued in connection with private placement by Comstock Investors X, L.C. \(incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on November 14, 2016\).](#)
- 10.15 [Operating Agreement, dated October 24, 2016, between Comstock Redland Road III, L.C. and SCG Development Partners, LLC to form Momentum General Partners, LLC \(incorporated by reference to an exhibit to the Registrant's Annual Report on Form 10-K filed with the Commission on April 17, 2017\).](#)
- 10.16 [Share Exchange Agreement between Comstock Holding Companies, Inc. and Investor Management, L.C., Christopher Clemente and Teresa A. Schar dated March 22, 2017 \(incorporated by reference to an exhibit to the Registrant's Current Report on Form 8-K filed with the Commission on March 28, 2017\).](#)
- 10.17 [Asset Purchase Agreement, dated July 14, 2017, between CDS Capital Management, L.C., and Monridge Environmental, LLC \(incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on November 16, 2017\).](#)
- 10.18 [Amendment to the Operating Agreement, dated October 13, 2017, between Comstock Investors X, L.C. and Comstock Development Services, L.C. \(incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on November 16, 2017\).](#)
- 10.19 [Form of Warrant, dated October 13, 2017, between Comstock Investors X, L.C. and Comstock Development Services, L.C. \(incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q filed on November 16, 2017\).](#)
- 10.20 [Third Amended and Restated Promissory Note, dated May 22, 2018, between Comstock Holding Companies, Inc. and Comstock Growth Fund, L.C. \(incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q filed on August 14, 2018\).](#)
- 10.21 [Second Amended and Restated Operating Agreement of Comstock Growth Fund, L.C., dated May 22, 2018 \(incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q filed on August 14, 2018\).](#)
- 10.22 [Membership Interest Exchange and Subscription Agreement, dated May 23, 2018, between Comstock Holding Companies, Inc., Comstock Growth Fund, L.C., and certain members of Comstock Growth Fund \(incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q filed on August 14, 2018\).](#)
- 10.23 [Comstock Holding Companies, Inc. 2019 Omnibus Incentive Plan \(incorporated by reference to Annex B to the Registrant's Definitive Proxy Statement on Schedule 14A filed on January 22, 2019\).+](#)
- 10.25* [2019 Master Asset Management Agreement, dated January 2, 2019, between CDS Asset Management, L.C. and Comstock Development Services, LC](#)
- 10.26* [Form of Time-Based Restricted Stock Unit Agreement under the 2019 Omnibus Incentive Plan](#)
- 10.27* [Form of Performance Based Restricted Stock Unit Agreement under the 2019 Omnibus Incentive Plan](#)

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- 10.28* [Comstock 3101 Wilson, L.C. \(“the Hartford”\) Operating Agreement](#)
- 14.1 [Code of Ethics \(incorporated by reference to an exhibit to the Registrant’s Annual Report on Form 10-K filed with the Commission on March 31, 2005\).](#)
- 21.1* [List of subsidiaries](#)
- 23.1* [Consent of BDO USA, LLP](#)
- 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 Annual Report on Form 10-K for the year ended December 31, 2019, formatted in eXtensible Business Language (XBRL): (i) the Consolidated Balance Sheet, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Changes in Stockholder’s Equity, (iv) the Consolidated Statement of Cash Flows and (v) the Notes to the Consolidated Financial Statements.
 - * Filed herewith.
 - + Management contracts or compensatory plans, contracts or arrangements

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: April 14, 2020

By: /s/ Christopher Clemente

Christopher Clemente

Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

<u>Signature</u>	<u>Capacity</u>	<u>Date</u>
<u>/s/ Christopher Clemente</u> Christopher Clemente	Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)	April 14, 2020
<u>/s/ Christopher Guthrie</u> Christopher Guthrie	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	April 14, 2020
<u>/s/ David Guernsey</u> David M. Guernsey	Director	April 14, 2020
<u>/s/ James MacCutcheon</u> James A. MacCutcheon	Director	April 14, 2020
<u>/s/ Norman Chirite</u> Norman D. Chirite	Director	April 14, 2020
<u>/s/ Robert Pincus</u> Robert P. Pincus	Director	April 14, 2020
<u>/s/ Socrates Verses</u> Socrates Verses	Director	April 14, 2020
<u>/s/ Joseph Squeri</u> Joseph M. Squeri	Director	April 14, 2020

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Report of Independent Registered Public Accounting Firm

Stockholders and Board of Directors
Comstock Holding Companies, Inc.
Reston, Virginia

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Comstock Holding Companies, Inc. (the “Company”) as of December 31, 2019 and 2018, the related consolidated statements of operations, changes in stockholders’ equity, and cash flows for each of the two years in the period ended December 31, 2019, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ BDO USA, LLP

We have served as the Company’s auditor since 2016.

Potomac, Maryland
April 14, 2020

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

	December 31, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,511	\$ 854
Trade receivables	1,886	973
Trade receivables - related parties	3,644	2,950
Prepaid and other assets, net	274	362
Current assets of discontinued operations	—	7,786
Total current assets	9,315	12,925
Equity method investments at fair value	8,421	—
Fixed assets, net	278	221
Operating lease right-of-use assets	114	—
Goodwill	1,702	1,702
Intangible assets, net	103	170
Long term assets of discontinued operations	—	20,082
TOTAL ASSETS	\$ 19,933	\$ 35,100
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accrued personnel costs	\$ 2,916	\$ 1,396
Accounts payable	1,438	1,198
Accrued liabilities	166	182
Deferred revenue	—	1,875
Short term notes payable - due to affiliates, net of discount	5,706	5,716
Short term notes payable	77	—
Current liabilities of discontinued operations	—	4,889
Total current liabilities	10,303	15,256
Long term notes payable, net of deferred financing charges	1,212	1,517
Long term operating lease liabilities, net of current portion	61	—
Long term liabilities of discontinued operations	—	12,510
TOTAL LIABILITIES	11,576	29,283
Commitments and contingencies (Note 10)		
STOCKHOLDERS' EQUITY		
Series C preferred stock, \$0.01 par value, 20,000,000 and 3,000,000 shares authorized, 3,440,690 and 2,799,848 shares issued and outstanding with a liquidation preference of \$17,203 and \$13,999 at December 31, 2019 and 2018, respectively	\$ 6,765	\$ 7,193
Class A common stock, \$0.01 par value, 59,779,750 and 11,038,071 shares authorized, 7,849,756 and 3,703,513 issued and 7,764,186 and 3,617,943 outstanding at December 31, 2019 and 2018, respectively	78	37
Class B common stock, \$0.01 par value, 220,250 shares authorized, issued and outstanding at December 31, 2019 and 2018	2	2
Additional paid-in capital	199,372	181,632
Treasury stock, at cost (85,570 shares Class A common stock)	(2,662)	(2,662)
Accumulated deficit	(195,198)	(196,091)
TOTAL COMSTOCK HOLDING COMPANIES, INC. EQUITY	8,357	(9,889)
Non-controlling interests	—	15,706
TOTAL EQUITY	8,357	5,817
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 19,933	\$ 35,100

The accompanying notes are an integral part of these Consolidated Financial Statements.

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

	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Revenue (See Note 14 - Related Party Transactions)		
Asset management	\$ 19,605	\$ 13,416
Real estate services	5,712	3,031
Total revenue	25,317	16,447
Operating expenses		
Direct costs - asset management	16,561	12,234
Direct costs - real estate services	4,611	3,090
General and administrative	1,487	830
Sales and marketing	383	—
Operating income	2,275	293
Interest (expense)	(474)	(90)
(Loss) on equity method investments carried at fair value	(560)	—
Other income, net	225	142
Income before income tax benefit	1,466	345
Income tax (expense) benefit	(2)	1,062
Net income from continuing operations	1,464	1,407
Net (loss) from discontinued operations, net of tax	(571)	(5,792)
Net income (loss)	<u>\$ 893</u>	<u>\$ (4,385)</u>
Income per share from continuing operations		
Basic net income per share	\$ 0.22	\$ 0.38
Diluted net income per share	\$ 0.22	\$ 0.37
(Loss) per share from discontinued operations		
Basic net (loss) per share	\$ (0.09)	\$ (1.56)
Diluted net (loss) per share	\$ (0.09)	\$ (1.56)
Basic weighted average shares outstanding	6,617	3,705
Diluted weighted average shares outstanding	6,799	3,843

The accompanying notes are an integral part of these Consolidated Financial Statements.

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

	Series C		Class A		Class B		Additional paid-in capital	Treasury stock	Accumulated deficit	Non- controlling interest	Total
	Preferred Stock Shares	Amount	Shares	Amount	Shares	Amount					
Balance at January 1, 2018	579	442	3,295	\$ 33	220	\$ 2	\$ 177,612	\$ (2,662)	\$ (191,706)	\$ 16,986	\$ 707
Stock compensation and issuances	—	—	427	4	—	—	856	—	—	—	860
Accrued Liability settled through issuance of stock	—	—	—	—	—	—	131	—	—	—	131
Shares withheld related to net share settlement of restricted stock awards	—	—	(19)	—	—	—	(38)	—	—	—	(38)
Series C preferred stock conversion of CGF I & II	2,221	6,751	—	—	—	—	3,071	—	—	—	9,822
Non-controlling interest distributions	—	—	—	—	—	—	—	—	—	(1,750)	(1,750)
Net (loss) income	—	—	—	—	—	—	—	—	(4,385)	470	(3,915)
Balance at December 31, 2018	2,800	\$ 7,193	3,703	\$ 37	220	\$ 2	\$ 181,632	\$ (2,662)	\$ (196,091)	\$ 15,706	\$ 5,817
Stock compensation and issuances	—	—	71	1	—	—	509	—	—	—	510
Accrued Liability settled through issuance of stock	—	—	63	—	—	—	141	—	—	—	141
Shares withheld related to net share settlement of restricted stock awards	—	—	(12)	—	—	—	—	—	—	—	—
Warrant exercises	—	—	200	2	—	—	358	—	—	—	360
Class A stock conversion of non-controlling interest	—	—	3,824	38	—	—	16,050	—	—	(16,019)	69
Series C conversion of non-controlling interest	641	(428)	—	—	—	—	—	—	—	—	(428)
Gain on deconsolidation of discontinued operations	—	—	—	—	—	—	682	—	—	—	682
Net (loss) income	—	—	—	—	—	—	—	—	893	313	1,206
Balance at December 31, 2019	<u>3,441</u>	<u>\$ 6,765</u>	<u>7,849</u>	<u>\$ 78</u>	<u>220</u>	<u>\$ 2</u>	<u>\$ 199,372</u>	<u>\$ (2,662)</u>	<u>\$ (195,198)</u>	<u>\$ -</u>	<u>\$ 8,357</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

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

	For the years ended December 31,	
	2019	2018
Cash flows from operating activities:		
Net income (loss)	\$ 893	\$ (4,385)
Adjustment to reconcile net income (loss) to net cash provided by operating activities		
Amortization of loan discount, loan commitment and deferred financing fees	84	159
Depreciation expense	150	118
Amortization expense	67	67
Earnings from unconsolidated joint venture, net of distributions	50	48
Stock-based compensation	479	261
Loss on equity method investments carried at fair value	560	—
Deferred income tax benefit	—	(1,062)
Changes in operating assets and liabilities:		
Trade receivables	(956)	(400)
Trade receivables - related party	(694)	(2,950)
Deferred revenue	(1,875)	1,875
Other assets	11	(410)
Accrued personnel	1,520	1,396
Accounts payable	240	1,054
Accrued liabilities	72	489
Net cash provided by operating activities of discontinued operations	7,793	16,590
Net cash provided by operating activities	<u>8,394</u>	<u>12,850</u>
Cash flows from investing activities:		
Contributions to equity method investments carried at fair value	(1,200)	—
Distributions from equity method investments carried at fair value	1,525	—
Purchase of fixed assets	(207)	—
Principal received on note receivable	27	—
Net cash used in investing activities of discontinued operations	—	(41)
Net cash provided by investing activities	<u>145</u>	<u>(41)</u>
Cash flows from financing activities:		
Proceeds from notes payable	—	210
Payments on notes payable	(228)	(3,108)
Loan financing costs	(28)	—
Distributions to non-controlling interests	—	(1,750)
Proceeds from exercise of warrants	360	—
Taxes paid related to net share settlement of equity awards	(35)	(38)
Net cash used in financing activities from discontinued operations	(5,951)	(7,461)
Net cash used in financing activities	<u>(5,882)</u>	<u>(12,147)</u>
Net increase (decrease) in cash and cash equivalents	2,657	662
Cash and cash equivalents, beginning of period	854	192
Cash and cash equivalents, end of period	<u>\$ 3,511</u>	<u>\$ 854</u>
Supplemental cash flow information:		
Interest paid, net of interest capitalized	\$ 420	\$ 190
Income taxes paid	\$ —	\$ 8
Supplemental disclosure for non-cash activity:		
Accrued liability settled through issuance of stock	\$ 141	\$ 131
Conversion of noncontrolling interest to CHCI equity	\$ 16,019	\$ —
Gain on deconsolidation of Investors X recorded in APIC	\$ 682	\$ —
Increase in operating lease right-of-use assets upon adoption of ASC 842	\$ 170	\$ —
Issuance of stock in lieu of interest due	\$ 66	\$ 599
Increase in Series C preferred stock upon conversion of CGF I & II	\$ —	\$ 6,751
Increase in Additional Paid in Capital upon conversion of CGF I & II	\$ —	\$ 3,071
Extinguishment of Notes payable - due to affiliates, net of discount	\$ —	\$ (11,421)

The accompanying notes are an integral part of these Consolidated Financial Statements.

COMSTOCK HOLDING COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands, except per share data, number of units, or as otherwise noted)

1. ORGANIZATION

Comstock Holding Companies, Inc., incorporated in 2004 as a Delaware corporation, is a multi-faceted asset management and services company primarily focused in the Washington, D.C. Metropolitan Statistical Area. In 2018, the Company made a strategic decision to transform its operating platform from being primarily focused on developing on-balance sheet, for-sale, homebuilding projects to being focused on commercial and residential asset management and real estate related services. On April 30, 2019 the Company announced the exit from the homebuilding business. The Company now operates through five primarily real estate focused subsidiaries – CDS Asset Management, LC (“CAM”), Comstock Residential Management, LC, Comstock Commercial Management, LC, Park X Management, LC and Comstock Environmental Services, LC (“CES”). The Company’s homebuilding operations are presented in Discontinued Operations (see Note 19 – Discontinued Operations). References in these Consolidated Financial Statements to “Comstock,” “Company,” “we,” “our” and “us” refer to Comstock Holding Companies, Inc. together in each case with our subsidiaries unless the context suggests otherwise.

Liquidity Developments

We finance our Asset management and Real Estate Services operations, capital expenditures, and business acquisitions with internally generated funds, borrowings from our credit facilities and long-term debt. Pursuant to the Master Transfer Agreement (“MTA”), the Company transferred to Comstock Development Services, LC (“CDS”), an entity owned and controlled by the Company’s Chief Executive Officer, its Class A membership interests in Investors X, the entity owning the Company’s residual homebuilding operations in exchange for certain residual cash flows over the next three years (“Investors X”). Refer to Note 13 – Consolidation of Variable Interest Entities for further discussion regarding the accounting related to discontinued operations. The associated debt obligations were also transferred to CDS. See Note 9 in the accompanying Consolidated Financial Statements for more details on our debt and credit facilities.

At December 31, 2019, \$5.7 million of our notes payable to affiliates were set to mature prior to the end of 2020. These funds were primarily obtained from entities wholly owned by our Chief Executive Officer, and the Company. On March 19, 2020, the Company entered into a \$10 million revolving line of credit agreement with CDS with an initial term of five years. See Note 21 – Subsequent Events for additional information about the transaction.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies and practices used in the preparation of the Consolidated Financial Statements is as follows:

Basis of presentation

The accompanying Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) and include the accounts of the Company and its consolidated subsidiaries. Intercompany balances and transactions have been eliminated. Investments in real estate ventures over which we exercise significant influence, but do not control, are accounted for either at fair value or under the equity method.

When applying principles of consolidation, we begin by determining whether an investee entity is a variable interest entity (“VIE”) or a voting interest entity. U.S. GAAP draws a distinction between voting interest entities, which are embodied by common and traditional corporate and certain partnership structures, and VIEs, broadly defined as entities for which control is achieved through means other than voting rights. For voting interest entities, the interest holder with control through majority ownership and majority voting rights consolidates the entity. For VIEs, determination of the “primary beneficiary” dictates the accounting treatment. We identify the primary beneficiary of a VIE as the enterprise having both (i) the power to direct the activities of the VIE that most significantly impact the entity’s economic performance and (ii) the obligation to absorb losses or receive benefits of

the VIE that could potentially be significant to the VIE. We perform the primary beneficiary analysis as of the inception of our investment and upon the occurrence of a reconsideration event. When we determine we are the primary beneficiary of a VIE, we consolidate the VIE; when we determine we are not the primary beneficiary of the VIE, we account for our investment in the VIE at fair value or under the equity method, based upon an election made at the time of investment.

Our determination of the appropriate accounting method to apply for unconsolidated investments is based on the level of influence we have in the underlying entity. When we have an asset management or property management contract with a real estate limited partnership in which we also hold an ownership interest, the combination of our limited partner interest and the management agreement generally provides us with significant influence over such real estate limited partnership. Accordingly, we account for such investments either at fair value or under the equity method. We eliminate transactions with such subsidiaries to the extent of our ownership in such subsidiaries.

Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates. Material estimates are utilized in the valuation of equity method investments, valuation of deferred tax assets, analysis of goodwill impairment, and valuation of equity-based compensation.

Discontinued Operations

On July 23, 2019 the Company completed the transfer of Investors X subject to the Master Transfer Agreement (“MTA”). For the years ended December 31, 2019 and 2018, we classified revenues, expenses, assets and liabilities related to Investors X into discontinued operations on the Consolidated Balance Sheets, the Consolidated Statement of Operations, and the Consolidated Statements of Cash Flows. See Note 19 – Discontinued Operations.

Cash and cash equivalents

Cash and cash equivalents are comprised of cash and short-term investments with maturities of three months or less when purchased. The carrying amount of cash equivalents approximates fair value due to the short-term maturity of these investments.

Trade Receivables and Concentration of Credit Risk

Trade receivables are recorded at the amount invoiced. We reduce accounts receivable by estimating an allowance for amounts that may become uncollectible in the future. Management determines the estimated allowance for uncollectible amounts based on their judgements in evaluating the aging of the receivables and the financial condition of our clients, which may be dependent on the type of client and the client’s current financial condition.

The Company does significant business with related party entities. Financial instruments that subject the Company to concentrations of credit risk consist primarily of related party receivables. The Company generally does not obtain collateral or other security to support financial instruments subject to credit risk, but monitors the credit standing of related party entities. The Company derives a substantial portion of its revenues from various related party entities; with related party entities accounting for 81% of the Company’s total consolidated revenues in 2019.

See Note 14 – Related Party Transactions for more information.

Investments in real estate ventures

We invest in certain real estate ventures that primarily own and operate real estate in two sectors, land development and commercial office. These investments take the form of equity ownership interests and, based upon investment-specific objectives, have included three to seven year planned investment periods. Our investments in real estate ventures are not redeemable until the disposition of the underlying real estate investment. We have elected to account for these equity method investments using the fair value option.

For investments in real estate ventures reported at fair value, we maintain an investment account that is increased or decreased each reporting period by the difference between the fair value of the investment and the carrying value as of the balance sheet date. These fair value adjustments are reflected as gains or losses on the Consolidated Statements of Operations. The fair value of these investments as of the balance sheet date is generally determined using a Discounted Cash Flow (“DCF”) analysis, based upon unobservable inputs in the fair value hierarchy.

See Note 4, Investments in Real Estate Ventures for additional information on Investments in real estate ventures.

Fixed assets, net

Fixed assets are carried at cost less accumulated depreciation and are depreciated on the straight-line method over their estimated useful lives as follows:

	Shorter of asset life or related lease term
Leasehold improvements	
Furniture and fixtures	7 years
Office equipment	5 years
Vehicles	3 years
Computer equipment	3 years
Capitalized software	3 years

Leases

Substantially all of our operating leases are related to office space we lease in various buildings for our own use. The terms of these non-cancelable operating leases typically require us to pay rent and a share of operating expenses and real estate taxes, generally with an inflation-based rent increase included. We also lease equipment under both operating and finance lease arrangements. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Operating lease right-of-use assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments (e.g. rent) over the lease term beginning at the commencement date. The Operating lease right-of-use assets are adjusted for lease incentives, deferred rent, and initial direct costs, if incurred. Our leases generally do not include an implicit rate; therefore, we use an incremental borrowing rate based on information available at the lease commencement date in determining the present value of future minimum lease payments. The related lease expense is recognized on a straight-line basis over the lease term.

See Note 6 – Leases for more information

Goodwill and Intangible Assets

Goodwill represents the excess of the aggregate purchase price over the fair value of the net assets acquired in a business acquisition. Following an acquisition, we perform an analysis to value the acquired company’s tangible and identifiable intangible assets and liabilities. With respect to identifiable intangible assets, we consider backlog, non-compete agreements, client relationships, trade names, patents and other assets. We amortize our intangible assets based on the period over which the contractual or economic benefits of the intangible assets are expected to be realized. We assess the recoverability of the unamortized balance of our intangible assets when indicators of impairment are present based on expected future profitability and undiscounted expected cash flows and their contribution to our overall operations. Should the review indicate that the carrying value is not fully recoverable, the excess of the carrying value over the fair value of the intangible assets would be recognized as an impairment loss.

We perform our annual goodwill impairment review during our fourth quarter as of October 1. In addition, we regularly evaluate whether events and circumstances have occurred that may indicate a potential change in recoverability of goodwill. We perform interim goodwill impairment reviews between our annual reviews if certain events and circumstances have occurred, including a deterioration in general economic conditions, an increased competitive environment, a change in management, key personnel, strategy or customers, significant or unusual changes in market capitalization, negative or declining cash flows, or a decline in actual or planned revenue or earnings compared with actual and projected results of relevant prior periods.

When assessing goodwill for impairment, the Company may first assess qualitative factors to evaluate whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount or elect to bypass such assessment. If it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying value, or the Company elects to bypass such assessment, the Company then determines the fair value of each reporting unit. The estimate of the fair value of each reporting unit is based on a projected discounted cash flow model that includes significant assumptions and estimates including the Company's discount rate, growth rate and future financial performance as well as a market multiple model based upon similar transactions in the market. Assumptions about the discount rate are based on a weighted average cost of capital built up from various interest rate components applicable to the Company. Assumptions about the growth rate and future financial performance of a reporting unit are based on the Company's forecasts, business plans, economic projections and anticipated future cash flows. Market multiples are derived from recent transactions among businesses of a similar size and industry. The fair value of each reporting unit is compared to the carrying amount of the reporting unit. If the carrying value of the reporting unit exceeds the fair value, then an impairment loss is recognized for the difference.

Debt Issuance Costs

Costs incurred in connection with the issuance of long-term debt are deferred and amortized as interest expense over the term of the related debt using the effective interest method for term debt and on a straight-line basis for revolving debt. To the extent that debt is outstanding, these amounts are reflected in the Consolidated Balance Sheets as direct deductions of debt and as assets for costs related to revolving debt. See Note 9 for additional information on the Company's long-term debt and related debt issuance costs.

Revenue recognition

The Company's revenues consist primarily of

- Asset Management;
- Property Management;
- Capital Markets;
- Leasing;
- Project & Development Services; and
- Environmental Remediation

Asset Management

Asset Management primarily provides comprehensive real estate asset management services to the CDS portfolio, representing a series of daily performance obligations delivered over time. Pricing includes a cost-plus management fee or a market-rate fee form of variable consideration. The Company earns whichever is higher. See Note 14 – Related Party Transactions.

The amount of revenue recognized is presented gross for any services provided by our employees, as we control them. This is evidenced by our obligation for their performance and our ability to direct and redirect their work, as well as negotiate the value of such services. In the instances where we do not control third-party services delivered to the client, we report revenues net of the third-party reimbursements. Consistent with the transfer of control for distinct, daily services to the customer, revenue is typically recognized at the end of each period for the fees associated with the services performed.

Property Management

Property Management provides on-site day-to-day management services for owners of office, industrial, retail, multifamily residential and various other types of properties, representing a series of daily performance obligations delivered over time. Pricing is generally in the form of a monthly management fee based upon property-level cash receipts, square footage under management or some other variable metric. Revenues from project management may also include reimbursement of payroll and related costs for personnel providing the services and subcontracted vendor costs. Project management services represent a series of distinct daily services rendered over time. Consistent with the transfer of control for distinct, daily services to the customer, revenue is typically recognized at the end of each period for the fees associated with the services performed.

The amount of revenue recognized is presented gross for any services provided by our employees, as we control them. This is evidenced by our obligation for their performance and our ability to direct and redirect their work, as well as negotiate the value of such services. In the instances where we do not control third-party services delivered to the client, we report revenues net of the third-party reimbursements.

Capital Markets

We offer clients commercial mortgage and structured financing services. We are compensated for our services via a fee paid upon successful commercial financing from third party lenders. The fee earned is contingent upon the funding of the loan, which represents the transfer of control for services to the customer. Therefore, we typically satisfy our performance obligation at the point in time of the funding of the loan, when there is a present right to payment.

Leasing

We provide strategic advice and execution for owners, investors, and occupiers of real estate in connection with the leasing of office, industrial and retail space. We are compensated for our services in the form of a commission. Our commission is paid upon signing of the lease by the tenant. We satisfy our performance obligation at a point in time; generally, at the time of the contractual event where there is a present right to payment.

Project & Development Services

We provide project and construction management services for owners and occupiers of real estate in connection with the management and leasing of office, industrial and retail space. The fees that we earn are typically variable based upon a percentage of project cost. We are compensated for our services in the form management fees. Project and construction management services represent a series of performance obligations delivered over time and revenue is recognized over time.

Environmental Remediation

We provide environmental remediation services for owners of real estate. Remediation services are generally contracted and performed by Comstock Environmental. We are compensated for our services as well as for the services of subcontractors used to perform remediation services. Fees earned are generally based upon employee time spent as well as a cost-plus arrangement for subcontractors used. Generally, environmental remediation services represent a series of performance obligations delivered over time and revenue is recognized over time.

Contract Costs

Expenses, primarily employee commissions, incurred on leasing and capital markets transactions represent substantially all our incremental costs to obtain revenue contracts. We apply the applicable practical expedient offered by ASC Topic 606 when the amortization period is one year or less and, therefore, recognize these costs as an operating expense as they are incurred.

Stock compensation

As discussed in Note 12, the Company sponsors stock option plans and restricted stock award plans. The Company accounts for its share-based awards pursuant to Accounting Standards Codification (“ASC”) 718, *Share Based Payments*. ASC 718 requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements over the service period based on their fair values at the date of grant. For the year ended December 31, 2019, total stock based compensation cost was \$479 thousand of which \$474 thousand was charged to expenses within ‘general and administrative’ and ‘Direct costs - real estate services’ in the Consolidated Statement of Operations, and \$5 thousand was capitalized to ‘Long-term assets of discontinued operations’. For the year ended December 31, 2018, total stock based compensation cost was \$257 thousand of which \$234 thousand was charged to expenses within ‘general and administrative’ and ‘Direct costs-real estate services’ in the Consolidated Statement of Operations, and \$23 thousand was capitalized to ‘Long-term assets of discontinued operations’.

Income taxes

Income taxes are accounted for under the asset and liability method in accordance with ASC 740, *Accounting for Income Taxes*. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on the deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. We provide a valuation allowance when we consider it “more likely than not” (greater than a 50% probability) that a deferred income tax asset will not be fully recovered. Adjustments to the valuation allowance are a component of the deferred income tax expense or benefit in the Consolidated Statement of Operations.

Recently adopted accounting pronouncements

In January 2017, the FASB issued ASU 2017-04, “Simplifying the Test for Goodwill Impairment,” which removes Step 2 from the goodwill impairment test and replaces the qualitative assessment. Impairment will be measured using the difference between the carrying amount and the fair value of the reporting unit. Under this revised guidance, failing Step 1 will always result in a goodwill impairment. The amendments in this update should be applied prospectively for annual and interim periods in fiscal years beginning after December 15, 2019. Early adoption is permitted for goodwill impairment tests with measurement dates after January 1, 2017. The Company early adopted this guidance during the fourth quarter of 2018 and the early adoption did not have a material impact on the Company’s Consolidated Financial Statements.

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Updated (“ASU”) 2016-02, “Leases” (“ASU 2016-02”). The core principle of the standard is that a lessee should recognize the assets and liabilities that arise from leases. A lessee should recognize in its statement of financial position a liability to make lease payments (the lease liability) and a right-of-use (“ROU”) asset representing its right to use the underlying asset for the lease term. The FASB subsequently issued ASU 2018-10 and ASU 2018-11 in July 2018, which provide clarifications and improvements to ASU 2016-02. ASU 2018-11 also provides the optional transition method which will allow companies to apply the new lease standard at the adoption date instead of at the earliest comparative period presented. ASU 2016-02 is effective for public companies for annual reporting periods beginning after December 15, 2018 and interim periods within those fiscal years. The Company adopted this standard using the modified retrospective method effective January 1, 2019. As permitted by the guidance, the Company elected to retain the original lease classification and historical accounting for initial direct costs for leases existing prior to the adoption date and did not reassess contracts entered into prior to the adoption date for the existence of a lease. The Company also did not recognize ROU assets and lease liabilities for short-term leases, which are leases in existence as of the adoption date with an original term of twelve months or less. As a result of the adoption of the standard, the Company recognized ROU assets and liabilities of \$170 thousand as of the adoption date on its Consolidated Balance Sheet. There was no cumulative effect on beginning retained earnings. The assets and liabilities recognized upon application of the transition provisions were primarily associated with our existing office leases.

Recent Accounting Pronouncements Not Yet Adopted

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326), which modifies how companies recognize expected credit losses on financial instruments and other commitments to extend credit held by an entity at each reporting date. Existing GAAP requires an “incurred loss” methodology whereby companies are prohibited from recording an expected loss until it is probable that the loss has been incurred. ASU 2016-13 requires companies to use a methodology that reflects current expected credit losses (“CECL”) and requires consideration of a broad range of reasonable and supportable information to record and report credit loss estimates, even when the CECL is remote. Companies will be required to record the allowance for credit losses and deduct that amount from the basis of the asset. The guidance is effective for the Company for financial statement periods beginning after December 15, 2022, although early adoption is permitted. The Company is currently evaluating the impact this guidance will have on its financial statements and related disclosures.

In August 2018, the FASB issued ASU 2018-13, “Fair Value Measurement (Topic 820) – Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement” (“ASU 2018-13”), which removes, adds and modifies certain disclosure requirements for fair value measurements in Topic 820. ASU 2018-13 removes the following disclosure requirements: (i) the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy and (ii) the entity’s valuation processes for Level 3 fair value measurements. ASU 2018-13 adds the following disclosure requirements: (i) provide information about the measurement uncertainty of Level 3 fair value measurements as of the reporting date rather than a point in the future, (ii) disclose changes in unrealized gains and losses related to Level 3 measurements for the period included in other comprehensive income, and (iii) disclose for Level 3 measurements the range and weighted average of the significant unobservable inputs and the way it is calculated. ASU 2018-13 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. We do not expect the adoption of this pronouncement to have a material impact on our Consolidated Financial Statements.

In December 2019, the FASB issued ASU 2019-12, Simplifying the Accounting for Income Taxes, which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in ASC 740, Income Tax and also clarifies and amends existing guidance to improve consistent application. ASU 2019-12 will be effective for public business entities for annual reporting periods beginning after December 15, 2020, and interim periods within those periods. Early adoption is permitted. We do not expect the adoption of this pronouncement to have a material impact on our Consolidated Financial Statements.

We have evaluated all other issued and unadopted Accounting Standards Updates and believe the adoption of these standards will not have a material impact on our consolidated statements of operations, comprehensive income, balance sheets, or cash flows

3. TRADE RECEIVABLES & TRADE RECEIVABLES – RELATED PARTIES

Trade receivables include amounts due from real estate services, asset management and project management. There is no allowance for doubtful accounts recorded. As of December 31, 2019 and 2018, the Company had \$1.9 million and \$1.0 million, respectively, of trade receivables.

As of December 31, 2019 and 2018, the Company had \$3.6 million and \$3.0 million, respectively, of receivables from related parties, primarily related to initial AMA and the 2019 AMA.

4. INVESTMENTS IN REAL ESTATE VENTURES AT FAIR VALUE

Based upon elections made at the date of investment, the Company reports the investments in real estate ventures at fair value. For such investments, the Company increases or decreases the investment each reporting period by the change in the fair value and the Company reports the fair value adjustments in the Consolidated Statement of Operations in the (loss) on equity method investments carried at fair value line item. Fair value of equity method investments are classified as Level 3 of the fair value hierarchy. As of December 31, 2019, the Company had Investments in real estate ventures at fair value of \$8.4 million. The Company had no investments in real estate ventures at fair value as of December 31, 2018. The table below shows the movement in the Company's investments in real estate ventures reported at fair value.

	Year Ended December 31, 2019
Fair value investments as of July 23,	\$ 9,306
Investments	1,200
Distributions	(1,525)
Change in fair value	(560)
Fair value investments as of December 31,	<u>\$ 8,421</u>

See Note 11 for additional discussion of our investments in real estate ventures at fair value.

Investors X

The Company has elected to account for the equity method investment in Investors X at fair value. Fair Value is determined using a discounted cash flow model based on expected future cash flows for income and realization events of the underlying asset. Expected future cash flows includes contractually fixed revenues and expenses as well as estimates for future revenues and expenses where contracts do not currently exist.

The fair value of the Company's investment in Investors X was \$9.3 million as of the July 23, 2019 deconsolidation. As of December 31, 2019, the fair value of the Company's investment in Investors X is \$7.2 million. The Company received distributions of \$1.5 million during the year ended December 31, 2019 and recognized a loss in fair value of \$560 thousand due to lower estimated cash flows from a project in the Investors X portfolio.

The Hartford

The Company has elected to account for the equity method investment in The Hartford at fair value. Fair Value is determined using an income approach and sales comparable approach models.

The fair value of the Company's investment in the Hartford was \$1.2 million as of the investment date of December 30, 2019. The \$1.2 million is equal to the cash invested into the Hartford. There were no distributions or changes in fair value as of December 31, 2019.

Summarized Financial Information

The following table summarizes the combined financial information for our unconsolidated real estate ventures accounted for under the fair value option.

	<u>2019</u>
Balance Sheets:	
Real estate inventories	\$ 11,328
Investments in real estate, net of depreciation	1,200
Cash	2,616
Accounts receivable	200
Other assets	1,456
Total assets	16,800
Notes payable	6,166
Warranty reserves	150
Accounts payable	1,787
Accrued liabilities	500
Purchaser deposits	1,773
Total liabilities	10,376
Total equity	6,424
Statements of Operations:	
Revenue	6,832
Net loss	(1,364)

5. FIXED ASSETS, NET

Fixed assets consist of the following:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Computer equipment and capitalized software	\$ 893	\$ 767
Furniture and fixtures	63	56
Office equipment	224	209
Vehicles	141	88
Leasehold improvements	6	—
	<u>1,327</u>	<u>1,120</u>
Less : accumulated depreciation	<u>(1,049)</u>	<u>(899)</u>
	<u>\$ 278</u>	<u>\$ 221</u>

Depreciation expense, included in 'general and administrative' in the accompanying Consolidated Statements of Operations, amounted to \$150 thousand and \$118 thousand for the years ended December 31, 2019 and 2018, respectively.

6. LEASES

On January 1, 2019, the Company adopted Accounting Standards Update ("ASU") 2016-02, Leases, later codified as Accounting Standards Codification ("ASC") 842 ("ASC 842"), using the modified retrospective method. For periods presented prior to the adoption date, the Company continues to follow its previous policy under ASC 840, Leases.

The determination of whether an arrangement contains a lease and the classification of a lease, if applicable, is made at lease commencement, at which time the Company also measures and recognizes an ROU asset, representing the Company's right to use the underlying asset, and a lease liability, representing the Company's obligation to make lease payments under the terms of the arrangement. For the purposes of recognizing ROU assets and lease liabilities associated with the Company's leases, the Company has elected the practical expedient to not recognize a

ROU asset or lease liability for short-term leases, which are leases with a term of twelve months or less. The lease term is defined as the noncancelable portion of the lease term plus any periods covered by an option to extend the lease if it is reasonably certain that the option will be exercised.

ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The rates implicit within the Company's leases are generally not determinable; therefore, the Company's incremental borrowing rate of 6.5% is used to determine the present value of lease payments. The determination of the Company's incremental borrowing rate requires judgment. The incremental borrowing rate is determined at lease commencement, or as of January 1, 2019 for operating leases in existence upon adoption of ASC 842.

The Company has operating leases for its office facilities as well as for office equipment. The Company's leases have remaining terms of less than one year to 3 years. The leases can contain various renewal and termination options. The period which is subject to an option to extend the lease is included in the lease term if it is reasonably certain that the option will be exercised. The period which is subject to an option to terminate the lease is included if it is reasonably certain that the option will not be exercised. Lease costs related to the Company's operating leases are generally recognized as a single ratable lease cost over the lease term.

Maturities of lease liabilities as of December 31, 2019 are as follows:

	Operating Leases
2020	\$ 59
2021	54
2022	9
Total lease payments	122
Less: imputed interest	8
Present value of lease liabilities	<u>\$ 114</u>

As of December 31, 2019, operating lease payments include \$108 thousand related to options to extend lease terms that are reasonably certain of being exercised. The Company does not have any lease liabilities which have not yet commenced as of December 31, 2019.

7. GOODWILL AND INTANGIBLES

On July 17, 2017, Comstock Environmental, an entity wholly owned by CDS Capital Management, L.C., a subsidiary of the Company, purchased all of the business assets of Monridge Environmental, LLC for \$2.3 million. Comstock Environmental operates in Maryland, Pennsylvania, New Jersey, and Delaware as an environmental services company, providing consulting, remediation, and other environmental services.

Goodwill represents the excess of the purchase price over the fair value of assets acquired and liabilities assumed, and it is not deductible for income tax purposes. As of the acquisition date, goodwill consisted primarily of synergies resulting from the combination, expected expanded opportunities for growth and production, and savings in corporate overhead costs. As of December 31, 2019 and 2018 the balance of Goodwill was \$1.7 million. This Goodwill is reflected within our Real Estate Services segment.

Intangible assets include customer relationships which has an amortization period of four years. During the years ended December 31, 2019 and 2018, \$67 thousand of intangible asset amortization was recorded in General and Administrative expense on the Consolidated Statement of Operations.

	December 31, 2019	December 31, 2018
Intangibles	\$ 268	\$ 268
Less : accumulated amortization	(165)	(98)
	<u>\$ 103</u>	<u>\$ 170</u>

As of December 31, 2019, the future estimated amortization expense related to these intangible assets was:

	Amortization Expense
2020	\$ 67
2021	36
Total	<u>\$ 103</u>

No impairments of the Company's goodwill were recognized during the years ended December 31, 2019 and 2018.

8. CONTRACT LIABILITIES

Progress payment balances in excess of revenue recognized are classified as contract liabilities on the Consolidated Balance Sheet in the financial statement line item titled "Deferred revenue."

	Years ended December 31,	
	2019	2018
Contract Liabilities:		
Asset Management - Deferred revenue	\$ -	\$ 1,875
Total Contract Liabilities	<u>\$ -</u>	<u>\$ 1,875</u>

There were no contract liabilities as of December 31, 2019. As of December 31, 2018, the Company recognized a contract liability of \$1.9 million related to the AMA executed on March 30, 2018 and effective January 2, 2018. See Note 14 – Related Party Transactions for details regarding this transaction.

9. DEBT

Secured financing

As of December 31, 2019 and 2018, the Company had two secured loans related to Comstock Environmental. One loan was used to finance the acquisition of Comstock Environmental, and carries a fixed interest rate of 6.5%, and has a maturity date of October 17, 2022. At December 31, 2019 and 2018, this financing had an outstanding balance of \$667 thousand and \$874 thousand, respectively. Comstock Environmental has an additional secured loan with an outstanding balance of \$27 thousand as of December 31, 2019 and an outstanding balance of \$34 thousand as of December 31, 2018 to fund the purchase of an asset used in the business. This financing is secured by the assets of Comstock Environmental and is guaranteed by our Chief Executive Officer.

During 2018, the Company opened a secured line of credit with a maximum capacity of \$0.2 million, which was paid in full during the three months ended March 31, 2019. Interest charged on this line of credit was based on the prime rate plus 2.50%. As of December 31, 2018, there was \$13 thousand of principal and interest outstanding on this line of credit, and the interest rate was 6.75%.

Unsecured financing

As of December 31, 2019 and December 31, 2018, the Company had one unsecured seller-financed promissory note with an outstanding balance of \$595 thousand. This financing carries an annual interest rate of LIBOR plus 3% and has a maturity date of July 17, 2022. This loan has \$50 thousand due on the third and fourth loan anniversary dates with the remainder due at maturity. At December 31, 2019 and 2018, the interest rate was 5.0% and 6.0%, respectively.

Notes payable to affiliate—unsecured

On October 17, 2014, the Company entered into an unsecured promissory note with Comstock Growth Fund (“CGF”) whereby CGF made a loan to the Company in the initial principal amount of \$10.0 million and a maximum amount available for borrowing of up to \$20.0 million with a three-year term. On December 18, 2014, the loan agreement was amended and restated to provide for a maximum capacity of \$25 million. On May 23, 2018, the Company entered into a Membership Interest Exchange and Subscription Agreement (the “Membership Exchange Agreement”), together with a revised promissory note agreement, in which a note (“CGF Note”) with an outstanding principal and accrued interest balance of \$7.7 million was exchanged for 1,482,300 shares of the Company’s Series C Non-Convertible Preferred Stock, par value \$0.01 per share and a stated liquidation value of \$5.00 per share (the “Series C Preferred Stock”), issued by the Company to CDS. The Company exchanged the preferred equity for 91.5% of CDS membership interest in the Comstock Growth Fund promissory note. Concurrently, the face amount of the CGF Note was reduced to \$5.7 million as of the Effective Date. The loan bears interest at a fixed rate of 10% per annum. Interest payments will be made monthly in arrears. The Company is the administrative manager of CGF but does not own any membership interests. The Company had approximately \$5.7 million of outstanding borrowings and accrued interest under the CGF loan, net of discounts, as of December 31, 2019 and 2018, respectively. The maturity date for the CGF Note is April 16, 2020. On April 13, 2020 the Company retired the CGF Note.

During the years ended December 31, 2019 and 2018, the Company made interest payments of \$0.6 million.

During the year ended December 31, 2019 and 2018, the Company did not make principal payments for the CGF loan.

Notes payable consisted of the following:

	December 31, 2019	December 31, 2018
Secured financing	\$ 694	\$ 922
Notes payable - due to affiliates, unsecured, net of \$27 and \$16 thousand discount and unamortized deferred financing charges, respectively	5,706	5,716
Unsecured financing charges	595	595
Total notes payable, net	<u>\$ 6,995</u>	<u>\$ 7,233</u>

As of December 31, 2019, maturities of our borrowings are as follows:

2020	\$ 5,810
2021	50
2022	1,162
2023	—
2024 and thereafter	—
Total	<u>\$ 7,022</u>

See Note 21 for further discussion on repayments subsequent to December 31, 2019.

10. COMMITMENTS AND CONTINGENCIES

The Company leases office facilities under various non-cancelable operating leases. The leases contain various renewal options. See Note 6 for further discussion of the Company's operating lease commitments.

Currently, and from time to time, the Company is involved in litigation incidental to the conduct of its business. In accordance with GAAP, the Company records a provision for a liability when it is both probable that a liability has been incurred and the amount can be reasonably estimated. While it is reasonably possible that an unfavorable outcome may occur as a result of one or more of the Company's current litigation matters, at this time management has concluded that the resolutions of these matters are not expected to have a material effect on the Company's consolidated financial position, future results of operations or liquidity. Legal defense costs are expensed as incurred.

11. FAIR VALUE DISCLOSURES

We measure certain assets and liabilities in accordance with ASC 820, Fair Value Measurements and Disclosures, which defines fair value as the price that would be received for an asset, or paid to transfer a liability, in an orderly transaction between market participants on the measurement date. In addition, it establishes a framework for measuring fair value according to the following three-tier fair value hierarchy:

- Level 1 - Quoted prices for identical assets or liabilities in active markets accessible as of the measurement date;
- Level 2 - Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3 - Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Financial Instruments

The carrying amounts reported in the Consolidated Balance Sheets for cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities are reasonable estimates of their fair values based on their short maturities. The fair value of fixed and floating rate debt is based on unobservable inputs (Level 3 inputs). The fair value of the fixed and floating rate debt was estimated using a discounted cash flow analysis on the blended borrower rates currently available to the Company for loans with similar terms.

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

	December 31, 2019	December 31, 2018
Carrying amount	\$ 6,311	\$ 6,420
Fair value	\$ 6,136	\$ 6,224

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, such as an acceleration of amounts due and payable, could significantly affect the estimates.

In connection with the CGF I & II conversions discussed in Note 9 – *Debt* and Note 14 – *Related Party Transactions*, we issued 2,220,690 shares of Series C Non-Convertible Preferred Stock with a liquidation preference of \$5.00 per share. The Series C Preferred Stock has a discretionary dividend feature. The Company recorded these shares based on the fair value calculation on the effective date of the agreement. The Company used various assumptions and level 3 inputs such as current market condition and financial position in calculating the fair value of the Series C Preferred Stock by back solving from the Company's equity value using the option pricing and the probability-weighted expected return models, adjusted for marketability of the Series C Preferred Stock.

Investments in Real Estate Ventures at Fair Value

We report our two investments in real estate ventures at fair value. For such investments, we increase or decrease our investment each reporting period by the change in the fair value and we report these fair value adjustments in the Consolidated Statements of Operations.

For our investments in real estate ventures at fair value, we estimate the fair value using the level 3 Income Approach or a sales comparable approach to determine a fair value. Critical inputs to fair value estimates include various level 3 inputs such as valuations of the underlying real estate assets and borrowings, which incorporate investment-specific assumptions such as discount rates, capitalization rates, rental and expense growth rates, and asset-specific market borrowing rates. As of December 31, 2019, investments in the real estate ventures at fair value was approximately \$8.4 million.

Non-Recurring Fair Value Measurements

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

12. RESTRICTED STOCK, STOCK OPTIONS AND OTHER STOCK PLANS

On December 14, 2004, the Company adopted the 2004 Long-Term Compensation Plan (the “2004 Plan”). On February 12, 2019 the Company approved the 2019 Omnibus Incentive Plan (the “2019 Plan”) which replaced the 2004 Plan. The 2019 Plan provides for the issuance of stock options, stock appreciation rights, or SARs, restricted stock, deferred stock, dividend equivalents, bonus stock and awards in lieu of cash compensation, other stock-based awards and performance awards. Any shares issued under the Plan typically vest over periods of four years. Stock options issued under the plan expire 10 years from the date they are granted.

The 2019 Plan authorized 2.5 million shares of our Class A Common Stock subject to adjustment for forfeitures and tax withholdings. As of December 31, 2019 and 2018, there were 2.1 million and 0.06 million shares, respectively, available for issuance under the 2019 Plan and 2004 Plan, respectively.

The fair value of each option award is calculated on the date of grant using the Black-Scholes option pricing model and certain subjective assumptions. Expected volatilities are calculated based on our historical trading activities. We recognize forfeitures as they occur. The risk-free rate for the periods is based on the U.S. Treasury rates in effect at the time of grant. The expected term of options is based on the Company’s historical experience.

The following table summarizes the assumptions used to calculate the fair value of options during 2019 and 2018.

	2019	2018
Weighted average fair value of options granted	\$ 1.65	\$ 1.80
Dividend yields	—	—
Expected volatility	82.03%-82.32%	72.21%-83.47%
Weighted average expected volatility	82.27%	81.76%
Weighted average risk-free interest rates	2.15%	2.74%
Weighted average expected term (in years)	8	6

The following table summarizes information about stock option activity:

	Shares	Weighted Average Exercise Price	Weighted- Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2018	436	\$ 3.25	\$ 8.50	-
Granted	84	2.90		
Exercised	—	—		
Forfeited or Expired	(102)	2.28		
Outstanding at December 31, 2018	418	\$ 3.42	7.67	9
Granted	104	1.89		
Exercised	—	—		
Forfeited or Expired	(7)	12.01		
Outstanding at December 31, 2019	515	\$ 2.96	7.24	\$ 60
Exercisable at December 31, 2019	221	\$ 4.09	4.46	\$ 22

As of December 31, 2019 and 2018, the weighted-average remaining contractual term of unexercised stock options was 4.5 years and 7.7 years, respectively.

A summary of the Company's restricted share activity is presented below:

	Shares	Weighted Average Grant Date Fair Value
Restricted nonvested at January 1, 2018	243	\$ 2.16
Granted	-	-
Vested	(68)	2.13
Forfeited or Expired	(37)	2.11
Outstanding at December 31, 2018	138	\$ 2.18
Granted	254	2.33
Vested	(46)	2.18
Forfeited or Expired	—	—
Nonvested at December 31, 2019	346	\$ 2.29

As of December 31, 2019 and 2018, there was \$625 thousand and \$321 thousand, respectively, of unrecognized compensation cost related to nonvested stock options and restricted stock issuances granted under the 2019 Plan and 2004 Plan, respectively. The Company intends to issue new shares of its common stock upon vesting of restricted stock grants or the exercise of stock options.

In November 2014, our board of directors approved a share repurchase program authorizing the Company to repurchase up to 429 thousand shares of our Class A common stock in one or more open market or privately negotiated transactions depending on market price and other factors.

At December 31, 2019 and 2018, 404 thousand shares of our Class A common stock remain available for repurchase pursuant to our share repurchase agreement.

13. CONSOLIDATION OF VARIABLE INTEREST ENTITIES

Consolidated Real Estate Inventories in assets of discontinued operations

Included within the Company's assets of discontinued operations are real estate entities at December 31, 2018 that were determined to be VIEs. These entities have been established to own and operate real estate property and were deemed VIEs primarily based on the fact that the equity investment at risk is not sufficient to permit the entities to finance their activities without additional financial support. The Company determined that it was the primary beneficiary of these VIEs as a result of the Company's majority voting rights and complete operational control of these entities.

On January 1, 2019 the Company evaluated Investors X 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 of the VIE 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. As a result of the MTA, the Company determined that Investors X is considered held for sale effective April 30, 2019 and Investors X activities have been reclassified to discontinued operations in the accompanying Consolidated Financial Statements.

On July 23, 2019, the Investors X operating agreement was amended to clarify certain definitions resulting in Investors X no longer being considered a VIE of the Company. Therefore, the assets and liabilities of Investors X were deconsolidated effective July 23, 2019 in the Consolidated Balance Sheets of the Company.

14. RELATED PARTY TRANSACTIONS

Lease for Corporate Headquarters

The Company has a lease for its corporate headquarters from an affiliate wholly-owned by our CEO. Future minimum lease payments under this lease, which expires on September 30, 2020, is \$0.4 million.

For each of the years ended December 31, 2019 and 2018, total rental payments made were \$0.6 million and \$0.4 million, respectively. Rent expense for the years ended December 31, 2019 and 2018 was \$0.6 million and \$0.4 million, respectively.

Asset Management Agreement

On March 30, 2018, CDS Asset Management, L.C. ("CAM"), an entity wholly owned by the Company, entered into a master asset management agreement (the "AMA") with Comstock Development Services LC ("CDS"), an entity wholly owned by Christopher Clemente, the Chief Executive Officer of the Company. The effective date of this Agreement is January 2, 2018. Pursuant to the AMA, CDS has engaged CAM to manage and administer the CDS' commercial real estate portfolio and the day to-day operations of CDS and each property-owning subsidiary of CDS. Pursuant to the terms of the AMA, CAM will provide investment advisory, development and asset management services necessary to build out, stabilize and manage certain assets.

Pursuant to the AMA, CDS will pay CAM an annual cost-plus fee (the "Annual Fee") in an aggregate amount equal to the sum of (i) the employment expenses of personnel dedicated to providing services to the Comstock Real Estate Portfolio pursuant to the AMA, (ii) the costs and expenses of the Company related to maintaining the listing of its shares on a securities exchange and complying with regulatory and reporting obligations as a public company, and (iii) a fixed annual payment of \$1,000,000. During the year ended December 31, 2018, the Company recorded revenue of \$12.0 million which is included in 'Revenue-asset management' in the Consolidated Statement of Operations).

2019 Amended Asset Management Agreement

On April 30, 2019, CAM entered into the 2019 AMA with CDS, which amends and restates in its entirety the asset management agreement between the parties dated March 30, 2018 with an effective date as of January 1, 2018. Pursuant to the 2019 AMA, CDS will engage CAM to manage and administer the Anchor Portfolio and the day to-day operations of CDS and each property-owning subsidiary of CDS (collectively, the "CDS Entities").

Pursuant to the 2019 AMA, the Company provides asset management services related to the build out, lease-up and stabilization, and management of the Anchor Portfolio. CDS pays the Company and its subsidiaries annual fees equal to the greater of either (i) an aggregate amount equal to the sum of (a) an asset management fee equal to 2.5% of revenues generated by properties included in the Anchor Portfolio; (b) a construction management fee equal to 4% of all costs associated with Anchor Portfolio projects in development; (c) a property management fee equal to 1% of the Anchor Portfolio revenues, (d) an acquisition fee equal to up to 0.5% of the purchase price of acquired assets; and (f) a disposition fee equal to 0.5% of the sales price of an asset on disposition; or (ii) an aggregate amount equal to the sum of (x) the employment expenses of personnel dedicated to providing services to the Anchor Portfolio pursuant to the 2019 AMA, (y) the costs and expenses of the Company related to maintaining the public listing of its shares and complying with related regulatory and reporting obligations, and (z) a fixed annual payment of \$1,000,000.

In addition to the annual payment of the greater of either the Market Rate Fee or the Cost Plus Fee, the Company also is entitled on an annual basis to the following additional fees: (i) an incentive fee equal to 10% of the free cash flow of each of the real estate assets comprising the Anchor Portfolio after calculating a compounding preferred return of 8% on CDS invested capital (ii) an investment origination fee equal to 1% of raised capital, (iii) a leasing fee equal to \$1.00/sf for new leases and \$0.50/sf for renewals; and (iv) mutually agreeable loan origination fees related to the Anchor Portfolio.

The 2019 AMA will terminate on December 31, 2027 (“Initial Term”), an extension from the original termination date of December 31, 2022, and will automatically renew for successive additional one-year terms (each an “Extension Term”) unless CDS delivers written notice of non-renewal of the 2019 AMA at least 180 days prior to the termination date of the Initial Term or any Extension Term. Twenty-four months after the effective date of the 2019 AMA, CDS is entitled to terminate the 2019 AMA without cause upon 180 days advance written notice to CAM. In the event of such a termination and in addition to the payment of any accrued annual fees due and payable as of the termination date under the 2019 AMA, CDS is required to pay a termination fee equal to (i) the Market Rate Fee or the Cost Plus Fee paid to CAM for the calendar year immediately preceding the termination, and (ii) a one-time payment of the Incentive Fee as if the CRE Portfolio were liquidated for fair market value as of the termination date; or the continued payment of the Incentive Fee as if a termination had not occurred.

Residential, Commercial and Parking Property Management Agreements

In December 2017 and January 2018, the Company entered into separate residential property management agreements with two properties owned by CDS Entities under which the Company receives fees to manage and operate the properties including tenant communications, leasing of apartment units, rent collections, building maintenance and day-to-day operations, engagement and supervision of contractors and vendors providing services for the buildings, and budget preparation and oversight.

During the period of May through and including December 2019, the Company entered into separate commercial property and parking management agreements with several properties owned by CDS Entities under which the Company receives fees to manage and operate the office and retail portions of the properties, including tenant communications, rent collections, building maintenance and day-to-day operations, engagement and supervision of contractors and vendors providing services for the buildings, and budget preparation and oversight.

These property management agreements are each for one (1) year initial terms with successive, automatic one (1) year renewal terms, unless sooner terminated. The Company generally receives base management fees under these agreements based upon a percentage of gross rental revenues for the portions of the buildings being managed in addition to reimbursement of specified expenses, including employment expenses of personnel employed by the Company in the management and operation of each property.

Construction Management Agreements

On January 1, 2019, the Company entered into a construction management agreement for two properties owned by CDS Entities under which the Company receives fees to provide certain construction management and supervision services, including construction supervision and management of the buildout of certain tenant premises. The Company receives a flat construction management fee for each engagement under a work authorization based upon the construction management or supervision fee set forth in the applicable tenant’s lease,

which fee is generally one percent (1%) to four percent (4%) of the total costs (or total hard costs) of construction of the tenant's improvements in its premises, or as otherwise agreed to by the parties.

Business Management Agreements

On April 30, 2019, CAM entered into a Business Management Agreement (the "Management Agreement") with Investors X, whereby CAM will provide Investors X with asset and professional services related to the wind down of the Company's divested homebuilding operations and the continuation of services related to the Company's divested land development activities. The aggregate fee payable to CAM from Investors X under the Management Agreement is \$937,500, payable in fifteen quarterly installments of \$62,500 each.

The Hartford Investment

On December 30, 2019 the Company made an investment related to the purchase of the Hartford, a stabilized commercial office building located at 3101 Wilson Boulevard in the Clarendon area of Arlington County, Virginia. The Company's maximum amount of investment related to the purchase of the Hartford is \$1.2 million.

In conjunction with the investment, the Company entered into an operating agreement with Partners to form Comstock 3101 Wilson, LC, to purchase the Hartford. Pursuant to the Operating Agreement, the Company holds a minority membership interest of the Hartford and the remaining membership interests of the Hartford are held by Partners. Partners is the manager of the Hartford. At the closing of the acquisition of the Hartford, the Company received an acquisition fee of \$500 thousand and is entitled to asset management, property management, construction management and leasing fees for its management of the Property pursuant to separate agreements between the Hartford, or its affiliates, and the Company, or its affiliates. The Company is also entitled to an incentive fee related to the performance of the investment.

See Note 21 – Subsequent Events for further discussion of the Hartford investment.

Private Placements and Promissory Notes

On December 29, 2015, Comstock Growth Fund II, L.C. ("CGF II"), an administrative entity managed by the Company, was created for the purpose of extending loans to the Company. CGF II entered into a subscription agreement with CDS pursuant to which CDS purchased membership interests in CGF II for an initial aggregate principal amount of \$5.0 million (the "CGF II Private Placement"). Also on December 29, 2015, the Company entered into a revolving line of credit promissory note with CGF II whereby CGF II made a loan to the Company in the initial principal amount of \$5.0 million. On May 23, 2018, the Company entered into a Note Exchange and Subscription Agreement (the "Note Exchange Agreement") in which a note ("CGF2 Note") with an outstanding principal and accrued interest balance of \$3.7 million was exchanged for 738,390 shares of the Company's Series C Non-Convertible Preferred Stock, par value \$0.01 per share and a stated liquidation value of \$5.00 per share (the "Series C Preferred Stock"), issued by the Company to CGF II, a Company wholly owned by our Chief Executive Officer. The CGF2 Note was cancelled in its entirety effective as of the Effective Date.

See Note 9 to the Consolidated Financial Statements for further description of the CGF Private Placement.

Revenues from Related Parties

The following table details the revenue earned from related parties.

	Years ended December 31,	
	2019	2018
Related party revenue		
Asset management	\$ 19,370	\$ 13,273
Real estate services	1,192	570
Total Related Party Revenue	<u>\$ 20,562</u>	<u>\$ 13,843</u>

15. UNCONSOLIDATED JOINT VENTURE

The Company accounts for its interest in its title insurance joint venture using the equity method of accounting and adjusts the carrying value for its proportionate share of earnings, losses and distributions. The investment in the unconsolidated joint venture was \$125 and \$72 as of December 31, 2019 and 2018, respectively, and is included within 'Prepaid and other assets, net' in the accompanying Consolidated Balance Sheets. Earnings for the years ended December 31, 2019 and 2018, from this unconsolidated joint venture of \$222 and \$137, respectively, is included in 'Other income, net' in the accompanying Consolidated Statement of Operations. During the years ended December 31, 2019 and 2018, the Company collected and recorded a distribution of \$172 and \$89, respectively, from this joint venture as a return on investment.

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

	Twelve Months Ended December 31,	
	2019	2018
Statement of Operations:		
Total net revenue	\$ 558	\$ 391
Total expenses	115	117
Net income	\$ 443	\$ 274
Comstock Holding Companies, Inc. share of net income	\$ 222	\$ 137

16. REVENUE

The following table presents the Company's revenues from contracts with customers disaggregated by categories which best represents how the nature, amount, timing and uncertainty of revenues are affected by economic factors.

	Years ended December 31,	
	2019	2018
Revenue by customer		
Related party	\$ 20,562	\$ 13,843
Commercial	4,755	2,604
Total Revenue by Customer	\$ 25,317	\$ 16,447
	Years ended December 31,	
	2019	2018
Revenue by contract type		
Fixed-price	\$ 4,137	\$ 2,084
Cost-plus	14,546	12,040
Time and Material	6,634	2,323
Total Revenue by contract type	\$ 25,317	\$ 16,447

For the years ended December 31, 2019 and 2018, \$23.3 million and \$15.9 million of our revenues were earned for contracts where revenue is recognized over time, respectively. For the years ended December 31, 2019 and 2018, \$2.1 million and \$0.6 million of our revenues were earned for contracts where revenue is recognized at a point in time, respectively.

17. NET INCOME (LOSS) PER SHARE

The weighted average shares and share equivalents used to calculate basic and diluted (loss) income for continuing and discontinued operations per share for the years ended December 31, 2019 and 2018 are presented in the accompanying Consolidated Statements of Operations. Restricted stock awards, stock options and warrants for the years ended December 31, 2019 and 2018 are included in the diluted income (loss) per share calculation using

the treasury stock method and average market prices during the periods, unless their inclusion would be anti-dilutive.

The following share equivalents have been excluded from the continuing operations dilutive share computation for the years ended December 31, 2019 and 2018 as their inclusion would be anti-dilutive.

	Years Ended December 31,	
	2019	2018
Stock options	237	6
Warrants	604	41
	<u>841</u>	<u>47</u>

The following share equivalents have been excluded from the discontinued operations dilutive share computation for the years ended December 31, 2019 and 2018 as their inclusion would be anti-dilutive.

	Years Ended December 31,	
	2019	2018
Restricted stock awards	207	91
Stock options	263	357
Warrants	604	601
	<u>1,074</u>	<u>1,049</u>

18. INCOME TAXES

During the year ended December 31, 2019, the Company recognized income tax expense of \$2 thousand from continuing operations and the effective tax rate was (0.29)%. During the year ended December 31, 2018, the Company recognized income tax benefit of \$1.1 million and the effective tax rate was (21.54)%.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company recorded valuation allowances for certain tax attributes and other deferred tax assets. At this time, 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. With a full valuation allowance, any change in the deferred tax asset or liability is fully offset by a corresponding change in the valuation allowance.

The Company currently has approximately \$145 million in Net Operating Losses ("NOLs"), which is based on current statutory tax rates, including the lower corporate tax rate enacted by the Tax Act. If unused, these NOLs will begin expiring in 2027. Under Code Section 382 ("Section 382") rules, 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 December 31, 2019, the three-year cumulative shift in ownership of the Company's stock has not triggered 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 December 31, 2019, because the Company has recorded a full valuation allowance on substantially all of its net deferred tax assets.

The Company's ability to use its NOLs (and in certain circumstances, future built-in losses and depreciation deductions) can be negatively affected if there is an "ownership change" as defined under Section 382. In general, an ownership change occurs whenever there is a shift in ownership by more than 50 percentage points by one or more 5% stockholders over a specified time period (generally three years). Given Section 382's broad definition, an ownership change could be the unintended consequence of otherwise normal market trading in the Company's stock that is outside of the Company's control. In an effort to preserve the availability of these NOLs, Comstock adopted a Section 382 rights agreement, which expired in May 2014. In June 2015, at the 2015 Annual Meeting of Stockholders, the Company's stockholders approved a new Internal Revenue Code Section 382 Rights Agreement (the "Rights Agreement") to protect stockholder value. The Rights Agreement expires on March 27, 2025. The Rights Agreement was adopted to reduce the likelihood of such an unintended "ownership change", thus preserving the value of these tax benefits. Similar plans have been adopted by a number of companies holding similar significant tax assets over the past several years.

The Company has not recorded any accruals related to uncertain tax positions as of December 31, 2019 and 2018, respectively. We file U.S. and state income tax returns in jurisdictions with varying statutes of limitations. The 2016 through 2018 tax years remain subject to examination by federal and most state tax authorities. The income tax provision for continuing operations consists of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Deferred:		
Federal	\$ 178	\$ 2
State	32	—
	<u>210</u>	<u>2</u>
Valuation allowance	(208)	(1,064)
Total income tax expense (benefit)	<u>\$ 2</u>	<u>\$ (1,062)</u>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Components of the Company's deferred tax assets and liabilities at December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Deferred tax assets:		
Inventory	\$ 201	\$ 500
Warranty	5	63
Net operating loss and tax credit carryforwards	37,440	37,812
Accrued expenses	7	4
Stock based compensation	502	379
Investment in affiliates	482	(28)
Deferred Revenue - Advance payment	64	—
	<u>38,701</u>	<u>38,730</u>
Less - valuation allowance	(38,601)	(38,684)
Net deferred tax assets	<u>100</u>	<u>46</u>
Deferred tax liabilities:		
Depreciation and amortization	(55)	(11)
Goodwill amortization	(56)	(44)
Net deferred tax liabilities	<u>(111)</u>	<u>(55)</u>
Net deferred tax assets (liabilities)	<u>\$ (11)</u>	<u>\$ (9)</u>

A reconciliation of the statutory rate and the effective tax rate after adjustments for non-includable partnership income arising from non-controlling interest follows:

	2019	2018
Federal statutory rate	(21.00%)	(21.00%)
State income taxes - net of federal benefit	(4.74%)	(4.74%)
Permanent differences	(0.44%)	(2.40%)
Return to provision adjustments	0.42%	(4.29%)
Change in valuation allowance	25.47%	11.81%
Current state income tax	0.00%	0.00%
Change in enacted rate	0.00%	1.52%
Other, net	0.00%	(2.44%)
Effective tax rate	<u>(0.29%)</u>	<u>(21.54%)</u>

19. DISCONTINUED OPERATIONS

On April 30, 2019, the Company entered into the MTA that sets forth certain transactions to complete the Company's previously announced exit from the homebuilding and land development business in favor of a migration to an asset management model. Refer to Note 13 – Consolidation of Variable Interest Entities for further discussion regarding the accounting related to discontinued operations.

The carrying amount of the assets and liabilities from discontinued operations, which were included within the Company's prior Homebuilding segment, have been moved from their historical balance sheet presentation to assets and liabilities from discontinued operations as follows:

	December 31, 2019	December 31, 2018
ASSETS		
Cash and cash equivalents	\$ —	\$ 4,926
Restricted cash	—	1,231
Trade receivables	—	527
Real estate inventories	—	20,082
Other assets, net	—	1,102
TOTAL ASSETS	<u>\$ —</u>	<u>\$ 27,868</u>
LIABILITIES		
Accounts payable and accrued liabilities	—	4,839
Notes payable - secured by real estate inventories, net of deferred financing charges	—	12,510
Income taxes payable	—	50
TOTAL LIABILITIES	<u>—</u>	<u>17,399</u>

The operating results of the discontinued operations that are reflected on the Consolidated Statement of Operations within the net income (loss) from discontinued operations are as follows:

	Years Ended December 31,	
	2019	2018
Revenues		
Revenue—homebuilding	\$ 14,919	\$ 41,245
Revenue—real estate services	—	—
Total revenue	14,919	41,245
Expenses		
Cost of sales—homebuilding	14,901	42,799
Impairment charges	—	2,232
Sales and marketing	270	175
General and administrative	21	1,262
Interest and real estate tax expense	—	74
Operating (loss)	(273)	(5,297)
Other (loss), net	—	(7)
(Loss) from discontinued operations before income taxes	(273)	(5,304)
Income tax (benefit) expense	(15)	18
Net (loss) from discontinued operations	(258)	(5,322)
Net income attributable to non-controlling interests	313	470
Net (loss) attributable to Comstock Holding Companies, Inc.	(571)	(5,792)

20. SEGMENT DISCLOSURES

Subsequent to July 23, 2019 we operate our business through our two segments: Asset Management, and Real Estate Services.

In our Asset Management segment, we focus on providing management services to a wide range of real estate assets and businesses that include a variety of commercial real estate uses, including apartments, hotels, office buildings, commercial garages, leased lands, retail stores, mixed-use developments, and urban transit-oriented developments. The properties and businesses we currently manage are located primarily along the Washington, D.C. Metro Silver Line in Fairfax and Loudoun Counties, but we also manage projects in other jurisdictions within the states of Maryland and Virginia.

In our Real Estate Services segment, our experienced real estate services-based management team provides a wide range of real estate services in the areas of strategic corporate planning, capital markets, brokerage services, and environmental and design-based services. Our environmental services group provides consulting, environmental studies, remediation services and provide site specific solutions for any project that may have an environmental impact, from environmental due diligence to site-specific assessments and remediation. The Real Estate Services segment operates in the Mid-Atlantic Region.

The following table includes the Company's two reportable segments of Asset Management and Real Estate Services, excluding discontinued operations, for the year ended December 31, 2019 and 2018.

	Asset Management	Real Estate Services	Total (from continuing operations)
Twelve Months Ended December 31, 2019			
Gross revenue	\$ 19,605	\$ 5,712	\$ 25,317
Gross profit	3,044	1,101	4,145
Net (loss) income	1,737	(273)	1,464
Total assets	15,270	4,663	19,933
Depreciation, amortization, and stock based compensation	430	266	696
Interest expense	390	84	474
Twelve Months Ended December 31, 2018			
Gross revenue	\$ 13,416	\$ 3,031	\$ 16,447
Gross profit	1,182	(59)	1,123
Net (loss) income	2,256	(849)	1,407
Total assets	3,870	3,362	7,232
Depreciation, amortization, and stock based compensation	225	221	446
Interest expense	—	90	90

21. SUBSEQUENT EVENTS

Line of Credit and CGF Note

On March 19, 2020, the Company entered into a Revolving Capital Line of Credit Agreement (the "Loan Documents") with CDS, pursuant to which the Company secured a capital line of credit (the "Loan") in the amount of \$10 million. Under the terms of the Loan Documents, the Loan provides for an initial variable interest rate of the WSJ Prime Rate plus 1.00% per annum on advances made under the Loan, payable monthly in arrears. The five-year term facility allows for interim draws that carry a maturity date of twelve months from the initial date of the disbursement unless a longer initial term is agreed to by the Lender. On March 27, 2020, the Company drew \$5.5 million on the Loan and on April 13, 2020 the Company retired the CGF Note.

COVID-19

In December 2019, COVID-19 surfaced in Wuhan, China. Through March 2020, the spread of this virus and government responses is causing business disruption and is adversely affecting many, including the travel, leisure and hospitality industries and with respect to companies that have significant operations or supply chains in China. The spread of COVID-19 has also caused significant volatility in U.S. and international debt and equity markets, which can negatively impact consumer confidence. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. economy and consumer confidence. The Company is taking all necessary steps to keep our business premises, customer properties, vendors and employees in a safe environment and are constantly monitoring the impact of COVID – 19. As discussed in Note 2, the Company derives a substantial portion of its revenues from various related party entities associated with real estate properties. The extent to which COVID-19 impacts our results and the results of the properties we manage will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and the actions taken to contain it or treat its impact. While we have not seen a significant impact to our results from COVID-19 to date, if the virus continues to cause significant negative impacts to economic conditions or consumer confidence, our revenues including our property

management revenues, recoverability of assets including trade receivables, related party receivables, goodwill and our fair value investment in Investors X, results of operations, financial condition and liquidity could be adversely impacted.

Cares Act

On March 27, 2020, the United States enacted the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The Cares Act is an emergency economic stimulus package that includes spending and tax breaks to strengthen the United States economy and fund a nationwide effort to curtail the effect of COVID-19. While the CARES Act provides sweeping tax changes in response to the COVID-19 pandemic, some of the more significant provisions which are expected to impact the Company's financial statements include removal of certain limitations on utilization of net operating losses, increasing the loss carryback period for certain losses to five years, and increasing the ability to deduct interest expense, as well as amending certain provisions of the previously enacted Tax Cuts and Jobs Act. Due to the recent enactment of the CARES Act, the Company is still evaluating the impact, if any, that the CARES Act will have on its financial position, results of operations or cash flows.

22. REVISION OF PRIOR PERIOD FINANCIAL STATEMENTS

In connection with the preparation of the Company's 2019 consolidated financial statements, the Company identified errors in its historical financial statements relating to how the Company accounted for debt discounts and how the Company accounted for reimbursement of salaries and other salary related costs. Specifically, the Company incorrectly accounted for debt discount that should have been fully amortized at the end of the initial three-year term of the CGF Note in October 2017. In addition, in 2018 and the interim periods in 2019, the Company previously reported the reimbursement of salary costs from its property management agreements on a net basis, although the Company was required to account for these payroll related reimbursements on a gross basis. The correction of these non-cash errors had no effect on the reported operating income (loss) or total cash flows from operations, investing, or financing of the Company.

The Company evaluated the errors and, based on an analysis of quantitative and qualitative factors, determined that the related impact was not material to the Company's consolidated financial statements for any prior period.

All financial statements and footnotes presented herein have been adjusted to reflect the revisions below.

	For the Three Months Ended March 31, 2019			For the Three Months Ended June 30, 2019			For the Six Months Ended June 30, 2019		
	As previously reported	Adjustment	As adjusted	As previously reported	Adjustment	As adjusted	As previously reported	Adjustment	As adjusted
Revenues - asset management	\$ 3,861	\$ 350	\$ 4,211	\$ 4,024	\$ 426	\$ 4,450	\$ 7,885	\$ 776	\$ 8,661
Direct costs - asset management	3,317	350	3,667	3,514	426	3,940	6,831	776	7,607
Interest (expense)	(34)	16	(18)	(132)	16	(116)	(166)	32	(134)
Net income (loss)	69	16	85	(253)	16	(237)	(184)	32	(152)
Notes payable - due to affiliates, net of discount	4,935	799	5,734	4,984	718	5,702	4,984	718	5,702
Additional paid-in capital	180,769	959	181,728	197,333	1,025	198,358	197,333	1,025	198,358
Accumulated deficit	(194,250)	(1,758)	(196,008)	(194,503)	(1,742)	(196,245)	(194,503)	(1,742)	(196,245)
Total equity	7,095	(799)	6,296	7,013	(718)	6,295	7,013	(718)	6,295

	For the Three Months Ended September 30, 2019			For the Nine Months Ended September 30, 2019		
	As previously reported	Adjustment	As adjusted	As previously reported	Adjustment	As adjusted
Revenues - asset management	\$ 4,293	\$ 487	\$ 4,780	\$ 12,178	\$ 1,263	\$ 13,441
Direct costs - asset management	3,710	487	4,197	10,541	1,263	11,804
Interest (expense)	(186)	16	(170)	(352)	48	(304)
Net (loss)	(643)	16	(627)	(827)	48	(779)
Notes payable - due to affiliates, net of discount	4,981	702	5,683	4,981	702	5,683
Additional paid-in capital	198,184	1,025	199,209	198,184	1,025	199,209
Accumulated deficit	(195,146)	(1,726)	(196,872)	(195,146)	(1,726)	(196,872)
Total equity	7,221	(702)	6,519	7,221	(702)	6,519

	For the Three Months Ended March 31, 2018			For the Three Months Ended June 30, 2018			For the Six Months Ended June 30, 2018		
	As previously reported	Adjustment	As adjusted	As previously reported	Adjustment	As adjusted	As previously reported	Adjustment	As adjusted
Revenues - asset management	\$ 2,791	\$ —	\$ 2,791	\$ 2,960	\$ 224	\$ 3,184	\$ 5,751	\$ 224	\$ 5,975
Direct costs - asset management	2,541	—	2,541	2,606	224	2,830	5,147	224	5,371
Interest (expense)	(24)	13	(11)	(24)	(39)	(63)	(48)	(26)	(74)
Income tax (expense) benefit	—	—	—	495	—	495	495	—	495
Net (loss)	(723)	13	(710)	(1,002)	(39)	(1,041)	(1,725)	(26)	(1,751)
Notes payable - due to affiliates, net of discount	15,346	1,891	17,237	4,874	847	5,721	4,874	847	5,721
Additional paid-in capital	177,747	—	177,747	181,009	1,083	182,092	181,009	1,083	182,092
Accumulated deficit	(190,526)	(1,891)	(192,417)	(191,528)	(1,930)	(193,458)	(191,528)	(1,930)	(193,458)
Total equity	2,119	(1,891)	228	11,318	(847)	10,471	11,318	(847)	10,471

	For the Three Months Ended September 30, 2018			For the Nine Months Ended September 30, 2018			For the Twelve Months Ended December 31, 2018		
	As previously reported	Adjustment	As adjusted	As previously reported	Adjustment	As adjusted	As previously reported	Adjustment	As adjusted
Revenues - asset management	\$ 2,730	\$ 355	\$ 3,085	\$ 8,481	\$ 579	\$ 9,060	\$ 12,473	\$ 943	\$ 13,416
Direct costs - asset management	2,458	355	2,813	7,605	579	8,184	11,291	943	12,234
Interest (expense)	(25)	16	(9)	(73)	(10)	(83)	(97)	7	(90)
Income tax (expense) benefit	445	83	528	940	83	1,023	938	124	1,062
Net (loss)	(1,927)	99	(1,828)	(3,652)	73	(3,579)	(4,516)	131	(4,385)
Notes payable - due to affiliates, net of discount	4,869	831	5,700	4,869	831	5,700	4,903	813	5,716
Additional paid-in capital	180,683	1,000	181,683	180,683	1,000	181,683	180,673	959	181,632
Accumulated deficit	(193,456)	(1,831)	(195,287)	(193,456)	(1,831)	(195,287)	(194,319)	(1,772)	(196,091)
Total equity	7,627	(831)	6,796	7,627	(831)	6,796	6,630	(813)	5,817

AMENDED AND RESTATED
MASTER ASSET MANAGEMENT AGREEMENT

among

Comstock Development Services, LC

and

CDS Asset Management, LC

Effective as of
January __, 2019

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This MASTER ASSET MANAGEMENT AGREEMENT (“*Agreement*”) is entered into on this ___ day of April 2019 (the “*Execution Date*”) and made effective as of the 2nd day of January 2019 (the “*Effective Date*”), among Comstock Development Services, LC, a Virginia limited liability company (“*CDS*”) and CDS Asset Management, L.C., a Virginia limited liability company (the “*Manager*”).

W I T N E S S E T H:

WHEREAS, the Manager is a subsidiary of Comstock Holding Companies, Inc., a Delaware corporation (“*CHCI*”), and has experience in acquiring, entitling, designing, developing, constructing and managing real estate assets; and

WHEREAS, CDS and certain affiliated entities control a mixed-use real estate portfolio and development pipeline, and CDS desires to engage the Manager to provide development and asset management services necessary to build out, stabilize and manage its portfolio;

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements contained herein, the parties hereto, intending to be legally bound, hereby agree as follows:

Section 1. Definitions.

(a) The following terms shall have the respective meanings set forth below in this Section 1(a):

“*Acquisition and Development Expenses*” means any and all expenses, exclusive of loan origination fees, incurred by CDS or the Manager or any of their respective Affiliates in connection with the selection, evaluation, acquisition, origination, entitlement, development, and construction of any Real Estate Asset or making of any Investment, whether or not acquired or funded, including legal fees and expenses, travel and communications expenses, property inspection expenses, third party brokerage or finder’s fees, costs of appraisals, nonrefundable deposits or option payments on property not acquired, accounting fees and expenses, title insurance premiums and expenses, survey expenses, closing costs and the costs of performing due diligence.

“*Acquisition Fee*” shall mean in connection with a purchase or other acquisition of a Real Estate Asset (other than a roll-over of an existing Investment into another Investment related to substantially the same underlying Real Estate Asset), a fee equal to one half of one percent (0.5%) of the purchase price of such Real Estate Asset offset against any Loan Origination Fees paid to the Manager or its Affiliate as part of the same transaction.

“*Affiliate*” means, with respect to a specified Person, (i) any Person directly or indirectly controlling, controlled by, or under common control with such specified Person, (ii) any general partner or manager of such specified Person, or (iii) any Person for which such specified Person acts as a general partner or manager. For purposes of this definition, the terms “controlled”, “controlled by”, or “under common control with” shall mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of an entity, whether through the ownership of voting securities or membership interests, pursuant to an operating agreement, contract or credit arrangement, as trustee or executor, or otherwise. The Manager and CDS shall not be deemed to be Affiliates of each other for the purposes of this Agreement.

“*Agreement*” has the meaning set forth in the Recitals.

“*Annual Business Plan and Budget*” means the detailed business objectives of the CDS Entities with regard to their Real Estate Assets, including pro forma and actual development and construction cost estimates, schedule estimates, stabilization plans, operating budgets as well as information regarding conditional objectives, such as changes to land use entitlements or zoning and development objectives, as such objectives are established by CDS from time to time.

“*Annual Fee*” means the amount of One Million and No/100ths Dollars \$1,000,000.

“*Asset Management Fee*” means two and one half percent (2.5%) of Revenues, calculated annually on a full calendar year.

“*Bankruptcy Event*” means, with respect to any Person, (i) the filing by such Person of a voluntary petition seeking liquidation, reorganization, arrangement or readjustment, in any form, of its debts under Title 11 of the United States Code or any other U.S. federal or state or foreign insolvency law, or such Person’s filing an answer consenting to or acquiescing in any such petition, (ii) the making by such Person of any assignment for the benefit of its creditors, (iii) the expiration of 60 days after the filing of an involuntary petition under Title 11 of the United States Code, an application for the appointment of a receiver for a material portion of the assets of such Person, or an involuntary petition seeking liquidation, reorganization, arrangement or readjustment of its debts under any other U.S. federal or state or foreign insolvency law, provided that the same shall not have been vacated, set aside or stayed within such 60-day period, or (iv) the entry against such Person of a final and non-appealable order for relief under any bankruptcy, insolvency or similar law now or hereinafter in effect.

“*Base Costs*” means the costs of the Staffing Requirements as agreed to by the Manager and CDS on no less than an annual basis which, for the initial purposes hereof, shall be the lesser of (i) all estimated employment expenses related to personnel employed by the Manager for Real Estate Assets in accordance with the Annual Business Plan and Budget, including salaries,

wages, payroll taxes and the costs of employee benefit plans, or (ii) the actual employment expenses related to personnel employed by the Manager that are dedicated to providing services to CDS Entities hereunder; provided, that, Base Costs shall not include the personnel or other expenses of CHCI's services division or any of its Affiliates (other than Manager) including CDS Capital Management, L.C. unless set forth in the Annual Business Plan or Budget approved by the Manager and CDS, or any interest, dividend or principal obligations of CHCI and its Affiliates as of the Effective Date, unless expressly set forth in the Annual Business Plan and Budget approved by the Manager and CDS..

“*Board*” means the board of directors of CHCI, and shall be deemed to include any duly appointed and constituted committee of the Board with respect to each and every act that under the Governing Instruments or applicable law may be taken with the approval of a duly appointed and constituted committee of the Board, and references herein to the Board shall be deemed to include references to each such committee.

“*Business Day*” means any day except a Saturday, a Sunday or a day on which banking institutions in New York, New York are not required to be open.

“*Capital Event Transaction*” means a fair market value sale, refinancing or capital markets transaction involving a sale or recapitalization of a Real Estate Asset.

“*CDS Entity*” means CDS and each Affiliate of CDS holding Real Estate Assets which are the subject of a Subsidiary Agreement.

“*CDS Indemnified Party*” has the meaning set forth in Section 9(b).

“*Change of Control*” means a change in the direct or indirect (i) beneficial ownership of more than 50% of the combined voting power of the Manager's or CHCI's then outstanding equity interests, or (ii) power to direct or cause the direction of the management and policies of the Manager or CHCI, whether through the ownership of voting securities, by contract or credit arrangement, as trustee or otherwise.

“*Claim*” has the meaning set forth in Section 9(c).

“*Code*” means the Internal Revenue Code of 1986, as amended from time to time, or any successor statute thereto, and reference to any provision of the Code shall mean such provision as in effect from time to time, as the same may be amended, and any successor provision thereto, as interpreted by any applicable regulations as in effect from time to time.

“*Common Stock*” means the Common Stock, par value \$0.01 per share, of CHCI.

“*Confidential Information*” has the meaning set forth in Section 6(a). “*Cost Plus Fee*” has the meaning set forth in Section 7(b).

“*Disposition Fee*” shall mean in connection with Capital Transaction Event of a Real Estate Asset (other than a roll-over of an existing Investment into another Investment related to substantially the same underlying Real Estate Asset), a fee equal to one half of one percent (0.5%) of the purchase price of such Real Estate Asset.

“*Effective Date*” has the meaning set forth at the head of this Agreement.

“*Entitlement, Development and Construction Management Fee*” means an entitlement, development and construction management fee to the Manager or its Affiliates as compensation for services rendered in connection with the entitlement, development and construction of the Real Estate Assets and/or the supervision of any non-Affiliates that are engaged by the Manager to provide such services. A CDS Entity shall pay the Entitlement, Development and Construction Management Fee to the Manager in an amount equal to four percent (4.0%) of the total cost of the Real Estate Asset under development. For purposes of calculation of the fee, costs shall be deemed to include all projected costs of development, including all soft costs (including but not limited to rezoning and entitlement expenses, proffers, legal, architectural and engineering expenses, taxes and interest carry) and all hard costs (development, construction) of the to be developed Real Estate Asset, but excluding the Entitlement, Development and Construction Management Fee. For purposes of calculation of timing of payment of the fee, the Entitlement, Development and Construction Management Fee shall be deemed to be payable on a pro rata basis to the Manager; commencing on the first day of the month following the date the first permit allowing for land development or construction of a Real Estate Asset is received by CDS Entity and concluding upon the projected issuance of the occupancy permit for such Real Estate Asset, or upon any other commercially acceptable construction means and method mutually agreed upon by the Manager and CDS.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

“*Fees Payable Upon Termination or Non-Renewal*” means an amount equal to (i) all earned but unpaid fees due under Section 7 and all expenses due under Section 8 as of the Termination Date; (ii) the aggregate amount paid to the Manager or its affiliates and assignees as compensation under Section 7(b) or (c) for the calendar year immediately prior to the Termination Date; and (iii) a one-time payment of the Incentive Fee for each Real Estate Asset owned by a CDS Entity as if a sales Capital Event Transaction had occurred; or in the alternative and at the election of CDS, the continued payment of the Incentive Fee calculated in accordance with and as if the Agreement were still in effect from the Effective Date hereof.

“*Free Cashflow*” means with respect to a Real Estate Asset, all Revenue less property expenses (including real estate taxes) less debt service, asset management expenses, tenant improvements, leasing commissions, capital expenditures and reserves and other non-operating expenses.

“*Financing Transaction*” means any transaction with respect to an Investment in which one or more CDS Entities incurs or assumes any mortgage or other indebtedness, including any line of credit, purchase money, refinance or similar financing transaction involving the creation of any commercial mortgage-backed security or mezzanine financing but excluding any financing transaction related to personal lines of credit associated with any Person with an ownership interest in a CDS Entity.

“*GAAP*” means United States generally accepted accounting principles, consistently applied.

“*Governing Instruments*” means, with regard to any entity, the articles of incorporation or certificate of incorporation and by-laws in the case of a corporation, the articles of organization, certificate of formation and operating or limited liability company agreement in the case of a limited liability company, the declaration of trust or other comparable trust instrument in the case of a trust, or similar governing documents in the case of another type of entity, in each case, as the same may be amended from time to time.

“*Incentive Fee*” means the incentive compensation fee calculated on an annual basis with respect to (i) any Capital Event Transaction, and (ii) in any calendar year (or any pro rata part thereof that this Agreement and/or a Subsidiary Agreement is in effect); an amount calculated in arrears, not less than zero, equal to ten percent (10%) of the Free Cashflow of each CDS Entity holding Real Estate Assets subject to this Agreement; after calculating a compounding preferred return of eight percent (8%) per annum on the Invested Capital in each CDS Entity holding Real Estate subject to this Agreement and/or a Subsidiary Agreement.

“*Indemnified Party*” has the meaning set forth in [Section 9\(b\)](#).

“*Independent Director*” means a member of the Board who is “independent” in accordance with the CHCI’s Governing Instruments and the rules of NASDAQ.

“*Invested Capital*” means the amount of cash Investment in a Real Estate Asset owned by a CDS Entity subject to this Agreement as set forth on the capital account balance on the books and records of the CDS Entity owning such Real Estate Asset.

“*Investment*” means any investment by any CDS Entity, directly or indirectly, in Real Estate Assets or any other asset.

“*Investment Company Act*” means the Investment Company Act of 1940, as amended.

“*Investment Origination Fee*” means with respect to any Investment, including an Investment in a Real Estate Related Loan, a fee equal to one percent (1.0%) of the amount of such Investment. The Investment Origination Fee shall be payable at the closing of an Investment on the maximum committed amount of the Investment, but exclusive of the Investment Origination Fee or any other capital advisory origination fees.

“*Investment Transaction*” means any purchase, acquisition, exchange, sale or disposition, merger or interest exchange that results in the acquisition or disposition of, or other transaction involving, an Investment.

“*Joint Venture*” means the joint venture or partnership or other similar arrangement (other than between or among any CDS Entities) in which a CDS Entity is a co-venturer, member, partner or other equity holder, which is established to own Investments.

“*Leases*” has the meaning set forth in Section 14(b)(ii).

“*Leasing Fee*” means a commission to Manager with respect to a lease for a retail and commercial Real Estate Asset equal to one dollar per square foot (\$1.00/sf) for a new lease, including lease expansions on a renewal, and one-half of one dollar per square foot (\$.50/sf) for a lease renewal.

“*Loan Origination Fee*” means with respect to any Financing Transaction, a commercially reasonable and mutually agreed upon fee between the Manager and a CDS Entity with respect to such Financing Transaction. The Loan Origination Fee shall be payable at the closing of a Financing Transaction on the maximum committed amount that may be advanced over the full term of such Financing Transaction, but exclusive of lender origination fees.

“*Losses*” has the meaning set forth in Section 9(a).

“*Manager*” has the meaning set forth at the head of this Agreement and shall include any permitted successor in interest thereto.

“*Manager Indemnified Party*” has the meaning set forth in Section 9(a).

“*Manager Permitted Disclosure Parties*” has the meaning set forth in Section 6(a).

“*Name Rights*” means intellectual property rights and assets relating to the name of CDS, any CDS Entity or any of their Affiliates, and to any other marks owned or licensed by any of them, and all rights, interests and protections that are associated with, similar to, or required for the exercise of, any of the foregoing, however arising, pursuant to the laws of any jurisdiction throughout the world, whether registered or unregistered, including any and all: (i) trademarks, service marks, trade names, brand names, logos, trade dress, design rights and other similar designations of source, sponsorship, association or origin, together with the goodwill connected with the use of and symbolized by, and all registrations, applications and renewals for, any of the foregoing; (ii) internet domain names, whether or not trademarks, registered in any top-level domain by any authorized private registrar or governmental authority, web addresses, web pages, websites and related content, accounts with Twitter, Facebook and other social media companies and the content found thereon and related thereto, and URLs; (iii) royalties, fees, income, payments and other proceeds now or hereafter due or payable with respect to any and all of the foregoing; and (iv) all rights to any actions of any nature available or being pursued by CDS, any Affiliate or their agent, to the extent related to the foregoing, whether accruing before, on or after the date hereof, including all rights to and claims for damages, restitution and injunctive relief for infringement, dilution, misappropriation, violation, misuse, breach or default, with the right but no obligation to sue for such legal and equitable relief, and to collect, or otherwise recover, any such damages.

“*Notice*” has the meaning set forth in Section 16(a).

“*NASDAQ*” means the National Association of Securities Dealers Automated Quotations exchange, or any other U.S. national securities exchange upon which CHCI’s Common Stock shall be listed for trading.

“*Person*” or “*person*” means any natural person, corporation, partnership, association, limited liability company, estate, trust or joint venture, any federal, state, county or municipal government or any bureau, department or agency thereof, or any other legal entity.

“*Property Management Fee*” means one percent (1%) of Rental Revenues, calculated annually on the basis of a full calendar year.

“*Public Company Costs*” means all costs of maintaining a listing on a securities exchange, including the cash compensation and expenses of the directors and the cost of liability insurance to indemnify the Manager and its officers and the directors; corporate franchise taxes; mandatory legal, tax and accounting expenses attributable to being publicly traded; all costs of preparing and filing required reports with the SEC; the costs payable by CHCI to any transfer agent and registrar in connection with the listing and/or trading of CHCI securities on any exchange; the fees payable by the CHCI to any such exchange in connection with its listing;

costs of preparing, printing and mailing annual reports to its stockholders and proxy materials with respect to any meeting of stockholders of CHCI; salary, benefits and other direct cash compensation and expenses of corporate executives of CHCI and any other ancillary costs that may be reasonably related to being a publicly traded company as may be agreed to by the Manager and CDS from time to time.

“*Real Estate Assets*” means all Real Property and all lender, participant or similar interests in all Real Estate Related Loans (as applicable), in which any CDS Entity holds an interest, whether directly, through one or more subsidiaries or Affiliates, through a Joint Venture, or otherwise.

“*Real Estate Related Loans*” means all types of real estate related debt obligations, including mezzanine loans, bridge loans, convertible mortgages, wraparound mortgage loans, construction mortgage loans, loans on leasehold interests and participations in such loans.

“*Real Property*” means fee and leasehold interests (and options) in real property, including (i) land only, (ii) land and the buildings located thereon, (iii) buildings only, and (iv) any other asset designated as Real Property by CDS.

“*Regulation FD*” means Regulation FD as promulgated by the SEC.

“*Revenues*” mean all gross rental revenue from all sources associated with the Real Property, including but not limited to residential, office, retail and mixed-use tenants.

“*SEC*” means the United States Securities and Exchange Commission.

“*Securities Act*” means the Securities Act of 1933, as amended.

“*Staffing Requirements*” means all personnel reasonably required to deliver services in accordance with this Agreement to the CDS Entities and the Real Estate Assets as set forth in the Annual Business Plan and Budget, whether related to each individual Real Estate Asset or on a collective basis.

“*Subsidiary Agreement*” means any written or oral agreement pursuant to which CDS provides or causes to be provided certain services, procured hereunder, to a CDS Entity with respect to Real Estate Assets.

“*Term*” has the meaning set forth in Section 12(a).

“*Termination Date*” means the effective date of termination of the Agreement whether established pursuant to a Termination without Cause Notice, a Termination for Cause Notice, or any other provision hereof.

“*Termination for Cause*” has the meaning set forth in Section 13(a).

“*Termination for Cause Notice*” has the meaning set forth in Section 13(a).

“*Termination without Cause*” has the meaning set forth in Section 12(b).

“*Termination without Cause Notice*” has the meaning set forth in Section 12(b).

“*Termination Notice*” means a Termination without Cause Notice, a Termination for Cause Notice or any other notice of termination of this Agreement.

(b) As used herein, accounting terms relating to any CDS Entity not defined in Section 1(a), and accounting terms partly defined in Section 1(a), to the extent not defined, shall have the respective meanings given to them under GAAP.

(c) As used herein, “calendar quarters” shall mean the periods from January 1 to March 31, April 1 to June 30, July 1 to September 30 and October 1 to December 31 of the applicable year.

(d) The words “hereof”, “herein” and “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section references are to this Agreement unless otherwise specified.

(e) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

(f) The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation.”

(g) A reference to any gender shall be deemed to be a reference to all genders.

Section 2 Appointment and Duties of the Manager.

(a) CDS hereby appoints the Manager to manage and administer the Investments and the day-to-day operations of the CDS Entities, subject at all times to the terms and conditions set forth in this Agreement. The Manager will use commercially reasonable efforts to provide the services contemplated hereunder and otherwise to perform each of its duties set forth herein, provided that funds are made or caused to be made available by CDS as set forth in Section 8. CDS shall not appoint any other Person except the Manager to perform the duties and carry out the responsibilities of the Manager described herein, except as may otherwise be permitted by this Agreement.

(b) The Manager, in performance of its duties hereunder, at all times will act in a manner that is consistent with the provisions of the Governing Instruments of each CDS Entity, and will use commercially reasonable efforts to perform its duties hereunder, including to present to CDS potential investment opportunities and to manage CDS's business affairs in conformity with the investment parameters and other policies that are established by CDS. The Manager hereby acknowledges and agrees that any proposed changes to CDS's investment strategy shall require the prior written approval of CDS. CDS shall notify the Manager promptly of any amended, restated or supplemented investment strategies from time to time.

(c) The Manager will be responsible for the day-to-day operations of the CDS Entities and will perform (or cause to be performed) such services and activities relating to their respective Investments and Real Estate Assets, as may be appropriate, which may include:

(i) (A) proposing modifications to the investment strategy of CDS, (B) periodically reviewing the CDS Investment portfolio for compliance with its investment strategy and reporting its findings to CDS, (C) periodically reviewing and reporting to CDS regarding the diversification of the CDS Investment portfolio and the financing strategies, and (D) conducting or overseeing the provision of the services and activities set forth in this Agreement;

(ii) investigating, analyzing, selecting, conducting due diligence with respect to, negotiating the terms and conditions of (including negotiating the forms of definitive agreements), arranging financing for and recommending to CDS, possible Investment Transactions consistent with CDS's investment strategy;

(iii) with respect to prospective Investment Transactions and Financing Transactions, conducting negotiations (including negotiation of definitive agreements) with sellers, purchasers, prospective Joint Venture or merger candidates, lenders and other financing sources and their respective agents and representatives, and, if applicable, closing the Investment Transactions and Financing Transactions as may be approved by CDS;

(iv) effecting any private placement of interests in Investments, as may be approved by CDS;

(v) delivering to or maintaining on behalf of CDS copies of all appraisals or marketing reports obtained in connection with the Real Estate Assets as may be desired or required by CDS;

(vi) negotiating, within the discretionary limits and authority granted by CDS in this Agreement, repurchase agreements, agreements relating to borrowings under programs established by the U.S. Government and other agreements and instruments required to conduct the business of the CDS Entities;

(vii) engaging and supervising Affiliates of the Manager and independent contractors approved by CDS that provide investment banking, securities brokerage, equity capital, mortgage brokerage, real estate brokerage services, other financial services, due diligence services, underwriting review services, legal and accounting services, professional services, including engineering and architectural services, and all other services (including transfer agent and registrar services) as may be required relating to the Real Estate Assets, CDS Entities' operations, Investments, Investment Transactions or Financing Transactions;

(viii) reserved;

(ix) as directed by CDS, coordinating and managing operations of any Joint Venture or co-investment interests held by the CDS Entities and conducting all matters with the Joint Venture or co-investment partners;

(x) providing executive, management, and administrative personnel, office space and office services required in rendering services hereunder;

(xi) negotiating leases and service contracts in connection with the Investments and administering the day-to-day operations and performing and supervising the performance of such other administrative functions, including the collection of revenues and the payment of debts and obligations, and maintenance of appropriate computer services to perform such functions;

(xii) as directed by CDS, communicating with the holders of any equity or debt of CDS as required to satisfy the reporting and other requirements of any governmental body or agency or trading market and to maintain effective relations with such holders;

(xiii) evaluating and recommending hedging strategies and, as directed by CDS, engaging in hedging activities within the discretionary limits and authority specifically granted by CDS within its investment strategy;

(xiv) providing counsel regarding CDS or its Affiliate's potential qualification as a REIT and, if implemented, thereafter monitoring compliance with the various REIT qualification tests and related rules set out in the Code and Treasury Regulations, and using commercially reasonable efforts to cause the applicable CDS Entities to continue to qualify for taxation as a REIT;

(xv) providing counsel regarding exemptions from the status of an investment company required to register under the Investment Company Act, monitoring compliance with the requirements for maintaining such exemption and using commercially reasonable efforts to cause the applicable CDS Entities to maintain such exemption;

- (xvi) furnishing reports and statistical and economic research regarding Investments and potential Investments, as well as disclosing any potential conflicts of interest involving the Manager or any of its Affiliates not already disclosed in public filings made pursuant to SEC regulations;
- (xvii) monitoring the performance of the Investments and providing periodic reports with respect thereto, including comparative information with respect to such operating performance and budgeted or projected operating results;
- (xviii) providing advice with respect to equity and debt capitalization and financing strategies related to the Investments;
- (xix) assisting the CDS Entities to retain qualified accountants and legal counsel, as applicable, to advise in developing appropriate accounting procedures and systems, internal controls and other compliance procedures, to provide sound tax and legal advice and to conduct annual compliance reviews with respect thereto;
- (xx) assisting the CDS Entities in qualifying to do business in all applicable jurisdictions and to obtain and maintain all appropriate licenses;
- (xxi) assisting the CDS Entities in complying with all laws and regulatory requirements applicable to their business activities, including preparing or causing to be prepared all financial statements required under applicable regulations and contractual undertakings and maintaining reports and documents to the extent required by applicable law;
- (xxii) assisting the CDS Entities in taking all necessary action to make required tax filings and reports in accordance with the Code;
- (xxiii) handling and resolving all claims, disputes or controversies (including all litigation, arbitration, settlement or other proceedings or negotiations) in which a CDS Entity may be involved, or to which any CDS Entity or Real Estate Asset or other interest may be subject, arising out of the CDS Entity's day-to-day operations (other than with the Manager or its Affiliates), subject to such limitations or parameters as may be imposed from time to time by CDS;
- (xxiv) using commercially reasonable efforts to cause expenses incurred on behalf of any CDS Entity to be commercially reasonable or usual and customary and within any budgeted parameters or expense guidelines proposed by the Manager and approved by CDS from time to time;
- (xxv) advising on the appropriateness of leverage ratios, cash positions and long-term capital reserves;
- (xxvi) providing portfolio management services;

(xxvii) arranging marketing materials, advertising, industry group activities (such as conference participations and industry organization memberships) and other promotional efforts designed to promote CDS Entities' businesses;

(xxviii) performing such other services as may be required from time to time for management and other activities relating to CDS assets and business as reasonably requested by CDS or as the Manager shall deem appropriate under the particular circumstances; and

(xxix) providing or causing to be provided all due diligence, design, development, construction management, property management, asset management, analytical, accounting, financial, and other services necessary for the development and operation of the Real Estate Assets.

(d) The Manager may retain, for and on behalf of CDS, such Persons as the Manager deems necessary or advisable for the provision of services referred to in Section 8 in connection with the management and operations of CDS.

(e) The Manager shall refrain from any action that, in its sole judgment made in good faith, (i) is not in compliance with the investment strategy of CDS, (ii) would adversely and materially affect the qualification of a CDS Entity as an entity excluded from investment company status under the Investment Company Act, or (iii) would conflict with or violate (A) any law, rule or regulation of any governmental body or agency having jurisdiction over any CDS Entity, or (B) any applicable Governing Instruments. The Manager may proceed with taking an action described above if expressly instructed to do so by CDS. Notwithstanding the foregoing, neither the Manager nor any of its Affiliates shall be liable to any CDS Entity, any Joint Venture, or the members or other holders of equity interests in any CDS Entity, for any act or omission by the Manager or any of its Affiliates, except as provided in Section 9. In performing its duties under this Section 2, the Manager shall be entitled to rely reasonably on qualified experts and professionals (including accountants, legal counsel and other professional service providers).

(f) Without limiting any other reporting requirement, Manager shall notify CDS of all contemplated Investment Transactions not less than 30 days prior to the anticipated date of completion of the transaction. The Manager shall seek and obtain CDS prior approval of any Investment Transaction, regardless of whether it meets the investment strategy of CDS. In all transactions requiring approval by CDS, the Manager will deliver to CDS all documents and other information reasonably required to evaluate properly the proposed transaction.

(g) CDS will take or cause all actions reasonably required to permit and enable the Manager to carry out its duties and obligations under this Agreement, including all steps reasonably necessary to allow the Manager and its Affiliates to make any filing required to be made under the Securities Act, Exchange Act, NASDAQ regulations, the Code or other applicable law, rule or regulation in a timely manner. CDS will use commercially reasonable efforts to make available to the Manager all resources, information and materials reasonably requested by the Manager to enable the Manager to satisfy its legal obligations hereunder.

(h) As frequently as the Manager may deem necessary or advisable, or at the direction of CDS, the Manager shall prepare (or cause to be prepared) reports and other information relating to any proposed Investment.

(i) The Manager shall prepare (or cause to be prepared) all reports, financial or otherwise, reasonably required by CDS in order for the CDS Entities to comply with their respective Governing Instruments or as otherwise reasonably requested by CDS, including an annual audit or review of any CDS Entity consolidated financial statements by a nationally recognized independent accounting firm.

(j) The Manager shall prepare (or cause to be prepared) regular reports for CDS to enable it to review CDS Entity acquisitions, Investment portfolio composition and characteristics, credit quality, performance and compliance with the investment strategy and policies approved by it from time to time.

(k) Officers, employees and agents of the Manager and its Affiliates may serve as directors, officers, agents, nominees or signatories for any CDS Entity, but only to the extent permitted by their respective Governing Instruments, or by any resolutions duly adopted by the CDS Entity. When executing documents or otherwise acting in such capacities for any CDS Entity, such Persons shall indicate they are executing or acting on behalf of such CDS Entity. Without limiting the foregoing, while this Agreement is in effect, the Manager will establish an executive management team and such other positions, along with appropriate support personnel, to provide the management services to be provided by the Manager to the CDS Entities hereunder, who shall devote such of their time to the management of the Investments and consideration of the investment strategy and policies and day-to-day operations of the CDS Entities, as may be necessary and appropriate, commensurate with the level of activity of CDS from time to time.

(l) The Manager, if directed by CDS and at CDS's expense, shall obtain and maintain reasonable and customary "errors and omissions" insurance coverage and other customary insurance coverage in respect to its obligations and activities under, or pursuant to, this Agreement, naming the CDS Entities as additional insureds.

(m) The Manager shall provide such internal audit, compliance and control services as may be required for the Manager and its Affiliates to comply with applicable law (including the Securities Act and Exchange Act), regulations (including SEC regulations) and the rules and requirements of NASDAQ and as otherwise reasonably requested by CDS from time to time.

(n) If required by applicable statute in the performance of this Agreement, the Manager shall maintain any required registration of the Manager or any Affiliate with the SEC under the Investment Advisers Act of 1940, as amended, or with any state securities authority in any state in which the Manager or its Affiliate is required to be registered as an investment advisor under applicable state securities laws. The Manager does not currently expect such a registration is required.

Section 3 Affiliates and Contractual Relationship.

The Manager and the CDS Entities conduct their business in and through a number of business units and Affiliates. The Manager and CDS shall use commercially reasonable efforts to require the Persons and Affiliates who are affected by this Agreement to enter into such additional contractual arrangements, including Subsidiary Agreements (which Manager shall join in from time to time upon CDS's written request), as may be reasonably necessary to provide the services contemplated hereunder, and to document appropriately the fees charged therefor. The Manager and CDS shall provide each other with such further assurances as may be reasonably required by each other and third parties from time to time.

Section 4 Additional Activities of the Manager.

(a) Subject to Section 4(c), nothing in this Agreement shall prevent the Manager, any of its Affiliates or any of their respective officers, directors or employees, from engaging in other businesses or from rendering services of any kind to any other Person, regardless of whether the investment objectives or policies of any such other Person are similar to those of CDS; provided, however, that the Manager shall devote sufficient resources to discharge its obligations under this Agreement.

(b) While information and recommendations supplied to CDS shall, in the Manager's good faith judgment, be appropriate under the circumstances and in light of the investment objectives and policies of CDS, they may be different from the information and recommendations supplied by the Manager or any Affiliate of the Manager to others. CDS shall be entitled to equitable treatment under the circumstances in receiving information, recommendations and any other services, but CDS recognizes that CDS is not entitled to receive preferential treatment as compared with the treatment given by the Manager or any Affiliate of the Manager to others.

(c) The Manager shall report to CDS and to the Board any condition or circumstance, existing or anticipated, of which it has knowledge, which creates or could create a conflict of interest between the Manager's obligations to CDS and its obligations to or its interest in any other Person, including its Affiliates. If the Manager or any of its Affiliates sponsored any other investment program with similar investment objectives to CDS that has investment funds available at the same time as CDS or engages in any activity that could be considered in potential competition with CDS, the Manager shall inform the Board of the method to be applied by the

Manager in allocating investment opportunities among CDS and competing investment entities and shall provide regular updates to the Board of the investment opportunities provided by the Manager to competing programs in order for the Board (including the Independent Directors) to evaluate that the Manager is allocating such opportunities in accordance with such method. All such evaluation will be conducted in accordance with CHCI's existing Corporate Opportunity, Code of Conduct policies and applicable laws and regulations governing related party transactions, as may be amended from time to time. Any executive officer of the Manager or any Affiliate holding an interest in CDS shall adhere to process set forth in this Section 4(c).

Section 5 Bank Accounts.

The Manager, at the direction of CDS, may establish and maintain one or more separate bank accounts in the name of one or more CDS Entities, and may collect and deposit funds into and disburse funds from any such account or accounts, under such policies, terms and conditions as CDS may establish, provided that no funds shall be commingled with the funds of the Manager or its Affiliates. The Manager shall from time to time render appropriate accountings of such collections and payments to CDS and, upon request, shall provide information regarding such account to CDS's auditors.

Section 6 Records; Confidentiality.

(a) The Manager shall maintain appropriate books of accounts and records relating to services performed hereunder, and such books of account and records shall be accessible for inspection by representatives of CDS at any time during normal business hours. The Manager shall keep confidential any and all non-public information, written or oral, obtained by it in connection with the services rendered hereunder ("*Confidential Information*") and shall not use Confidential Information except in furtherance of its duties under this Agreement, nor disclose Confidential Information, in whole or in part, to any Person other than (i) to Manager's Affiliates and the officers, directors, employees, agents, representatives or advisors of the Manager or its Affiliates who need to know such Confidential Information for the purpose of rendering services hereunder, (ii) to appraisers, financing sources and other consultants in the ordinary course of business undertaken on behalf of a CDS Entity (clauses (i) and (ii) above, collectively, "*Manager Permitted Disclosure Parties*"), (iii) in connection with any governmental or regulatory filings of the Manager or its Affiliates, or filings with the NASDAQ or other applicable securities market, (iv) in presentations or other disclosures to CDS investors (subject to compliance with Regulation FD), (v) to governmental officials having jurisdiction over CDS Entities, (vi) as required by law or legal process to which the Manager or any Person to whom disclosure is permitted hereunder is a party, or (vii) with the written consent of CDS. The Manager will inform each of its Manager Permitted Disclosure Parties of the non-public nature of the Confidential Information and to obtain agreement from such Persons to treat such Confidential Information in accordance with the terms hereof.

(b) Nothing herein shall prevent any Manager Permitted Disclosure Party from disclosing Confidential Information (i) upon the order of any court or administrative agency having jurisdiction, (ii) upon the request or demand of, or pursuant to any law or regulation to, any regulatory agency or authority having jurisdiction, or (iii) to the extent reasonably required, to its legal counsel or independent auditors; provided, however, that with respect to clauses (i) and (ii) above, it is agreed that, so long as not legally prohibited, the Manager will provide CDS with prompt written notice of such order, request or demand so that CDS may seek, at its sole expense, an appropriate protective order and/or waive any Manager Permitted Disclosure Party's compliance with the provisions of this Agreement. If, failing the entry of a protective order or the receipt of a waiver hereunder, the Manager is required to disclose Confidential Information, the Manager Permitted Disclosure Party may disclose only that portion of such information that is legally required without liability hereunder; provided further, however, that the Manager Permitted Disclosure Party agrees to exercise commercially reasonable efforts to obtain reliable assurance that confidential treatment will be accorded such information.

(c) Notwithstanding anything herein to the contrary, the following types of Confidential Information shall be deemed to be excluded from provisions hereof: (i) any Confidential Information that is available to the public from a source other than the Manager or its Affiliates; (ii) any Confidential Information that is released in writing by any of the CDS Entities to the public (except to the extent exempt under, and in compliance with, Regulation FD) or to persons who are not under similar obligation of confidentiality to any of the CDS Entities; and (iii) any Confidential Information that is obtained by the Manager from a third party which, to the Manager's knowledge, does not constitute a breach by such third party of an obligation of confidence with respect to the Confidential Information disclosed.

(d) The provisions of this Section 6 shall survive the expiration or earlier termination of this Agreement for a period of two years thereafter, provided that the Manager will maintain trade secrets of CDS identified in writing as trade secrets, and which in fact constitute trade secrets, for a period of five years, unless a court of competent jurisdiction determines in a final non-appealable ruling that a lesser period should apply.

Section 7 Compensation.

(a) Deposit. Manager acknowledges prior receipt of a total cash deposit in the sum of Two Million Five Hundred Thousand Dollars (\$2,500,000) (the "*Deposit*") as an advance against the fees charged for services provided pursuant to this Agreement. The Deposit shall be applied against the Cost Plus Fee due on a pro rata basis over four quarters commencing with the last quarter of 2018 if not returned at an earlier date by Manager.

(b) Cost Plus Fee Structure.

(i) During the initial Term of this Agreement, the Manager shall be entitled to receive, per annum and prorated for partial years, an asset management fee in an aggregate amount equal to the greater of; the sum of (A) its Base Costs, *plus* (B) the Public Company Costs, to the extent the same are not allocated to other subsidiaries or operating divisions of CHCI, *plus* (C), the Annual Fee (such aggregate amount, the “*Cost Plus Fee*”) or the Market Rate Fee described in Section 7(c) below. Commencing with the Effective Date, CDS shall remit to the Manager the Cost Plus Fee, which shall be payable in quarterly installments, in advance. A true-up of Base Costs shall be conducted on an annual basis to adjust for and reconcile variances between the Annual Business Plan and Budget and actual employment expenses, amounts paid directly by CDS and to adjust for actual Public Company Costs.

(ii) The Manager shall provide CDS with its annual Staffing Plan no later than thirty (30) days prior to the end of each calendar year to establish the Base Costs for the subsequent calendar year.

(c) Market Rate Fee Structure.

During the term of this Agreement and no later than sixty (60) days after the end of each calendar year, the Manager shall provide to CDS line item calculations for the prior year of each of (A) the Asset Management Fee, (B) the Entitlement, Development and Construction Management Fee, (C) the Property Management Fee, (D) the Acquisition Fee, and (E) the Disposition Fee (the aggregate of all such amounts; the “*Market Rate Fee*”); prorated for partial years in the event of a termination of this Agreement. If the Market Rate Fee calculation exceeds the amount of the Cost Plus Fee for any calendar year, CDS shall remit to Manager no later than sixty (60) days after the receipt of Manager’s calculation submittal the difference between the amount of the Market Rate Fee and the Cost Plus Fee, including any previously unremitted quarterly installments of the Cost Plus Fee.

(d) Modifications to Fee Structure. The Manager and CDS acknowledge and agree that market rate fee structures may vary from time to time based on a variety of factors, including the types of assets under management, the valuation of assets under management, the institutional investors or venture partners associated with such assets, the incentive or carried interest fees associated with certain assets and the number of assets under management. The Manager and CDS acknowledge that the desire for modifications to the Agreement will likely arise prior to the expiration of the Term and, in such a circumstance, the parties agree to negotiate in good faith for mutually agreeable modifications to the Cost Plus Fee or Market Rate Fee structure.

(e) Supplemental Fees. In addition to the fees earned in accordance with Section 7(b) and (c) hereof, the Manager shall be entitled to receive on an annual basis the Incentive Fee; payable in accordance with the timeframes set forth in Section 7(c) above; and any Investment Origination Fees, Leasing Fees and Loan Origination Fees as earned on a transaction by transaction basis.

(f) Deferral of Fees. Notwithstanding the provisions of Sections 7(c)(A)-(E) with respect to the Market Rate Fees (the "*Deferrable Fees*"), the Manager, on behalf of itself and its Affiliates, and its and their respective successors and assigns, hereby agrees that it may defer all or a portion of the Deferrable Fees with respect to all or any portion of the Real Estate Assets, as determined by the Manager (any fees so deferred, "*Deferred Fees*") but only with the mutual written agreement and consent of CDS. Upon a Capital Event Transaction with respect to any Real Estate Asset or upon Termination without Cause, all such Deferred Fees shall immediately become due and payable.

Section 8 Expenses and Allocations of the Manager and CDS.

(a) The Manager shall be responsible for payment of all expenses related to personnel of the Manager and its Affiliates who provide services to CDS Entities pursuant to this Agreement, including salaries, bonus and other wages, payroll taxes, the cost of employee benefit plans of such personnel, and costs of insurance with respect to such personnel. For the avoidance of doubt, the costs of CHCI's equity incentive plans in which any person referred to above participates shall be payable by Manager under this Section 8(a). Notwithstanding the foregoing, the parties hereto acknowledge and agree that on an annual basis, fifty percent (50%) of the Incentive Fee calculation set forth herein may be paid or allocated by the Manager, or its Affiliate, to eligible participants of its executive management team in accordance with its long-term equity incentive compensation programs. In the event of non-renewal or a future termination of this Agreement for any reason; at the election of CDS, eligible participants of the Manager, or its Affiliates, shall either (i) receive a final reconciliation and payment of the Incentive Fee as if a Capital Event Transaction sale of each CDS Entity holding a Real Estate Asset had occurred as of the date of termination, or (ii) receive the continued payment of the Incentive Fee calculated in accordance with and as if the Agreement were still in effect from the Effective Date hereof. The parties will consult with their compensation and tax consultants to provide for and document the most efficient structure to recognize the Incentive Fee allocation for the Manager, or its Affiliates, long term equity incentive program and any amendments to this Agreement to reflect the same shall not be considered a material amendment to this Agreement.

(b) CDS shall pay (or cause to be paid) all the costs and expenses of each CDS Entity and shall reimburse the Manager or its Affiliates for expenses of the Manager and its Affiliates reasonably incurred on behalf of any CDS Entity in accordance with this Agreement, excepting only those expenses that are specifically the responsibility of the Manager pursuant to Section 8(a). Without limiting the generality of the foregoing, the following costs and expenses of the CDS Entities shall be paid (or caused to be paid) by CDS and shall not be paid by the Manager or Affiliates of the Manager:

- (i) Acquisition and Development Expenses incurred in connection with Investments and the Real Estate Assets;
- (ii) Reserved.
- (iii) expenses in connection with any Financing Transaction and other costs incident to the acquisition, disposition and financing of the Investments;
- (iv) costs of legal, tax, accounting, consulting, auditing, business or construction management and other similar services rendered to CDS by providers retained by the Manager, or, if provided by the Manager's Affiliates or personnel, in amounts (or rates, as applicable) approved in advance by CDS which shall be reasonably comparable in costs to outside third party professionals or consultants engaged to perform such services pursuant to agreements negotiated on an arm's-length basis;
- (v) Reserved.
- (vi) expenses connected with communications to owners or investors of any CDS Entity and other bookkeeping and clerical work necessary in maintaining relations with such owners or investors and in complying with the continuous reporting and other requirements of governmental bodies or agencies;
- (vii) costs associated with any computer software or hardware, electronic equipment or purchased information technology services from third-party vendors that is used for the CDS Entities;
- (viii) travel and other out-of-pocket expenses incurred by managers, officers, personnel and agents of the Manager in connection with the purchase, financing, refinancing, operation, sale or other disposition of an Investment or in connection with any Financing Transaction, except as may otherwise be agreed to by the Manager and CDS, or their Affiliates, in separate written agreements;

(ix) costs and expenses incurred with respect to market information systems and publications, research publications and materials obtained for CDS Entities;

(x) the costs of maintaining compliance by CDS Entities with all federal, state and local rules and regulations or any other regulatory agency;

(xi) all taxes, and license fees due from CDS Entities;

(xii) all insurance costs incurred in connection with the operation of CDS Entities' business except for the costs attributable to the professional errors and omissions liability insurance that the Manager elects to carry for itself and its personnel;

(xiii) costs and expenses incurred in contracting with third-parties related to Investments and the Real Estate Assets;

(xiv) all other costs and expenses relating to CDS Entities' business and investment operations, including the costs and expenses of owning, protecting, maintaining, developing and disposing of Investments, including appraisal, reporting, audit and legal fees;

(xv) expenses relating to any offices or facilities, including equipment leases, disaster backup recovery sites and facilities, maintained for CDS Entities or Investments;

(xvi) any judgment, award or amount paid in settlement of pending or threatened proceedings (whether civil, criminal or otherwise) against any CDS Entity, or against any trustee, director, partner, member or officer of such CDS Entity in his capacity as such for which such CDS Entity is required to indemnify such trustee, director, partner, member or officer pursuant to the applicable Governing Instruments or any agreement or other instrument, or by any court or governmental agency; and

(xvii) all other expenses actually incurred by the Manager for or on behalf of a CDS Entity (except as otherwise specified herein) which are reasonably necessary or advisable for the performance by the Manager of its duties and functions under this Agreement.

(c) Costs and expenses incurred by the Manager on behalf of CDS shall be reimbursed monthly to the Manager or as may be otherwise agreed to by the parties from time to time. The Manager shall prepare and deliver to CDS a written statement in reasonable detail documenting the costs and expenses incurred by the Manager on behalf of CDS during each month, together with such supporting documentation reasonably requested by CDS, within 30 days after the end of each month. CDS shall pay all amounts payable to the Manager pursuant to this Section 8(c) within thirty (30) days after the receipt of the written statement without demand, deduction, offset or delay. Cost and expense reimbursement to the Manager shall be subject to

adjustment at the end of each calendar year and in connection with the findings of any audit or review that CDS may require. The provisions of this Section 8 shall survive the expiration or earlier termination of this Agreement to the extent such expenses have previously been incurred or are incurred in connection with such expiration or termination.

Section 9 Limits of the Manager's Responsibility; Indemnification.

(a) The Manager, its Affiliates and their respective directors, officers, employees, partners, members, stockholders, other equity holders agents and representatives (each, a "*Manager Indemnified Party*"), will not be liable to any CDS Entity or any of the stockholders, partners, members or other holders of equity interests of any CDS Entity for any acts or omissions by any Manager Indemnified Party performed in accordance with and pursuant to this Agreement, except by reason of any act or omission constituting bad faith, willful misconduct or gross negligence on the part of such Manager Indemnified Party. CDS shall, to the fullest lawful extent, reimburse, indemnify and hold harmless each Manager Indemnified Party, of and from any and all expenses, losses, damages, liabilities, demands, charges and claims of any nature whatsoever (including reasonable attorneys' fees and costs of investigation) (collectively "*Losses*") in respect of or arising from any acts or omissions of such Manager Indemnified Party performed in good faith under this Agreement and not constituting bad faith, willful misconduct or gross negligence on the part of such Manager Indemnified Party. In addition, CDS shall advance funds to a Manager Indemnified Party for legal fees and other costs and expenses incurred as a result of any claim, suit, action or proceeding for which indemnification is being sought, provided that such Manager Indemnified Party undertakes to repay the advanced funds to CDS, together with the applicable legal rate of interest thereon, in cases in which such Manager Indemnified Party is found pursuant to a final and non-appealable order or judgment not to be entitled to indemnification.

(b) The Manager shall, to the fullest lawful extent, reimburse, indemnify and hold harmless each CDS Entity, and their respective directors, officers, employees, partners, members, stockholders, other equity holders agents and representatives (each, a "*CDS Indemnified Party*") of and from any and all Losses in respect of or arising from (i) any acts or omissions constituting bad faith, willful misconduct or gross negligence on the part of a Manager Indemnified Party, or (ii) any claims by the Manager's employees relating to the terms and conditions of their employment by the Manager. Except as otherwise expressly provided herein, the Manager assumes no responsibility under this Agreement other than to render in good faith the services to be provided by the Manager hereunder. A Manager Indemnified Party and a CDS Indemnified Party are each sometimes hereinafter referred to as an "*Indemnified Party*."

(c) In case any such claim, suit, action or proceeding (a “*Claim*”) is brought against any Indemnified Party in respect of which indemnification may be sought by such Indemnified Party pursuant hereto, the Indemnified Party shall give prompt written notice thereof to the indemnifying party, which notice shall include all documents and information in the possession of or under the control of such Indemnified Party reasonably necessary for the evaluation and/or defense of such Claim and shall specifically state that indemnification for such Claim is being sought under this Section 9; provided, however, that the failure of the Indemnified Party to so notify the indemnifying party shall not limit or affect such Indemnified Party’s rights except to the extent that the indemnifying party is actually prejudiced thereby. Upon receipt of such notice of Claim (together with such documents and information from such Indemnified Party), the indemnifying party shall, at its sole cost and expense, in good faith defend any such Claim with counsel reasonably satisfactory to such Indemnified Party, which counsel may, without limiting the rights of such Indemnified Party pursuant to the next succeeding sentence of this Section, also represent the indemnifying party in such investigation, action or proceeding. In the alternative, such Indemnified Party may elect to conduct the defense of the Claim, if (i) such Indemnified Party reasonably determines that the conduct of its defense by the indemnifying party could be materially prejudicial to its interests, (ii) the indemnifying party refuses to assume such defense (or fails to give written notice to the Indemnified Party within ten days of receipt of a notice of Claim that the indemnifying party assumes such defense), or (iii) the indemnifying party shall have failed, in such Indemnified Party’s reasonable judgment, to defend the Claim in good faith. The indemnifying party may settle any Claim against such Indemnified Party without such Indemnified Party’s consent, provided (A) such settlement is without any Losses whatsoever to such Indemnified Party, (B) the settlement does not include or require any admission of liability or culpability by such Indemnified Party, (C) the indemnifying party obtains an effective written release of liability for such Indemnified Party from the party to the Claim with whom such settlement is being made, which release must be reasonably acceptable to such Indemnified Party, and a dismissal with prejudice with respect to all claims made by the party against such Indemnified Party in connection with such Claim, and (D) such settlement does not provide for any equitable relief. The applicable Indemnified Party shall reasonably cooperate with the indemnifying party, at the indemnifying party’s sole cost and expense, in connection with the defense or settlement of any Claim in accordance with the terms hereof. If such Indemnified Party is entitled pursuant to this Section 9 to elect to defend such Claim by counsel of its own choosing and so elects, then the indemnifying party shall be responsible for any good faith settlement of such Claim entered into by such Indemnified Party. Except as provided in the immediately preceding sentence, no Indemnified Party may pay or settle any Claim and seek reimbursement therefor under this Section 9.

(d) The provisions of this Section 9 shall survive the expiration or earlier termination of this Agreement.

Section 10 No Joint Venture.

The parties to this Agreement are not partners or joint venturers with each other and nothing herein shall be construed to make them partners or joint venturers or impose any liability as such on either of them.

Section 11 Assignments.

(a) Assignments by the Manager. This Agreement shall be terminable upon written notice without payment of the Fees Accrued Upon Termination in the event of its assignment, in whole or in part, by the Manager, unless such assignment has been consented to in writing by CDS. Any such permitted assignment shall bind the assignee under this Agreement in the same manner as the Manager is bound, and the Manager shall be liable to CDS for all acts or omissions of the assignee under any such assignment to the same extent had such delegation not occurred. In addition, the assignee shall execute and deliver to CDS a counterpart of this Agreement naming such assignee as the Manager. Notwithstanding the foregoing, the Manager may, upon written notice but without the approval of CDS, (A) assign this Agreement to an Affiliate of the Manager, and (B) delegate to one or more of its Affiliates the performance of any of its responsibilities hereunder so long as it remains liable for any such Affiliate's performance to the same extent as had such delegation not occurred, in each case so long as assignment or delegation does not require CDS approval under the Investment Company Act (but if such approval is required, CDS shall not unreasonably withhold, condition or delay its consent). Nothing contained in this Agreement shall preclude any pledge, hypothecation, assignment or other transfer of any amounts payable to the Manager under this Agreement.

(b) Assignments by CDS. This Agreement shall not be assigned by CDS without the prior written consent of the Manager (which shall not be unreasonably withheld conditioned or delayed), except in the case of assignment by CDS to an Affiliate or other organization which is a successor (by merger, consolidation, purchase of assets, or other transaction) to CDS, in which case such successor organization shall be bound under this Agreement and by the terms of such assignment in the same manner as CDS is bound under this Agreement.

Section 12 Term; Renewal; Termination without Cause.

(a) This Agreement shall become effective as of the Effective Date and shall continue in operation, unless terminated in accordance with the terms of this Agreement, until 11:59 p.m. (Washington DC time) on December 31, 2027 (the "Term"); and shall automatically be deemed renewed for additional one-year periods thereafter unless notice of non-renewal is provided as required herein.

(b) Notwithstanding any other provision of this Agreement to the contrary, CDS may, twenty four months after the Effective Date of this Agreement, terminate this Agreement for convenience effective upon written notice to the Manager (the “*Termination without Cause Notice*”) which termination shall be effective at 11:59 p.m. (Washington D.C. time) on the day that is 180 days after the date of written notice (any such termination, a “*Termination without Cause*”). In the event of a Termination without Cause, CDS shall pay the Manager the Fees Payable Upon Termination or Non-Renewal on or before the Termination Date. Notwithstanding the foregoing, CDS may terminate this Agreement for cause pursuant to Section 13(a) even after a delivery of a Termination without Cause Notice and, in such case, the only fees due to the Manager under this Agreement shall be those set forth in Section 13(a) of this Agreement.

(c) Reserved.

(d) Subject to Section 13(b), the Manager may unilaterally terminate this Agreement upon no less than 180 days’ prior written notice to CDS informing CDS of the Manager’s intention to discontinue performance of services pursuant to this Agreement, in which event, CDS shall pay any accrued fees then due and payable under Section 7 of the Agreement or expenses then due under Section 8 of the Agreement through the Termination Date.

(e) Except as set forth in this Section 12, a termination of this Agreement pursuant to this Section 12 shall be without any further liability or obligation of any party to the others under this Agreement, except those provisions which expressly survive, as provided in Sections 6, 8, 9, 15 and 16.

(f) CDS may give its written notice of non-renewal of the Agreement no less than 180 days prior to the expiration of the Term or any annual extension thereof, whereupon this Agreement shall not thereafter be renewed and extended and this Agreement shall terminate effective as of the date last day of the Term or annual extension and in which event, CDS shall pay the Manager the Fees Payable Upon Termination or Non-Renewal.

(g) The Manager shall cooperate reasonably with CDS in executing an orderly transition of the management of the day-to-day operations of the CDS Entities and Real Estate Assets to a new manager.

Section 13 Termination for Cause; Termination by Manager.

(a) Except for a Bankruptcy Event of the Manager or an Affiliate for which termination shall be deemed automatic as of the date of filing at the option of CDS, CDS may terminate this Agreement for cause (“*Termination for Cause*”) effective upon 30 days’ prior written notice to the Manager (a “*Termination for Cause Notice*”) upon the occurrence of:

(i) a reasonably articulated written determination by CDS that there has occurred a breach by the Manager, its agents or its assignees of any material provision of this Agreement that had a material adverse effect on the business, operations or financial condition of any CDS Entity or any Real Estate Asset, and such breach continued for a period of 60 days after written notice thereof specifying such breach and requesting that the same be remedied in such 60-day period (or 90 days after written notice of such breach if the Manager took steps to cure such breach within 60 days of the written notice);

(ii) the dissolution of the Manager;

(iii) a Change of Control with respect to the Manager or CHCI; or

(iv) (A) a reasonably articulated written determination by CDS that the Manager or an Affiliate has committed fraud, the Manager or an Affiliate has misappropriated funds or the Manager has otherwise acted, or failed to act, in a manner constituting bad faith, willful misconduct, gross negligence or reckless disregard in the performance of its duties under this Agreement, and (B) which act of fraud, misappropriation or other act or failure to act described in clause (A) of this Section 13(a)(iv) has had a material adverse effect on the business, operations or financial condition of any CDS Entity or any Real Estate Asset.

In the event of a Termination for Cause, CDS shall pay any accrued fees then due and payable under Section 7 of the Agreement or fees, expenses or allocations then due under Section 8 of the Agreement through the Termination Date.

(b) The Manager may terminate this Agreement (or this Agreement shall terminate automatically, as applicable) if (i) CDS shall have assigned this Agreement without consent of the Manager other than as permitted by Section 11(b), (ii) the CDS Entities sell all of the Real Estate Assets to unrelated third-parties, or (iii) there is a reasonably articulated written determination by the Manager that CDS has defaulted in the performance or observance of any material term, condition or covenant contained in this Agreement and such default continued for a period of 60 days after written notice thereof to CDS from the Manager specifying such default and requesting that the same be remedied in such 60-day period (or 90 days after written notice of such breach if CDS took steps to cure such breach within 60 days of the written notice). Such termination will be effective (A) automatically at 11:59 p.m. (Washington D.C. Time) on the 30th day following the closing or occurrence of a transaction of the type referred to in clause (i) or (ii), above in this Section 13(b), or (B) upon 30 days' prior written notice of termination to CDS from the Manager if the termination is made pursuant to clause (iii) above in this Section 13(b).

Prior to the closing or occurrence of any transaction of the type referred to in clause (i) or (ii) above in this Section 13(b), CDS shall give the Manager 30 days' prior notice and shall provide adequate assurance to the Manager for the payment of the Fees Accrued Upon Termination (assuming a Termination Date at the end of the 30th day after the closing or occurrence thereof) concurrently with the closing or occurrence of any such transaction. In such event, payment of the Fees Accrued Upon Termination shall be made by CDS to the Manager at, and concurrently with, the closing or occurrence of a transaction of the type referred to in clause (i) or (ii) above in this Section 13(b). In the case of clause (iii) above in this Section 13(b), CDS shall be required to pay to the Manager the Fees Accrued Upon Termination upon the Termination Date.

Section 14 Action Upon Termination.

(a) From and after the Termination Date, the Manager shall not be entitled to compensation for further services hereunder. Upon any termination, the Manager shall forthwith:

- (i) after deducting any accrued compensation and reimbursement for its expenses to which it is then entitled, pay over to each CDS Entity all money collected and held for the account of such CDS Entity pursuant to this Agreement;
- (ii) deliver to CDS a full accounting, including a statement showing all payments collected by it and a statement of all money held by it, covering the period following the date of the last accounting furnished to CDS with respect to the CDS Entities;
- (iii) deliver to CDS all property and documents of the CDS Entities then in the custody of the Manager; and
- (iv) cooperate with the CDS Entities to provide an orderly management transition.

(b) Notwithstanding anything in this Agreement to the contrary:

(i) On the Termination Date, the Manager shall repay or cause to be repaid to CDS, or its Affiliates, the then-outstanding principal balance and any accrued and unpaid interest or dividend thereon of any note, line of credit facility or preferred security made or issued by CHCI or its Affiliates and held by CDS or its Affiliates.

(ii) On the Termination Date, the Manager shall transfer to CDS or its designee, and CDS or such designee shall assume, all rights, obligations and liabilities of the Manager under any outstanding leases for office space or furniture, fixtures and equipment of which the Manager or an Affiliate may then be a party, whether as lessee, sublessor, obligor or

guarantor, and that relate solely to the business of any CDS Entity (the “Leases”). From and after the time of such assumption, the Manager shall have no rights or privileges with respect to the Leases and shall immediately transfer possession of such office space and furniture, fixtures and equipment to CDS, with both the Manager and CDS specifically acknowledging and agreeing that there needs to be an orderly transfer of computer and similar electronic equipment that may then be leased in order not to damage or corrupt any electronic data of Manager or any CDS Entity; provided, that CDS shall indemnify and hold harmless the Manager to the fullest extent permitted by law for claims arising under or with respect to any Leases so transferred or attempted to be transferred to CDS under this Section 14(b)(ii).

(iii) On the Termination Date, the Manager shall execute such documents as reasonably requested by CDS, verifying ownership of all Name Rights and assigning any license or use rights of Manager or its Affiliates to CDS or its designee; and

(iv) Following delivery of a Termination Notice for any reason (x) CDS may contact the employees of Manager and its Affiliates who have provided services for the benefit of CDS for the purpose of seeking to hire such employees commencing immediately following the Termination Date, (y) the Manager will make such employees available to CDS for purposes of clause (x) of this paragraph during normal business hours so long as such access does not disrupt the ongoing business activities of the Manager, and (z) to the extent permitted by law, the Manager will provide CDS with the compensation and employment personnel records of such employees. Toward this end, CDS and the Manager acknowledge and agree that there is significant value to CDS to be allowed to contact such employees of CDS and its affiliates prior to the Termination Date in order to, *inter alia*, promote an orderly transition of management, know-how, systems and expertise related to CDS assets, business and operations. In no event, however, shall CDS interfere with the Manager’s obligations and responsibilities to perform its duties under this Agreement through the Termination Date.

Section 15. Release of Monies or Custodial Property.

The Manager agrees that any money or other property of the CDS Entities (which, for the purposes of this Section 15, shall be deemed to include any and all of their respective Affiliates and subsidiaries, if any) held by the Manager shall be held by the Manager as custodian, and the Manager’s records shall be appropriately and clearly marked to reflect the ownership of such money or other property by the CDS Entity. Upon the receipt by the Manager of a written request signed by a duly authorized officer of CDS requesting the Manager to release to CDS any money or other property then held by the Manager for the account of a CDS Entity under this Agreement, the Manager shall release such money or other property or within a reasonable period of time, but in no event later than 10 days following such request. Upon delivery of such money or other property to CDS, the Manager shall not be liable to the CDS Entity, or any of its

members or owners for any acts or omissions by CDS in connection with the money or other property released to CDS in accordance with this Section 16. CDS shall indemnify the Manager Indemnified Parties against any and all Losses which arise in connection with the Manager's proper release of such money or other property to CDS in accordance with the terms of this Section 15. Indemnification pursuant to this provision shall be in addition to any right of the Manager Indemnified Parties to indemnification under Section 9.

Section 16 Miscellaneous.

(a) Notices. All notices, requests, communications and demands (each a "Notice") to, with or upon any of the respective parties shall be in writing and sent by (i) personal delivery, (ii) reputable overnight courier, (iii) electronic transmission (provided that such Notice also is sent contemporaneously by another method provided for in this Section 16(a)), or (iv) registered or certified mail, postage prepaid, return receipt requested, addressed as set forth below (or to such other address as may be hereafter notified by the respective parties hereto in accordance with this Section 16(a)):

Manager:	CDS Asset Management, LC 1886 Metro Center Drive, 4th Floor Reston, Virginia 20190 Attn: Chief Financial Officer
with a copy to:	c/o Comstock Holding Companies, Inc. 1886 Metro Center Drive, 4th Floor Reston, Virginia 20190 Attn: General Counsel
CDS:	Comstock Development Services, LC 1886 Metro Center Drive, 4th Floor Reston, Virginia 20190 Attn: Christopher Clemente
with a copy to:	Comstock Development Services, LC 10029 Windy Hollow Road Great Falls, Virginia 22066 Attn: Christopher Clemente

Any Notice sent as aforesaid shall be deemed given and effective upon actual receipt (or refusal of receipt).

(b) Binding Nature of Agreement; Successors and Assigns; No Third Party Beneficiaries. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors and permitted assigns. Except as provided in this Agreement with respect to indemnification of Indemnified Parties hereunder and the rights of the Persons referenced in Section 8(a), nothing in this Agreement shall confer any rights upon any Person other than the parties hereto and their respective heirs, legal representatives, successors and permitted assigns.

(c) Integration. This Agreement contains the entire agreement and understanding among the parties hereto with respect to the subject matter hereof, and supersedes all prior agreements, understandings, inducements and conditions, express or implied, oral or written, of any nature whatsoever with respect to the subject matter hereof. The express terms hereof control and supersede any course of performance or usage of the trade inconsistent with any of the terms hereof.

(d) Amendments. This Agreement, nor any terms hereof, may not be amended or supplemented except in an instrument in writing executed by the parties hereto unless permitted pursuant to the express terms of this Agreement.

(e) FORUM. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE COMMONWEALTH OF VIRGINIA, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW. EACH OF THE PARTIES HERETO IRREVOCABLY SUBMITS TO BINDING ARBITRATION AND SUCH PROCEEDINGS SHALL BE CONDUCTED BY THE MCCAMMON GROUP, LTD., OR SUCH SIMILAR BODY AS MAY BE AGREED TO BY THE PARTIES, ACCORDING TO ITS STANDARD ARBITRATION RULES GOVERNING AT THE TIME ONE OF THE PARTIES INITIATES A CLAIM.

(f) No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of a party hereto, any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

(g) Costs and Expenses. Each party hereto shall bear its own costs and expenses (including the fees and disbursements of counsel and accountants) incurred in connection with the negotiations and preparation of this Agreement, and all matters incident thereto. If any party hereto initiates any legal action arising out of or in connection with this Agreement, the prevailing party shall be entitled to recover from the other party all reasonable attorneys' fees, expert witness fees and expenses incurred by the prevailing party in connection therewith.

(h) Further Assurances; Conflicts of Interest. Each party acknowledges the inherent nature of real and potential conflicts of interest in the negotiation and administration of agreements for related party transactions. The parties hereto shall provide such further assurances to the other as may be required from time to time to satisfy the legal requirements imposed on the Manager or its Affiliates by applicable law and their internal policies, as the same may be adopted or amended from time to time.

(i) Section Headings; Plurals. The Section and subsection headings in this Agreement are for convenience in reference only and shall not be deemed to alter or affect the interpretation of any provisions hereof. All references to the singular shall include the plural, and all references to the plural shall include the singular.

(j) Counterparts. This Agreement may be executed (including by electronic transmission) with counterpart signature pages or in any number of separate counterparts, and all of which taken together shall be deemed to constitute one and the same instrument.

(k) Severability; Survival. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. The representations, warranties, covenants, agreements and indemnifications made pursuant to this Agreement shall survive its termination or non-renewal.

IN WITNESS WHEREOF, each of the parties hereto has executed this Agreement as of the date first written above.

CDS ASSET MANAGEMENT, LC
A Virginia limited liability company

By: COMSTOCK HOLDING COMPANIES, INC.
A Delaware Corporation, its Manager

By: _____
Name: Christopher Guthrie
Title: Chief Financial Officer

COMSTOCK DEVELOPMENT SERVICES, LC
A Virginia limited liability company

By: _____
Name: Christopher Clemente
Title: Manager

CHCI joins in this Agreement for the purpose of acknowledging its obligation, under Section 14(b)(i), upon the Termination Date, to repay or cause to be repaid to CDS, or its Affiliates, the then-outstanding principal balance and any accrued and unpaid interest or dividend thereon of any note, line of credit facility or preferred security made or issued by CHCI or its Affiliates and held by CDS or to its Affiliates.

COMSTOCK HOLDING COMPANIES, INC.
A Delaware Corporation, its Manager

By: _____
Name: Christopher Guthrie
Title: Chief Financial Officer

**TIME – BASED
RESTRICTED STOCK UNIT AWARD CERTIFICATE**

Non-transferable

GRANT TO

("Grantee")

by Comstock Holding Companies, Inc. (the "Company") of

_____ restricted stock units convertible, on a one-for-one basis, into shares of Stock (the "Units").

The Units are granted pursuant to and subject to the provisions of the Comstock Holding Companies, Inc. 2019 Incentive Plan (the "Plan") and to the terms and conditions set forth on the following pages (the "Terms and Conditions"). By accepting the Units and signing below, Grantee shall be deemed to have agreed to the Terms and Conditions set forth in this Award Certificate and the Plan. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Plan.

The Units shall vest (become non-forfeitable) in accordance with the following schedule, provided that Grantee remains in Continuous Service as a Participant on each vesting date:

<u>Vesting Date</u>	<u>Percentage of Units Vested</u>
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IN WITNESS WHEREOF, Comstock Holding Companies, Inc., acting by and through its duly authorized officers, has caused this Award Certificate to be duly executed.

COMSTOCK HOLDING COMPANIES, INC.

GRANTEE

By: [NAME]
Its:

Grant Date:

TERMS AND CONDITIONS

1. Vesting. The Units have been credited to a bookkeeping account on behalf of Grantee. The Units shall vest and become non-forfeitable on the earliest to occur of the following (each, a "Vesting Date"):

(a) as to the percentages of the Units specified on the cover page hereof, on the respective Vesting Dates specified on the cover page hereof, subject to Grantee's Continuous Service on each vesting date;

(b) as to all of the Units, upon the occurrence of a Change in Control, if the Units are not assumed by the surviving entity or otherwise equitably converted or substituted in connection with the Change in Control in a manner approved by the Committee or the Board; or

(c) as to all of the Units, upon the occurrence of Grantee's termination of Continuous Service without Cause or Grantee's resignation for Good Reason, in each case within two (2) years following a Change in Control, if the Units are assumed by the surviving entity or otherwise equitably converted or substituted in connection with the Change in Control in a manner approved by the Committee or the Board.

If Grantee's Continuous Service terminates prior to a Vesting Date for any reason other than as described in (c) above, Grantee shall forfeit all right, title and interest in and to the then unvested Units as of the date of such termination and the unvested Units will be reconveyed to the Company without further consideration or any act or action by Grantee.

2. Conversion to Stock. The Units that vest upon a Vesting Date shall be converted to shares of Stock on the Vesting Date. The shares of Stock shall be registered in the name of Grantee as of the Vesting Date, and certificates for the shares of Stock (or, at the option of the Company, statements of book entry notation of the shares of Stock in the name of Grantee in lieu thereof) shall be delivered to Grantee or Grantee's designee upon request of Grantee as soon as practicable after the Vesting Date, but no later than sixty (60) days following the Vesting Date.

3. Dividend Equivalent Rights; Voting Rights.

(a) The Units are not entitled to any dividends or dividend equivalent rights.

(b) Grantee shall not have voting rights with respect to the Units. Upon conversion of the Units into shares of Stock, Grantee shall obtain full voting rights and other rights as a shareholder of the Company.

4. No Right of Continued Service. Nothing in this Award Certificate shall interfere with or limit in any way the right of the Company to terminate Grantee's service at any time, nor confer upon Grantee any right to continue to provide services to the Company.

5. Restrictions on Transfer and Pledge. No right or interest of Grantee in the Units may be pledged, encumbered, or hypothecated to or in favor of any party, or shall be subject to any lien, obligation, or liability of Grantee to any other party. The Units are not assignable or transferable by Grantee other than by shall or the laws of descent and distribution.

6. Restrictions on Issuance of Shares. If at any time the Committee shall determine, in its discretion, that registration, listing or qualification of the Shares underlying the Units upon any Exchange or under any foreign, federal, or local law or practice, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition to the settlement of the Units, the Units shall not be converted to Shares in whole or in part unless and until such registration, listing, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

7. Payment of Taxes. The Company has the authority and the right to deduct or withhold, or require Grantee to remit to the employer, an amount sufficient to satisfy federal, state, and local taxes (including Grantee's FICA obligation) required by law to be withheld with respect to any taxable event arising in connection with the Units. The withholding requirement shall be satisfied by withholding from the settlement of the Units Shares having a Fair Market Value on the date of withholding equal to the amount required to be withheld in accordance with applicable tax requirements.

8. Plan Controls. The terms contained in the Plan are incorporated into and made a part of this Award Certificate, and this Award Certificate shall be governed by and construed in accordance with the Plan. In the event of any actual or alleged conflict between the provisions of the Plan and the provisions of this Award Certificate, the provisions of the Plan shall be controlling and determinative.

9. Successors. This Award Certificate shall be binding upon any successor of the Company, in accordance with the terms of this Award Certificate and the Plan.

10. Severability. If any provision or portion of this Award Certificate shall be or become illegal, invalid or unenforceable in whole or in part for any reason, such provision shall be ineffective only to the extent of such illegality, invalidity or unenforceability without invalidating the remainder of such provision or the remaining provisions of this Award Certificate. Upon such determination that any term or other provision is illegal, invalid, or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Award Certificate so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that the agreements contemplated hereby are fulfilled to the extent possible.

11. Interpretation. The headings contained in this Award Certificate are for reference purposes only and shall not affect in any way the meaning or interpretation of this Award Certificate. The language in all parts of this Award Certificate shall in all cases be construed according to its fair meaning, and not strictly for or against any party hereto. In this Award Certificate, unless the context otherwise requires, the masculine, feminine and neuter genders and the singular and the plural include one another.

12. Notice. Notices hereunder must be in writing, delivered personally or sent by registered or certified U.S. mail, return receipt requested, postage prepaid. Notices to the Company must be addressed to Comstock Holding Companies, Inc. 1886 Metro Center Drive, 4th Floor, Reston, Virginia 20190; Attn: Corporate Secretary, or any other address designated by the Company in a written notice to Grantee. Notices to Grantee shall be directed to the address of Grantee then currently on file with the Company, or at any other address given by Grantee in a written notice to the Company.

13. Clawback. The Units shall be subject to any compensation recoupment policy of the Company that is applicable by its terms to Grantee and to awards of this type.

14. Applicable Law. The Company and Grantee agree that this Award Certificate shall be governed by and construed and interpreted in accordance with the laws of the State of Virginia without giving effect to its conflicts of law principles.

**PERFORMANCE-BASED
RESTRICTED STOCK UNIT AWARD CERTIFICATE**

Non-transferable

GRANT TO

("Grantee")

by Comstock Holding Companies, Inc. (the "Company") of

restricted stock units convertible, on a one-for-one basis, into shares of Stock (the "Units").

The Units are granted pursuant to and subject to the provisions of the Comstock Holding Companies, Inc. 2019 Incentive Plan (the "Plan") and to the terms and conditions set forth on the following pages (the "Terms and Conditions"). By accepting the Units and signing below, Grantee shall be deemed to have agreed to the Terms and Conditions set forth in this Award Certificate and the Plan. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Plan.

The target number of Units subject to this award is _____ (the "Target Award").

IN WITNESS WHEREOF, Comstock Holding Companies, Inc., acting by and through its duly authorized officers, has caused this Award Certificate to be duly executed.

COMSTOCK HOLDING COMPANIES, INC.

GRANTEE

By:
Its:

[NAME]

Grant Date:

TERMS AND CONDITIONS

1. **Defined Terms.** Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Plan. In addition, and notwithstanding any contrary definition in the Plan, for purposes of this Award Certificate:

(a) **“CIC Qualifying Termination”** means Grantee’s termination of Continuous Service without Cause or Grantee’s resignation for Good Reason, in each case within two (2) years following a Change in Control.

(b) **“Determination Date”** means the date of the Committee’s determination of the Performance Factor and approval of the Earned Award, which shall be any date between January 1 and March 15 of the year immediately following the year in which the Performance Period concludes.

(c) **“Earned Award”** means the number of Units equal to the Target Award multiplied by the Performance Factor (rounded down to the nearest whole share), as determined by the Committee.

(d) **“Performance Factor”** means the percentage, from 0% to 200%, that shall be applied to the Target Award to determine the number of Units earned, as more fully described in Exhibit A hereto.

(e) **“Performance Objective”** shall be defined on Exhibit A.

(f) **“Performance Period”** shall be defined on Exhibit A.

(g) **“Non-CIC Qualifying Termination”** means Grantee’s termination of Continuous Service by reason of Grantee’s death or Disability.

(h) **“Target Award”** means the number of Units granted pursuant to this Award Certificate, as indicated on the cover page hereof.

2. **Vesting.** The Units have been credited to a bookkeeping account on behalf of Grantee. The Units shall be earned in whole, in part, or not at all, on the Determination Date, as provided on Exhibit A attached hereto. Any Units that fail to vest in accordance with the terms of this Award Certificate shall be forfeited and reconveyed to the Company without further consideration or any act or action by Grantee.

3. **Conversion to Stock.** The Earned Award shall be converted to shares of Stock on the Determination Date, provided that, except as otherwise provided herein, Grantee remains in Continuous Service through the last day of the Performance Period. The shares of Stock shall be registered in the name of

Grantee as of the Determination Date, and certificates for the shares of Stock (or, at the option of the Company, statements of book entry notation of the shares of Stock in the name of Grantee in lieu thereof) shall be delivered to Grantee or Grantee’s designee upon request of Grantee as soon as practicable after the Determination Date, but no later than sixty (60) days following the Determination Date.

4. **Termination of Employment.**

(a) If Grantee’s Continuous Service terminates for any reason prior to the last day of the Performance Period other than as provided herein, then Grantee shall forfeit Grantee’s outstanding Units as of the date of such termination without further consideration or any act or action by Grantee.

(b) If Grantee’s Continuous Service is terminated for Cause at any time prior to the Determination Date, then Grantee shall forfeit Grantee’s outstanding Units without further consideration or any act or action by Grantee.

(c) If Grantee has a Non-CIC Qualifying Termination prior to the last day of the Performance Period, then a pro rata portion of the Units may be earned in whole, in part, or not at all, on the Determination Date, as provided on Exhibit A attached hereto (with such pro rata portion determined by multiplying the Earned Award by a fraction, the numerator of which shall be the number of months elapsed in the Performance Period prior to Grantee’s Non-CIC Qualifying Termination, and the denominator shall be 36).

5. **Change in Control.**

(a) If there is a Change in Control prior to the last day of the Performance Period, and the Units are not assumed by the surviving entity or otherwise equitably converted or substituted in connection with the Change in Control in a manner approved by the Committee or the Board, then (i) if the Change in Control occurs during the first half of the Performance Period, a pro rata portion of the Target Award shall vest and convert to shares of Stock (with such pro rata portion determined by multiplying the Target Award by a fraction, the numerator of which shall be the number of months elapsed in the Performance Period prior to the Change in Control, and the denominator shall be 36); and (ii) if the Change in Control occurs during the second half of the Performance Period, a pro rata portion of the Units shall vest and convert to shares of Stock based upon the actual level of achievement of the Performance Objectives against pro rata performance levels measured as of the date of the Change in Control (with such pro rata portion determined by multiplying the earned Units by a fraction, the numerator of which shall be the number of months elapsed in the Performance Period prior to the Change in Control, and the denominator shall be 36).

(b) If there is a Change in Control prior to the last day of the Performance Period, and the Units are assumed by the surviving entity or otherwise equitably converted or substituted in connection with a Change in Control in a manner approved by the Committee or the Board, then, as of the date of a CIC Qualifying Termination, (i) if the CIC Qualifying Termination occurs during the first half of the Performance Period, a pro rata portion of the Target Award shall vest and convert to shares of Stock (with such pro rata portion determined by multiplying the Target Award by a fraction, the numerator of which shall be the number of months elapsed in the Performance Period prior to the CIC Qualifying Termination, and the denominator shall be 36); and (ii) if the CIC Qualifying Termination occurs during the second half of the Performance Period, a pro rata portion of the Units shall vest and convert to shares of Stock based upon the actual level of achievement of the Performance Objectives against pro rata performance levels measured as of the end of the calendar quarter immediately preceding the date of termination (with such pro rata portion determined by multiplying the earned Units by a fraction, the numerator of which shall be the number of months elapsed in the Performance Period prior to the CIC Qualifying Termination, and the denominator shall be 36).

6. Dividend Equivalent Rights; Voting Rights.

(a) The Units are not entitled to any dividends or dividend equivalent rights.

(b) Grantee shall not have voting rights with respect to the Units. Upon conversion of the Units into shares of Stock, Grantee shall obtain full voting rights and other rights as a shareholder of the Company.

7. No Right of Continued Service. Nothing in this Award Certificate shall interfere with or limit in any way the right of the Company to terminate Grantee's service at any time, nor confer upon Grantee any right to continue to provide services to the Company.

8. Restrictions on Transfer and Pledge. No right or interest of Grantee in the Units may be pledged, encumbered, or hypothecated to or in favor of any party, or shall be subject to any lien, obligation, or liability of Grantee to any other party. The Units are not assignable or transferable by Grantee other than by shall or the laws of descent and distribution.

9. Restrictions on Issuance of Shares. If at any time the Committee shall determine, in its discretion, that registration, listing or qualification of the Shares underlying the Units upon any Exchange or under any foreign, federal,

or local law or practice, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition to the settlement of the Units, the Units shall not be converted to Shares in whole or in part unless and until such registration, listing, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

10. Payment of Taxes. The Company has the authority and the right to deduct or withhold, or require Grantee to remit to the employer, an amount sufficient to satisfy federal, state, and local taxes (including Grantee's FICA obligation) required by law to be withheld with respect to any taxable event arising in connection with the Units. The withholding requirement shall be satisfied by withholding from the settlement of the Units Shares having a Fair Market Value on the date of withholding equal to the amount required to be withheld in accordance with applicable tax requirements.

11. Plan Controls. The terms contained in the Plan are incorporated into and made a part of this Award Certificate, and this Award Certificate shall be governed by and construed in accordance with the Plan. In the event of any actual or alleged conflict between the provisions of the Plan and the provisions of this Award Certificate, the provisions of the Plan shall be controlling and determinative.

12. Successors. This Award Certificate shall be binding upon any successor of the Company, in accordance with the terms of this Award Certificate and the Plan.

13. Severability. If any provision or portion of this Award Certificate shall be or become illegal, invalid or unenforceable in whole or in part for any reason, such provision shall be ineffective only to the extent of such illegality, invalidity or unenforceability without invalidating the remainder of such provision or the remaining provisions of this Award Certificate. Upon such determination that any term or other provision is illegal, invalid, or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Award Certificate so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that the agreements contemplated hereby are fulfilled to the extent possible.

14. Interpretation. The headings contained in this Award Certificate are for reference purposes only and shall not affect in any way the meaning or interpretation of this Award Certificate. The language in all parts of this Award Certificate shall in all cases be construed according to its fair meaning, and not strictly for or against any party hereto. In this Award Certificate, unless the context otherwise requires, the masculine, feminine and neuter genders and the singular and the plural include one another.

15. Notice. Notices hereunder must be in writing, delivered personally or sent by registered or certified U.S. mail, return receipt requested, postage prepaid. Notices to the Company must be addressed to Comstock Holding Companies, Inc. 1886 Metro Center Drive, 4th Floor, Reston, Virginia 20190; Attn: Corporate Secretary, or any other address designated by the Company in a written notice to Grantee. Notices to Grantee shall be directed to the address of Grantee then currently on file with the Company, or at any other address given by Grantee in a written notice to the Company.

16. Clawback. The Units shall be subject to any compensation recoupment policy of the Company that is applicable by its terms to Grantee and to awards of this type.

17. Applicable Law. The Company and Grantee agree that this Award Certificate shall be governed by and construed and interpreted in accordance with the laws of the State of Virginia without giving effect to its conflicts of law principles.

Exhibit A

DEFINED TERMS

Performance Objectives:	[Insert Objective]
Cumulative CHCI EBITDA:	[INSERT DEFINITION]
Cumulative Managed Portfolio Revenue:	[INSERT DEFINITION]
Performance Period:	[Insert Performance Period]

PERFORMANCE MATRIX

[ATTACHED]

COMSTOCK 3101 WILSON, LC
OPERATING AGREEMENT

COMSTOCK 3101 WILSON, LC

OPERATING AGREEMENT

* * * *

THIS OPERATING AGREEMENT (this “Agreement”) is made and entered into effective as of the 7th day of August, 2019, by **COMSTOCK PARTNERS, LC**, a Virginia limited liability company (“CP”), and **COMSTOCK HOLDING COMPANIES, INC.**, a Delaware corporation (hereinafter “CHCI”, collectively with CP, the “Members”).

RECITALS

WHEREAS, Christopher Clemente formed the Company by causing Articles of Organization (the “Articles”) to be filed with the Virginia State Corporation Commission (the “Commission”) pursuant to Chapter 12 of Title 13.1 of the Code of Virginia (the “Virginia Limited Liability Company Act”) on or about August 7, 2019;

WHEREAS, the Commission issued a Certificate of Organization to the Company on August 7, 2019;

WHEREAS, the Members intend to enter into a certain Operating Agreement effective as of August 7, 2019 and the Members have elected to maintain the Company as a multiple member limited liability company;

WHEREAS, the Members intend to maintain the Company as distinct and separate legal entity from the Members;

WHEREAS, the Manager shall take such action as may be necessary and appropriate to preserve the separate existence of the Company; and

WHEREAS, the Members desire to set forth fully the operating rules that will govern the affairs of the Company and the conduct of its business.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Members agree as follows:

ARTICLE I – FORMATION

1.01 Formation. Christopher Clemente formed the Company as a Virginia limited liability company by filing the Articles with the Commission in accordance with the Virginia Limited Liability Company Act. A Certificate of Organization was issued by the Commission effective as of August 7, 2019. The Members hereby ratify and adopt all actions taken by Christopher Clemente or any Person on behalf of the Company prior to the effective date hereof. The Manager shall take all actions required by law to maintain the Company as a limited liability company under the Virginia Limited Liability Company Act and under the laws of any other jurisdictions in which the Company may elect to conduct business.

1.02 Name. The name of the Company shall be **Comstock 3101 Wilson, LC**, which name may be changed by the Manager by appropriate filing with the Commission.

1.03 Registered Agent and Principal Office. The name and address of the registered agent of the Company is Christopher Clemente, 1886 Metro Center Drive, Suite 400, Reston, Virginia 20190. The address of the principal office of the Company in Virginia is 1886 Metro Center Drive, Suite 400, Reston, Virginia 20190. The Company may change the resident agent and location of the Company's principal office and may establish such additional offices as it may from time to time determine after appropriate filing with the Commission.

1.04 Perpetual Existence. The Company shall have perpetual existence, unless sooner terminated in accordance with the provisions of Article IX hereof.

ARTICLE II – CERTAIN DEFINITIONS

The following terms have the definitions hereinafter indicated whenever used in this Agreement with initial capital letters:

2.01 Act. The Virginia Limited Liability Company Act as it may be amended from time to time.

2.02 Affiliate. When used with reference to a specified Person, any Person who (i) directly or indirectly through one or more intermediaries controls, is controlled by, or is under common control with the specified Person; (ii) is an officer, director, partner or employee of the specified Person; (iii) owns or controls ten percent (10%) or more of the outstanding securities of the specified Person; (iv) is an entity in which the specified Person serves as officer, director, partner, or employee or (v) is a grandparent, parent, spouse, sibling, child or grandchild of the specified Person.

2.03 Agreement. This Operating Agreement as it may be amended from time to time.

2.04 Articles. The Articles of Organization which was filed for recordation with the Commission in accordance with the Act.

2.05 Bankruptcy. Either (i) the initiation by a referenced Person of a proceeding under a federal, state or local bankruptcy or insolvency law, or the initiation against a referenced Person of such a proceeding that is not vacated within thirty (30) days of such initiation, (ii) an assignment by a referenced Person for the benefit of creditors, (iii) the admission by a referenced Person in writing of his inability to pay his debts as they become due, or (iv) the consent of a referenced Person to appointment of a receiver or trustee for all or a substantial part of his property, or the court appointment of such a receiver or trustee that is not suspended or terminated within thirty (30) days of such appointment.

2.06 Capital Account. Defined in the Tax Matters Addendum attached hereto as Schedule B.

2.07 Capital Contribution. The total amount of money or other property contributed from time to time or agreed to be contributed, as the context requires, by each Member to the Company pursuant to the terms of this Agreement, including the Capital Contribution made by a predecessor holder of the Interest of such Member, unless the context requires otherwise.

- 2.08 Code.** The Internal Revenue Code of 1986, as amended from time to time.
- 2.09 Commission.** The Virginia State Corporation Commission.
- 2.10 Company.** The limited liability company referred to herein as COMSTOCK 3101 WILSON, LC, as said Company from time to time may be constituted.
- 2.11 Consent.** Either the written consent of a Person, or the affirmative vote of such Person at a meeting duly called and held pursuant to this Agreement, as the case may be, to do the act or thing for which the Consent is solicited, or the act of granting such Consent, as the context may require. Reference to the Consent of a stated percentage in Interest of the Members means the Consent of so many of the Members not then in default on any Capital Contribution obligation whose combined Interests represent such stated percentage of the total Interests of the Members not then in default, or such higher percentage as is required by applicable law.
- 2.12 Fiscal Year.** The calendar year, and each fiscal quarter starts on the first day of the first, fourth, seventh and tenth month of the year.
- 2.13 Interest.** The ownership interest of a Member in the Company at any particular time, including the right of such Member to any and all benefits to which such Member may be entitled as provided in this Agreement and in the Act, together with the obligations of such Member to comply with all the terms and provisions of this Agreement and of said Act, which percentage Interest for voting and certain other purposes of this Agreement shall, absent proof to the contrary, be as set forth on Schedule A attached hereto.
- 2.14 IRS.** The Internal Revenue Service.
- 2.15 Liquidator.** The Manager or such other Person who may be appointed by the Manager in accordance with applicable law, who shall be responsible for taking all action necessary or appropriate to wind up the affairs of, and distribute the assets of, the Company upon its dissolution.
- 2.16 Manager.** Comstock Management Services, LC (“CMS”) or any Person(s) so designated pursuant to Article VI.
- 2.17 Members.** Comstock Partners, LC and Comstock Holding Companies, Inc., and any other Person listed on Schedule A attached hereto, as amended from time to time, to reflect the admission of any additional or Substitute Member under the terms of this Agreement.
- 2.18 Net Cash Flow.** With respect to any accounting period designated by the Manager, (i) the sum of (a) all cash receipts of the Company, excluding Capital Contributions, and (b) any reserves previously set aside from Net Cash Flow which the Manager determines to be available for distribution, less (ii) Operating Expenses.
- 2.19 Notice.** A writing containing the information required by this Agreement to be communicated to a Person and personally delivered to such Person or sent by registered or certified mail, postage prepaid, return receipt requested, to such Person at the last known address of such Person as shown on the books of the Company. The date of personal delivery, registry or certification, as the case may be, shall be deemed the date of such Notice; provided, however, that any written communication containing such information actually received by a Person shall constitute Notice for all purposes of this Agreement.

2.20 Operating Expenses. All current and reasonably foreseeable costs and expenses of operation of the Company including, without limitation, costs of operations, taxes, insurance, debt service, prepaid expenses, and escrows and reserves established to meet anticipated Operating Expenses.

2.21 Person. Any individual or corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization or other entity, including any government or political subdivision or any agency or instrumentality thereof and the heirs, executors, administrators, legal representatives, successors, and permitted assigns of such “Person” where the context so admits.

2.22 Regulations (or Treas. Reg.). The federal income tax regulations promulgated by the United States Department of Treasury, as amended.

2.23 Substitute Member. Any Person admitted to the Company as a Substitute Member pursuant to Section 8.06.

2.24 Transfer. Assign, sell, give, exchange, pledge, encumber or otherwise dispose of.

2.25 Transferee. A Person who receives a Transfer of an Interest.

2.26 Unreturned Capital. The capital contributions made by CP to the Company subsequent hereto, less distributions received by CP pursuant to Section 5.04(A).

ARTICLE III – BUSINESS PURPOSE

3.01 Business. The Company is organized to, subject to the Special Purpose Provisions contained in Schedule C hereto, directly or indirectly, acquire, finance, refinance, build, construct, improve, operate, maintain, lease, rent and sell a parcel of mixed use property and a parking garage appurtenant thereto located in the Clarendon area of Arlington County, Virginia at 3101 Wilson Blvd., Arlington, Virginia and commonly known as the Hartford Building (the “Company Acquisition”).

3.02 Authorized Activities. In carrying out the purposes of the Company, but subject to all other provisions of this Agreement including, but not limited to, those Special Purpose Provisions contained in Schedule C hereto, the Company shall have all the powers enumerated in the Act and shall be authorized to engage in the Company Acquisition and perform and carry out contracts of any kind, that are necessary or advisable in connection with the accomplishment of the Company Acquisition.

ARTICLE IV – MEMBERSHIP INTERESTS AND CAPITAL

4.01 Member Information. The address, Capital Contribution (if any), and percentage Interest of each Member is set forth on Schedule A attached hereto.

4.02 Additional Funds. If the Manager determines that the Company requires funds in addition to the Capital Contributions, the Manager may arrange to borrow such funds on behalf of the Company from banks or other Persons, including Members. Any loans made by the Members pursuant to this Section 4.02 shall be at such commercially reasonable terms as the Manager may determine.

4.03 Additional Capital Contributions. If the Manager at any time or from time to time determines that the Company requires additional Capital Contributions, then the Manager shall give Notice to each Member of: (i) the total amount of additional Capital Contributions required, (ii) the reason the additional Capital Contributions are required, (iii) each such Member's proportionate share of the total additional Capital Contributions (determined in accordance with this Section 4.03), and (iv) the date each such Member's additional Capital Contributions are due and payable, which date shall be at least thirty (30) days after such Notice has been given. Each such Member's proportionate share of the total additional Capital Contribution will be based upon such Members' percentage Interest. Additional Capital Contributions shall be payable, in cash or by certified check, by each such Member in accordance with his proportionate share subject to the Consent of all Members; provided, however, that the additional Capital Contributions may be made in any other manner agreed to by all Members. Regardless of the amount of additional Capital Contribution made by any Person, CHCI's percentage Interest in the Company shall not be reduced below two and one-half percent (2.5%). The amount of Capital Contributions shall be updated from time to time by Amending Schedule A hereto and/or by accounting entry in the books and records of the Company.

4.04 Additional Members. From the date of the formation of the Company, any Person acceptable to the Manager may, subject to the terms and conditions of this Agreement and with the Consent of the Manager, become a Member of the Company for such consideration as the Manager shall determine.

4.05 Interest. Interest earned on Company funds shall inure to the benefit of the Company. The Members shall not receive interest on their Capital Contributions.

4.06 Withdrawal of Capital Contributions. Except as expressly provided otherwise in this Agreement, (i) no Member shall have the right to withdraw or reduce his Capital Contributions, or to demand and receive property other than cash from the Company in return for any Capital Contributions, (ii) no Member shall have priority over any other Member as to the return of any Capital Contributions or as to compensation by way of income except as provided in this Agreement, and (iii) any return of Capital Contributions to the Members shall be solely from Company assets.

ARTICLE V – PROFITS, LOSSES AND DISTRIBUTIONS

5.01 Allocation of Profits and Losses. After giving effect to the special allocations and other matters addressed in the attached Tax Matters Addendum, the Profits and Losses of the Company shall be determined by the Manager in accordance with the Tax Matters Addendum and other generally acceptable accounting practices and, unless the Manager determines that some other allocation is necessary or appropriate, shall be allocated among the Members as follows:

(A) The Profits of the Company for each Fiscal Year shall be allocated among the Members participating in the Company as follows:

(i) first, to the extent that the aggregate Losses previously allocated to the Members pursuant to Sections 5.01(B) exceed the aggregate Profits previously allocated to such Members pursuant to this Section 5.01(A)(i), the amount of such excess shall be allocated to such Members in the reverse order of priority in which such Losses were previously allocated (to the extent not theretofore charged back hereunder);

(ii) next, to the Members, pro rata, based on their respective preferred return accrued pursuant to Section 5.04(C), until such time as the Members have been allocated Profits equal to such preferred return; and

(iii) thereafter, any remaining Profits shall be allocated among the Members, pro rata, in accordance with their percentage Interests in the Company.

(B) The Losses of the Company for each Fiscal Year, shall be allocated among the Members who bear the actual economic loss, pro rata, in accordance with their actual economic loss; and if no Member bears the corresponding economic loss, then to CP. All allocations hereunder are subject to the limitations contained in the Tax Matters Addendum.

5.02 Tax Distributions. Subject to Sections 5.04, 5.05 and 5.06, at the sole discretion of the Manager, the Manager may distribute an amount of such Net Cash Flow with respect to each fiscal year to enable the Members to fund their respective income tax liabilities with respect to the Company. The tax distributions with respect to any fiscal year shall be computed based upon the Manager's good faith estimate of the net taxable income of the Company for such fiscal year (giving effect to Losses or other items of loss or deduction from prior fiscal years available to offset current year taxable income), multiplied by 40 percent (the "Tax Distribution"). The Manager may, at its sole discretion, make such Tax Distributions on a quarterly basis to enable Members to pay estimated taxes. Any Tax Distributions made to a Member pursuant to this Section 5.02 shall be treated as advances of the next succeeding distribution or distributions which would otherwise have been made to such Member pursuant to Section 5.04(D).

5.03 Reserved.

5.04 Discretionary Distributions. Subject to Section 5.02, Subject to Section 5.02, the Manager may, from time to time, distribute all or any portion of the balance of the Net Cash Flow to the Members in the following priority:

(A) First, to the Members in accordance with their respective percentage Interests until CP has received a 10% Internal Rate of Return (“IRR”) in respect of its Capital Contributions;

(B) Second, (i) 80% in accordance with their percentage Interests and (ii) 20% equally to CP and CHCI until CP receives a 17% IRR and a 1.8x multiple in respect of its Capital Contributions pursuant to clauses (A) and (B) herein; and

(C) Thereafter, (x) 70% pro-rata to the Members in accordance with their percentage Interests and (y) 30% equally to CP and CHCI.

5.05 No Right to Distributions. No Member shall have the right to demand or receive distributions of any amount, except as expressly provided in this Article V.

5.06 Restrictions on Distributions. The foregoing provisions of this Article V to the contrary notwithstanding, no distribution (including any Tax Distribution) shall be made if, and for so long as, such distribution would violate any contract or agreement to which the Company is then a party or any law, rule, regulation, order or directive of any governmental authority then applicable to the Company.

5.07 Loan Guarantees; Indemnification. Any Member, or affiliate thereof, may guarantee an obligation of the Company (the “Guarantor”) as approved by the Manager. Manager hereby approves Comstock Partners, LC, a Virginia limited liability company (or its affiliated successor or assign), as a “Guarantor”. Any Guarantor who incurs a loss or expense as a result of providing a guaranty on behalf of the Company (the “Guarantor Loss”) shall be reimbursed for such loss or expense by the Company. Except as otherwise agreed to by all the Members, the Company shall not make any distributions to its Members until the Guarantor has recovered or reserved in full the Guarantor Loss plus interest at the Short-Term Applicable Federal Rate published by the IRS as of the date the Guarantor Loss was incurred, compounded annually (the “Initial Rate”). The interest rate shall be adjusted annually using the Short-Term Applicable Federal Rate published by the IRS for the month of January; provided that the interest rate cannot be less than the Initial Rate.

5.08 Withholding. The Company is authorized to withhold from distributions to a Member, or with respect to allocations to a Member, and to pay over to a federal, foreign, state or local government, any amounts required to be withheld pursuant to the Code, or any provisions of any other federal, foreign, state or local law or, if no sufficiently large distribution is imminent, the Company may require the relevant Member to promptly reimburse the Company for the amount of tax withheld and paid over by the Company. Any amounts so withheld shall be treated as having been distributed to such Member pursuant to this Article V for all purposes of this Agreement, and shall be offset against the current or next amounts otherwise distributable to such Member.

5.09 Allocation of Distributions. Distributions shall be made to the Members of record on the record date for the distribution, without regard to the length of time such Members have been record holders and without regard to the period to which the distribution relates.

6.01 Manager.

(A) In General. The Manager shall have the exclusive authority to do all things necessary, proper, customary and advisable to effectuate the purposes of the Company, which authority shall include, without limitation, the authority to manage, control and operate the day-to-day business and affairs of the Company, determine the amount of Net Cash Flow and to set aside reserves to meet the anticipated future cash needs of the Company. Decisions regarding the affairs of the Company shall not require the consent of the Members; however, the Manager shall regularly update the Members on the financial status and business dealings of the Company. Except as otherwise provided in the Act or authorized pursuant to the terms of this Agreement, no debt shall be contracted or liability incurred by or on behalf of the Company except as approved by the Manager. The Manager, in extension and not in limitation of the rights and powers given the Manager by law or by the other provisions of this Agreement, shall have the full power to:

- (i) Acquire property from any Person or Transfer Company property to any Person in accordance with the terms of this Agreement;
- (ii) Purchase liability and other insurance to protect the Company’s property and business of a type maintained by companies in a business similar to that of the Company;
- (iii) Hold and own any Company real and/or personal properties in the name of the Company;
- (iv) Invest any Company funds temporarily in time deposits, short-term governmental obligations, commercial paper or other similar investments;
- (v) Effect a sale of the Company or any or all of the Company’s assets;
- (vi) Execute on behalf of the Company all instruments and documents necessary, in the opinion of the Manager, to the business of the Company in accordance with the terms of this Agreement;
- (vii) Open bank accounts from time to time in the name of the Company;
- (viii) Employ accountants, legal counsel, or other experts to perform services for the Company and to compensate them from Company funds;
- (ix) Enter into any and all other agreements on behalf of the Company, with any other Person for any purpose, in such forms as the Manager may approve in accordance with the terms of this Agreement;
- (x) Develop or cause to be developed accounting procedures for the maintenance of the Company’s books of account;

(xi) Incur debts and liabilities, and enter into binding legal obligations and guaranties in amounts deemed reasonable by the Manager without any further consent of the Members; and

(xii) Do and perform all other acts as may be necessary or appropriate to the conduct of the Company's business.

(B) Designation of Manager. CMS shall serve as the initial Manager until its resignation, removal or termination as an entity. Upon the termination of CMS as an entity, resignation or removal of CMS as the Manager, the Members shall designate a successor Manager (the "Successor Manager") by a vote of Members holding a majority of the Interests in the Company. Each Successor Manager shall serve until death, incapacity, resignation or termination as an entity, unless earlier removed by a vote of Members holding a majority of the Interests in the Company.

6.02 Officers. The Manager, in its sole discretion, may appoint other officers of the Company which may include, but shall not be limited to: (a) a president or chief executive officer; (b) one or more positions similar to the position of vice president of a corporation; (c) secretary; and (d) treasurer or chief financial officer. The Manager may delegate his day-to-day management responsibilities to any officer or any third-party contractor, and such delagatee shall have the authority to contract for, negotiate on behalf of and otherwise represent the interests of the Company as authorized by the Manager pursuant to this Agreement in any job description created by the Manager. All officers shall hold office at the pleasure of the Manager and until their successors shall have been duly elected and qualified, unless sooner removed. Any officer may be removed at any time by the Manager, with or without cause. If the office of any officer becomes vacant for any reason, the vacancy may be filled (or not) by the Manager.

6.03 Manager Has No Exclusive Duty to Company. The Manager shall not be required to manage the Company as his sole and exclusive function, and the Manager may have other business interests and may engage in other activities in addition to those relating to the Company. Neither the Company nor any Member shall have any right, by virtue of this Agreement or otherwise, to share or participate in such other investments or activities of the Manager or to the income or proceeds derived therefrom.

6.04 Compensation. The Manager shall be entitled to compensation from the Company for the services performed hereunder as the Manager, in a commercially reasonable amount agreed to by Members owning a majority of the Interests. In addition to such compensation, any employee of or consultant to the Company may receive a salary or other compensation from the Company with respect to his or her services as an employee or consultant, and the Manager may pay entities owned or controlled by the Manager for services they provide to the Company. The Company shall reimburse the Manager for all ordinary and necessary out-of-pocket expenses incurred by the Manager on behalf of the Company.

6.05 Business with Affiliates. The Company may transact business with any Affiliate for any reason on terms and conditions determined in the reasonable discretion of the Manager.

6.06 Liability for Acts and Omissions. Neither the Manager nor any officers or third-party contractors to whom the Manager has delegated responsibility pursuant to Section 6.02 shall be liable, responsible or accountable in damages or otherwise to any of the Members for any act performed or any omission made in good faith on behalf of the Company and in a manner reasonably believed to be within the scope of the authority granted by this Agreement and in the best interests of the Company. Any loss or damage incurred by the Manager or any such officer or third-party contractor (or its agents) by reason of an act performed or an omission made in good faith and reasonably believed to be within the scope of authority granted by this Agreement shall be paid from Company assets to the extent available. This provision shall not serve to relieve any Person from a breach of duty based upon an act or omission (i) in breach of that Person's duty of loyalty to the Company or its Members; (ii) not made in good faith or involving a material, intentional violation of the law; or (iii) resulting in the receipt by that Person of an improper personal benefit.

ARTICLE VII – ACCOUNTING AND REPORTS

7.01 Books and Records. The Manager shall maintain at the office of the Company full and accurate books of the Company showing all receipts and expenditures, assets and liabilities, profits and losses, and all other records necessary for recording the Company's business and affairs. All books of account, together with a current list containing the full name and address of each Member, copies of this Agreement and all amendments thereto, and the financial statements and federal and state income tax returns of the Company for its three (3) most recent taxable years shall be maintained at the office of the Company.

7.02 Reports to Members. By each March 31, or as soon thereafter as practicable, the Manager shall furnish the Members with IRS Form 1065 and Schedule K-1, or similar form as may be required by the IRS, stating each Member's allocation of income, gain, loss, deduction or credit for the Company's immediately preceding taxable year.

7.03 Company Funds. The Manager shall have fiduciary responsibility for the safe-keeping and use of all funds and assets of the Company. The Manager shall not employ the funds of the Company in any manner except for the benefit of the Company. All funds of the Company not otherwise invested shall be deposited in one or more accounts maintained in such banking institutions as the Manager shall determine.

ARTICLE VIII – RIGHTS AND OBLIGATIONS OF MEMBERS

8.01 Limitation of Liability. Each Member's liability shall be limited as set forth in the Act and other applicable law. Except as otherwise provided by the Act, the debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, shall be the debts, obligations and liabilities solely of the Company, and the Members of the Company shall not be obligated personally for any of such debts, obligations or liabilities solely by reason of being a Member of the Company.

8.02 Reimbursements. The Company shall reimburse the Members for all ordinary and necessary out-of-pocket expenses incurred by the Members on behalf of the Company. Such reimbursement shall be treated as an expense of the Company, but shall not be deemed to constitute a distributive share of Profits or a distribution or return of capital to any Member.

8.03 Nature of Rights and Obligations. Except as otherwise expressly provided herein, nothing contained in this Agreement shall be deemed to constitute a Member an agent or legal representative of the other Members. A Member shall not have any authority to act for, or to assume any obligation or responsibility on behalf of, any other Member or the Company.

8.04 Member Access to Records. Upon advance notice, each Member shall have the right, during regular business hours, to inspect and copy the Company documents set forth in Section 7.01 at the Member's expense.

8.05 Transfers. Except as otherwise permitted in this Agreement, no Member may voluntarily or involuntarily Transfer an interest in the Company without the approval of the Manager, exercised in its sole discretion. No Transfer of the Interest of a Member shall be made if such disposition would (i) cause the Company to be treated as an association taxable as a corporation rather than a partnership for federal income tax purposes, or (ii) violate the provisions of any federal or state securities laws. Any attempted Transfer which does not satisfy the requirements of this Agreement shall not be recognized by the Company, shall be void and of no effect, and shall not confer upon the purported Transferee any rights accorded to assignees under the Act.

8.06 Admission of New Members. No approved Transferee of the whole or any portion of an Interest in the Company pursuant to this Agreement shall have the right to become a Substitute Member in place of his or her transferor unless all of the following conditions are satisfied:

(A) A fully executed and acknowledged written assignment reflecting the Transfer has been filed with the Manager;

(B) The Transferee executes, adopts and acknowledges this Agreement; and

(C) The Transferee has paid a fee to the Company in such amount as may be reasonably determined by the Manager to defray the actual costs of effecting the Transfer.

8.07 Status of Approved Transferees. An approved Transferee of a Member who does not become a Substitute Member pursuant to Section 8.06 shall have only the rights of an assignee under the Act.

ARTICLE IX - DISSOLUTION AND LIQUIDATION

9.01 Term and Dissolution. Subject to the filing of a Certificate of Cancellation and compliance with any other requirements of the Act, the Company shall continue indefinitely until dissolution occurs for any one of the following reasons:

(A) An election to dissolve the Company is made in writing by the Manager;

(B) A decree of judicial dissolution is entered;

(C) A sale of all or substantially all of the assets of the Company; or

(D) the Bankruptcy of the Company.

Upon completion of the liquidation procedure described in Section 9.02, the Company shall file a Certificate of Cancellation as required by the Act.

9.02 Liquidation of Assets. In the event of the dissolution and final termination of the Company, the Liquidator shall prepare a full accounting of the assets and liabilities, and the Liquidator shall distribute or apply the Company's assets or liquidation proceeds, after taking into account all other allocations and distributions under this agreement for the taxable year of the liquidation, including the allocations under Article II of the Tax Matters Addendum, as follows:

- (A) To the payment of all debts and liabilities of the Company then due, including loans made by any Member;
- (B) To the setting up of any reserves which the Liquidator may deem reasonably necessary for any contingent or unforeseen liabilities or obligations of the Company;
- (C) To the Members, in an amount equal to the positive balances in their Capital Account; and
- (D) To the Members, pro rata, in accordance with their percentage Interests.

If the Liquidator determines that it is in the best interest of the Members to distribute the Company's assets in-kind, then the Liquidator is authorized to reasonably determine the fair market value of each asset and Liquidator's determination of such values shall be binding on the Members.

ARTICLE X - AMENDMENTS AND MEETINGS

10.01 Amendment Procedure. Amendments to this Agreement may be proposed by any Manager or Member and shall be adopted and effective upon the affirmative vote of Members holding a majority of the Interests in the Company. Within fifteen (15) days of the making of any proposal to amend this Agreement, the Manager shall determine in his reasonable discretion whether to give the Members Notice of such proposal (including the text of any amendment or document and a statement of its purposes). Any proposal may be considered at a meeting of the Members, or by written ballot in lieu of such meeting, held not less than fifteen (15) nor more than thirty (30) days after such Notice from the Manager.

10.02 Meetings and Voting. The Manager may call a meeting of the Members at any time. The Manager shall give all Members a Notice of the purpose of such proposed meeting not less than fifteen (15) nor more than thirty (30) days before the meeting. Meetings shall be held at a time and place reasonably selected by the Manager. The Manager may solicit required Consents of the Members under this Agreement at a meeting or by written ballot. If Consents are solicited by written ballot, the Members shall return said ballots to the Manager within thirty (30) days after receipt.

ARTICLE XI – MISCELLANEOUS

11.01 Title to Company Property. All property owned by the Company, whether real or personal, tangible or intangible, shall be deemed to be owned by the Company as an entity, and no Member, individually, shall have any ownership of such property. The Company may hold any of its assets in its own name or in the name of its nominee, which may be one or more individuals, corporations or other entities.

11.02 Validity. If any provision of this Agreement, or application of such provision to any Person or circumstance, shall be held invalid, the remainder of this Agreement shall not be affected thereby.

11.03 Applicable Law. This Agreement, and the application or interpretation thereof, shall be governed exclusively by its terms and by the laws of the Commonwealth of Virginia.

11.04 Binding Agreement. This Agreement shall be binding upon the Members, their heirs, executors, personal representatives, successors and assigns.

11.05 Waiver of Action for Partition. Each of the Members irrevocably waives during the term of the Company any right that he or she may have to maintain any action for partition with respect to any property of the Company.

11.06 Headings. All section headings in this Agreement are for convenience of reference only and are not intended to qualify the meaning of any section.

11.07 Terminology. All personal pronouns used in this Agreement, whether used in the masculine, feminine or neuter gender, shall include all other genders, and the singular shall include the plural and vice versa, as the context may require.

11.08 Counterparts. This Agreement may be executed in several counterparts, and all so executed shall constitute one agreement, binding on all of the Members, notwithstanding that all the Members are not signatory to the original or the same counterpart.

11.09 Facsimiles. Facsimile signatures and copies of this Agreement shall be deemed to be originals and shall serve to bind the Members and otherwise have the same force and effect as would nonfacsimile signatures and documents.

11.10 Entire Agreement. This Agreement contains the entire understanding among the Members and supersedes all prior written or oral agreements among them respecting the within subject matter, unless otherwise provided herein. There are no representations, agreements, arrangements or understandings, oral or written, among the Members hereto relating to the subject matter of this Agreement, which are not fully expressed herein.

11.11 Amendment and Restatement. This Agreement amends, restates, supersedes and replaces the Original Agreement in its entirety.

IN WITNESS WHEREOF, the Members have executed this Operating Agreement of **COMSTOCK 3101 WILSON, LC** to be effective as of the day and year first above written.

WITNESS:

MEMBERS:

COMSTOCK PARTNERS, LC,
a Virginia limited liability company

By: _____
Christopher Clemente, Manager

COMSTOCK HOLDING COMPANIES, INC,
a Delaware corporation

By: _____
Jubal Thompson, Secretary

COMSTOCK 3101 WILSON, LC

OPERATING AGREEMENT

MEMBER INTERESTS

<u>Members:</u>	<u>Initial Capital Contribution</u>	<u>Percentage Interest</u>
Comstock Partners, LC 1886 Metro Center Drive, Suite 400 Reston, Virginia 20190 Attn: Christopher Clemente	\$975.00	97.5%
Comstock Holding Companies, Inc. 1886 Metro Center Drive, Suite 400 Reston, Virginia 20190 Attn: Christopher Clemente	\$25.00	2.5%

COMSTOCK 3101 WILSON, LC

TAX MATTERS ADDENDUM
TO OPERATING AGREEMENT

The terms of this Tax Matters Addendum (“Addendum”) are hereby incorporated into the Operating Agreement of COMSTOCK 3101 WILSON, LC (“Agreement”) to which it is attached.

ARTICLE I – DEFINITIONS

1.01 Adjusted Capital Account Deficit. The deficit balance, if any, in such Member’s Capital Account at the end of any taxable year, with the following adjustments:

(A) Credit to such Capital Account any amount that such Member is obligated to restore under Treas. Reg. Section 1.704-1(b)(2)(ii)(c), as well as any addition thereto pursuant to the penultimate sentences of Treas. Reg. Sections 1.704-2(g)(1) and 1.704-2(i)(5); and

(B) Debit to such Capital Account the items described in Treas. Reg. Sections 1.704-1(b)(2)(ii)(d)(4) through (6). The foregoing definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Treas. Reg. Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

1.02 Capital Accounts. The Company shall maintain a Capital Account for each Member in accordance with Treas. Reg. Section 1.704-1(b)(2)(iv) or other provision of similar import. To each Member’s Capital Account there shall be credited such Member’s Capital Contributions, his or her distributive share of Profits, any item in the nature of income or gain allocated to him or her under Sections 2.02 through 2.09 of this Addendum, and the amount of any Company liabilities that are assumed by such Member or which are secured by any Company property distributed to such Member. To each Member’s Capital Account there shall be debited the amount of cash and the fair market value (as of the date of distribution) of any Company property distributed to such Member pursuant to any provision of this Agreement, such Member’s distributive share of Losses, any items in the nature of expenses or deductions that are allocated to him or her pursuant to Sections 2.02 through 2.09 of this Addendum, and the amount of any liabilities of such Member assumed by the Company or which are secured by any property contributed by such Member to the Company. To each Member’s Capital Account there shall be debited or credited such other adjustments as are required by Treas. Reg. Section 1.704-1(b)(2)(iv) to the extent not already reflected as a consequence of the foregoing, including, without limitation, adjustments arising from a revaluation of Company property, which adjustments shall reflect the manner in which any unrealized appreciation or depreciation in the property would be allocated if the property were sold. In the event any Interest in the Company is Transferred pursuant to the terms of this Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent it relates to the Transferred Interest. No Member shall be required to pay to the Company any deficit in its Capital Account upon liquidation or otherwise except to the extent provided by the Act.

1.03 Code. The Internal Revenue Code of 1986, as amended from time to time.

1.04 Company Minimum Gain. The amount determined by (i) computing, with respect to each Company Nonrecourse Liability, the amount of gain (of whatever character) that would be realized by the Company if it disposed of the property subject to such liability in a taxable transaction in full satisfaction of such liability (and for no other consideration), and (ii) aggregating the amounts so computed. Company Minimum Gain shall be determined in a manner consistent with the rules of Treas. Reg. §1.704-2(d).

1.05 Company Nonrecourse Liability. Any nonrecourse liability of the Company, or portion thereof, for which no Member or related Persons (within the meaning of Treas. Reg. §1.752-4(b)) bears the economic risk of loss.

1.06 Economic Risk of Loss. The determination of whether a Member bears the economic risk of loss with respect to any Company liability shall be made in accordance with Treas. Reg. §1.752 (without regard to whether that section applies to such liability).

1.07 Member Minimum Gain. With respect to each Member Nonrecourse Liability, the amount of gain (of whatever character) that would be realized by the Company if it disposed of the property subject to such liability in a taxable transaction in full satisfaction of such liability (and for no other consideration). Member Minimum Gain shall be determined in a manner consistent with the rules of Treas. Reg. §1.704-2(i)(3).

1.08 Member Nonrecourse Liability. Any nonrecourse liability of the Company with respect to which any Member (or a party related to such Member, within the meaning of Treas. Reg. §1.752-4(b)) bears the Economic Risk of Loss.

1.09 Profits and Losses. An amount equal to the Company's taxable income or loss for each taxable year determined in accordance with Code Section 703(a) (for this purpose, all items of income, gain, deduction or loss required to be separately stated pursuant to Code Section 703(a)(1) shall be included in taxable income or loss), except that taxable income shall be adjusted to (i) include tax exempt income; (ii) treat as a deduction expenditures described in Code Section 705(a)(2)(B) or treated as Code Section 705(a)(2)(B) expenditures pursuant to Treas. Reg. Section 1.704-1(b)(2)(iv)(i); and (iii) exclude allocations of Company income, gain, deduction and loss under Sections 2.02 through 2.09 of this Addendum. If the Company's taxable income or loss as so adjusted is a positive amount, such amount shall be the Company's Profit for such taxable year or period; if negative, such amount shall be the Company's Loss for such taxable year or period. It is further provided that if the book value (i.e. the value at which property is reflected on the books of the Company in accordance with the provisions of Treas. Reg. Section 1.704-1(b)) of property differs from its adjusted tax basis (due to contributions or distributions of appreciated property or re-valuations of Company property), Profit or Loss shall be computed with reference to book depreciation and book gain or loss on such property.

ARTICLE II – ALLOCATION OF PROFITS AND LOSSES

2.01 In General. Except as expressly provided to the contrary in this Article II, for purposes of determining Capital Account balances, Profit and Loss with respect to any Company taxable year shall be allocated prior to reducing Capital Accounts by any distributions with respect to such Company taxable year. For purposes of applying this Section 2.01, a Member's Capital Account balance shall be deemed to be increased by such Member's share of Company Minimum Gain and Member Minimum Gain determined as of the end of such Company taxable year.

2.02 Minimum Gain Chargeback – Company Nonrecourse Liabilities. If there is a net decrease in Company Minimum Gain during a taxable year, items of income and gain for such year (and, if necessary, for subsequent years) shall be allocated to the Members in proportion to, and to the extent of, their shares of such net decrease in Company Minimum Gain as determined under Treas. Reg. Section 1.704-2(g)(2). Any such allocations shall be made in accordance with, and only to the extent required by, Treas. Reg. Sections 1.704-2(f) and 1.704-2(j)(2)(i).

2.03 Minimum Gain Chargeback – Member Nonrecourse Liabilities. If there is a net decrease in Member Minimum Gain during a taxable year, items of income and gain for such year (and, if necessary, for subsequent years) shall be allocated to the Members in proportion to, and to the extent of, their shares of such net decrease in Member Minimum Gain as determined under Treas. Reg. Section 1.704-2(i)(5). Any such allocations shall be made in accordance with, and only to the extent required by, Treas. Reg. Sections 1.704-2(i)(4) and 1.704-2(j)(2)(ii).

2.04 Qualified Income Offset. If any Member unexpectedly receives any adjustments, allocations or distributions described in Treas. Reg. Section 1.704-1(b)(2)(ii)(d)(4) through (6) which results in an Adjusted Capital Account Deficit, such Member shall be allocated items of income and book gain in an amount and manner sufficient to eliminate such Adjusted Capital Account Deficit as quickly as possible.

2.05 Limitation on Loss Allocations. Notwithstanding anything in Section 2.01 of this Addendum to the contrary, Losses shall not be allocated to any Member to the extent such Losses would create an Adjusted Capital Account Deficit with respect to such Member. Such Losses shall be reallocated (subject to the immediately preceding sentence) to the other Members under this Section 2.05.

2.06 Company Nonrecourse Deductions. Items of Company loss, deduction, or Code Section 705(a)(2)(B) expenditure that are attributable to Company Nonrecourse Liabilities ("Company Nonrecourse Deductions") shall be allocated among the Members in accordance with Section 5.01 of the Agreement. This provision is to be interpreted in a manner consistent with Treas. Reg. Section 1.704-2(e).

2.07 Member Nonrecourse Deductions. Items of Company loss, deduction, or Code Section 705(a)(2)(B) expenditure that are attributable to a Member Nonrecourse Liability ("Member Nonrecourse Deductions") shall be allocated to the Members in the ratio in which they share the Economic Risk of Loss with respect to such liability within the meaning of Treas. Reg. Section 1.752-2. This provision is to be interpreted in a manner consistent with the requirements of Treas. Reg. Section 1.704-2(i).

2.08 Optional Basis Adjustments. To the extent an adjustment to the basis of any Company assets pursuant to Code Section 734(b) or 743(b) is required, pursuant to Treas. Reg. §1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain or loss, as applicable, and such gain or loss shall be specially allocated to the Members in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to such Regulation.

2.09 Curative Allocation. The allocations set forth in Sections 2.02 through 2.08 of this Addendum (the “Regulatory Allocations”) are intended to comply with certain requirements of Treas. Reg. Section 1.704-1(b) and Treas. Reg. Section 1.704-2. Notwithstanding any other provision of Article V of the Agreement or Article II of this Addendum, the Regulatory Allocations shall be taken into account in allocating other Profits, Losses, and items of income, gain, loss, deduction, and credit to the Members so that, to the extent possible, the net amount of such allocations of Profits and Losses and other items shall be equal to the amount that would have been allocated to each Member if the Regulatory Allocations had not occurred.

2.10 Recapture. Any income recognized pursuant to Code Sections 1245 and 1250 shall be allocated among the Members in the same proportions as the depreciation deductions giving rise to such income were allocated among such Members and their respective predecessors in interest.

2.11 Overriding Allocation. It is the intent of the Members that each Member’s distributive share of income, gain, loss, deduction, or credit (or item thereof) shall be allocated in accordance with Sections 2.01 through 2.10 of this Addendum to the fullest extent permitted by Code Section 704(b). In order to preserve and protect the allocations provided for in Sections 2.01 through 2.10, the Manager are authorized and directed to allocate income, gain, loss, deduction or credit (or item thereof) arising in any year differently than otherwise provided for in this Article if, and to the extent that, the allocations under this Article would cause the allocations to violate Code Section 704(b). Any allocation made pursuant to this Section 2.11 shall be deemed to be a complete substitute for any allocation otherwise provided for in Sections 2.01 through 2.10 of this Addendum, and no amendment of this Addendum or approval of any Member shall be required.

2.12 Tax Allocations: Section 704(c). Anything in the foregoing to the contrary notwithstanding, in accordance with Code Section 704(c) and the Treasury Regulations thereunder, income, gain, loss and deduction with respect to any property contributed to the capital of the Company shall, solely for tax purposes, be allocated to the contributing Member so as to take into account any variation between the adjusted basis of the property for federal income tax purposes and its value upon contribution as reflected on the books of the Company. If the book value of Company property is subsequently adjusted, subsequent tax allocations of income, gain, loss and deduction with respect to such property shall take into account variations between its adjusted basis for federal income tax purposes and its book value as so adjusted in the same manner as under Code Section 704(c) and the Treasury Regulations thereunder.

2.13 Allocation to Transferred Interest. Profits, Losses and credits allocated to an Interest assigned or reissued during a taxable year of the Company shall be allocated to the Person who was the holder of such Interest during such taxable year, in proportion to the number of days that each such holder was recognized as the owner of such Interest during such taxable year or in any other proportion permitted by the Code and selected by the Manager in accordance with this Agreement, without regard to the results of Company operations during the period in which each such holder was recognized as the owner of such Interest during such taxable year, and without regard to the date, amount or recipient or any distributions which may have been made with respect to such Interest.

ARTICLE III – AUDITS AND TAX RETURNS

3.01 Audits and Tax Returns. The accounts of the Company may be reviewed, compiled or audited by accountants designated by the Manager at such times as the Manager may deem necessary or desirable. The Manager shall cause to be prepared all tax returns required of the Company and shall make elections under the Code on behalf of the Company. The Company's taxable year shall be the calendar year.

3.02 Tax Matters Partner. In the event the Company is subject to the unified audit procedures set forth in Sections 6221-6234 of the Code, **Comstock Partners, LC** shall be the "tax matters partner" of the Company for the purposes of such procedures and shall be authorized to take all actions reasonably necessary on behalf of the Company with respect to any audits of its tax returns.

COMSTOCK 3101 WILSON, LC
OPERATING AGREEMENT
SPECIAL PURPOSE PROVISIONS

Capitalized terms used in this Schedule C that are not otherwise defined herein have the meanings ascribed to such terms in that certain Loan Agreement dated on or about December 30, 2019 by and between the Company, as borrower, and MetLife Real Estate Lending LLC, a Delaware limited liability company, together with its successors and/or assigns, as lender (the "Loan Agreement"). The Company, at all times prior to, on and after the date thereof, has not and shall not:

- (i) engage in business other than owning and operating the Property;
- (ii) acquire or own a material asset other than the Property and incidental personal property;
- (iii) commingle its assets with the assets of any other person or entity, or maintain assets in a way difficult to segregate and identify;
- (iv) fail to hold itself out to the public as a legal entity separate from any other;
- (v) fail to conduct business solely in its name;
- (vi) fail to maintain records, accounts or bank accounts separate from any other person or entity; provided, however, that Borrower's assets may be included in a consolidated financial statement of its Affiliates provided that appropriate notation shall be made on such consolidated financial statements to indicate the separateness of Borrower and such Affiliates and to indicate that Borrower's assets and credit are not available to satisfy the debts and other obligations of such Affiliates or any other Person;
- (vii) file or consent to a petition pursuant to applicable bankruptcy, insolvency, liquidation or reorganization statutes, or make an assignment for the benefit of creditors without the unanimous consent of its shareholders, partners or members, as applicable;
- (viii) incur additional indebtedness except for Permitted Indebtedness;
- (ix) dissolve, liquidate, consolidate, merge or sell all or substantially all of its assets; or
- (x) modify, amend or revise its organizational documents in a manner that would violate or breach Sections 4.1.18 or 5.1.16 of the Loan Agreement or the definition of "Special Purpose Entity" in the Loan Agreement.

List of Subsidiaries

Name	State of Incorporation or Organization
1. Comstock Homes of Washington, L.C.	Virginia
2. Comstock Realty, LLC	Virginia
3. Florida Homebuilding Group, LLC	Virginia
4. BC Ventures 40, LLC	Virginia
5. BC Ventures 50, LLC	Virginia
6. Comstock Investors VIII, L.C.	Virginia
7. Comstock Investors IX, L.C.	Virginia
8. Comstock Ventures XVI, L.C.	Virginia
9. Comstock Growth Fund, L.C.	Virginia
10. Comstock Growth Fund II, L.C.	Virginia
11. Superior Title Services, L.C.	Virginia
12. CDS Capital Management, L.C.	Virginia
13. Comstock Real Estate Services, L.C.	Virginia
14. Comstock Environmental Services, LLC f/k/a JK Environmental Services, LLC	Virginia
15. Comstock Environmental Solutions, L.C.	Virginia
16. CDS Asset Management, LC	Virginia
17. Comstock Commercial Management, LC	Virginia
18. Comstock Residential Management, LC f/k/a Comstock Management, LC	Virginia
19. ParkX Management, LC d/b/a ParkX	Virginia

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-196260) and Form S-8 (Nos. 333-123709 and 333-182838) of Comstock Holding Companies, Inc., of our report dated April 14, 2020 relating to the consolidated financial statements which appears in this Form 10-K.

/s/ BDO USA, LLP

Potomac, Maryland

April 14, 2020

**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 annual report on Form 10-K of Comstock Holding Companies, Inc. for the fiscal year ended December 31, 2019;
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: April 14, 2020

/s/ Christopher Clemente

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

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

I, Christopher Guthrie, certify that:

1. I have reviewed this annual report on Form 10-K of Comstock Holding Companies, Inc. for the fiscal year ended December 31, 2019;
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: April 14, 2020

/s/ Christopher Guthrie

Christopher Guthrie
Chief Financial Officer
(Principal Financial Officer and Principal
Accounting Officer)

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

In connection with the Annual Report on Form 10-K of Comstock Holding Companies, Inc. (the "Company") for the year ended December 31, 2019, 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 Christopher Guthrie, Chief Financial Officer of the Company, certifies, to his best knowledge and belief, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 14, 2020

/s/ Christopher Clemente

Christopher Clemente

Chairman and Chief Executive Officer

Date: April 14, 2020

/s/ Christopher Guthrie

Christopher Guthrie

Chief Financial Officer