

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

Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2006

Commission file number 1-32375

Comstock Homebuilding Companies, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

20-1164345

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

11465 Sunset Hills Road

5th Floor

Reston, Virginia 20190

(703) 883-1700

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

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

None

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

Class A common stock, par value \$.01 per share

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o 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 o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (check one) Large Accelerated filer o Accelerated filer Non-accelerated filer o

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

The aggregate market value of voting and non-voting common equity held by nonaffiliates of the registrant (9,279,883 shares) based on the last reported sale price of the registrant's common equity on the NASDAQ Global Market on June 30, 2006, which was the last business day of the registrant's most recently completed second fiscal quarter, was \$58,741,659. For purposes of this computation, all officers, directors, and 10% beneficial owners of the registrant are deemed to be affiliates. Such determination should not be deemed to be an admission that such officers, directors, or 10% beneficial owners are, in fact, affiliates of the registrant.

As of February 28, 2007, there were outstanding 13,552,567 shares of the registrant's Class A common stock, par value \$.01 per share, and 2,733,500 shares of the registrant's Class B common stock, par value \$.01 per share.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for the 2007 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K.

COMSTOCK HOMEBUILDING COMPANIES, INC.

ANNUAL REPORT ON FORM 10-K
For the Fiscal Year Ended December 31, 2006

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PART I

Item 1. Business

Overview

We are a real estate developer that has substantial experience building a diverse range of products including single-family homes, townhouses, mid-rise condominiums, high-rise multi-family buildings and mixed-use (residential and commercial) developments in suburban communities and high density urban infill areas. We build projects with the intent that they be sold either as fee-simple properties, condominiums, or stabilized investment properties. We focus on geographic areas, products and price points where we believe there is significant demand for new housing and potential for attractive returns. We currently develop and build in the Washington, D.C., Raleigh, North Carolina, and Atlanta, Georgia markets where we target a diverse range of home buyers, including first-time, early move-up, secondary move-up, empty nester move-down and active adult home buyers. We focus on what we call the "middle-market" meaning that we tend to build in the middle price points in each market, avoiding low end and upper end products. We believe that these price points cater to a significant and stable segment of the home buyers in our markets. Since our founding in 1985 and as of December 31, 2006, we have built and delivered over 4,000 homes valued at over \$1.0 billion.

Our markets have generally been characterized by strong population and economic growth trends that have led to strong demand for traditional housing. While we prefer to purchase building lots that are developed by others when practical, our core capabilities include the ability to manage the entitlement and development of land for our home building operations. We believe this is a complement to the purchasing of finished building lots developed by others because it enables us to pursue projects that have potentially higher returns. In addition, our business includes the development, redevelopment and construction of residential mid-rise and high-rise condominium complexes. The majority of our multi-family projects are in our core market of the greater Washington, D.C. area. We believe that the demographics and housing trends in the Washington, DC area will continue to produce significant demand for high density housing and mixed-use developments. In our other markets, Raleigh, North Carolina and Atlanta, Georgia, we are currently focused on lower density housing such as single family homes and townhomes.

We were incorporated in Delaware in May 2004. Our business was founded in 1985 by Christopher Clemente, our current Chief Executive Officer, as a residential land developer and home builder focused on the move-up home market in the northern Virginia suburbs of Washington, D.C. Prior to our initial public offering in December 2004, we operated our business through four primary holding companies. In connection with our initial public offering, these primary holding companies were consolidated and merged into Comstock Homebuilding Companies, Inc. Our principal executive offices are located at 11465 Sunset Hills Road, 5th floor, Reston, Virginia 20190, and our telephone number is (703) 883-1700. Our Web site is www.comstockhomebuilding.com. References to "Comstock," "we," "our" and "us" refer to Comstock Homebuilding Companies, Inc. together in each case with our subsidiaries and any predecessor entities unless the context suggests otherwise.

Our Markets

We operate in the greater Washington, D.C., Raleigh, North Carolina and Atlanta, Georgia markets. We believe that the new home industry in our core markets is, over the long term, characterized by consistent demand and a limited supply of affordable new housing. Based on our experience, we believe that in the home building industry, local economic trends and influences have a more significant impact on supply and demand, and therefore on profitability, than national economic trends and influences. We believe the leading economic indicator of housing demand is job growth. Each of our primary markets experienced strong job growth in recent years. We believe that where there is strong job growth there will be population growth which will result in demand for new housing. According to the National Association of Home Builders, the Washington, D.C., Raleigh, North Carolina and Atlanta, Georgia metropolitan areas were each ranked in the top 20 housing markets in the country based upon single-family residential building permits issued in 2006. The Washington, D.C. metropolitan area was ranked as the #10 housing market in the country based upon multi-family building permits issued in 2006, and the Atlanta, Georgia market was ranked #2 in the country based upon residential building permits issued in 2006.

Our Business Strategy

Our general business strategy is to focus on for-sale residential real estate development opportunities in the southeastern United States that afford us the ability to produce products at price points where we believe there is significant and consistent long-term demand for new housing. We believe the housing industry is cyclical in nature. We recognize that current market conditions are extremely challenging. Accordingly, we have adapted our business plan and strategy with the goal of protecting liquidity, enhancing our balance sheet and positioning the Company for future growth when market conditions improve. In connection with this strategy, we have adopted a conservative approach to land acquisition and investment and have taken a patient approach with respect to market expansion. We believe that by doing so we are enhancing our ability to take advantage of attractive real estate investment opportunities in our core markets as market conditions improve. Our general operating business strategy has the following key elements:

Attract and retain experienced personnel at all levels. We believe the key to success in our business is attracting and retaining experienced professionals at all levels within the organization. This is just as important with sales and field supervisor positions as it is with management level positions. We work to identify, recruit, train and retain the most qualified management and support personnel available.

Build in and expand with the strong growth markets of the Mid-Atlantic and Southeast region of the United States. We believe there are significant opportunities for long term growth in our existing markets and region. Our strategy is to operate our business in our current markets and region to capitalize on the robust economies and continued population growth of these areas. We expect the economic growth in these markets to continue. We plan to utilize our strong regional presence and our extensive experience in these markets to expand our operations in these markets through acquisition of both finished and raw land as well as acquisition of local home builders whose operations would complement ours and enhance our competitive position in the marketplace. With regards to such corporate acquisitions we look for homebuilders that have strategic land positions, strong local management teams, access to additional land supply and good relationships with local subcontractors. We expect to target new markets within our core region that have favorable demographic and economic trends where we believe we will be able to achieve sufficient scale over time to successfully implement our business strategy.

Manage our land inventory to provide the most attractive margins or returns possible. We believe that our market knowledge and experience in land entitlement and development enable us to successfully identify attractive land acquisition opportunities, efficiently manage the process of obtaining development rights and maximize land value. We have the expertise needed to acquire land positions in various stages of the entitlement and development process, which we believe provides us more opportunities to acquire development opportunities than many of our competitors. We believe we are able to utilize our capabilities in land acquisition, land planning, and land development to maximize the potential return achieved from developing each property. As a complement to this approach we also seek to acquire finished building lots that have been developed by others for our home building operation. We believe our network of relationships and broad recognition in our core markets gives us an advantage over some of our competitors in acquiring finished lots. Because in the case of finished lots we can often acquire options on large numbers of lots with relatively small deposits in relation to the total land purchase price, this strategy of purchasing finished lots allows us to cost-efficiently control significant land positions with reduced capital risk. As such, we intend to continue to option land positions whenever possible.

Create opportunities in areas overlooked by our competitors. We believe there is a significant market opportunity for well-designed, quality homes and condominiums in urban and suburban areas in close proximity to transportation facilities. Local governments in our markets, especially the greater Washington, D.C. market, have modified zoning codes in response to mounting traffic concerns to allow for high-density residential development near transportation improvements. In our experience, buyers place a premium on new homes in developments within these areas. We believe that our high density townhouse and condominium products, along with our substantial experience in dealing with both the market and regulatory requirements of urban mixed-use developments, enable us to identify and create value in land parcels often overlooked by traditional home builders. As a result, we believe we have an opportunity to generate profit in more ways than some of our larger competitors. We plan to continue to focus on developing and creating these opportunities within our core markets.

Focus on a broad segment of the home buying market, the "middle of the market". Our single-family homes, townhouses and condominiums are deliberately designed and priced to appeal to a broad segment of the home buying market. We serve a diverse customer base including first-time, early move-up, secondary move-up, empty nester move-down and active adult home buyers. We refer to customers in these demographics as "middle market homebuyers." We believe first-time and early move-up home buyers represent a significant portion of home buyers and have in the past, we believe, been more resistant to market downturns and more responsive to market rebounds. We believe that the aging of the American population makes it more likely that a significant percentage of the population will continue to be attracted to secondary move-up, empty nester move-down and active adult housing products as well. We expect our diversified product offerings to position us to benefit from the projected population growth in our core markets and provide long term protection against periodic market fluctuations.

Position our inventory for the growing active adult market. We expect the large and aging baby boom population in the United States to fuel growth in the active adult market of the home building industry. As the baby boom generation ages, we anticipate that housing developments focused on this population will capture a larger share of the market. We believe this growing segment of the population will also likely be attracted to the convenience and activities available in upscale urban mixed-use active adult developments. Active adult developments are often favored by local governments because they increase the tax base while requiring fewer government-funded services and infrastructure, such as schools and summer programs, as compared to traditional developments that attract younger families. We believe that because of our experience and capabilities and our focus on the southeastern United States that we are well positioned to benefit from this growing demand.

Maximize our economies of scale. We apply a production home builder approach to all of our product categories. In many instances, we utilize plans across multiple markets which we have built numerous times. This repetitive manufacturing process allows us to minimize cost through value engineering resulting from previous field experience. We are also able to coordinate labor and material purchasing under bulk contracts thereby reducing unit costs. As a result, we are able to realize economies of scale in the purchase of raw materials, supplies, manufactured inputs and labor. As we expand, we will seek to maximize these benefits through purchasing arrangements with national and regional vendors.

In light of current depressed market conditions in the homebuilding industry we have adopted the following additional business strategies which we will focus on throughout 2007 and into 2008:

Protect liquidity and maximize capital availability. For so long as market demand for housing remains depressed we will remain highly focused on maintaining liquidity by limiting our investments in long term real estate projects. We will build our pipeline of new development opportunities through a cautious and measured approach. When available, we will focus on the acquisition of finished building lots and parcels with shorter times to market that often have reduced equity requirements as compared to raw land parcels that require entitlement and development. In addition, in order to maintain sufficient operating liquidity and capital availability we will continue to sell certain assets that are either highly leveraged or have significant cash equity.

Invest in creating a highly qualified sales force capable of closing sales in difficult times. We believe that enhancing the capabilities of our sales force is critical to success in a difficult market. Accordingly, we have initiated an organized recruiting effort and enhanced our training programs to ensure that we have the best possible sales force. We believe this will increase conversion ratios, decrease cancellations, and improve pricing power.

Maximize the realized value of our real estate owned. Because of our depth of experience in many different aspects of real estate development we believe that we are able to continuously evaluate and re-evaluate the use of the real estate we own and therefore are well positioned to identify alternative uses for the inventory we own that may increase the value of such properties. This effort is currently primarily focused on our multi-family assets in the greater Washington, D.C. area where the demand for such products has been temporarily depressed as a result of over building and high price appreciation. One manner in which we are addressing this is by selling certain condominium projects in part, or in whole, to buyers of for-rent properties. As a result of the very low vacancy rates in the apartment inventory in the Washington, D.C. area the values of for-rent apartment properties continue to be enhanced. We have been successful in selling certain condominium assets as for-rent property and may continue our efforts in that regard to ensure that we are taking steps that we believe will enhance our balance sheet and liquidity. Our effort in this regard tends to be with respect to certain inventory that is either underperforming or holds a higher

total value for a rental property owner that it otherwise would for individual homeowners in the aggregate. In properties where a bulk sale is impractical we have initiated our own internal 'bridge' rental operations to maximize short term cash flow from the property and minimize net debt service obligations while we wait for market conditions to improve.

Concentrate on finished lot option takedown opportunities. In an effort to minimize the equity required in an acquisition of building lots and shorten our asset turn cycles we have increased our focus on finished building lots sold by developers on an option takedown basis.

Identify and capitalize on undervalued and/or distressed real estate assets. We believe that in every real estate downturn there are opportunities to acquire properties for development that have the potential of delivering above average returns in the future. Because of our extensive experience in real estate development and our experience in managing more than one cyclical downturn and cyclical upturn, we believe that we are well positioned to identify attractive opportunities. By intensely focusing in the short term on our liquidity and by taking steps to enhance our balance sheet and cash reserves, we believe that we will be well positioned to capitalize on such opportunities.

Capitalize on our public status to attract capital and build a sustainable pipeline for future growth. We believe that as a public homebuilder we have advantages over our private peers when it comes to access to capital by virtue of our public status. We intend to capitalize on the transparent nature of our financial reporting and utilize our public currency to attract alternative sources of capital into the company and acquire growth assets without depleting our liquidity.

Invest in technology to streamline operations, increase our ability to communicate with customers and facilitate growth. During 2006 we invested in the upgrade of our information management and accounting systems. This new platform will allow us to manage our business more efficiently and better control our costs as we grow. The platform we have created will help position us to better utilize technology to facilitate the sale of our products, communicate with customers and enhance operating results.

Our Operations

We integrate the process of building a home by carefully controlling each phase of the process from land acquisition to the construction, marketing and sale of a home. During every stage of the process we manage risk and focus on products, geographic areas and price points in an effort to maximize our revenue and profit opportunities.

Land Identification and Acquisition

We believe that by controlling and managing a significant portion of our land inventory through options we will be better able to manage our growth in accordance with our business plan and long term growth objectives.

In the past we have acquired land for our home building operations both as finished building lots and as raw land that we develop. Today we seek to acquire land that will be delivered to us as finished building lots and/or developed building pads whenever practical. Our goal is to contract to purchase land from land developers who will maintain ownership of the land through the entitlement and development process. When we contract to purchase land in this manner we typically will provide our home building and entitlement expertise to the seller in order to ensure the land is developed in a manner consistent with our plans for the project. By contracting to purchase land during the entitlement and development process that will deliver upon completion of development we reduce the financial risks associated with seeking entitlements and performing land development.

We currently own and buy land that we develop into building lots ourselves. We will generally buy undeveloped land when we are developing high-density projects because the product design is often integrated into the site development operations. We also buy land that we develop into traditional building lots when we believe the capital outlay and additional risk associated with developing the land is manageable and the return on investment will be enhanced. When we purchase these types of sites, it is after the development rights have been secured, which eliminates or substantially reduces risks associated with seeking entitlements.

We also engage in the business of converting existing rental apartment properties to for-sale condominium projects. This process involves the purchase of existing structures which are occupied by tenants with leases of

varying duration. When we purchase these properties we subdivide the units and form a condominium association. In these projects we have and continue to invest capital in the improvement of the common areas and exteriors. In the past, our strategy was that as the tenants' leases expired we renovated the interiors of the apartments and then sold each apartment as an individual condominium unit. In recent months our business model has changed due to market conditions. In response to slowed absorption at these projects we have elected to continue to lease unsold inventory to renters. We have not abandoned our intent to sell the units as condominiums over time but we have chosen to temporarily manage the properties as rental assets to offset the debt service associated with holding the assets for sale. In certain cases we have sold condo conversion units in bulk to rental project investors and operators. We do not currently expect to continue to acquire additional condominium conversion and similar projects.

Our land acquisition and development process is overseen by an executive land committee that includes representatives from our various business departments. This committee meets regularly to evaluate prospective land acquisitions and underperforming assets. The committee evaluates several factors that could affect the outcome of a project under consideration. These factors include:

- supply and absorption rates of similar new home projects;
- supply and absorption rates of existing homes in the area;
- projected equity requirements;
- projected return on invested capital;
- status of land development entitlements;
- projected net margins of homes to be sold by us;
- projected absorption rates;
- demographics, school districts, transportation facilities and other locational factors; and
- competitive market positioning.

We focus on acquiring new projects that we believe have the potential to generate revenue on home sales as well as appreciation in land value through the application of our entitlement and development expertise. Many of the sites we choose to invest in have been overlooked by large, national competitors due to the complexity of zoning and entitlement issues or other development characteristics. Our acquisition due diligence process involves a high level of scrutiny which includes a variety of analyses, including land title examination, applicable zoning evaluations, environmental analysis, soil analysis, utility availability studies, and marketing studies that review population and employment trends, school districts, access to regional transportation facilities, prospective home buyer profiles, sales forecasts, projected construction costs, labor and material availability, assessment of political risks and other factors. While we make assumptions about costs of development and construction as well as sales pricing, we often will not know these items for sure until after we have committed to or purchased the project.

Land Entitlement and Development

We manage development opportunities and risks through our in-house entitlement processing group.

We have extensive knowledge and experience in all aspects of the site selection, land planning, entitlement and land development processes. Specifically, we have significant experience in dealing with the governmental and regulatory authorities that govern the site selection, development and zoning processes. Entitlement is the process by which a local government determines the density it will permit to be developed on a particular property. Entitlements and development permits are often obtained through negotiations with local governmental authorities. This process often involves consultation with various parties, including the local homeowner associations, federal governmental agencies and environmental protection groups. Infrastructure improvements, such as sewers, roads, utilities and transportation improvements are often required to be built in connection with the development of a parcel of land.

Our experience and knowledge allow us to effectively negotiate with all concerned parties in an attempt to ensure the costs of the improvements associated with obtaining entitlements are commensurate with the

development potential of the subject property. We can quickly assess the likely approvals on a particular property in the early stages of our due diligence process. As a result, we can control the details of development, from the design of each community entryway to the placement of streets, utilities and amenities, in order to efficiently design a development that we expect will improve our ability to maximize the potential return on our investment in the property. We seek to manage development risk by acquiring options to purchase properties after the approval of the necessary entitlements, while assuming control of their entitlement process, thereby deferring acquisition of the property until all necessary entitlements are obtained.

Our goal is to maximize returns on assets we control or own. As such we may, from time to time, sell lots and parcels within our developments to other home builders. This strategy enables us to better balance our inventory and create a more well-rounded community. With respect to our inventory, our goal is to purchase our inventory when it is ready for a home to be built but we also buy raw land that is entitled. Typically we will own approximately 50% of the total land we have under our control at any given time. Our goal in 2007 is to reduce that to 30-40% on average so that we reduce the risk associated with ownership of the land under our control. We expect to expand our control of building lots through more option contracts for finished building lots and developed sites. As of December 31, 2006, we controlled over 4,000 building lots in our markets.

Sales, Marketing and Production

Our primary target markets are first-time; early-move up and first move-down home buyers. We have a wide variety of product lines and custom options for our products that enable us to meet the specific needs of each of our markets and each of our home buyers. We believe that our diversified product strategy enables us to best serve a wide range of home buyers in our target demographics and adapt quickly to changing market conditions. We continually reevaluate and improve upon our existing product designs and develop new product offerings to keep up with changing consumer demands and emerging market trends.

Our single-family homes range in size from approximately 1,400 square feet to over 6,000 square feet with target pricing from the \$100,000s to the \$700,000s. Our townhouses range in size from approximately 1,200 square feet to over 4,500 square feet and are typically priced from the \$100,000s to the \$600,000s.

Unlike many of our traditional home building competitors, we also design, sell and build mid-rise and high-rise condominiums. We believe that our condominium products are particularly well-suited to the high-density, infill and active adult home buyer markets. Our condominiums range in size from approximately 400 square feet to over 2,400 square feet and are priced from the \$100,000s to over \$1 million. Our average new order price over all product types, was \$245,000, \$365,000 and \$369,000 for the year's ended December 31, 2006, 2005 and 2004, respectively.

We typically act as the general contractor in the construction of our wood frame single-family homes, townhouses and mid-rise condominium buildings. On projects where we offer these product lines our employees provide land development management, construction management, material purchasing and quality control supervision on the homes we build. Substantially all construction work on these types of projects is done by subcontractors that contract directly with us and with whom we typically have an established relationship. On our high-rise and mixed-use developments where we typically build concrete structures, we engage a general contractor for the site preparation and construction management, and typically we have a fixed price or a gross maximum price bonded contract with the selected general contractor. In these instances the subcontractors that perform the construction work are typically contracted directly by the general contractor that we select. On projects where we offer these product lines our employees provide land development oversight management, construction quality supervision and construction management services. In all instances we follow generally accepted management procedures and construction techniques which are consistent with local market practices. We believe that we comply with local and state building codes on all of our developments.

Our goal is to commence construction on a majority of our single-family homes after a contract is signed and mortgage approval has been obtained by the home buyer. We generally begin construction of our townhouses and condominiums after we have obtained customer pre-sale commitments for a significant percentage of the units in the building. Depending on the market conditions and the specific community, we may also build speculative homes. Most of these homes are sold while under construction or are used as model homes during the marketing phase of the project. We closely monitor our inventory of speculative units applying a measured approach to unit

production in keeping with sales absorption. In recent months we have experienced increases in cancellation rates which have caused us to have more constructed speculative inventory. We have suspended additional speculative building at most of our projects as we work through the process of selling existing inventory first. On occasion we will sell a completed model home to a third party investor purchaser who is willing to lease back the home to us for use during the marketing phase of a project.

To facilitate the sale of our products, we normally build, decorate, furnish and landscape model homes for each product line and maintain onsite sales offices. In most cases, we employ in-house commissioned sales personnel to sell our homes. On occasion we will contract for marketing services with a third party brokerage firm. All personnel engaged in the sale of Comstock homes receive extensive training in the sales process from our in-house sales training group. We strive to provide a high level of customer service during the sales process. Through multi lingual home buying seminars, relationships with preferred mortgage lenders and utilization of a series of proprietary custom marketing programs, we are able to educate our prospects, prepare our customers for home ownership and help our homebuyers obtain a mortgage tailored to their specific needs.

Our unique NextHome™ programs are designed to assist our customers in many aspects of purchasing a Comstock home, as follows:

- DownRight™ — a program designed to help identify ways to meet the down payment requirements of a new home purchase;
- Tailor Made™ — a program with unique financing products and agreements with major lenders that tailor a monthly payment in order to make home ownership affordable in any interest rate climate;
- Get It Sold™ — a program designed to help our customers sell their current home quickly and efficiently in order to facilitate their purchase of a new Comstock home;
- All@Home™ — a program enabling our customers to design technology solutions for their new Comstock home to meet their individual specifications;
- Built Right™ — a quality assurance program incorporating quality assurance inspections with high-quality materials; and
- Home Style™ — an optional upgrade program providing hundreds of options to choose from to customize a new Comstock home to suit the specific desires of our customers.

All personnel involved in the sale of our homes receive extensive training on the product they are selling. In addition, our sales professionals are trained on the specialized programs offered by us in connection with the purchasing, customizing and financing of a Comstock home and the warranty we provide. We employ in-house commissioned sales personnel to sell our homes. We intend to employ our sales personnel on a long-term basis, rather than a project-by-project basis, which we believe results in a more committed and motivated sales force with better product knowledge. We believe that this has a positive impact on sales and conversion.

Our corporate and local marketing directors work with local project and sales managers to develop marketing objectives, sales strategies and advertising and public relations programs for our communities. These objectives, strategies and home pricing decisions are subject to approval by senior management. We typically build, decorate, furnish and landscape model homes for each product line and maintain onsite sales offices, which are open seven days a week. We believe that model homes play a critical role in our marketing efforts.

Our homes are typically sold before or during construction through sales contracts that are accompanied by a cash deposit. Such sales contracts are usually subject to certain contingencies such as the home buyer's ability to qualify for financing. Cancellation rates are subject to a variety of factors beyond our control such as consumer confidence, media hype relating to homebuilding and adverse economic conditions which lower consumer confidence, increase mortgage interest rates and negatively affect the sale of our existing homes. During 2006 our cancellation rate increased across all of our products in all of our markets. Cancellations and other factors can increase the level of speculative inventory we hold from time to time.

In 2006, we opened an innovative sales center located in Reston, Virginia. Unlike the typical builder design center, this facility does not sell options; rather it supports cross-product and cross-community shopping in one

central location. In the Comstock NextHome store prospects are able to see multiple Comstock projects within multiple markets, arrange for financing and shop for options all in one location. While this location does not replace on-site models, it allows us to shorten a project's time-to-market and it provides a permanent location where projects are previewed and prospects are introduced to the Comstock experience.

Our Communities

We currently have active communities under development in the following states and counties:

State	County
Georgia	Forsyth, Gwynett, Fulton, Paulding, Jackson, Cherokee
Maryland	Frederick
North Carolina	Wake, Raleigh, Johnston, Durham
District of Columbia	Washington, DC
Virginia	Arlington, Fairfax Loudon, Prince William, Culpepper

The following chart summarizes certain information for our current and planned communities at December 31, 2006:

As of December 31, 2006

Project	State	Product Type(2)	Estimated Units at Completion	Units Settled	Backlog(3)	Lots Owned Unsold	Lots under Option Agreement Unsold	Average New Order Revenue to Date
Status: Active(1)								
Allen Creek	GA	SF	26	18	—	8	—	\$ 210,272
Arcanum	GA	SF	34	11	1	22	—	\$ 438,858
Brentwood Estates	GA	SF	33	19	1	11	2	\$ 145,072
Falling Water	GA	SF	23	7	4	12	—	\$ 571,155
Gates of Luberon	GA	SF	32	1	1	30	—	\$ 609,000
Glenn Ivey	GA	SF	65	10	5	50	—	\$ 306,864
Highland Station	GA	SF	105	22	4	79	—	\$ 341,192
Maristone	GA	SF	40	3	—	37	—	\$ 264,930
Senators Ridge	GA	SF	60	16	—	44	—	\$ 244,618
Wyngate	GA	SF	28	—	—	28	—	n/a
Traditions	GA	SF	4	—	—	4	—	n/a
Sub-Total/Weighted Average (4):			450	107	16	325	2	\$ 305,983
Emerald Farm								
Emerald Farm	MD	SF	84	77	—	7	—	\$ 457,625
Sub-Total/Weighted Average:			84	77	—	7	—	\$ 457,625
Allyn's Landing								
Allyn's Landing	NC	TH	116	39	18	59	—	\$ 307,321
Brookfield Station	NC	SF	130	—	—	—	130	n/a
Carpenter Pointe	NC	SF	5	5	—	2	—	\$ 142,280
Haddon Hall	NC	Condo	90	—	—	90	—	n/a
Kelton at Preston	NC	TH	56	39	4	16	—	\$ 340,589
North Farms	NC	SF	138	29	2	11	96	\$ 190,958
Pine Hollow	NC	SF	10	3	—	—	7	\$ 168,908
Providence-SF	NC	SF	148	—	—	34	114	n/a
Riverbrooke	NC	SF	68	30	1	37	—	\$ 171,171
Strathaven	NC	SF	6	6	—	—	—	\$ 382,402
Wakefield Plantation	NC	TH	77	40	1	16	20	\$ 504,593
Wheatleigh Preserve	NC	SF	28	12	3	13	—	\$ 330,419
Sub-Total/Weighted Average (4):			872	203	29	278	367	\$ 312,697

Project	State	Product Type(2)	Estimated Units at Completion	Units Settled	Backlog(3)	Lots Owned Unsold	Lots under Option Agreement Unsold	Average New Order Revenue to Date
Barrington Park	VA	Condo	148	—	—	148	—	\$ —
Beacon Park at Belmont Bay 8&9	VA	Condo	600	—	—	112	488	\$ —
Blooms Mill Carriage	VA	TH	91	91	—	—	—	\$ 453,642
Carter Lake	VA	Condo	258	258	—	—	—	\$ 155,040
Commons at Bellemeade	VA	Condo	316	58	3	255	—	\$ 236,083
Commons on Potomac Sq	VA	Condo	192	40	2	150	—	\$ 275,570
Commons on Williams Sq	VA	Condo	180	104	2	74	—	\$ 358,662
Penderbrook	VA	Condo	424	239	7	178	—	\$ 265,946
River Club at Belmont Bay 5	VA	Condo	84	82	—	2	—	\$ 449,210
The Eclipse on Center Park	VA	Condo	465	134	258	73	—	\$ 711,960
Woodlands at Round Hill	VA	SF	46	24	—	22	—	\$ 757,118
Sub-Total/Weighted Average:			2,804	1,030	272	1,014	488	\$ 418,427
Total Active			4,210	1,417	317	1,624	857	\$ 398,045
Status: Development								
East Capitol	DC	Condo	130	—	—	130	—	n/a
Sub-Total:			130	—	—	130	—	n/a
Cedars Road	GA	SF	109	—	—	—	109	n/a
Highland Avenue	GA	SF	30	—	—	30	—	n/a
James Road	GA	SF	50	—	—	50	—	n/a
Kelly Mill Road	GA	SF	28	—	—	—	28	n/a
Post Road	GA	SF	59	—	—	59	—	n/a
Post Road II	GA	TH	54	—	—	—	54	n/a
Settingdown Circle	GA	SF	172	—	—	172	—	n/a
Shiloh Road	GA	SF	61	—	—	61	—	n/a
Tribble Lakes	GA	SF	200	—	—	200	—	n/a
Sub-Total:			763	—	—	572	191	n/a
Massey Preserve	NC	SF	297	—	—	297	—	n/a
Holland Road	NC	SF	81	—	—	81	—	n/a
Providence-TH	NC	TH	80	—	—	—	80	n/a
Boyce Road	NC	SF	33	—	—	—	33	n/a
Lakeshore Hills	NC	SF	34	—	—	—	34	n/a
Stowe Road	NC	SF	110	—	—	—	110	n/a
Sub-Total:			635	—	—	378	257	n/a
Aldie Singles	VA	SF	15	—	—	—	15	n/a
Blake Crossing	VA	TH	130	—	—	130	—	n/a
Brandy Station	VA	SF	350	—	—	—	350	n/a
Loudoun Station Condominiums	VA	Condo	484	—	—	—	484	n/a
Station View	VA	TH	47	—	—	47	—	n/a
Sub-Total:			1,026	—	—	177	849	n/a
Total Development			2,554	—	—	1,257	1,297	n/a
Total Active & Development			6,764	1,417	317	2,881	2,154	\$ 398,045
Status: Joint Venture								
North Shore Condominiums(5)	NC	Condo	196	—	7	189	—	\$ 286,361
North Shore Townhomes(5)	NC	TH	163	33	7	123	—	\$ 239,107
Countryside(6)	VA	Condo	102	67	2	33	—	\$ 274,816
Total Joint Venture			461	100	16	345	—	\$ 263,199

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- (1) "Active" communities are open for sales. "Development" communities are in the development process and have not yet opened for sales. "Completed" communities have settled all units during the year ended December 31, 2006.
 - (2) "SF" means single family home, "TH" means townhouse and "Condo" means condominium.
 - (3) "Backlog" means we have an executed order with a buyer, inclusive of lot sales, but the settlement has not yet taken place.
 - (4) "Weighted Average" means the weighted average new order sale price
 - (5) Not consolidated
 - (6) Consolidated, under Fin 46

Greater Washington, DC Area

Northern Virginia Market

Aldie Singles is planned to be a 15-unit in development in Aldie, Virginia. The community is planned to have 15 single family homes on 3 acre and above home sites. At December 31, 2004 the project was under contract. The project is expected to be ready to open for sales in 2007 with settlements expected to begin in late 2007. We are currently in default of our option contract and are attempting to renegotiate terms with the sellers.

Barrington Park is a 148-unit mid-rise, walk-up, garden style condominium development in Manassas Park, Virginia. We completed the acquisition of the land in late 2005. Sales at the project were slow during the course of 2006 so we decided to postpone settlements in order to preserve the value of the project as an intact rental community. In early 2007 we initiated rental operations at the project while we wait for either an offer to purchase in bulk or an improvement in the condominium market. We have postponed the start of construction on the remaining buildings at the community.

Beacon Park at Belmont Bay is planned as a 600-unit active adult condominium community located at the convergence of the Potomac and Occoquan Rivers at Belmont Bay in Woodbridge, Virginia. This development is designed as a combination of nine and five-story buildings with open rooftop decks overlooking the water and golf course. The project is deed-restricted such that one of the buyers for each unit must be 55 years of age or older and will include active adult lifestyle amenities, such as a health and wellness center, a business center, guest accommodations and swimming pools. We currently own 112 lots for 4 buildings of 28 units each with a long term option on the remaining 499 lots. Sales opened in March 2007.

Blakes Crossing is a parcel we own in Culpeper, Virginia designed for 130-unit townhouses. The project is currently under contract to be sold for commercial development.

Blooms Mill is a 377-unit development in Manassas, Virginia. This development offers a mix of single-family homes, attached carriage homes and townhouses. The development's amenities include a community club, swimming pool and "family friendly" street plan all in a traditional village setting. At December 31, 2006, the single family homes were sold out and fully delivered.

Brandy Station is a 350-unit single-family home development in Culpeper, Virginia. The project is currently under option takedown contract while we manage it through the entitlement process. We will close on the property when approvals have been received if we are still confident that the option price in place makes sense given market conditions at the time. We expect to open this project for sales in 2008.

Commons at Bellemeade is a 316-unit condominium conversion located in Leesburg, Virginia. We acquired the property in September 2005 and immediately began the process of sub-dividing the units into condominiums. We are in the process of renovating the common areas and the unit interiors. We opened the project for sales to existing tenants in October 2005 and to the general public in November 2005. The project began settling units in late 2005 and is expected to continue settling units into 2009.

Commons on Potomac Square is a 192-unit mid-rise condominium complex in Loudoun County, Virginia. The complex will consist of four buildings. The project is positioned for first-time homeowners and is intended to offer

significant appeal to renters in the market seeking to move up to home ownership. Sales opened in late 2004 and settlements began in early 2006 and will continue into 2008.

Commons on the Park was a 258-unit condominium conversion project in Reston, Virginia. We purchased the project in January 2006 and sold it to a rental property owner in November 2006.

Commons on William Square is a 180-unit two-over-two townhouse condominium development in Prince William County, Virginia. Sales opened in the fourth quarter of 2004 and settlements began in the second half of 2005 and we expect sales and settlements to continue throughout 2007 and perhaps into 2008.

Countryside is a 102-unit apartment complex in Sterling, Virginia that we converted to condominiums. We acquired the property in March 2005. We completed improvements to the common areas and exteriors of the buildings. Sales opened during the third quarter of 2005 with settlements beginning in the fourth quarter 2005. In December 2006 we sold the balance of the unsold units in a bulk transaction. We entered into a marketing services agreement whereby we continued to manage sales in the community and earn a commission on the resale of those units individually.

The Eclipse on Center Park is a 465-unit high-rise condominium complex in Arlington County, Virginia. Located at Potomac Yard, just minutes from downtown Washington, D.C., the Pentagon and Reagan National Airport, the project is designed as an upscale, urban-style mixed-use complex with residential condominiums being built above an 80,000 square foot retail complex that will host a grocery store and other convenience oriented retailers. Upper floors will have views of the Potomac River and the monuments in Washington, D.C. Sales for Phase I opened in the second quarter of 2004. Sales for Phase II began in December 2005 and continued throughout 2006. Settlements began in November 2006 and will continue throughout 2007 and possibly into 2008.

Loudoun Station Condominiums is planned as an up to 484 unit mid-rise condominium complex located in Ashburn, Virginia. The project is part of a high-density, transit-oriented, mixed-use development which is modeled after the successful Reston Town Center in Reston, Virginia. The project is at the terminus of the planned Metro extension past Washington Dulles International Airport. The project will have 1,500 multi-family residential units between condominiums and rentals and will have over one million square feet of retail and commercial space. In light of current market conditions we have delayed the closing on the land and the opening of this project indefinitely. Because of our continuing involvement in this project we are still carrying approximately \$1.2 million of real estate cost in our real estate held for development and sale. If we are unsuccessful at selling the remaining units for a profit we may be required to writedown our carrying value.

Penderbrook Square is a 424-unit rental apartment complex which we are converting to condominiums in the Fair Oaks area of Fairfax County, Virginia. We acquired the property in February 2005. We have made a significant investment in renovations at this project including common areas, building exteriors and units heating systems. Sales opened in April 2005 with settlements beginning in June 2005 and continuing to date. We are currently managing both for-sale and rental programs at this project to help offset carrying costs until the market improves.

River Club at Belmont Bay 5 is a three-building, 84-unit condominium development located at the convergence of the Potomac and Occoquan Rivers at Belmont Bay in Woodbridge, Virginia. Settlements began in 2005 and will conclude in 2007.

Woodlands at Round Hill is located in western Loudoun County, Virginia, one of the fastest growing counties in the United States. This large lot single-family home development has 65 lots of three or more acres each. We are acting as the developer of the site, and we are currently building road and utility infrastructure for the home sites. This project opened for sales in 2004. Settlements began in early 2005 and will continue into 2008 and possibly into 2009. In September 2005, we sold 19 lots to another homebuilder who is now open to sales in the community.

Maryland

Emerald Farm is an 84-unit development of single-family homes in Frederick, Maryland. The development is conveniently located near major transportation routes. Frederick, Maryland is currently experiencing a water moratorium that has shut down development in the area. The project has been open for sales since 2000 and is expected to be completed in 2007 or 2008.

North Carolina Market

Raleigh, North Carolina

Allyn's Landing is a 117-unit townhouse development located in the heart of Raleigh, North Carolina near Research Triangle Park and the Raleigh-Durham International Airport. The project overlooks an eight-acre lake and includes amenities such as a fountain, gazebo, walking trails and canoe rack. In 2006 we repositioned the project by changing product types. The project is currently open for sales and is delivering homes. Deliveries are expected to continue into 2008.

Holland Road is a 81-unit single family homes development in Raleigh, North Carolina which is opened for sales and expected to began deliveries in the second half of 2007.

Kelton at Preston is a 56-unit upscale townhouse development in the prestigious Kelton golf course community of Cary, North Carolina. This project has three 18-hole courses, a swimming complex and a clubhouse with fitness, tennis and dining facilities. Many of our home sites have golf course views. This project is currently open for sales and is delivering homes. Deliveries are expected to continue into 2008.

North Shore is a unique community located on the Centennial Campus of North Carolina State University. It consists of 163 townhouses and 196 mid-rise condominium units. The mid-rise condominium residences are five-story elevator buildings with structured garage parking. The townhouse residences feature four finished levels, private garages, a rear deck and a rooftop terrace. This project is owned through a 50/50 joint venture with Raleigh Property Group II, LLC and as such is reported through the equity method and excluded from our home building revenue and backlog. (See Note 7 of notes to our consolidated and combined financial statements as of December 31, 2006). This project is not currently open for sales pending resolution of litigation between us and our joint venture partner.

Wakefield Plantation is a 77-unit development in Raleigh, North Carolina consisting of townhouses and carriage homes. Our unique carriage homes at Wakefield are attached homes with as much as 5,300 square feet of finished living space in three and four-unit configurations with two-car garages and interior court yards. This project is currently open for sales and is delivering homes. Deliveries are expected to continue into early 2008.

Brookfield is a 130-unit single family development in Raleigh, North Carolina. This development, with its projected swimming pool complex, is conveniently located near Rt. 264 in Raleigh. This development is projected to open for sales in the end of 2007 and is expected to be completed in 2009.

Haddon Hall is a three building 90-unit condominium development located in Apex, North Carolina. This development is currently open for sales and expected to begin deliveries in the end of 2007.

Massey Preserve is a 297-unit single family development in Raleigh, North Carolina. These 2,600 to 3,000 square foot homes are conveniently located to the new I-540 by pass as well as a new elementary school in walking distance. This development is now open for sales and is expected to be completed in 2008 or 2009.

North Farm is a 138-unit single family homes development in Clayton, North Carolina. These spacious craftsman-style homes are located within the Flower Plantation community with shopping and recreation facilities in walking distance.

Pine Hollow is a 7-unit single family development in Raleigh, North Carolina. This development has an 18-hole golf course, tennis center and community pool complex. This development is expected to be completed by mid 2007.

Providence single family is a 148-unit single family development in Raleigh, North Carolina. This development is convenient to downtown Raleigh as well as walking distance to both North Hill and Crabtree Valley Malls. This development is now open for sale.

Providence townhomes is an 80-unit single family development in Raleigh, North Carolina. This development is conveniently located to downtown Raleigh as well as walking distance to both North Hill and Crabtree Valley Malls.

Riverbrooke II is the second phase of a 68-unit single family development in Raleigh, North Carolina. This development's easy accessibility to interstates I-40 and I-440 make for quick commuting around the city of Raleigh.

Wheatleigh Preserve is a 28-unit single family development in Raleigh, North Carolina. These quarter-acre lots are fully amenitized, with a community pool, tree-lined hiking trails and playgrounds. This development is currently open for sale.

Charlotte, North Carolina Market

In early 2007 we made the decision to withdraw from the Charlotte, North Carolina market. This decision affected Boyce Road, Stowe Village and Fairhills, which we now no longer plan to open for sales.

Greater Atlanta Market

Atlanta, Georgia

Allen Creek- is a 26-unit single family home development in the suburbs of Atlanta, Georgia. These single family homes have brick or stacked-stone exteriors and a hardwood foyer, chair rails, shadow-box trim and tray ceilings in the master suite. This development is currently open for sales and should be completed by the end of 2007.

Arcanum- is a 34-unit single family home development in the suburbs of Atlanta, Georgia. These single family homes have brick, stone and shake exteriors and a hardwood floors in the interior. This development has access to the Polo Country Club. This development is currently delivering homes and is projected to be closed out in 2007.

Brentwood Estates- is a 26-unit single family home development in the suburbs of Atlanta, Georgia. These single family homes have brick or stacked-stone exteriors and a hardwood foyer, chair rails, shadow-box trim and tray ceilings in the master suite. This development is currently open for sales and should be completed by the end of 2007.

Falling Water- is a 23-unit single family home development in Woodstock, Georgia a suburb of Atlanta. These single family homes have brick, stone and shake exteriors. This development is currently delivering homes and is projected to be closed out in 2007.

Gates of Luberon- is a 32-unit single family home development in the suburbs of Atlanta, Georgia. The homes in this development are some of the largest homes Comstock Homebuilding of Atlanta has built in Atlanta. The single family homes have brick, stone and shake exteriors and spacious floor plan. The development has easy access downtown Atlanta via Hwy. 141. This development is currently delivering homes and is projected to be closed out in 2007.

Glen Ivey- is a 65-unit single family home development in the suburbs of Atlanta, Georgia. Homes in this project have a spacious layout. The development has a community pool complex and nature trails as well as being located near Lake Lanier. This development is delivering homes currently and is projected to be closed out in mid-year 2008.

Highland Ave- is a 30-unit single family home development in the Inman Park section of downtown Atlanta, Georgia. The development is currently under development and is projected to begin selling homes in mid 2008.

Highland Station- is a 105-unit single family home development in Suwanee, Georgia a suburb of Atlanta. The homes in this development are appointed with 9' ceilings, hardwood floors and Corian countertops as standard. The development also has a pool complex with cabana. This development is delivering homes currently and is projected to be closed out in 2008.

James Road- is a 50-unit single family home development in the suburbs of Atlanta, Georgia. The development is currently under development and is projected to begin selling homes in mid 2008.

Maristone- is a 40-unit single family home development in the suburbs of Atlanta, Georgia. The development is complete with tennis courts, swimming complex and a cabana. This development is currently open for sale and is projected is scheduled to be closed out in mid-year 2008.

Post Road- is a 59-unit single family home development in the suburbs of Atlanta, Georgia. The development is currently under development and is projected to begin selling homes in 2007.

Post Road II- is a 54-unit townhouse development located in the suburbs of Atlanta, Georgia. Development of this development is projected to start at the end of 2007 and be open for sales in 2008.

Senators Ridge- is a 60-unit single family home development in the western suburbs of Atlanta, Georgia. The development offers extensive amenities like a clubhouse, swimming pool, tennis courts and basketball courts. This development is currently delivering homes and is projected to be closed out in 2007.

Settingdown Circle- is a 172-unit single family home development in the suburbs of Atlanta, Georgia. Development of this development is projected to start at the end of 2007 and is expected to be open for sales in 2008.

Shiloh Road- is a 61-unit single family home development in the suburbs of Atlanta, Georgia. The development is currently under development and is projected to begin selling homes in 2007.

Traditions at Braselton- is a 4-unit single family home development in the outskirts of Atlanta, Georgia. These estate homes are located directly on a championship 18-hole golf course with many other amenities. These homes that start at 4,500 square feet, have bountiful views of the course. This development is currently open for sales and is projected to be closed out in 2007.

Tribble Lakes- is a 200-unit single family home development in the suburbs of Atlanta, Georgia. This development will have a wide array of amenities strategically located around the beautiful lake. The development is currently under development and is projected to begin selling homes in 2008.

Wyngate- is a 28-unit single family home development in the suburbs of Atlanta, Georgia. This development is currently open for sales and is projected to be closed out in 2007.

South Carolina Market

Myrtle Beach, South Carolina

In September 2006 we sold our Carolina Waterway community in the Myrtle Beach area, our only project in South Carolina. We no longer operate in the South Carolina market.

Warranty

We provide our single-family and townhouse home buyers with a one-year limited warranty covering workmanship and materials. The limited warranty is transferable to subsequent buyers not under direct contract with us and requires that home buyers agree to the definitions and procedures set forth in the warranty. Our condominium home buyers typically have a statutory two-year warranty on their purchases. In addition, we provide a five-year structural warranty pursuant to statutory requirements. From time to time, we assess the appropriateness of our warranty reserves and adjust future accruals as necessary. When deemed appropriate by us, we will accrue additional warranty reserves. We rely on our sub-contractors to warrant their work and they are contractually obligated to fix defects in their work. Beyond our sub-contractor warranties we self-insure the balance of all of our warranties.

Competition

The real estate development and home building industries are highly competitive and fragmented. Competitive overbuilding in local markets, among other competitive factors, could materially adversely affect home builders in those markets. Home builders compete for financing, raw materials and skilled labor, as well as for the sale of homes. Additionally, competition for prime properties is intense and the acquisition of such properties may become more expensive in the future to the extent demand and competition increase. We compete with other local, regional and national real estate companies and home builders. Some of our competitors have greater financial, marketing, sales and other resources than we have.

The principal competition we faced in each of our markets, as of December 31, 2006, was as follows:

- *Atlanta, Georgia.* In the Atlanta, Georgia market we compete against approximately 10 to 15 publicly-traded national home builders, approximately 10 to 15 privately-owned regional home builders, and a large number of small, local home builders.
- *Raleigh, North Carolina.* In the Raleigh, North Carolina market we compete against approximately 10 to 15 publicly-traded national home builders, approximately 10 to 15 privately-owned regional home builders, and a large number of small, local home builders.
- *Washington, D.C.* In the greater Washington, D.C. metropolitan market we compete against approximately 15 to 20 publicly-traded national home builders, approximately 10 to 15 privately-owned regional home builders, and many local home builders, some of whom are very small and may build as few as five to 25 homes per year.

We do not compete against all of the builders in our geographic markets in all of our product types or submarkets, as some builders focus on particular types of projects within those markets, such as large estate homes, that are not in competition with our communities. We believe the factors that home buyers consider in deciding whether to purchase from us include the location, value and design of our products. We believe that we typically build attractive, innovative products in sought-after locations that are perceived as good values by customers. Accordingly, we believe that we compare favorably on these factors.

We also compete with resale of existing homes and condominiums and available rental housing.

Regulation

We and our competitors are subject to various local, state and federal statutes, ordinances, rules and regulations concerning zoning, building design, construction and similar matters, including local regulation, which imposes restrictive zoning and density requirements in order to limit the number of homes that can ultimately be built within the boundaries of a particular project. We and our competitors 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 in which we operate. Local and state governments also have broad discretion regarding the imposition of development fees for projects in their jurisdiction.

We and our competitors 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 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 community vary greatly according to the community site, the site's environmental conditions and the present and former uses of the site. These environmental laws may result in delays, may cause us and our competitors to incur substantial compliance and other costs, and may prohibit or severely restrict development in certain environmentally sensitive regions or areas. However, environmental laws have not, to date, had a material adverse impact on our operations.

Technology

We are committed to the use of Internet-based technology for managing our business and communicating with our customers. For customer relationship management, we use Builder's Co-Pilot, a management information system that was custom developed in accordance with our needs and requirements. This system allows for online and collaborative efforts between our sales and marketing functions and integrates our sales, production and divisional office operations in tracking the progress of construction on each of our projects. We believe that real-time access to our construction progress and our sales and marketing data and documents through our systems increases the effectiveness of our sales and marketing efforts as well as management's ability to monitor our business. Through our Web site, www.comstockhomebuilding.com, our customers and prospects receive automatic electronic communications from us on a regular basis. We believe this application of technology has and will continue to greatly enhance our conversion rates.

In April 2006 we commenced preparations for the conversion of our accounting and purchasing management software to the JD Edwards, Enterprise One software system. We effected the conversion to the JD Edwards software in January 2007. This highly scalable purchasing and accounting system will position us to be more cost competitive and will, we hope, contribute to future margin expansion.

Intellectual Property and Other Proprietary Rights

We rely primarily on a combination of copyright, trade secret and trademark laws to protect our proprietary rights. We do not own the “Comstock” brand or trademark. Christopher Clemente owns the “Comstock” brand and trademark and has licensed them to us under a perpetual, royalty-free license agreement. We have filed a U.S. federal trademark application with respect to “Comstock Homes Worthy of the Investment” and we will file a U.S. federal trademark application with respect to “Comstock Homebuilding Companies.” We believe the strength of these trademarks benefits our business. In addition, as a result of recent acquisitions, we now own the Capitol Homes and Parker-Chandler brands which we do not currently use in our marketing efforts.

Employees

At December 31, 2006, we had 205 full-time and part-time employees. Our employees are not represented by any collective bargaining agreement and we have never experienced a work stoppage. We believe we have good relations with our employees.

Executive Officers

Our executive officers and other management employees and their respective ages and positions as of December 31, 2006 are as follows:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Christopher Clemente*	47	Chairman and Chief Executive Officer
Gregory V. Benson*	52	Regional President, Southeast
Bruce J. Labovitz*	38	Chief Financial Officer
Jason Parikh*	35	Chief Accounting Officer
Jubal R. Thompson	37	General Counsel and Secretary

* Section 16 officers.

Executive Officers and Key Employees

Christopher Clemente founded Comstock in 1985 and has been director since May 2004. Since 1992, Mr. Clemente has served as our Chairman and Chief Executive Officer. Mr. Clemente has over 20 years of experience in all aspects of real estate development and home building, and 25 years of experience as an entrepreneur.

Gregory V. Benson joined us in 1991 as President and Chief Operating Officer and has been director since May 2004. Mr. Benson is also a member of our board of directors. Mr. Benson has over 30 years of home building experience including over 13 years at national home builders, including NVHomes, Ryan Homes and Centex Homes.

Bruce J. Labovitz has served as our Chief Financial Officer since January 2004, after serving as our Vice President — Finance from April 2002 to January 2004 and Vice President — Investment Finance from January 2002 to April 2002. From June 2001 to January 2002, Mr. Labovitz was a Vice President of Viking Communications, a telecommunications company. From November 2000 to June 2001, Mr. Labovitz was the President, Marketing & Services of Inlec Communications, a telecommunications company. Prior to that, from May 1996 to November 2000, Mr. Labovitz was Executive Vice President/ Chief Operating Officer of BMK Advertising, an advertising agency.

Jason Parikh has served as our Chief Accounting Officer since April 2004. Mr. Parikh was Chief Financial Officer and Secretary of On-Site Sourcing, Inc. from May 2000 to April 2004 and Controller from July 1997 to May 2000. From July 1994 until July 1997, Mr. Parikh was Controller of Shirt Explosion Inc., a clothing manufacturer.

Jubal R. Thompson has served as our General Counsel since October 1998 and our Secretary as of December 2004. From April 2002 to April 2003, Mr. Thompson also served as our Vice President — Finance. From 1995 to 1998, Mr. Thompson was associated with Robert Weed & Associates, PLLC, a law firm.

Other Information

We file annual, quarterly, and current reports, proxy statements, and other documents with the Securities and Exchange Commission (“SEC”) under the Securities Exchange Act of 1934 (the “Exchange Act”). The public may read and copy any materials that we file with the SEC at the SEC’s Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Also, the SEC maintains an Internet website that contains reports, proxy and information statements, and other information regarding issuers, including us, that file electronically with the SEC. The public can obtain any documents that we file with the SEC at <http://www.sec.gov>.

We also make available, free of charge, at our Internet website located at www.comstockhomebuilding.com, our annual reports on Form 10-K, our proxy statements, our quarterly reports on Form 10-Q, and our current reports on Form 8-K as well as Form 3, Form 4, and Form 5 Reports for our directors, officers, and principal stockholders, together with amendments to those reports filed or furnished pursuant to Section 13(a), 15(d), or 16 under the Exchange Act. These reports are available as soon as reasonably practicable after their electronic filing with the Securities and Exchange Commission.

CAUTIONARY NOTES REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements contained in this report include forward-looking statements. These forward-looking statements can be identified by the use of words such as “anticipate,” “believe,” “estimate,” “may,” “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 report. When considering those forward-looking statements, you should keep in mind the risks, uncertainties and other cautionary statements made in this report. You should not place undue reliance on any forward-looking statement, which speaks only as of the date made. Some factors which may affect the accuracy of the forward-looking statements apply generally to the real estate industry, while other factors apply directly to us. Any number of important factors which could cause actual results to differ materially from those in the forward-looking statements include, without limitation: general economic and market conditions, including interest rate levels; our ability to service our substantial debt; inherent risks in investment in real estate; our ability to compete in the markets in which we operate; regulatory actions; fluctuations in operating results; our anticipated growth strategies; shortages and increased costs of labor or building materials; the availability and cost of land in desirable areas; natural disasters; our ability to raise debt and equity capital and grow our operations on a profitable basis; and our continuing relationships with affiliates.

Many of these factors are beyond our control. For a discussion of factors that could cause actual results to differ, please see the discussion in this report under the heading “Risk Factors” in Item 1A.

Item 1A. Risk Factors

Risks Relating to Our Business

We engage in construction and real estate activities which are speculative and involve a high degree of risk.

The home building industry is speculative and is significantly affected by changes in economic and other conditions, such as:

- employment levels;

- availability of financing;
- interest rates; and
- consumer confidence.

These factors can negatively affect the demand for and pricing of our homes and our margin on sale. We are also subject to a number of risks, many of which are beyond our control, including:

- delays in construction schedules;
- cost overruns;
- changes in governmental regulations (such as slow- or no-growth initiatives);
- increases in real estate taxes and other local government fees;
- labor strikes;
- transportation costs for delivery of materials; and
- increases and/or shortages in raw materials and labor costs.

Failure to successfully negotiate extensions to our credit facilities could adversely affect our liquidity.

Our subsidiaries have a significant amount of secured debt which matures during 2007. In our industry it is customary for lenders to renew and extend project facilities until the project is complete. Since we are the guarantor of our subsidiaries' debt, any significant failure to negotiate renewals and extensions to this debt would severely compromise our liquidity and could jeopardize our ability to satisfy our capital requirements. Our recently reported and cured loan covenant violations, may impact our ability to renew and extend our debt.

Fluctuations in market conditions may affect our ability to sell our land and home inventories at expected prices, if at all, which could adversely affect our revenues, earnings and cash flows.

We are subject to the potential for significant fluctuations in the market value of our land and home inventories. We must constantly locate and acquire new tracts of undeveloped and developed land to support our home building operations. There is a lag between the time we acquire control of undeveloped land or developed home sites and the time that we can bring the communities built on that land to market and deliver our homes. This lag time varies from site to site as it is impossible to determine in advance the length of time it will take to obtain governmental approvals and building permits. The risk of owning undeveloped land, developed land and homes can be substantial. The market value of undeveloped land, buildable lots and housing inventories can fluctuate significantly as a result of changing economic and market conditions. Inventory carrying costs can be significant and can result in losses in a poorly performing development or market. Material write-downs of the estimated value of our land and home inventories could occur if market conditions deteriorate or if we purchase land or build home inventories at higher prices during stronger economic periods and the value of those land or home inventories subsequently declines during weaker economic periods. We could also be forced to sell homes, land or lots for prices that generate lower profit than we anticipate, or at a loss, and may not be able to dispose of an investment in a timely manner when we find dispositions advantageous or necessary. Furthermore, a decline in the market value of our land or home inventories may give rise to additional impairments of our inventory and write-offs of contract deposits and feasibility cost, which may result in a breach of financial covenants contained in one or more of our credit facilities, which could cause a default under those credit facilities.

Home prices and sales activities in the Washington, D.C., Raleigh, North Carolina and Atlanta, Georgia geographic markets have a large impact on our results of operations because we conduct substantially all of our business in these markets.

Home prices and sales activities in the Washington, D.C., Raleigh, North Carolina and Atlanta, Georgia geographic markets have a large impact on our results of operations because we conduct substantially all of our business in these markets. Although demand in these geographic areas historically has been strong, decreased rates of home price appreciation may reduce the likelihood of consumers seeking to purchase new homes which would

likely have a negative impact on the pace at which we receive orders for our new homes. This could adversely affect our results of operations and cash flows.

Because our business depends on the acquisition of new land, the potential limitations on the supply of land could reduce our revenues or negatively impact our results of operations and cash flows.

Due to continued demand for new homes, we experience competition for available land and developed home sites in the Washington, D.C., Raleigh, North Carolina and Atlanta, Georgia markets. In these markets, we have experienced competition for home sites from other, sometimes better capitalized, home builders. In the Raleigh, North Carolina market, we have recently experienced competition from large, national home builders entering the market. Our ability to continue our home building activities over the long term depends upon our ability to locate and acquire suitable parcels of land or developed home sites to support our home building operations. As competition for land increases, the cost of acquiring it may rise, and the availability of suitable parcels at acceptable prices may decline. The increased cost of land requires us to increase the prices of our homes. This increased pricing could increase the rate at which consumer demand for our homes declines and, consequently, reduce the number of homes we sell and lead to a decrease in our revenues, earnings and cash flows.

Our business is subject to governmental regulations that may delay, increase the cost of, prohibit or severely restrict our development and home building projects and reduce our revenues and cash flows.

We are subject to extensive and complex laws and regulations that affect the land development and home building process, including laws and regulations related to zoning, permitted land uses, levels of density (number of dwelling units per acre), building design, access to water and other utilities, water and waste disposal and use of open spaces. In addition, we and our subcontractors are subject to laws and regulations relating to worker health and safety. We also are subject to a variety of local, state and federal laws and regulations concerning the protection of health and the environment. In some of our markets, we are required to pay environmental impact fees, use energy saving construction materials and give commitments to provide certain infrastructure such as roads and sewage systems. We must also obtain permits and approvals from local authorities to complete residential development or home construction. The laws and regulations under which we and our subcontractors operate, and our and their obligations to comply with them, may result in delays in construction and development, cause us to incur substantial compliance and other increased costs, and prohibit or severely restrict development and home building activity in certain areas in which we operate. If we are unable to continue to develop communities and build and deliver homes as a result of these restrictions or if our compliance costs increase substantially, our revenues, earnings and cash flows may be reduced.

Cities and counties in which we operate have adopted, or may adopt, slow or no-growth initiatives that would reduce our ability to build and sell homes in these areas and could adversely affect our revenues, earnings and cash flows.

From time to time, certain cities and counties in which we operate have approved, and others in which we operate may approve, various "slow-growth" or "no-growth" initiatives and other similar ballot measures. Such initiatives restrict development within localities by, for example, limiting the number of building permits available in a given year. Approval of slow- or no-growth measures could reduce our ability to acquire land, obtain building permits and build and sell homes in the affected markets and could create additional costs and administration requirements, which in turn could have an adverse effect on our revenues, earnings and cash flows.

Increased regulation in the housing industry increases the time required to obtain the necessary approvals to begin construction and has prolonged the time between the initial acquisition of land or land options and the commencement and completion of construction. These delays increase our costs, decrease our profitability and increase the risks associated with the land inventories we maintain.

Municipalities may restrict or place moratoriums on the availability of utilities, such as water and sewer taps. If municipalities in which we operate take actions like these, it could have an adverse effect on our business by causing delays, increasing our costs or limiting our ability to build in those municipalities. This, in turn, could reduce the number of homes we sell and decrease our revenues, earnings and cash flows.

Our ability to sell homes, and, accordingly, our results of operations, will be affected by the availability of financing to potential home buyers.

Most home buyers finance their purchases through third-party mortgage financing. Real estate demand is generally adversely affected by:

- increases in interest rates and/or related fees;
- increases in real estate transaction closing costs;
- decreases in the availability of mortgage financing;
- increasing housing costs;
- unemployment; and
- changes in federally sponsored financing programs.

Increases in interest rates or decreases in the availability of mortgage financing could depress the market for new homes because of the increased monthly mortgage costs or the unavailability of financing to potential home buyers. Even if potential home buyers do not need financing, increases in interest rates and decreased mortgage availability could make it harder for them to sell their homes. This could adversely affect our operating results and financial condition.

The competitive conditions in the home building industry could increase our costs, reduce our revenues and earnings and otherwise adversely affect our results of operations and cash flows.

The home building industry is highly competitive and fragmented. We compete in each of our markets with a number of national, regional and local builders for customers, undeveloped land and home sites, raw materials and labor. For example, in the Washington, D.C. market, we compete against approximately 15 to 20 publicly-traded national home builders, approximately 10 to 15 privately-owned regional home builders, and many local home builders, some of whom are very small and may build as few as five to 25 homes per year. We do not compete against all of the builders in our geographic markets in all of our product types or submarkets, as some builders focus on particular types of projects within those markets, such as large estate homes, that are not in competition with our projects.

We compete primarily on the basis of price, location, design, quality, service and reputation. Some of our competitors have greater financial resources, more established market positions and better opportunities for land and home site acquisitions than we do and have lower costs of capital, labor and material than us. The competitive conditions in the home building industry could, among other things:

- make it difficult for us to acquire suitable land or home sites in desirable locations at acceptable prices and terms, which could adversely affect our ability to build homes;
- require us to increase selling commissions and other incentives, which could reduce our profit margins;
- result in delays in construction if we experience delays in procuring materials or hiring trades people or laborers;
- result in lower sales volume and revenues; and
- increase our costs and reduce our earnings.

We also compete with resales of existing homes and condominiums and available rental housing. An oversupply of competitively priced resale or rental homes in our markets could adversely affect our ability to sell homes profitably.

Our business is concentrated in a few geographic areas which increases our exposure to localized risks.

We currently develop and sell homes principally in the Washington, D.C., Raleigh, North Carolina and Atlanta, Georgia markets. Our limited geographic diversity means that adverse general economic, weather or other

conditions in either of these markets could adversely affect our results of operations and cash flows or our ability to grow our business.

Our growth strategy to expand into new geographic areas poses risks.

We may expand our business into new geographic areas outside of the Washington, D.C., Raleigh, North Carolina and Atlanta, Georgia markets. We will face additional risks if we develop communities in geographic areas or climates in which we do not have experience or if we develop a different size or style of community than those currently being developed, including:

- adjusting our construction methods to different geographies and climates;
- obtaining the necessary construction materials and labor in sufficient amounts and on acceptable terms;
- obtaining necessary entitlements and permits under unfamiliar regulatory regimes;
- attracting potential customers in a market in which we do not have significant experience; and
- the cost of hiring new employees and increased infrastructure costs.

We may not be able to successfully manage the risks of such an expansion, which could have a material adverse effect on our revenues, earnings, cash flows and financial condition.

We may not be able to successfully identify, complete or integrate acquisitions.

As part of our business strategy, we expect to continue to review acquisition prospects in our existing markets and in new markets in the Mid-Atlantic and Southeast region or elsewhere that would complement our existing business, or that might otherwise offer growth opportunities. The identification, underwriting and negotiation of such deals is an ongoing process. We recently completed the acquisitions of Parker Chandler Homes, Inc. and Capitol Homes, Inc. While we are not currently engaged in either discussions, negotiation or due diligence with other homebuilders we may resume those activities at any time. To the extent we complete acquisitions, we may be unable to realize the anticipated benefits because of operational factors or difficulties in integrating the acquisitions with our existing business. Acquisitions entail numerous risks, including, but not limited to:

- difficulties in assimilating acquired management and operations;
- risks associated with investing the necessary resources in order to achieve profitability;
- the incurrence of significant due diligence expenses relating to acquisitions that are not completed;
- unforeseen expenses and liabilities;
- risks associated with entering new markets or sub-markets in which we have limited or no prior experience;
- the diversion of our management's attention from our current business;
- the potential loss of key employees, including senior executives, of acquired organizations; and
- risks associated with transferred assets and liabilities.

We may not be able to acquire or manage profitably additional businesses, or to integrate successfully any acquired businesses, properties or personnel into our business, without substantial costs, delays or other operational or financial difficulties. Our failure to do so could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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

Our success largely depends on the continuing services of certain key employees, including our Chairman and Chief Executive Officer, Christopher Clemente, Gregory Benson, our President and Chief Operating Officer, and Bruce Labovitz, our Chief Financial Officer. Our continued success also depends on our ability to attract and retain qualified personnel. We believe that Messrs. Clemente, Benson and Labovitz each possesses valuable industry

knowledge, experience and leadership abilities that would be difficult in the short term to replicate. The loss of these or other key employees could harm our operations, business plans and cash flows.

Our growth requires additional capital, which may not be available.

The real estate development industry is capital intensive and requires significant expenditures for land purchases, land development and construction as well as potential acquisitions of other homebuilders. In order to execute our growth strategy, we anticipate that we will need to obtain additional financing as we expand our operations. These funds may be obtained through public or private debt or equity financings, additional bank borrowings or from strategic alliances or joint ventures. We may not be successful in obtaining additional funds in a timely manner, on favorable terms or at all. Moreover, certain of our bank financing agreements contain provisions that limit the type and amount of debt we may incur in the future without our lenders' consent. In addition, the availability of borrowed funds, especially for land acquisition and construction financing, may be greatly reduced, and lenders may require us to invest increased amounts of equity in a project in connection with both new loans and the extension of existing loans. If we do not have access to additional capital, we may be required to delay, scale back or abandon some or all of our acquisition plans or growth strategies or reduce capital expenditures and the size of our operations and as a result may experience a material adverse affect on our business, results of operations and cash flows.

Our growth depends on the availability of construction, acquisition and development loans.

Currently, we have multiple construction, acquisition and development loans. These credit facilities tend to be project-oriented and generally have higher costs and require significant management time to administer them. Additionally, if financial institutions decide to discontinue providing these facilities to us, we would lose our primary source of financing our operations or the cost of retaining or replacing these credit facilities could increase dramatically. Further, this type of financing is typically characterized by short-term loans which are subject to call. If our primary financing becomes unavailable or accelerated repayment is demanded, we may not be able to meet our obligations.

A significant portion of our business plan involves construction of mixed-use developments and high-rise projects with which we have less experience.

We expect to increase our construction and development of mixed-use and high-rise residential projects. Our experience is largely based on smaller wood-framed structures that are less complex than high-rise construction or the development of mixed-use projects. A mixed-use project is one that integrates residential and non-residential uses in the same structure or in close proximity to each other, on the same land. As we expand into these new product types, we expect to encounter operating, marketing, customer service, warranty and management challenges with which we have less familiarity. Although we have expanded our management team to include individuals with significant experience in this type of real estate development, we have not completed any projects managed by these persons. If we are unable to successfully manage the challenges of this portion of our business, we may incur additional costs and our results of operations and cash flows could be adversely affected.

If we experience shortages of labor or supplies or other circumstances beyond our control, there could be delays or increased costs in developing our projects, which would adversely affect our operating results and cash flows.

We and the home building industry from time to time may be affected by circumstances beyond our control, including:

- work stoppages, labor disputes and shortages of qualified trades people, such as carpenters, roofers, electricians and plumbers;
- lack of availability of adequate utility infrastructure and services;
- transportation cost increases;

- our need to rely on local subcontractors who may not be adequately capitalized or insured; and
- shortages or fluctuations in prices of building materials.

These difficulties have caused and likely will cause unexpected construction delays and short-term increases in construction costs. In an attempt to protect the margins on our projects, we often purchase certain building materials with commitments that lock in the prices of these materials for 90 to 120 days or more. However, once the supply of building materials subject to these commitments is exhausted, we are again subject to market fluctuations and shortages. We may not be able to recover unexpected increases in construction or materials costs by raising our home prices because, typically, the price of each home is established at the time a customer executes a home sale contract. Furthermore, sustained increases in construction costs may, over time, erode our profit margins and may adversely affect our results of operations and cash flows.

We depend on the availability and skill of subcontractors.

Substantially all of our construction work is done by subcontractors with us acting as the general contractor or by subcontractors working for a general contractor we select for a particular project. Accordingly, the timing and quality of our construction depends on the availability and skill of those subcontractors. We do not have long-term contractual commitments with subcontractors or suppliers. Although we believe that our relationships with our suppliers and subcontractors are good, we cannot assure that skilled subcontractors will continue to be available at reasonable rates and in the areas in which we conduct our operations. The inability to contract with skilled subcontractors or general contractors at reasonable costs on a timely basis could limit our ability to build and deliver homes and could erode our profit margins and adversely affect our results of operations and cash flows.

Product liability litigation and claims that arise in the ordinary course of business may be costly or negatively impact sales, which could adversely affect our results of operations and cash flows.

Our home building business is subject to construction defect and product liability claims arising in the ordinary course of business. These claims are common in the home building industry and can be costly. Among the claims for which developers and builders have financial exposure are property damage, environmental claims and bodily injury claims. Damages awarded under these suits may include the costs of remediation, loss of property and health-related bodily injury. In response to increased litigation, insurance underwriters have attempted to limit their risk by excluding coverage for certain claims associated with environmental conditions, pollution and product and workmanship defects. As a developer and a home builder, we may be at risk of loss for mold-related property, bodily injury and other claims in amounts that exceed available limits on our comprehensive general liability policies. In addition, the costs of insuring against construction defect and product liability claims are high and the amount of coverage offered by insurance companies is limited. Uninsured product liability and similar claims, claims in excess of the limits under our insurance policies and the costs of obtaining insurance to cover such claims could have a material adverse effect on our revenues, earnings and cash flows.

Increased insurance risk could negatively affect our business, results of operations and cash flows.

Insurance and surety companies have reassessed many aspects of their business and, as a result, may take actions that could negatively affect our business. These actions could include increasing insurance premiums, requiring higher self-insured retentions and deductibles, requiring additional collateral on surety bonds, reducing limits, restricting coverages, imposing exclusions, and refusing to underwrite certain risks and classes of business. Any of these actions may adversely affect our ability to obtain appropriate insurance coverage at reasonable costs, which could have a material adverse effect on our business. Additionally, coverage for certain types of claims, such as claims relating to mold, is generally unavailable. Further, we rely on surety bonds, typically provided by insurance companies, as a means of limiting the amount of capital utilized in connection with the public improvement sureties that we are required to post with governmental authorities in connection with land development and construction activities. The cost of obtaining these surety bonds is, from time to time, unpredictable and on occasion these surety bonds are unavailable. These factors can delay commencement of development projects and adversely affect revenue, earnings and cash flows.

We are subject to warranty claims arising in the ordinary course of business that could be costly.

We provide service warranties on our homes for a period of one year or more post closing and a structural warranty for five years post closing. We self-insure all of our warranties and reserve an amount we believe will be sufficient to satisfy any warranty claims on homes we sell. We also attempt to pass much of the risk associated with potential defects in materials and workmanship on to the subcontractors performing the work and the suppliers and manufacturers of the materials. In such cases, we still may incur unanticipated costs if a subcontractor, supplier or manufacturer fails to honor its obligations regarding the work or materials it supplies to our projects. If the amount of actual claims materially exceeds our aggregate warranty reserves and/or the amounts we can recover from our subcontractors and suppliers, our operating results and cash flows would be adversely affected.

Our business, revenues, earnings and cash flows may be adversely affected by adverse weather conditions or natural disasters.

Adverse weather conditions, such as extended periods of rain, snow or cold temperatures, and natural disasters, such as hurricanes, tornadoes, floods and fires, can delay completion and sale of homes, damage partially complete or other unsold homes in our inventory and/or decrease the demand for homes or increase the cost of building homes. To the extent that natural disasters or adverse weather events occur, our business and results may be adversely affected. To the extent our insurance is not adequate to cover business interruption losses or repair costs resulting from these events, our revenues, earnings and cash flows may be adversely affected.

We are subject to certain environmental laws and the cost of compliance could adversely affect our business, results of operations and cash flows.

As a current or previous owner or operator of real property, we may be liable under federal, state, and local environmental laws, ordinances and regulations for the costs of removal or remediation of hazardous or toxic substances on, under or in the properties or in the proximity of the properties we develop. These laws often impose liability whether or not we knew of, or were responsible for, the presence of such hazardous or toxic substances. The cost of investigating, remediating or removing such hazardous or toxic substances may be substantial. The presence of any such substance, or the failure promptly to remediate any such substance, may adversely affect our ability to sell the property, to use the property for our intended purpose, or to borrow funds using the property as collateral. In addition, the construction process involves the use of hazardous and toxic materials. We could be held liable under environmental laws for the costs of removal or remediation of such materials. In addition, our existing credit facilities also restrict our access to the loan proceeds if the properties that are used to collateralize the loans are contaminated by hazardous substances and require us to indemnify the bank against losses resulting from such occurrence for significant periods of time, even after the loan is fully repaid.

Our Eclipse project is part of a larger development located at Potomac Yard in northern Virginia. Potomac Yard was formerly part of a railroad switching yard contaminated by rail-related activities. Remediation of the property was conducted under supervision of the U.S. Environmental Protection Agency, or EPA, in coordination with state and local authorities. In 1998, federal, state and local government agencies authorized redevelopment of the property. Our plans for development of our portion of the project are consistent with those authorizations. Although concentrations of contaminants remain on the property under the EPA-approved remediation work plan, the EPA has determined that they do not present an unacceptable risk to human health or the environment. However, it is possible that we could incur some costs to defend against any claims that might be brought in the future relating to any such contaminants.

If we are not able to develop our communities successfully, our earnings and cash flows could be diminished.

Before a community generates any revenues, material expenditures are required to acquire land, to obtain development approvals and to construct significant portions of project infrastructure, amenities, model homes and sales facilities. It can take a year or more for a community development to achieve cumulative positive cash flow. Our inability to develop and market our communities successfully and to generate positive cash flows from these

operations in a timely manner would have a material adverse effect on our ability to service our debt and to meet our working capital requirements.

Our operating results may vary.

We expect to experience variability in our revenues and net income. Factors expected to contribute to this variability include, among other things:

- the uncertain timing of real estate closings;
- our ability to continue to acquire additional land or options thereon on acceptable terms and the timing of all necessary regulatory approvals required for development;
- the condition of the real estate market and the general economy in the markets in which we operate;
- the cyclical nature of the home building industry;
- the changing regulatory environment concerning real estate development and home building;
- changes in prevailing interests rates and the availability of mortgage financing; and
- costs of material and labor and delays in construction schedules.

The volume of sales contracts and closings typically varies from month to month and from quarter to quarter depending on several factors, including the stages of development of our projects, weather and other factors beyond our control. In the early stages of a project's development, we incur significant start-up costs associated with, among other things, project design, land acquisition and development, construction and marketing expenses. Since revenues from sales of properties are generally recognized only upon the transfer of title at the closing of a sale, no revenue is recognized during the early stages of a project unless land parcels or residential homesites are sold to other developers. Periodic sales of properties may be insufficient to fund operating expenses. Further, if sales and other revenues are not adequate to cover operating expenses, we will be required to seek sources of additional operating funds. Accordingly, our financial results will vary from community to community and from time to time.

Acts of war or terrorism may seriously harm our business.

Acts of war, any outbreak or escalation of hostilities between the United States and any foreign power or acts of terrorism, may cause disruption to the U.S. economy, or the local economies of the markets in which we operate, cause shortages of building materials, increase costs associated with obtaining building materials, result in building code changes that could increase costs of construction, affect job growth and consumer confidence, or cause economic changes that we cannot anticipate, all of which could reduce demand for our homes and adversely impact our revenues, earnings and cash flows.

We do not own the Comstock brand or trademark, but use the brand and trademark pursuant to the terms of a perpetual license granted by Christopher Clemente, our Chief Executive Officer and Chairman of the Board.

Our Chief Executive Officer and Chairman of the Board, Christopher Clemente, has licensed the "Comstock" brand and trademark to us in perpetuity and free of charge. We do not own the brand or the trademark and may be unable to protect it against infringement from third parties. However, Mr. Clemente retains the right to continue using the "Comstock" brand and trademark individually and through affiliates, including in real estate development projects in our current or future markets. We will be unable to control the quality of projects undertaken by Mr. Clemente or others using the "Comstock" brand and trademark and therefore will be unable to prevent any damage to its goodwill that may occur. We will further be unable to preclude Mr. Clemente from licensing or transferring the ownership of the "Comstock" trademark to third parties, some of whom may compete against us. Consequently, we are at risk that our brand could be damaged which could have a material adverse effect on our business, operations and cash flows.

Risks Related to our Common Stock and the Securities Markets

Volatility of our stock price could adversely affect stockholders.

The market price of our Class A common stock could fluctuate significantly as a result of:

- quarterly variations in our operating results;
- general conditions in the home building industry;
- interest rate changes;
- changes in the market's expectations about our operating results;
- our operating results failing to meet the expectation of securities analysts or investors in a particular period;
- changes in financial estimates and recommendations by securities analysts concerning our Company or the home building industry in general;
- operating and stock price performance of other companies that investors deem comparable to us;
- news reports relating to trends in our markets;
- changes in laws and regulations affecting our business;
- material announcements by us or our competitors;
- material announcements by our construction lenders or the manufacturers and suppliers we use;
- sales of substantial amounts of Class A common stock by our directors, executive officers or significant stockholders or the perception that such sales could occur; and
- general economic and political conditions such as recessions and acts of war or terrorism.

Investors may not be able to resell their shares of our Class A common stock following periods of volatility because of the market's adverse reaction to that volatility. Our Class A common stock may not trade at the same levels as the stock of other homebuilders, and the market in general may not sustain its current prices.

Investors in our Class A common stock may experience dilution with the future exercise of stock options and warrants, the grant of restricted stock and issuance of stock in connection with our acquisitions of other homebuilders.

From time to time, we have issued and we will continue to issue stock options or restricted stock grants to employees and non-employee directors pursuant to our equity incentive plan. We expect that these options or restricted stock grants will generally vest commencing one year from the date of grant and continue vesting over a three-year period. Investors may experience dilution as the options vest and are exercised by their holders and the restrictions lapse on the restricted stock grants. In addition, we may issue stock in connection with acquisitions of other homebuilders, which may result in investors experiencing dilution.

Substantial sales of our Class A common stock, or the perception that such sales might occur, could depress the market price of our Class A common stock.

A substantial amount of the shares of our Class A common stock are eligible for immediate resale in the public market. Any sales of substantial amounts of our Class A common stock in the public market, or the perception that such sales might occur, could depress the market price of our Class A common stock.

The holders of our Class B common stock exert control over us and thus limit the ability of other stockholders to influence corporate matters.

Messrs. Clemente and Benson own 100% of our outstanding Class B common stock, which, together with their shares of Class A common stock, represent approximately 79.4% of the combined voting power of all classes of our voting stock. As a result, Messrs. Clemente and Benson, acting together, have control over us, the election of our

board of directors and our management and policies. Messrs. Clemente and Benson, acting together, also have control over all matters requiring stockholder approval, including the amendment of certain provisions of our certificate of incorporation and bylaws, the approval of any equity-based employee compensation plans and the approval of fundamental corporate transactions, including mergers. In light of this control, other companies could be discouraged from initiating a potential merger, takeover or any other transaction resulting in a change of control. Such a transaction potentially could be beneficial to our business or to our stockholders. This may in turn reduce the price that investors are willing to pay in the future for shares of our Class A common stock.

The limited voting rights of our Class A common stock could impact its attractiveness to investors and its liquidity and, as a result, its market value.

The holders of our Class A and Class B common stock generally have identical rights, except that holders of our Class A common stock are entitled to one vote per share and holders of our Class B common stock are entitled to 15 votes per share on all matters to be voted on by stockholders. The difference in the voting rights of the Class A and Class B common stock could diminish the value of the Class A common stock to the extent that investors or any potential future purchasers of our Class A common stock ascribe value to the superior voting rights of the Class B common stock.

It may be difficult for a third party to acquire us, which could inhibit stockholders from realizing a premium on their stock price.

We are subject to the Delaware anti-takeover laws regulating corporate takeovers. These anti-takeover laws prevent Delaware corporations from engaging in business combinations with any stockholder, including all affiliates and employees of the stockholder, who owns 15% or more of the corporation's outstanding voting stock, for three years following the date that the stockholder acquired 15% or more of the corporation's voting stock unless specified conditions are met.

Our amended and restated certificate of incorporation and bylaws contain provisions that have the effect of delaying, deferring or preventing a change in control of us that stockholders may consider favorable or beneficial. These provisions could discourage proxy contests and make it more difficult for stockholders to elect directors and take other corporate actions. These provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock. These provisions include:

- a staggered board of directors, so that it would take three successive annual meetings to replace all directors;
- a prohibition of stockholder action by written consent; and
- advance notice requirements for the submission by stockholders of nominations for election to the board of directors and for proposing matters that can be acted upon by stockholders at a meeting.

Our issuance of shares of preferred stock could delay or prevent a change of control of us.

Our Board of Directors has the authority to cause us to issue, without any further vote or action by the stockholders, up to 20,000,000 shares of preferred stock, par value \$.01 per share, in one or more series, to designate the number of shares constituting any series, and to fix the rights, preferences, privileges and restrictions thereof, including dividend rights, voting rights, rights and terms of redemption, redemption price or prices and liquidation preferences of such series. The issuance of shares of preferred stock may have the effect of delaying, deferring or preventing a change in control of us without further action by the stockholders, even where stockholders are offered a premium for their shares. The issuance of shares of preferred stock with voting and conversion rights may adversely affect the voting power of the holders of Class A common stock, including the loss of voting control. We have no present plans to issue any shares of preferred stock.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our principal administrative, sales and marketing facilities are located at our headquarters in Reston, Virginia. We currently lease 29,033 square feet of office space in the Reston facility from Comstock Asset Management, L.C., an affiliate wholly-owned by Christopher Clemente. Pursuant to this five-year headquarters lease which we entered into on October 1, 2004 and modified on August 1, 2005 for an additional 8,424 square feet, we pay annual rental rates of \$709,567, subject to a 4% annual increase. We also lease office space in Raleigh, North Carolina where we occupy approximately 3,300 square feet of office space. On October 1, 2005 we entered into a five-year lease agreement for a new sales office in Reston, Virginia, which we occupy approximately 4,351 square feet of office space. We believe these facilities are suitable and provide the appropriate level of capacity for our current operations.

Item 3. Legal Proceedings

As manager of an affiliated entity, we exercised our option rights to purchase the project acquisition, development and construction loans made for the benefit of the North Shore project located in Raleigh, North Carolina. We subsequently issued a notice of default under the acquisition and development loan at maturity on September 30, 2005 and thereafter filed suit for collection of the loans against one of the individual guarantors under the loan on or about October 21, 2005 for a claim amount of \$1.8 million as of the date of the filing. We finalized the purchase of the loans on or about September 8, 2005, issued a notice of default under the acquisition and development loan at maturity on September 30, 2005 and subsequently filed suit for collection of the loans against one of the individual guarantors under the loan on or about October 21, 2005 and initiated foreclosure proceedings on or about November 18, 2005. On or about December 22, 2005, the individual guarantor subject to the earlier suit filed a countersuit against two of our officers who were also individual guarantors under loans. We set and held a foreclosure sale on March 24, 2006 in which we were the high bidder. However, transfer of title to the property has been delayed pending judicial resolution of a suit filed on March 24, 2006 by the non-affiliated 50% owner of North Shore. On June 30, 2006, we, on our own behalf and on behalf of affiliates, filed an additional lawsuit expanding the number of party defendants, demanding equitable relief and demanding \$33.0 million in damages. We have had settlement discussions with respect to resolving all of the lawsuits existing with respect to the North share project but no definitive settlement transaction resulting on dismissal of the lawsuits has been consummated.

On August 11, 2005, we were served with a motion to compel arbitration resulting from an allegation of a loan brokerage fee being owed for placement of a \$147.0 million project loan for the Eclipse at Potomac Yard project and a \$67 million project loan at Penderbrook. The claim was arbitrated in November 2006 and in February 2007 we received a ruling of the panel of arbitrators ordering payment of \$3.0 million to the claimant. We are assessing our rights of appeal with respect to this decision.

Other than the foregoing, we are not currently 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 currently 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 after taking into account insurance coverage, rights to indemnification, or where appropriate, established reserves in connection with these legal proceedings.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

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 has been traded on the Nasdaq Global Market under the symbol "CHCI" since our initial public offering on December 14, 2004. The following table sets forth the high and low sale prices of our Class A common stock, as reported on Nasdaq, for the periods indicated:

	High	Low
Fiscal Year Ended 2004		
Fourth quarter	\$ 22.10	\$ 16.00
Fiscal Year Ended 2005		
First quarter	\$ 31.00	\$ 18.39
Second quarter	\$ 27.03	\$ 18.80
Third quarter	\$ 29.42	\$ 17.76
Fourth quarter	\$ 19.97	\$ 13.34
Fiscal Year Ended 2006		
First quarter	\$ 14.69	\$ 8.77
Second quarter	\$ 11.60	\$ 5.45
Third quarter	\$ 7.20	\$ 3.65
Fourth quarter	\$ 6.24	\$ 3.94

On February 28, 2007, there were approximately 26 record holders and approximately 5,074 beneficial owners of our Class A common stock. On February 28, 2007 there were two holders of our Class B common stock.

Dividends

We have never paid any cash dividends on our common stock. From time to time, our board of directors evaluates the desirability of paying cash dividends. The further payment and amount of cash dividends will depend upon our financial condition and results of operations, applicable loan covenants and other factors deemed relevant by our board of directors.

Issuer Purchases of Equity Securities

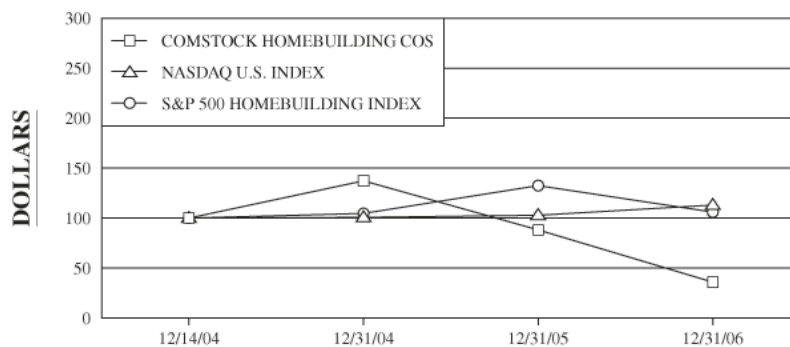
Our board of directors has previously authorized the repurchase of up to 1 million shares of our Class A common stock in one or more open market or privately negotiated transactions.

During the three months ended December 31, 2006, we did not repurchase any of our outstanding Class A common stock.

Stock Performance Graph

The following line graph compares cumulative total stockholder returns for the period from December 14, 2004, the date of our initial public offering, through December 31, 2006 for (1) our Class A common stock; (2) the Nasdaq Stock Market (U.S.) Index; and (3) the Standard & Poor's Homebuilding Index. The graph assumes an investment of \$100 on December 14, 2004, which was the first day on which our stock was listed on the Nasdaq Global Market. The calculations of cumulative stockholder return on the Nasdaq Stock Market (U.S.) Index and Standard & Poor's Homebuilding Index include reinvestment of dividends, but the calculation of cumulative stockholder return on our Class A common stock does not include reinvestment of dividends because we did not pay dividends during the measurement period. The performance shown is not necessarily indicative of future performance.

COMPARISON OF CUMULATIVE TOTAL RETURN



Company/Index	Base Period 12/14/04	Indexed Returns Years Ending		
		12/31/04	12/31/05	12/31/06
COMSTOCK HOMEBUILDING COS	100	137.31	88.19	35.94
NASDAQ U.S. INDEX	100	100.73	102.87	113.02
S&P 500 HOMEBUILDING INDEX	100	104.68	132.52	106.01

Item 6. Selected Financial Data

The following table contains selected consolidated and combined financial information and is supplemented by the more detailed financial statements and notes thereto included elsewhere in this report. We derived the selected historical financial data shown below for 2006, 2005, 2004, 2003 and 2002 from our audited financial statements. You should read the following financial information in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business" and our combined consolidated financial statements and the related notes, included elsewhere in this report.

FIVE YEAR COMPARISON OF SELECTED FINANCIAL DATA

Dollars in thousands (except per share data)

	Year ended December 31,				
	2006	2005	2004	2003	2002
Revenues	\$ 245,881	\$ 224,305	\$ 96,045	\$ 55,521	\$ 34,752
Expenses					
Cost of sales	216,657	156,490	63,993	41,756	26,820
Impairments and write-offs (1)	57,426	1,216	—	—	—
Selling, general and administrative	37,500	24,190	11,940	5,712	3,725
Operating (loss) income	(65,702)	42,409	20,112	8,053	4,207
Other (income) expense, net	(1,487)	(1,450)	908	(44)	10
(Loss) Income before minority interest and equity in earnings of real estate partnerships	(64,215)	43,859	19,204	8,097	4,197
Minority interest	15	30	5,260	2,297	664
(Loss) Income before equity in (loss) earnings of real estate partnerships	(64,230)	43,829	13,944	5,800	3,533
Equity in (loss) earnings of real estate partnerships	(135)	99	118	139	51
Total pre-tax (loss) income	(64,365)	43,928	14,062	5,939	3,584
Income tax (benefit) provision	(24,520)	16,366	(241)	—	—
Net (loss) income	\$ (39,845)	\$ 27,562	\$ 14,303	\$ 5,939	\$ 3,584
Basic (loss) earnings per share	\$ (2.63)	\$ 2.14	\$ 1.95	\$ 0.84	\$ 0.59
Basic weighted average shares outstanding (2)	15,148	12,870	7,347	7,067	6,074
Dilutive (loss) earnings per share	\$ (2.63)	\$ 2.12	\$ 1.95	\$ 0.84	\$ 0.59
Dilutive weighted average shares outstanding (2)	15,148	13,022	7,351	7,067	6,074
			December 31,		
	2006	2005	2004	2003	2002
Balance Sheet Data:					
Cash and cash equivalents	\$ 21,263	\$ 42,167	\$ 67,559	\$ 17,160	\$ 8,695
Real estate held for development and sale (1)(3)	405,144	263,802	104,326	65,272	20,192
Total assets	517,429	431,319	304,507	90,184	33,971
Notes payable	265,403	143,657	76,628	61,062	17,203
Subordinated debt	30,000	—	—	—	—
Total liabilities	393,173	285,843	239,586	71,746	21,574
Minority interest	371	400	2,695	11,413	8,790

- (1) During the year ended December 31, 2006 the Company recorded impairment charges and write-offs of option deposits and related feasibility costs. The inclusion of these charges makes year to year comparisons difficult and should be considered when evaluating results of operations in relation to earlier years.
- (2) Shares outstanding of our predecessor for prior years have been adjusted to account for shares issued to the owners of our predecessor in connection with the initial public offering of our common stock.
- (3) During 2006 the Company acquired Parker Chandler Homes, Inc. in Atlanta, GA and Capitol Homes, Inc. in Raleigh, NC.

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 "Selected Financial and Other Data" and our consolidated and combined financial statements and related notes appearing elsewhere in this report. Other than in the "Overview" below, this discussion and analysis does not incorporate the financial condition and results of operations of Comstock Service, Inc., under which entity we previously conducted our Raleigh, North Carolina operations before the merger of Comstock Service, Inc. into Comstock Homebuilding Companies, Inc. The merger of Comstock Service, Inc. was treated as an acquisition for accounting purposes. This discussion and analysis contains forward-looking statements that involve risks and uncertainties. Please see "Cautionary Notes Regarding Forward-looking Statements" for more information. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors including, but not limited to, those discussed below and elsewhere in this report, particularly under the headings "Risk Factors" and "Cautionary Notes Regarding Forward-looking Statements."

Overview

We engage in the business of residential land development, production home building and high-rise condominium development in the greater Washington, D.C., Raleigh, North Carolina, and Atlanta, Georgia markets. Our business was started in 1985 by Christopher Clemente, our Chief Executive Officer, as a residential land developer and home builder focused on the luxury home market in the northern Virginia suburbs of Washington, D.C. In 1992, we repositioned ourselves as a production home builder focused on moderately priced homes in areas where we could more readily purchase finished building lots through option contracts. In 1997, we entered the Raleigh, North Carolina market. In 2006, we entered the Charlotte, North Carolina, Myrtle Beach, South Carolina and Atlanta, Georgia markets through the acquisition of Parker Chandler Homes, Inc. In late 2006 we exited the Myrtle Beach, SC market and in early 2007 we plan to exit the Charlotte, NC market.

In the late 1990s, in response to increasing competition for finished lots, we diversified our product base to include multiple product types and home designs and we rebuilt our in-house land development department to include significant experience in both land development operations and land entitlement expertise. Our strategic goal was to secure and control a pipeline of diversified land inventory at various stages of entitlement, thus reducing our dependence on other land developers for finished building lots and improving our ability to control our growth.

In 2005 we became involved in the business of converting existing rental apartment properties to for-sale condominium projects. This process involves the purchase of existing structures which are occupied by tenants with leases of varying duration. When we purchase these properties we subdivide the units and form a condominium association. In these projects we have and continue to invest capital in the improvement of the common areas and exteriors. In the past, our strategy was that as the tenants' leases expired we renovated the interiors of the apartments and then sold each apartment as an individual condominium unit. In recent months our business model has changed due to market conditions. In response to slowed absorption at these projects we have elected to continue to lease unsold inventory to renters. We have not abandoned our intent to sell the units as condominiums over time but we have chosen to manage the properties as rental assets to offset the debt service associated with holding the assets for sale. In certain cases we have sold condo conversion units in bulk to rental project investors and operators. We do not expect to continue to acquire additional condominium conversion and similar projects.

In recent years, our financial results have been influenced significantly by the availability of building lots, the timing of entitlement processes, the mix of products available for sale and the timing of settlements. The amount of time that it takes to bring a new development to market varies greatly depending on, among other things, the location and jurisdiction, governmental zoning and permitting processes, site development conditions, weather conditions, and the type of product to be constructed on the subject site. There can be a six to 36-month lag time between the time we contract to purchase a site and the time we begin developing and/or delivering homes on the site. For example, a site that requires entitlement processing takes longer than a site where we purchase finished building lots. Additionally, condominium homes take longer to construct than townhouses and single-family homes and high-rise developments take longer to construct than low-rise developments. As a result of this lag, it has been our experience that an increasing lot inventory in one period does not necessarily correlate to increasing sales in the

immediately following periods. Thus, there are both market risks and benefits associated with the lag time between controlling a property and realizing revenue from the property.

We can experience significant variation from one period to the next with respect to average price per new order and average settlement revenue. This variation often results from shifts in the mix of products being sold during the period. While it is most typical that single-family homes are priced higher than townhouses or condominiums, it is possible that during a given period, orders and deliveries may include townhouses, based on location, that price higher than single-family homes. Likewise, in any project in any period, condominium units may produce higher average per unit sales prices and/or settlement revenues. Lower average per unit orders or settlements does not necessarily indicate that margins have been eroded or that profits have been reduced. Average settlement revenue can be both higher and lower than average price per new order in the prior period based on the mix of available product for sale.

Our general business strategy is to focus on for sale residential real estate development opportunities in the southeastern United States that afford us the ability to produce products at price points where we believe there is significant and consistent long-term demand for new housing. We believe the housing industry is cyclical in nature. We recognize that current market conditions are extremely challenging. Accordingly, we have adapted our business plan and strategy with the goal of protecting liquidity, enhancing our balance sheet and positioning the Company for future growth when market conditions improve. In order to protect our liquidity we have adopted a conservative approach to land acquisition and investment and have taken a patient approach with respect to market expansion. We believe that by doing so we are enhancing our ability to take advantage of attractive real estate investment opportunities in our core markets as market conditions improve. At December 31, 2006, we either owned or controlled under option agreements over 5,700 building lots.

For the 12 month periods ended December 31, the approximate average order prices for our market rate homes (which exclude county government mandated affordable housing program units required to be sold at a discount) were as follows:

	Twelve Months Ended December 31, 2006			
	Washington Metro Area	North Carolina	Georgia	Total
New orders	503	169	122	794
New order revenues	\$ 119,877	\$ 42,257	\$ 32,605	\$ 194,739
Average new order price	\$ 238	\$ 250	\$ 267	\$ 245
Settlements	675	132	107	914
Settlement revenue	\$ 180,182	\$ 32,255	\$ 27,657	\$ 240,094
Average settlement price	\$ 267	\$ 244	\$ 258	\$ 263
Backlog units	285	45	15	345
Backlog	\$ 123,081	\$ 13,245	\$ 4,948	\$ 141,274
Average backlog price	\$ 432	\$ 294	\$ 330	\$ 409

	2005			
	Washington Metro Area	North Carolina	Georgia	Total
New orders	598	33	—	631
New order revenues	\$ 218,684	\$ 11,575	—	\$ 230,259
Average new order price	\$ 366	\$ 351	—	\$ 365
Settlements	570	33	—	603
Settlement revenue	\$ 204,933	\$ 11,330	—	\$ 216,263
Average settlement price	\$ 360	\$ 343	—	\$ 359
Backlog units	438	37	—	475
Backlog	\$ 190,378	\$ 3,443	—	\$ 193,821
Average backlog price	\$ 435	\$ 93	—	\$ 408

	2004			
	Washington Metro Area	North Carolina	Georgia	Total
New orders	608	—	—	608
New order revenues	\$ 224,292	—	—	\$ 224,292
Average new order price	\$ 369	—	—	\$ 369
Settlements	263	—	—	263
Settlement revenue	\$ 87,008	—	—	\$ 87,008
Average settlement price	\$ 331	—	—	\$ 331
Backlog units	329	—	—	329
Backlog	\$ 174,600	—	—	\$ 174,600
Average backlog price	\$ 531	—	—	\$ 531

Recent accounting pronouncements

In September 2006, the FASB issued Statement of Financial Accounting Standard No. 157, *Fair Value Measurements* ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is currently reviewing the effect of SFAS 157 on its consolidated financial statements.

In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement No. 109, Accounting for Income Taxes* ("FIN 48"), to create a single model to address accounting for uncertainty in tax positions. FIN 48 clarifies the accounting for income taxes, by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on de-recognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company will adopt FIN 48 as of January 1, 2007, as required. The cumulative effect of adopting FIN 48 will be recorded as an adjustment to the opening balance of retained earnings and is not expected to have a significant impact on the Company's consolidated financial position. The adoption of FIN 48 may cause greater volatility in the effective tax rate going forward. The Company expects to record a benefit of approximately \$1,194 as a benefit to opening retained earnings as a result of the adoption of FIN 48.

Critical Accounting Policies and Estimates

Our consolidated and combined financial statements are prepared in accordance with generally accepted accounting principles, 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, revenue recognition, impairment of real estate held for development and sale, warranty reserve and our environmental liability exposure. 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 to our audited consolidated and combined financial statements. The following section is a summary of certain aspects of those accounting policies that require our most difficult, subjective or complex judgments and estimates.

Consolidation of Variable Interest Entities

In January 2003, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 46, "Consolidation of Variable Interest Entities," or FIN 46. FIN 46 requires the primary beneficiary of a variable interest entity to consolidate that entity. A variable interest entity is created when (i) the equity investment at risk is not sufficient to permit the entity from financing its activities without additional subordinated financial support from other parties or (ii) equity holders either (a) lack direct or indirect ability to make decisions about the entity, (b) are not obligated to absorb expected losses of the entity or (c) do not have the right to receive expected residual returns of the entity if they occur. The primary beneficiary of a variable interest entity is the party that absorbs a majority of the variable interest entity's expected losses, receives a majority of the entity's expected residual returns, or both, as a result of ownership, contractual or other financial interests in the entity. Expected losses are the expected negative variability of an entity's net assets exclusive of its variable interests, and expected residual returns are the expected positive variability in the fair value of an entity's assets, exclusive of variable interests. Prior to the issuance of FIN 46, an enterprise generally consolidated an entity when the enterprise had a controlling financial interest in the entity through ownership of a majority voting interest.

In December 2003, the FASB issued a revision of FIN 46 ("FIN 46-R"), clarifying certain provisions of FIN 46. We adopted the provisions of FIN 46-R on February 1, 2003 to the extent that they related to variable interest entities created on or after that date. For variable interest entities created before January 31, 2003, FIN 46-R was deferred to the end of the first interim or annual period ending after March 15, 2004. We fully adopted FIN 46-R effective March 31, 2004. Based on the provisions of FIN 46-R, we have concluded that whenever we option land or lots from an entity and pay a significant nonrefundable deposit, a variable interest entity is created under condition (ii) (b) of the previous paragraph. This is because we have been deemed to have provided subordinated financial support, which refers to variable interests that will absorb some or all of an entity's expected theoretical losses if they occur. Therefore, for each variable interest entity created, we compute the expected losses and residual returns based on the probability of future cash flows as outlined in FIN 46 to determine if we are deemed to be the primary beneficiary of the variable interest entity.

The methodology used to evaluate our primary beneficiary status requires substantial management judgment and estimation. These judgments and estimates involve assigning probabilities to various estimated cash flow possibilities relative to the selling entity's expected profits and losses and the cash flows associated with changes in the fair value of the land under contract. Because we do not have any ownership interests in the entities with which we contract to buy land (such as LLCs), we may not have the ability to compel these entities to provide financial or other data to assist us in the performance of the primary beneficiary evaluation. This lack of direct information from the contracting entities may result in our evaluation being conducted solely based on the aforementioned management judgments and estimates. Further, where we deem ourselves to be the primary beneficiary of such an entity created after December 31, 2003 and that entity refuses to provide financial statements, we utilize estimation techniques to perform the consolidation. While management believes that our estimation techniques provide a reasonable basis for determining the financial condition of an entity that refuses to provide financial statements, the actual financial condition of the entity could differ from that reported. In addition, although management believes that our accounting policy is designed to properly assess our primary beneficiary status relative to our involvement with the entities from which we acquire land, changes to the probabilities and the cash flow possibilities used in our evaluation could produce different conclusions regarding our primary beneficiary status.

Revenue Recognition

We primarily derive our earned revenues from the sale of residential property. We recognize residential revenue and all related costs and expenses when full payment has been received, title and possession of the property has been conveyed and risks and rewards of ownership transfer to the buyer and other sale and profit recognition criteria are satisfied. Management estimates of future costs to be incurred after the completion of each sale are included in cost of sales. A change in circumstances that causes these estimates of future costs to increase or revenues to decrease would significantly affect the profit recognized on these sales.

Impairment of Real Estate Held for Development and Sale

Real estate held for development and sale includes land, land development costs, interest and other construction costs and is stated at cost or, when circumstances or events indicate that the real estate held for development or sale is impaired, at estimated fair value. Circumstances or events we consider important which could trigger an impairment review include the following:

- significant negative industry or economic trends;
- a significant underperformance relative to historical or projected future operating results;
- a significant change in the manner in which an asset is used; and
- an accumulation of costs significantly in excess of the amount originally expected to construct an asset.

Real estate is stated at the lower of cost or estimated fair value using the methodology described as follows. A write-down to estimated fair value is recorded when we determine that the net book value exceeds the estimated selling prices less cost to sell. These evaluations are made on a property-by-property basis. When we determine that the net book value of an asset may not be recoverable based upon the estimated undiscounted cash flow, an impairment write-down is recorded. The evaluation of future cash flows and fair value of individual properties requires significant judgment and assumptions, including estimates regarding expected sales prices, development absorption and remaining development costs. Significant adverse changes in circumstances affecting these judgments and assumptions in future periods could cause a significant impairment adjustment to be recorded. As discussed in Note 5 in the accompanying financial statements, we recorded impairment charges of \$9.5 million in second quarter 2006, \$1.8 million in third quarter 2006 and \$39.9 million during the fourth quarter of 2006.

Warranty Reserve

Warranty reserves for houses sold are established to cover potential costs for materials and labor with regard to warranty-type claims expected to arise during the one-year warranty period provided by us or within the five-year statutorily mandated structural warranty period. Since we generally subcontract our home building work, subcontractors are required to provide us with an indemnity and a certificate of insurance prior to receiving payments for their work. Claims relating to workmanship and materials are generally the primary responsibility of the subcontractors and product manufacturers. The warranty reserve is established at the time of closing, and is calculated based upon historical warranty cost experience and current business factors. Variables used in the calculation of the reserve, as well as the adequacy of the reserve based on the number of homes still under warranty, are reviewed on a periodic basis. Although management considers the warranty reserve to be adequate, there can be no assurance that this reserve will prove to be adequate over time to cover losses due to increased costs for material and labor, the inability or refusal of manufacturers or subcontractors to financially participate in corrective action, unanticipated adverse legal settlements, or other unanticipated changes to the assumptions used to estimate the warranty reserve.

Environmental Liability Exposure

Development and sale of real property creates a potential for environmental liability on our part as owner and developer, for our own acts as well as the acts of prior owners of the subject property or owners or past owners of adjacent parcels. If hazardous substances are discovered on or emanating from any of our properties, we and prior owners may be held liable for costs and liabilities relating to those hazardous substances. We generally undertake

environmental studies in connection with our property acquisitions, when warranted. If we incur environmental remediation costs in connection with properties we previously sold, including clean up costs, consulting fees for environmental studies and investigations, monitoring costs, and legal costs relating to clean up, litigation defense and the pursuit of responsible third parties, they are expensed. We capitalize costs relating to land under development and undeveloped land as part of development costs. Costs incurred for properties to be sold are deferred and charged to cost of sales when the properties are sold. Should a previously undetected, substantial environmental hazard be found on our properties, significant liquidity could be consumed by the resulting clean up requirements and a material expense may be recorded. Further, governmental regulation on environmental matters affecting residential development could impose substantial additional expense on us, which could adversely affect our results of operations or the value of properties owned under contract, or purchased by us. For additional information regarding risks associated with environmental hazards and environmental regulation, see "Business — Risk Factors — We are Subject to Certain Environmental Laws and the Cost of Compliance Could Adversely Affect our Business."

Results of Operations

Year ended December 31, 2006 compared to year ended December 31, 2005

Orders, backlog and cancellations

Net new orders for the year ended December 31, 2006 decreased \$35.5 million, or 15.4%, to \$194.7 million on 794 homes as compared to \$230.3 million on 631 homes for the year ended December 31, 2005. The 187 unit increase in new orders was primarily attributable to increased condominium and bulk condominium conversion sales at Carter Lake and Countryside which were offset by decreases in sales at our Eclipse project which was substantially pre-sold in 2005. The Company's 2006 acquisitions of Parker Chandler Homes Inc., and Capitol Homes Inc., in the Georgia and North Carolina markets, contributed approximately 122 and 91 new order units, respectively.

The average sale price per new order for the year ended December 31, 2006 decreased by \$120,000 to \$245,000 as compared to \$365,000 for the year ended December 31, 2005. The decrease in average sales price per new order is attributable to lower priced product offerings in our North Carolina and Georgia markets, higher sales of lower priced condominiums, discounted bulk sales of condominium conversion units and general price decreases throughout in response to slower demand throughout our markets as compared to 2005. Our backlog at December 31, 2006 decreased \$49.1 million, or 27.4%, to \$141.3 million on 345 homes as compared to our backlog at December 31, 2005 of \$190.4 million on 475 homes. Of the Company's December 31, 2006 backlog, approximately \$116.5 million is derived from 258 orders at the Company's Eclipse on Center Park at Potomac Yard project, of which \$46.1 million on 134 units settled in the fourth quarter of 2006.

Our average cancellation rate for the year ended December 31, 2006 was approximately 17.3% on 989 gross new orders compared to cancellation rate of 14.6% on 730 gross new orders for the comparable period in 2005. Cancellations were most prevalent in the greater Washington, DC market where we experienced 122 cancellations on 665 gross new orders or 18.8%. At the Eclipse project we experienced 35 cancellations on 46 new orders although most of the cancellations we related to contracts entered into in 2004. In the Raleigh market our cancellation rate was 3.4% on six cancellations out of 175 gross new orders and in the Atlanta market our cancellation rate was 26.2% on 43 cancellations out of 164 gross new orders. We believe that the high rate of cancellations in our Atlanta market was due in part to the first-time buyer orientation of our products as well as a slowing of the resale market for our move-up buyers.

Revenues

The number of homes delivered in the year ended December 31, 2006 increased by 51.6%, or 311 homes, to 914 from 603 homes in the year ended December 31, 2005. Average revenue per home delivered decreased by approximately \$96,000 or 27% to \$263,000 for the year ended December 31, 2006 as compared to \$359,000 for the year ended December 31, 2005. In December 2006, the Company delivered an additional 30 bulk sale units at its Countryside condominium project to a related party purchaser who is a former officer of the Company for \$4.2 million and subsequently entered into a marketing and sales agreement with the buyer to sell the units on his

behalf. Because the Company will participate in the profits of the sales, the Company is deemed to have an on-going involvement and as such the revenue from the sale of these units was deferred and will be recognized along with the revenue generated from the marketing agreement as Other Revenue at the time the units are delivered to subsequent purchasers.

Homebuilding revenues increased by \$23.8 million, or 11.0%, to \$240.1 million for the year ended December 31, 2006 as compared to \$216.3 million for the year ended December 31, 2005. The total number of homes delivered and total homebuilding revenue for the year ended December 31, 2006 includes 259 homes and \$40.0 in revenue related to the bulk sale of the Company's Carter Lake condominium conversion project. The Company delivered this project in its entirety to a rental operator during November 2006.

Excluding the sale of Carter Lake, the increase in the number of units delivered is attributable to the company's Eclipse project which delivered 134 units, and the Company's expansion in the North Carolina and Atlanta markets as a result of the acquisition of Capitol Homes Inc. and Parker Chandler Homes Inc. During the year ended December 31, 2006 we delivered 705 homes in Raleigh and 107 homes in Atlanta as compared to 132 homes in Raleigh and 0 homes in Atlanta for the year ended December 31, 2005. The decrease in revenues and average revenue per home is attributable to lower priced product offerings in our North Carolina and Georgia markets, higher sales of lower priced condominiums and condominium conversion units and general decreases in the prices of homes as compared to 2005.

Other Revenues

Other revenue for the year ended December 31, 2006 decreased by \$2.2 million, or 27.5% to \$5.8 million, as compared to \$8.0 million for the year ended December 31, 2005. Other revenue for the year ended December 31, 2005 and 2004 includes lot sales made to third parties, revenue associated with the Company's Settlement Title Services division, management fees received from Comstock Asset Management Inc. (as discussed in Note 12), and revenue received from a marketing services alliance. The decrease is attributable to lower overall lot sales during 2006 as compared to 2005. The Company considers a sale to be from homebuilding when there is a structure built on the lot when it is sold. Sales of lots occur, and are included in Other Revenues, when the Company sells raw or finished home sites in advance of any substantial home construction.

Cost of Sales and Cost of sales other

Cost of sales for the year ended December 31, 2006 increased \$57.4 million, or 37.2%, to \$211.4 million, or 88.1% of homebuilding revenue, as compared to \$152.9 million, or 70.7% of revenue, for the year ended December 31, 2005. The 17.4 percentage point increase in cost of sales as a percentage of homebuilding revenue for the year ended December 31, 2006 is attributable to several factors. Due to weakening market conditions, we have extended the sales cycle of many of our projects, which in turn has increased direct costs per unit by increasing the amount of real estate tax, interest and overhead capitalized to the project. In many cases, since we rebase our capitalized costs pro-rata to the individual lots, fewer remaining lots must absorb increased costs. In addition, we have experienced pricing concessions and increases in material and labor costs throughout our markets. Due to the factors stated above, the Company expects costs of sales as a percentage of revenue to continue to face additional upward pressure until general market conditions improve, costs of materials moderate and new inventory is acquired. Cost of sales other for the year ended December 31, 2006 increased by \$1.6 million, or 44.4% to \$5.2 million, as compared to \$3.6 million for the year ended December 31, 2005. Cost of sales other for the year ended December 2006 and 2005 includes expenses associated with lot sales made to third parties and expenses associated with the management of the Company's Settlement Title Services division. Cost of sales other as a percentage of other revenue was 89.7% and 45.0% for the year ended December 31, 2006 and 2005 respectively. The 44.7 percentage point increase in cost of sales other as a percentage of other revenue is due to the Company selling lots at book value to exit underperforming projects as compared to sales of lots for a gain in 2005.

Impairments and write-offs

As discussed in Note 3 in the accompanying notes to the financial statements, the Company, for the year ended December 31, 2006 and 2005, recorded impairment charges of \$51.2 and \$1.2 million, respectively. For the year

ended December 31, 2006 the Company wrote-off \$6.2 million related to deposits on forfeited option contracts, value assigned to forfeited option contracts and related feasibility costs. Based on management's assessment of current market conditions and estimates for the future, the Company believes there are no additional impairments warranted at this time. However, if market conditions continue to deteriorate or actual costs are higher than budgeted, the Company would be required to re-evaluate the recoverability of its real estate held for development and sale and may incur additional impairment charges. Total impairments and write-offs were taken in all of our geographic regions, with approximately \$26.8 million, \$7.5 million and \$23.1 million in the Washington metro area, North and South Carolina and Georgia, respectively. The bulk of the Company's impairments, \$36.4 million, were recorded at December 31, 2006 based on the continuing need for price concession the weakening of pricing power and increasing inventory costs resulting from the capitalization of interest, overheads and real estate taxes.

At December 31, 2006, the Company had approximately \$3.8 million related to non-refundable option deposits to purchase real estate. In addition, the Company has approximately \$7.9 million related to feasibility costs incurred on projects under option agreements or under feasibility study periods. The Company is in the process of re-negotiating its remaining option contracts for both price concessions and deferral of scheduled lot purchases. The Company could incur additional write downs in the event the Company is not successful in renegotiating terms of existing option contracts and choose to cancel its option and not close on the underlying land.

Selling, general and administrative expenses

Selling, general and administrative costs for the year ended December 31, 2006, increased \$13.3 million or 55.0% to \$37.5 million, as compared to \$24.2 million for the year ended December 31, 2005. Selling, general and administrative expenses represented 15.3% of total revenue for the year ended December 31, 2006, as compared to 10.8% for the year ended December 31, 2005.

This increase was the result of additional staffing and related compensation costs of \$5.2 million, increased media and other marketing related costs of \$2.5 million, office and model rent of \$1.2 million, feasibility and consulting fees of \$2.4 million, and legal fees of \$ 0.4 million, and general administrative expenses including depreciation and amortization of \$1.6 million.

In addition, our acquisition during the year of both Parker Chandler Homes and Capitol Homes increased our selling, general and administrative expenses by \$4.7 million and \$1.2 million, respectively.

Operating income

Operating income for the year ended December 31, 2006 decreased \$108.1 million to \$(65.7) million as compared to \$42.4 million for the year ended December 31, 2005. Operating margin for the year ended December 31, 2006 was (26.7%) compared to 18.9% for the year ended December 31, 2005. The decrease in operating margin is primarily attributable to \$57.4 million of impairments and write-offs for the year ended December 31, 2006 as compared to \$1.2 million for the year ended December 31, 2005. Net of impairments and write-offs, operating loss for the year ended December 31, 2006 was \$(8.3) million which represents a decrease of \$50.7 million as compared to the year ended December 31, 2005. The additional decrease over the impairments and write-offs is attributable to higher costs of sales as a percentage of revenue and increased selling, general and administrative expenses as a percentage of total revenue.

Other (income) expense, net

Other (income) expense, net increased by \$37,000 to net other income of \$1.5 million for the year ended December 31, 2006 as compared to net other income of \$1.5 million for the year ended December 31, 2005.

Income before minority interest

Income before minority interest decreased by \$106.1 million, or 241.8%, to \$(64.2) million for the year ended December 31, 2006 as compared to \$43.9 million for the year ended December 31, 2005. The decrease is consistent with the decrease in Operating Income detailed above.

Minority interest

Minority interest expense decreased by \$15,000 to \$15,000 for the year ended December 31, 2006 as compared to \$30,000 for the year ended December 31, 2005. This decrease is the primarily the result of a slower pace of deliveries at the Company's Comstock North Carolina subsidiary in which there is a small minority partner who retained its interest at the initial public offering when all other minority interests were purchased by Comstock Homebuilding Companies, Inc.

Income taxes

Income tax (benefit) expense for the year ended December 31, 2006 was \$(24.5) million compared to \$16.4 million for the year ended December 31, 2005. Our combined effective tax rate including both current and deferred provisions for the year ended December 31, 2006 was 38.1% as compared to 37.3% for the year ended December 31, 2005.

Year ended December 31, 2005 compared to year ended December 31, 2004

Orders and Backlog

New orders for the year ended December 31, 2005 increased \$5.9 million, or 2.7%, to \$230.3 million on 631 homes as compared to \$224.2 million on 608 homes for the year ended December 31, 2004. This increase in new orders was primarily attributable to an increase in saleable inventory resulting from the opening of new projects including Penderbrook (183 sales), Villas at Countryside (58 sales) and Commons on Potomac Square (19 sales).

The average sale price per new order for the year ended December 31, 2005 decreased by \$4,000 to \$365,000 as compared to \$369,000 for the year ended December 31, 2004. The decrease was a result of significant amount of unit sales at our Penderbrook, Villas at Countryside and Bellemeade Farms condominium conversion projects, in which existing apartment units are being converted to condominiums. By design, sales prices tend to be lower in these conversion projects as compared to our new construction projects. Our strategy with respect to conversion projects is to identify assets where we can offer lower priced, affordable product to first time home buyers. We focus on older assets where we can add value while maintaining price points which are more attractive to our target buyers. Because we tend to be buying, renovating, and selling older assets that are in prime locations we are able to position the assets to be more affordable, and therefore, average new order prices are lower. On average, the sale price of our townhouses increased by approximately \$81,900 during the year ended December 31, 2005 to \$443,600 from \$361,700 at December 31, 2004. On average, the sale price of our single-family homes increased by approximately \$89,500 during the year ended December 31, 2005 to \$598,200 from \$508,700 at December 31, 2004. The average sale price of our condominiums increased by \$32,100 to \$413,100 for the period ending December 31, 2005 as compared to \$381,000 for the period ended December 31, 2004.

Our backlog at December 31, 2005 increased \$15.8 million, or 9.1%, to \$190.4 million on 475 homes as compared to our backlog at December 31, 2004 of \$174.6 million on 329 homes. Of our December 31, 2005 backlog, approximately \$157.6 million is derived from 390 sold units at our Eclipse on Center Park at Potomac Yard project.

Revenues

The number of homes delivered in the year ended December 31, 2005 increased by 129.3.0% to 603 from 263 homes in the year ended December 31, 2004. Average revenue per home delivered increased by approximately \$28,000 to \$359,000 for the year ended December 31, 2005 as compared to \$331,000 for the year ended December 31, 2004. Homebuilding revenues increased by \$129.3 million, or 148.6%, to \$216.3 million for the year ended December 31, 2005 as compared to \$87.0 million for the year ended December 31, 2004. The increase in deliveries and revenues from December 31, 2004 to December 31, 2005 is primarily attributable to settlements from the opening of new communities and the release of inventory for sale at projects such as Penderbrook (180 units), Villas at Countryside (53 units), Bellemeade Farms (21 units), Woodlands at Round Hill (17 units) and Commons on William Square (56 units). In addition, we generated 33 settlements in 2005, as a result of its merger with Comstock Service in December 2004.

Other Revenue

Other revenue for the year ended December 31, 2005 decreased by \$1.0 million, or 11% to \$8.0 million, as compared to \$9.0 million for the year ended December 31, 2004. Other revenue for the year ended December 31, 2005 and 2004 includes lot sales made to third parties, revenue associated with our Settlement Title Services division, management fees received from Comstock Asset Management Inc. (as discussed in Note 12), and revenue received from a marketing services alliance. For the year ended December 31, 2004, other revenue included revenues associated with the management of Comstock Service. The decrease in other revenue was primarily the result of not recording management revenues from Comstock Service, which was merged into Comstock Homebuilding on December 17, 2004.

Cost of sales and selling, general and administrative expenses.

Cost of sales for the year ended December 31, 2005 increased \$96.7 million, or 168.8%, to \$154.1 million, or 71.3% of homebuilding revenue, as compared to \$57.3 million, or 65.9% of revenue, for the year ended December 31, 2004. The 5.4 percentage point increase in cost of sales for the year ended December 31, 2005 is primarily attributable to lower margins on sales in the North Carolina market and the increase in settlements from the opening of our condominium conversion projects.

As discussed above, Comstock Service, our North Carolina division, was merged into Comstock Homebuilding on December 17, 2004. Due to current market conditions in the North Carolina market, which have caused extended hold and carry periods between acquisition and delivery, we experienced lower margins on its North Carolina settlements, as compared to margins in the Washington, DC market, primarily due to increasing interest and overhead carrying costs and modest revenue concessions. In addition, as discussed in Note 5 in the accompanying financial statements, we recorded a \$1.2 million impairment charge on the carrying value of real estate held for development and sale at Kelton II, a townhouse community in Raleigh, North Carolina. For 2005, our North Carolina's projects accounted for 5.5% of our total settlements and 5.2% of total homebuilding revenues. Cost of sales as a percentage of revenue for our North Carolina division was approximately 84.2%

In addition, our newly opened condo conversion projects experienced lower margins than our traditional homebuilding projects due to the nature of a conversion project in which we buy an existing structure, adds value through upgrades and sells the renovated units with a focus on affordability. As a result, costs of sales tend to be higher as a percentage of revenue than our new construction projects. For 2005, our condo conversion projects accounted for 42.1% of our total settlements and 30.1% of total homebuilding revenues. Cost of sales as a percentage of revenue for our condo conversion projects was approximately 86.1%.

Cost of sales other for the year ended December 31, 2005 decreased by \$3.1 million, or 45.8% to \$3.6 million, as compared to \$6.7 million for the year ended December 31, 2004. Cost of sales for the year ended December 2005 and 2004 includes expenses associated with lot sales made to third parties and expenses associated with the management of our Settlement Title Services division. For the year ended December 2004, cost of sales other also included expenses associated with the management of Comstock Service, which was merged into Comstock Homebuilding on December 17, 2004. The decrease for the year ended December 31, 2005, as compared to 2004, was primarily the result not recording costs associated with the management of Comstock Service.

Selling, general and administrative costs for the year ended December 31, 2005 increased \$12.3 million to \$24.1 million from \$11.9 million for the year ended December 31, 2004. As a percentage of revenue, selling, general and administrative expenses represented 10.8% and 12.4% of total revenue during the year ended December 31, 2005 and 2004, respectively. This increase was the result of additional staffing costs and compensation of \$5.5 million to support our growth, increased advertising expenses of \$740,000, board fees and stock compensation of \$2.0 million, office and model rent of \$1.2 million, consulting fees of \$928,000, legal and computer expenses of \$458,000, insurance costs of \$268,000 and other miscellaneous expenses associated with our growth in staffing and land acquisition efforts of \$1.1 million.

Operating income

Operating income for the year ended December 31, 2005 increased \$22.3 million to \$42.4 million as compared to \$20.1 million for the year ended December 31, 2004. Operating margin for the year ended December 31, 2005 was 18.9% compared to 20.9% for the year ended December 31, 2004. The decrease in operating margin is primarily attributable to an increase in cost of sales as a percentage of revenue as discussed above.

Other (income) expense, net

Other (income) expense, net increased by \$2.4 million to net other income of \$1.5 million for the year ended December 31, 2005 as compared to net other expense of 908,000 for the year ended December 31, 2004. The increase in other (income) expense is primarily attributable to interest earned on our cash balances generated as a result of the proceeds from our initial and follow on public offering.

Income before minority interest

Our income before minority interest increased by \$24.7 million, or 228%, to \$43.9 million for the year ended December 31, 2005 as compared to \$19.2 million for the year ended December 31, 2004. Net margins as a percentage of revenues remained consistent at approximately 20% for the year ended December 31, 2005 and 2004.

Minority interest

Minority interest expense decreased by \$5.2 million to \$30,000 for the year ended December 31, 2005 as compared to \$5.3 million for the year ended December 31, 2004. This decrease is the result of our repurchase or redemption of substantially all of the minority interests in four of our limited liability company subsidiaries including Comstock Investors V, L.C., Comstock Investors VI, L.C., Comstock Potomac Yard, L.C. and Comstock North Carolina, L.L.C. subsequent to our initial public offering in December 2004.

Income taxes

On December 17, 2004, we reorganized from a group of S-corporations to a C-corporation. As a result, we were subject to income taxes for only 14 days during 2004. Income tax expense for the year ended December 31, 2005 was \$16.4 million compared to \$(241,000) for the year ended December 31, 2004. Our combined effective tax rate including both current and deferred provisions for the year ended December 31, 2005 was 37.3%.

Liquidity and Capital Resources

We require capital to post deposits on new deals, to purchase and develop land, to construct homes, to fund related carrying costs and overhead and to fund various advertising and marketing programs to facilitate sales. These expenditures include engineering, entitlement, architecture, site preparation, roads, water and sewer lines, impact fees and earthwork, as well as the construction costs of the homes and amenities. Our sources of capital include, and will continue to include, funds derived from various secured and unsecured borrowings, operations which include the sale of constructed homes and finished lots, and the sale of equity securities. Our currently owned and controlled inventory of home sites will require substantial capital to develop and construct.

In production home building, it is common for builders such as us to employ revolving credit facilities whereby the maximum funding available under the facility exceeds the maximum outstanding balance allowed at any given time. Our overall borrowing capacity may be constrained by loan covenants which limit the ratio of our total liabilities to our total equity. This revolving debt will typically provide for funding of an amount up to a pre-determined percentage of the cost of each asset funded. The balance of the funding for that asset is provided for by us as equity. The efficiency of revolving debt in production home building allows us to operate with less overall debt capital than would be required if we built each project with long-term amortizing debt. At December 31, 2006, we had approximately \$ 295.4 million of debt financing and \$21.3 million of unrestricted cash. Credit markets are tightening as a result of the slowing of demand for residential for-sale housing and the oversupply of speculative inventory in the market. In spite of this, we believe that internally generated cash, borrowings available under

existing and new credit facilities and access to public debt and equity markets will provide us with sufficient access to capital to meet our existing and expected capital needs.

Credit Facilities

A majority of our debt is variable rate, based on LIBOR or the prime rate plus a specified number of basis points, typically ranging from 190 to 375 basis points over the LIBOR rate and from 25 to 100 basis points over the prime rate. As a result, we are exposed to market risk in the area of interest rate changes. At December 31, 2006, the one-month LIBOR and prime rates of interest were 5.32% and 7.25%, respectively, and the interest rates in effect under our existing secured revolving acquisition, development and construction credit facilities ranged from 7.22% to 9.07%. For information regarding risks associated with our level of debt and changes in interest rates, see "Business-Risk Factors" and "Quantitative and Qualitative Disclosures About Market Risk."

On May 26, 2006 we entered into \$40 million Secured Revolving Borrowing Base Credit Facility for the financing of entitled land, land under development, construction and letters of credit. All letters of credit issued will also be secured by collateral in the facility. Funding availability will be limited to compliance with a borrowing base and facility covenants. As of December 31, 2006, \$40.0 million was outstanding with this facility. At December 31, 2006 we were not in compliance with the financial covenants of this credit facility, however the lender did not issue a notice of default as was their right. In February 2007 we entered into a Forbearance Agreement with the lender which reduced the covenants and eliminated the ability of the lender to claim an event of default as a result of non-compliance with the financial covenants of the original loan. The Forbearance Agreement runs through March 2008.

On May 4, 2006 we closed on a \$30 million Junior Subordinated Note Offering. The term of the note was thirty years and it could be retired after five years with no penalty. The rate was fixed at 9.72% the first five years and LIBOR plus 420 basis points the remaining twenty-five years. As of December 31, 2006, we were not in compliance with the financial covenants of the Note, however the lender did not issue a notice of default as was their right. In March 2007 we retired the original notes and entered into a new 10-year \$30 million Senior Secured Note Offering with the same lender at the same interest rate. We are in compliance with all covenants associated with the new notes.

As of December 31, 2006, we had \$8.1 million outstanding to Key Bank. Under the terms of the loan agreement, we are required to maintain certain covenants. As of December 31, 2006 we were not in compliance with the interest coverage covenant of the loans by which we are required to maintain a specified EBITDA to debt service ratio, however the lender did not issue a notice of default as was their right. In January 2007 we entered into loan modification agreements lower the interest coverage ratio. We are in compliance with the loans as modified.

As of December 31, 2006 we had \$10.3 million outstanding to M&T Bank. Under the terms of the loan agreement, we are required to maintain certain covenants. As of December 31, 2006 we were not in compliance with both the interest coverage covenant of the loans by which we are required to maintain a specified EBITDA to debt service ratio and the minimum tangible net worth covenant, however the lender did not issue a notice of default as was their right. In March 2007 we entered into loan modification agreements lower the interest coverage ratio and the tangible net worth covenant. We are in compliance with the loans as modified.

On October 24, 2006 we received a purported notice of default under a \$46 million credit facility with Bank of America related to our Bellemeade condominium project in Leesburg, Virginia. We disputed the notice and received a stand-still agreement from Bank of America until December 29, 2006. During the term of the stand-still agreement we had a \$26 million secured loan and a \$10 million unsecured loan mature. Prior to the expiration of the stand-still agreement we negotiated a settlement with Bank of America whereby the bank withdrew the purported notice of default in connection with a \$26 million reduction in the secured loan (from proceeds of the \$40 million sale of the collateral) and a \$5 million reduction in the outstanding balance of the unsecured loan. All other curtailments were extended. All financial covenants of the Company with Bank of America were removed as part of the settlement.

In December 2005 the Company entered into a \$147 million secured, limited recourse loan with Corus Bank related to our Eclipse project. Under the terms of the loan there is a single deed of trust covering two loan tranches.

The two tranches have varying interest rates with Traunche A at LIBOR plus 375 basis points and Traunche B at 16.0%. At December 31, 2006 our outstanding balance under this loan was \$85.7 million.

From time to time, we employ subordinated and unsecured credit facilities to supplement our capital resources or a particular project or group of projects. Our lenders under these credit facilities will typically charge interest rates that are substantially higher than those charged by the lenders under our senior and secured credit facilities. These credit facilities will vary with respect to terms and costs. As of December 31, 2006, only one unsecured credit facility remained in place. And at December 31, 2006 the annual variable interest rate on the facility was 7.52% and \$5.0 million was outstanding under the facility. We intend to continue to use these types of facilities on a selected basis to supplement our capital resources.

Many of our loan facilities contains Material Adverse Effect Clauses which if invoked could create an event of default under the loan. In the event all our loans were deemed to be in default as a result of a Material Adverse Effect, our ability to meet our capital and debt obligations would be compromised.

As illustrated by the following debt maturity schedule, we have a significant amount of debt maturing in 2007. In our industry, it is customary for secured debt to be renewed until a project is complete but we have no assurance that this will be the case with our debts. Our recently reported and cured loan covenant violations, may impact our ability to renew and extend our debt.

As of December 31, 2006, future maturities of our borrowings are as follows:

Year ending December 31,	
2007	\$ 205,922
2008	16,986
2009	39,981
2010	2,514
2011 and thereafter	30,000
Total	\$ 295,403

We are considering replacing our credit facilities with one or more larger facilities, which may reduce our aggregate debt financing costs. We would be the borrower and primary obligor under this larger facility or facilities, and we anticipate the indebtedness would be secured, non-recourse and based on an available borrowing base.

Cash Flow

Net cash provided by/(used in) operating activities was \$(86.4) million for the year ended December 31, 2006, \$(131.1) million for the year ended December 31, 2005 and \$11.1 million for the year ended December 31, 2004. In 2006, the primary source for the decrease in cash used in operating activities was attributable to investment in real estate held for development and sale resulting from our acquisitions of Parker Chandler Homes, Inc. and Capitol Homes, Inc. as well as our continued construction of our Eclipse project. In 2005, the primary source for the increase in cash used in operating activities was attributable to increased investments in real estate held for development and sale. In 2004, the primary source of the increase in cash from operating activities was attributable to increases in net income and accounts payable which were only partially offset by increased investments in real estate held for development and sale.

Net cash provided by/(used in) investing activities was \$(17.8) million for the year ended December 31, 2006, \$0.7 million for the year ended December 31, 2005 and \$1.0 million for the year ended December 31, 2004. In 2006, the primary source of the decrease in cash from investing activities was attributable to business acquisitions, net of cash acquired. In 2005, the primary source of the increase in cash from investing activities was attributable to the return of capital in the amount of \$1.0 million upon the redemption of our investment in TCG Fund I. In 2004, the primary source of the increase in cash from investing activities was attributable to cash received from the acquisition of Comstock Service as discussed in Note 1 of the accompanying notes to consolidated financial statements.

Net cash provided by/(used in) financing activities was \$83.3 million for the year ended December 31, 2006, \$105.0 million for the year ended December 31, 2005 and \$38.3 million for the year ended December 31, 2004. The primary source of the increase in cash from financing activities for the year ended December 31, 2006 was the proceeds from notes and other indebtedness as well as the proceeds an equity offering in May 2006. The primary source of the increase in cash from financing activities for the period ended December 31, 2005 was attributable to net proceeds from our follow on public offering and increased borrowings from our credit facilities. The primary source of the increase in cash from financing activities for the period ended December 31, 2004 was the net proceeds received from our initial public offering which were partially offset by distributions paid to stockholders.

Recent Acquisitions

In May 2006, we completed the acquisition of Capitol Homes, Inc., in the Raleigh, North Carolina area. The acquisition price was approximately \$7.5 million plus the assumption of approximately \$20.6 million in liabilities. The results of Capitol Homes, Inc. are included in the accompanying financial statements from the period May 5, 2006 to September 30, 2006. The acquisition added approximately 1,350 lots in 13 communities to our inventory of controlled land.

In January 2006, we completed the acquisition of Parker Chandler Homes, Inc. in the Atlanta, Georgia area. The acquisition price was approximately \$10.4 million plus the assumption of approximately \$63.8 million in debt. The results of Parker Chandler, Inc. are included in the accompanying financial statements from the period January 19, 2006 to December 31, 2006. The acquisition added over 1,500 lots to our inventory of controlled land.

Subsequent Events

In February 2007 we received a ruling from a panel of arbitrators ordering payment of approximately \$3.0 million with respect to an allegation of a loan brokerage fee being owed for placement of a \$147.0 million project loan for the Eclipse at Potomac Yard project and a \$67.0 million project loan at Penderbrook. We are assessing our rights of appeal with respect to this decision.

In February 2007 we entered into a limited recourse \$28.0 million loan agreement with Guggenheim Capital Partners to refinance an existing loan with Corus Bank. The new loan has a term of 3 years and bears a floating interest rate of LIBOR + 500 basis points.

In January 2007 we entered into a contract to sell 110 lots at our Massey Preserve project in Raleigh, NC to another builder in two takedowns. The first closing on 55 lots occurred in February 2007 for proceeds of \$3.6 million. The second takedown is scheduled to occur in July 2007.

On May 4, 2006 we closed on a \$30 million Junior Subordinated Note Offering. The term of the note was thirty years which could be retired after five years with no penalty. The rate was fixed at 9.72% the first five years and LIBOR plus 420 basis points for the remaining twenty-five years. In March 2007 we retired the original Junior Subordinated Note and entered into a new 10-year \$30 million Senior Secured Note Offering with the same lender at the same interest rate.

	Payments due by period				
	Total	Less than 1 Year	1-3 Years (In thousands)	3-5 Years	More than 5 Years
Notes payable(1)	\$ 295,403	\$ 205,922	\$ 59,481	\$ —	\$ 30,000
Operating leases	\$ 3,423	\$ 1,231	\$ 2,187	\$ 5	\$ —
Capital leases	\$ 237	\$ 86	\$ 151	\$ —	\$ —
Total	\$ 299,063	\$ 207,239	\$ 61,819	\$ 5	\$ 30,000

(1) Notes payable includes estimated interest payments based on interest rates in effect at December 31, 2006.

Notes payable have an undefined repayment due date and are typically due and payable as homes are settled.

We are not an obligor under, or guarantor of, any indebtedness of any party other than for obligations entered into by the subsidiaries of one of the now-consolidated primary holding companies.

We have no off-balance sheet arrangements except for the operating leases described above.

As discussed in Note 3 in the accompanying consolidated financial statements as of December 31, 2006, the Company has posted aggregate non-refundable deposits of \$3.8 million on \$37.0 million worth of land purchase options.

Seasonality and Weather

Our business is affected by seasonality with respect to orders and deliveries. In the markets in which we operate, the primary selling seasons are from January through May as well as September and October. Orders in other months typically are lower. In addition, the markets in which we operate are four-season markets that experience significant periods of rain and snow. Construction cycles and efforts are often adversely affected by severe weather.

Inflation

Inflation can have a significant impact on our business performance and the home building industry in general. Rising costs of land, transportation costs, utility costs, materials, labor, overhead, administrative costs and interest rates on floating credit facilities can adversely affect our business performance. In addition, rising costs of certain items, such as lumber, can adversely affect the expected profitability of our backlog. Generally, we have been able to recover any increases in costs through increased selling prices. However, there is no assurance we will be able to increase selling prices in the future to cover the effects of inflation and other cost increases.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Market risk represents the risk of loss that may impact our financial position, results of operations or cash flows, due to adverse changes in financial and commodity market prices and interest rates. We are exposed to market risk in the area of interest rate changes. A majority of our debt is variable rate based on LIBOR and prime rate, and, therefore, affected by changes in market interest rates. Based on current operations, as of December 31, 2006, an increase/decrease in interest rates of 100 basis points on our variable rate debt would have resulted in a corresponding increase/decrease in interest actually incurred by us of approximately \$2.4 million in a fiscal year, which would be capitalized and included in cost of sales as homes are delivered. As a result, the effect on net income would be deferred until the underlying units settled and the interest was released to cost of goods sold. Changes in the prices of commodities that are a significant component of home construction costs, particularly lumber, may result in unexpected short-term increases in construction costs. Because the sales price of our homes is fixed at the time a buyer enters into a contract to acquire a home and we generally contract to sell our homes before construction begins, any increase in costs in excess of those anticipated at the time of each sale may result in lower consolidated operating income for the homes in our backlog. We attempt to mitigate the market risks of the price fluctuation of commodities by entering into fixed price option contracts with our subcontractors and material suppliers for a specified period of time, generally commensurate with the building cycle. These contracts afford us the option to purchase materials at fixed prices but do not obligate us to any specified level of purchasing.

Item 8. Financial Statements and Supplementary Data

Reference is made to the financial statements, the notes thereto, and the report thereon, commencing on page F-1 of this report, which financial statements, notes, and report are incorporated herein by reference.

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

Not applicable.

Item 9A. Controls and Procedures**Evaluation of Disclosure Controls and Procedures**

We have evaluated, with the participation of our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act as of December 31, 2006. Based on this evaluation, our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer have each concluded that our disclosure controls and procedures as of December 31, 2006 are functioning effectively to provide reasonable assurance that the information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (ii) accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Limitations on the Effectiveness of Controls

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

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

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over our financial reporting.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2006, based on criteria set forth in the framework in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). 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. Our management determined that, as of December 31, 2006, our internal control over financial reporting is effective.

PricewaterhouseCoopers LLP, an independent registered public accounting firm, has issued an audit report on management's assessment of our internal control over financial reporting as of December 31, 2006, which is included herein.

Item 9B. Other Information

Not applicable.

PART III**Item 10. Directors and Executive Officers of the Registrant**

The information required by this Item relating to our directors is incorporated herein by reference to the definitive Proxy Statement to be filed pursuant to Regulation 14A of the Exchange Act for our 2007 Annual

Meeting of Stockholders. The information required by this Item relating to our executive officers is included in Item 1, "Business — Executive Officers" of this report.

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 2007 Annual Meeting of Stockholders.

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 2007 Annual Meeting of Stockholders.

Item 13. Certain Relationships and Related Transactions

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 2007 Annual Meeting of Stockholders.

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 2007 Annual Meeting of Stockholders.

PART IV

Item 15. Exhibit and Financial Statement Schedules

(a) Financial Statements

(1) Financial Statements are listed in the Index to Financial Statements on page F-1 of this report.

(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 and combined financial statements or notes thereto.

(b) Exhibits

Exhibit Number	Exhibit
3.1(2)	Amended and Restated Certificate of Incorporation
3.2(2)	Amended and Restated Bylaws
4.1(1)	Specimen Stock Certificate
10.1(1)	Lease Agreement, dated as of January 31, 2004, with Comstock Partners, L.C.
10.2(1)	Agreement of Sublease, dated as of October 1, 2004, with Comstock Asset Management, L.C.
10.3(1)	Loan Agreement, dated December 17, 1997, as amended, with Bank of America, N.A.
10.4(1)	Disbursement and Construction Loan Agreement and Disbursement and Development Loan Agreement, each dated October 10, 2002 and as amended, with Branch Banking and Trust Company of Virginia
10.5(1)	Disbursement and Construction Loan Agreement and Acquisition, Disbursement and Development Loan Agreement, each dated July 25, 2003, with Branch Banking and Trust Company of Virginia
10.6(2)	Loan Agreement, dated January 25, 2005, with Corus Bank, N.A.
10.7(2)	Completion Guaranty, dated January 25, 2005 in favor of Corus Bank, N.A.
10.8(2)	Carve-Out Guaranty, dated January 25, 2005, in favor of Corus Bank, N.A.
10.9(1)	Form of Indemnification Agreement

**Exhibit
Number****Exhibit**

10.10(1)	Form of Promissory Note to be issued to each of Christopher Clemente, Gregory Benson, James Keena and Lawrence Golub by each of Comstock Holding Company, Inc., Comstock Homes, Inc., Sunset Investment Corp., Inc. and Comstock Service Corp., Inc.
10.11(1)	Form of Tax Indemnification Agreement to be entered into by each of Christopher Clemente, Gregory Benson, James Keena and Lawrence Golub with each of Comstock Holding Company, Inc., Comstock Homes, Inc., Sunset Investment Corp., Inc. and Comstock Service Corp., Inc.
10.12(1)	2004 Long-Term Incentive Compensation Plan
10.13(1)	Form of Stock Option Agreement under the 2004 Long-Term Incentive Compensation Plan
10.14(2)	Form of Restricted Stock Grant Agreement under the 2004 Long-Term Incentive Compensation Plan
10.15(1)	Employee Stock Purchase Plan
10.16(1)	Purchase and Sale Agreement, dated as of April 25, 2003, as amended, with Crescent Potomac Yard Development, LLC
10.17(2)	Purchase and Sale Agreement, dated as of November 9, 2004, as amended, with Fair Oaks Penderbrook Apartments L.L.C.
10.18(2)	Real Estate Purchase Contract, dated as of February 4, 2005, with Westwick Apartments LLC
10.19(2)	Services Agreement, dated March 4, 2005, with Comstock Asset Management, L.C.
10.20(1)	Employment Agreement with Christopher Clemente
10.21(1)	Employment Agreement with Gregory Benson
10.22(1)	Employment Agreement with Bruce Labovitz
10.23(1)	Confidentiality and Non-Competition Agreement with Christopher Clemente
10.24(1)	Confidentiality and Non-Competition Agreement with Gregory Benson
10.25(1)	Confidentiality and Non-Competition Agreement with Bruce Labovitz
10.26(2)	Description of Arrangements with William Bensten
10.27(2)	Description of Arrangements with David Howell
10.28(1)	Trademark License Agreement
10.29(2)	Purchase Agreement, dated as of November 12, 2004 with Comstock Asset Management, L.C.
10.30(3)	Agreement of Purchase and Sale, dated June 23, 2005, by and between Comstock Carter Lake, L.C. and E.R. Carter, L.L.C.
10.31(3)	Agreement of Purchase and Sale, dated September 28, 2005, by and between Comstock Bellemeade, L.C. and Bellemeade Farms Investors, LLC et. al.
10.32(3)	Loan Agreement, dated September 28, 2005, by and between Comstock Bellemeade, L.C. and Bank of America, N.A.
10.33(3)	Guaranty Agreement, dated September 28, 2005, by the Registrant in favor of Bank of America, N.A.
10.34(4)	Life Insurance Reimbursement Agreement with William P. Bensten
10.35(4)	Life Insurance Reimbursement Agreement with Bruce Labovitz
10.36(4)	Description of Reimbursement and Indemnification Arrangement with Christopher Clemente and Gregory Benson
10.37(3)	Agreement of Purchase and Sale, dated June 23, 2005, by and between Comstock Carter Lake, L.C. and E.R. Carter, L.L.C.
10.38(5)	Stock Purchase Agreement with Parker-Chandler Homes, Inc. and the Selling Stockholders identified therein, dated as of January 19, 2006
10.39(5)	Loan Agreement, dated January 31, 2006, by and between Comstock Carter Lake, L.C. and Bank of America, N.A.
10.40(5)	Guaranty Agreement, dated January 31, 2006, by the Registrant in favor of Bank of America, N.A.

Exhibit Number	Exhibit
10.41(6)	Form of purchase agreement, dated as of May 5, 2006, as amended as of May 9, 2006, by and between the Company and the purchasers identified therein
10.42(6)	Form of warrant.
10.43(7)	Note Purchase Agreement with Kodiak Warehouse LLC, dated as of May 4, 2006
10.44(7)	Junior Subordinated Indenture with Wells Fargo Bank, N.A., dated as of May 4, 2006
10.45(7)	Credit Agreement with Wachovia Bank, N.A., dated as of May 26, 2006
10.46(7)	Stock Purchase Agreement with Capitol Homes, Inc. and the Selling Shareholders identified therein, dated as of May 1, 2006
10.47*	Letter, dated October 18, 2007, from Friedlander, Misler, Sloan, Kletzkina & Ochsman, PLLC to the Registrant and Comstock Bellemeade, L.C.
10.48*	Purchase and Sale Agreement by and between Comstock Countryside L.C. and Merion-Loudon, LC, dated as of December 21, 2006
10.49*	Marketing and Sale Agreement by and between Comstock Countryside LC and Merion-Loudon, LC, dated as of December 21, 2006
10.50*	Consulting Agreement with The Merion Group, L.C., dated as of December 21, 2006
10.51*	Loan Modification Agreement, dated as of December 2006, by and among the Registrant, Highland Avenue Properties, LLC and Bank of America, N.A.
10.52*	Amended and Restated Guaranty Agreement, dated December 2006, by the Registrant in favor of Bank of America, N.A.
10.53*	Loan Modification Agreement, dated as of December 2006, by and among the Registrant, Comstock Homes of Atlanta, LLC, Comstock Homes of Myrtle Beach, LLC and Bank of America, N.A.
10.54*	Amended and Restated Guaranty Agreement, dated December 2006, by the Registrant in favor of Bank of America, N.A.
10.55*	First Loan Modification Agreement, dated as of December 2006, by and among the Registrant, Comstock Bellemeade, L.C., Bank of America, N.A. and Lenka E. Lundsten
10.56*	Second Loan Modification Agreement, dated as of December 22, 2006, by and between the Registrant and Bank of America, N.A.
14.1(2)	Code of Ethics
21.1*	List of subsidiaries
23.1*	Consent of PricewaterhouseCoopers LLP
24.1*	Power of Attorney (see signature page to this Annual Report on Form 10-K.)
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

* Filed herewith.

- (1) 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).
- (2) 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) Incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on November 14, 2005.
- (4) Incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on August 9, 2005.

- (5) Incorporated by reference to an exhibit to the Registrant's Annual Report on Form 10-K filed with the Commission on March 16, 2006.
- (6) Incorporated by reference to an exhibit to the Current Report on Form 8-K of the Registrant filed with the Commission on May 10, 2005.
- (7) Incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on August 9, 2006.

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Report of Independent Registered Public Accounting Firm

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Comstock Homebuilding Companies, Inc.

We have completed integrated audits of Comstock Homebuilding Companies, Inc.'s 2006 and 2005 consolidated financial statements and of its internal control over financial reporting as of December 31, 2006, and an audit of its 2004 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Comstock Homebuilding Companies, Inc. at December 31, 2006 and December 31, 2005, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2006 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Internal control over financial reporting

Also, in our opinion, management's assessment, included in Management's Report on Internal Control Over Financial Reporting appearing under item 9A, that the Company maintained effective internal control over financial reporting as of December 31, 2006 based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control — Integrated Framework* issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable

assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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.

PricewaterhouseCoopers LLP

McLean, Virginia
March 16, 2007

COMSTOCK HOMEBUILDING COMPANIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except per share data)

	December 31, 2006	December 31, 2005
ASSETS		
Cash and cash equivalents	\$ 21,263	\$ 42,167
Restricted cash	12,326	10,800
Receivables	4,555	6,365
Note receivables	—	1,250
Due from related parties	4,053	2,899
Real estate held for development and sale	405,144	263,802
Inventory not owned — variable interest entities	43,234	89,890
Property, plant and equipment, net	2,723	605
Investment in real estate partnership	(171)	(35)
Deferred income tax	10,188	2,545
Other assets	14,114	11,031
TOTAL ASSETS	\$ 517,429	\$ 431,319
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable and accrued liabilities	55,680	59,131
Due to related parties	1,140	40
Obligations related to inventory not owned	40,950	83,015
Notes payable	265,403	142,994
Junior subordinated debt	30,000	—
Notes payable — related parties	—	663
TOTAL LIABILITIES	393,173	285,843
Commitments and contingencies (Note 15)		
Minority interest	371	400
SHAREHOLDERS' EQUITY		
Class A common stock, \$0.01 par value, 77,266,500 shares authorized, 14,129,081 and 11,532,442 issued and outstanding, respectively	141	115
Class B common stock, \$0.01 par value, 2,733,500 shares authorized, 2,733,500 issued and outstanding	27	27
Additional paid-in capital	147,528	126,461
Treasury stock, at cost (391,400 Class A common stock)	(2,439)	—
(Accumulated deficit) retained earnings	(21,372)	18,473
TOTAL SHAREHOLDERS' EQUITY	123,885	145,076
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 517,429	\$ 431,319

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

COMSTOCK HOMEBUILDING COMPANIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands, except per share data)

	Twelve Months Ended December 31,		
	2006	2005	2004
Revenues			
Sale of real estate — Homes	\$ 240,093	\$ 216,265	\$ 87,003
Other revenue	5,788	8,040	9,042
Total revenue	245,881	224,305	96,045
Expenses			
Cost of sales of real estate	211,408	152,886	57,339
Cost of sales of other	5,249	3,604	6,654
Impairments and write-offs	57,426	1,216	—
Selling, general and administrative	37,500	24,190	11,940
Operating (loss) income	(65,702)	42,409	20,112
Other (income) expense, net	(1,487)	(1,450)	908
(Loss) income before minority interest and equity in (loss) earnings of real estate partnership	(64,215)	43,859	19,204
Minority interest	15	30	5,260
(Loss) income before equity in (loss) earnings of real estate partnership	(64,230)	43,829	13,944
Equity in (loss) earnings of real estate partnership	(135)	99	118
Total pre tax (loss) income	(64,365)	43,928	14,062
Income taxes (benefit) provision	(24,520)	16,366	(241)
Net (loss) income	\$ (39,845)	\$ 27,562	\$ 14,303
Basic (loss) earnings per share	\$ (2.63)	\$ 2.14	\$ 1.95
Basic weighted average shares outstanding	15,148	12,870	7,347
Diluted (loss) earnings per share	\$ (2.63)	\$ 2.12	\$ 1.95
Diluted weighted average shares outstanding	15,148	13,022	7,351

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

COMSTOCK HOMEBUILDING COMPANIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN
SHAREHOLDERS' EQUITY

(Amounts in thousands, except per share data)

	The Comstock Companies		Class A		Class B		Additional paid-in capital	Treasury stock	Retained earnings (deficit)	Total
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at December 31, 2003	3,558	\$ 3	—	\$ —	—	\$ —	\$ 1,493	\$ —	\$ 5,529	\$ 7,025
Distributions	—	—	—	—	—	—	—	—	(5,668)	(5,668)
Issuance of common stock in Homebuilding on June 7, 2004	—	—	—	—	—	—	—	—	—	—
Recapitalization by virtue of merger	(3,558)	(3)	4,333	43	2,733	27	4	—	—	71
Acquisition of Comstock Service on December 17, 2004	—	—	—	—	—	—	4,756	—	—	4,756
Issuance of common stock of Homebuilding on December 17, 2004 (less transaction costs)	—	—	3,960	40	—	—	56,012	—	—	56,052
Issuance of common stock — overallotment	—	—	594	6	—	—	8,833	—	—	8,839
Distribution following IPO	—	—	—	—	—	—	—	—	(23,253)	(23,253)
Issuance of restricted common stock	—	—	275	3	—	—	(3)	—	—	—
Stock compensation and issuances	—	—	—	—	—	—	101	—	—	101
Net income	—	—	—	—	—	—	—	—	14,303	14,303
Balance at December 31, 2004	—	—	9,162	92	2,733	27	71,196	—	(9,089)	62,226
Stock compensation and issuances	—	—	3	0	—	—	2,346	—	—	2,346
Issuance of common stock under employee stock purchase plans	—	—	8	0	—	—	133	—	—	133
Issuances of common stock in follow on offering on June 22, 2005 (less transaction costs)	—	—	2,360	23	—	—	52,786	—	—	52,809
Net income	—	—	—	—	—	—	—	—	27,562	27,562
Balance at December 31, 2005	—	—	11,533	115	2,733	27	126,461	—	18,473	145,076
Stock compensation and issuances	—	—	457	5	—	—	2,386	—	—	2,391
Issuance of common stock under employee stock purchase plans	—	—	18	—	—	—	142	—	—	142
Treasury stock purchases	—	—	—	—	—	—	—	(2,439)	—	(2,439)
Share issuance — private placement of equity (less transaction costs)	—	—	2,121	21	—	—	18,539	—	—	18,560
Net loss	—	—	—	—	—	—	—	—	(39,845)	(39,845)
Balance at December 31, 2006	—	\$ —	14,129	\$ 141	2,733	\$ 27	\$ 147,528	\$ (2,439)	\$ (21,372)	\$ 123,885

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

COMSTOCK HOMEBUILDING COMPANIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands, except per share data)

	Twelve Months Ended December 31,		
	2006	2005	2004
Cash flows from operating activities:			
Net (loss) income	\$ (39,845)	\$ 27,562	\$ 14,303
Adjustment to reconcile net (loss) income to net cash (used in) provided by operating activities			
Amortization and depreciation	1,080	172	106
Write-down of land, deposits and pre-acquisition costs	57,426	—	—
Loss on disposal of assets	24	9	1
Minority interest	15	30	5,260
Equity in (loss) earnings of real estate partnership	136	(99)	(118)
Distributions from investment in real estate partnership	—	163	—
Amortization of stock compensation	2,390	2,346	101
Deferred income tax	(21,816)	(1,724)	(531)
Changes in operating assets and liabilities:			
Restricted cash	(1,526)	(3,300)	(7,500)
Receivables	3,593	(7,376)	2,107
Due from related parties	(1,154)	(1,452)	1,693
Real estate held for development and sale	(71,444)	(159,476)	(23,081)
Other assets	1,338	(11,141)	(5,428)
Accounts payable and accrued liabilities	(14,247)	23,599	24,025
Income tax payable	—	(290)	290
Due to related parties	(2,333)	(108)	(82)
Net cash (used in) provided by operating activities	<u>(86,363)</u>	<u>(131,085)</u>	<u>11,146</u>
Cash flows from investing activities:			
Purchase of property, plant and equipment	(2,392)	(298)	(372)
Distributions of capital from investment in real estate partnership	—	1,000	120
Business acquisitions, net of cash acquired	(15,490)	—	1,215
Net cash (used in) provided by investing activities	<u>(17,882)</u>	<u>702</u>	<u>963</u>
Cash flows from financing activities:			
Proceeds from notes payable	216,551	212,408	81,747
Proceeds from junior subordinated debt	30,000	—	—
Proceeds from related party notes payable	4,200	444	4,646
Payments on notes payable	(182,199)	(135,098)	(78,716)
Payments on related party notes payable	(1,430)	(10,725)	(6,000)
Contribution from minority shareholders	—	87	—
Payment of distribution payable	—	(12,655)	—
Distributions paid to minority shareholders	(44)	(2,412)	(14,181)
Distributions paid to shareholders	—	—	(14,168)
Proceeds from shares issued under employee stock purchase plan	141	133	—
Purchase of treasury stock	(2,438)	—	—
Net proceeds from equity offerings	<u>18,561</u>	<u>52,809</u>	<u>64,962</u>
Net cash provided by financing activities	<u>83,342</u>	<u>104,991</u>	<u>38,290</u>
Net (decrease) increase in cash and cash equivalents	<u>(20,904)</u>	<u>(25,392)</u>	<u>50,399</u>
Cash and cash equivalents, beginning of period	<u>42,167</u>	<u>67,559</u>	<u>17,160</u>
Cash and cash equivalents, end of period	<u>\$ 21,263</u>	<u>\$ 42,167</u>	<u>\$ 67,559</u>
Supplemental cash flow information:			
Interest paid (net of interest capitalized)	\$ —	\$ —	\$ —
Income taxes paid	\$ 45	\$ 22,274	\$ —
Supplemental disclosure for non-cash activity:			
Interest incurred but not paid in cash	\$ 13,689	\$ 8,036	\$ 2,760

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

COMSTOCK HOMEBUILDING COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS
(Amounts in thousands, except per share data)

1. ORGANIZATION

Comstock Companies, Inc. (the "Company") was incorporated on May 24, 2004 as a Delaware corporation. On June 30, 2004, the Company changed its name to Comstock Homebuilding Companies, Inc.

On December 17, 2004, as a result of completing its initial public offering ("IPO") of its Class A common stock, the Company acquired 100% of the outstanding capital stock of Comstock Holding Company, Inc. and subsidiaries ("Comstock Holdings") by merger, which followed a consolidation that took place immediately prior to the closing of the IPO (the "Consolidation"). The Consolidation was effected through the mergers of Sunset Investment Corp., Inc. and subsidiaries and Comstock Homes, Inc. and subsidiaries and Comstock Service Corp., Inc and subsidiaries ("Comstock Service") with and into Comstock Holdings. Pursuant to the terms of the merger agreement, shares of Comstock Holdings were canceled and replaced by 4,333 and 2,734 shares Class A and B common stock of the Company, respectively. Both Class A and B common stock shares bear the same economic rights. However, for voting purposes, Class A stock holders are entitled to one vote for each share held while Class B stock holders are entitled to fifteen votes for each share held.

The mergers of Sunset Investment Corp., Inc. and subsidiaries and Comstock Homes, Inc. and subsidiaries with and into Comstock Holdings (collectively the "Comstock Companies" or "Predecessor") and the Company's acquisition of Comstock Holdings was accounted for using the Comstock Companies' historical carrying values of accounting as these mergers were not deemed to be substantive exchanges. The merger of Comstock Service was accounted for using the purchase method of accounting (see Note 2) as this was deemed to be a substantive exchange due to the disparity in ownership.

Our Class A common stock is traded on the NASDAQ National market under the symbol "CHCI." We have no public trading history prior to December 17, 2004.

The Company develops, builds and markets single-family homes, townhouses and condominiums in the Washington D.C., North Carolina and Georgia metropolitan markets. The Company also provides certain management and administrative support services to certain related parties.

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

As discussed in Note 1, the Company and the Predecessor effected the Consolidation on December 17, 2004. The Company and the Predecessor were entities that had a high degree of common ownership, common management and common corporate governance as they were owned by the same individuals each holding substantially the same ownership. As a result, the Company has determined that, based on the high degree of common ownership that resulted in substantially the same ownership interests before and after the transaction, the common nature of the businesses, the long-term business relationships between the companies and other related factors, the exchange lacked substance, and therefore, they accounted for the consolidation on a historical cost basis in accordance with FASB Technical Bulletin FTB 85-5, "Issues Related to Accounting for Business Combinations." Further, Statement of Financial Accounting Standards No. 141, *Business Combinations* ("SFAS 141") states that, in transactions between parties under common control, the receiving entity should account for the assets and liabilities received at their historical carrying values. Additionally, such transfers should be accounted for by the receiving entity as of the beginning of the period in which the transaction occurs. Accordingly, the Company has reflected the assets and liabilities acquired in the transaction at their historical carrying values and the results of operations are presented as if the transaction occurred on January 1, 2004.

As further discussed in Note 4, the Predecessor merged with Comstock Service on December 17, 2004. Due to a disparity in ownership as compared to the other entities which comprised the Predecessor, Comstock Service was not under common control with the Predecessor and as such the consolidation transaction was considered a substantive exchange. Accordingly, the Company has accounted for the consolidation of Comstock Service as an acquisition using the purchase method of accounting as required by SFAS 141. As a result, the assets and liabilities acquired have been recorded at fair value in the accompanying financial statements on the date of the transaction. No goodwill was recognized in connection with this transaction.

Principles of consolidation

The consolidated financial statements include all controlled subsidiaries. In addition, the Company reviews its relationships with other entities to assess whether the Company is the primary beneficiary of a variable interest entity. If the determination is made that the Company is the primary beneficiary, then that entity is consolidated in accordance with FASB Interpretation No. 46-R: *Consolidation of Variable Interest Entities, an interpretation of ARB No. 51* ("FIN 46-R"). See Note 3 for additional discussion on the consolidation of variable interest entities. Minority interest reflects third parties' ownership interest in entities the Company has consolidated. All material inter-company balances and transactions are eliminated in consolidation.

Reclassification

Certain amounts in the prior years' financial statements have been reclassified to conform to the current year's presentation. For the twelve months ended December 31, 2005 on the consolidated statement of operations, \$1,216 was reclassified from cost of sales real estate into the impairments and write-offs. This reclassification has no impact on previously reported net income.

Cash and cash equivalents and restricted cash

Cash and cash equivalents are comprised of cash and short-term investments with maturities when purchased of three months or less. At times, the Company may have deposits with institutions in excess of federally insured limits. Banking institutions with which the Company does business are considered credit worthy; therefore, credit risk associated with cash and cash equivalents is considered low.

At December 31, 2006 and 2005, the Company had restricted cash of \$12,326 and \$10,800, respectively, which primarily includes certain customer deposits related to future home sales.

Receivables

Receivables include amounts in transit or due from title and settlement companies for residential property closings. The Company has determined that all amounts are collectible at December 31, 2006 and 2005 based on a review of the individual accounts.

Real estate held for development and sale

Real estate held for development and sale includes land, land development costs, interest and other construction costs and is stated at cost or, when circumstances or events indicate that the real estate held for development or sale is impaired, at estimated fair value.

Land, land development and indirect land development costs are accumulated by specific area and allocated to various lots or housing units based upon the relative sales value, unit or area methods. Direct construction costs are assigned to housing units based on specific identification. Construction costs primarily include direct construction costs and capitalized field overhead. Other costs are comprised of prepaid local government fees and capitalized interest and real estate taxes, and are assigned based upon the relative sales value, unit or area methods. Selling costs are expensed as incurred.

Estimated fair value is based on comparable sales of real estate in the normal course of business under existing and anticipated market conditions. The evaluation takes into consideration the current status of the property, various restrictions, carrying costs, costs of disposition and any other circumstances, which may affect fair value including

management's plans for the property. Due to the large acreage of certain land holdings, disposition in the normal course of business is expected to extend over a number of years. A write-down to estimated fair value is recorded when the carrying value of the property exceeds its estimated fair value. These evaluations are made on a property-by-property basis. The Company assesses the impairment of real estate assets whenever events or changes in circumstances indicate that the net book value may not be recoverable. (See Note 5)

Capitalized interest and real estate taxes

Interest and real estate taxes incurred relating to the development of lots and parcels are capitalized to real estate held for development and sale during the active development period, which generally commences when borrowings are used to acquire real estate assets and ends when the properties are substantially complete. Interest is capitalized based on the interest rate applicable to specific borrowings or the weighted average of the rates applicable to other borrowings during the period. Interest and real estate taxes capitalized to real estate held for development and sale are expensed as a component of cost of sales as related units are sold.

The following table is a summary of interest incurred and capitalized:

	Years Ended December 31,		
	2006	2005	2004
Total interest incurred	\$ 27,758	\$ 12,272	\$ 4,686
Beginning interest capitalized	\$ 11,590	\$ 4,524	\$ 1,428
Plus: Interest incurred on notes payable and junior subordinated debt	27,718	11,752	2,847
Plus: Interest incurred on related party notes payable	40	310	1,461
Less: Interest expensed as a component of cost of sales	(12,094)	(4,996)	(1,212)
Ending interest capitalized	\$ 27,254	\$ 11,590	\$ 4,524

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and are depreciated on the straight-line method over their estimated useful lives as follows:

Furniture and fixtures	7 years
Office equipment	5 years
Computer equipment and capitalized software	3 years
Leasehold improvements	Life of related lease

When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from their separate accounts and any gain or loss on sale is reflected in operations. Expenditures for maintenance and repairs are charged to expense as incurred.

Investment in real estate partnerships

Real estate partnerships in which the Company has significant influence but has less than a controlling interest, and is not the primary beneficiary under FIN 46-R, are accounted for under the equity method. Under the equity method, the Company's initial investment is recorded at cost and is subsequently adjusted to recognize its share of earnings and losses. Distributions received reduce the carrying amount of the investment. (See Note 5).

Warranty reserve

Warranty reserves for houses sold are established to cover potential costs for materials and labor with regard to warranty-type claims expected to arise during the one-year warranty period provided by the Company or within the five-year statutorily mandated structural warranty period. Since the Company subcontracts its homebuilding work, subcontractors are required to provide the Company with an indemnity and a certificate of insurance prior to receiving payments for their work. Claims relating to workmanship and materials are generally the primary

responsibility of the subcontractors and product manufacturers. The warranty reserve is established at the time of closing, and is calculated based upon historical warranty cost experience and current business factors. Variables used in the calculation of the reserve, as well as the adequacy of the reserve based on the number of homes still under warranty, are reviewed on a periodic basis. Warranty claims are directly charged to the reserve as they arise. The following table is a summary of warranty reserve activity which is included in accounts payable and accrued liabilities:

	Years Ended December 31,		
	2006	2005	2004
Balance at beginning of period	\$ 1,206	\$ 916	\$ 541
Additions(a)	1,524	888	823
Releases and/or charges incurred	(1,061)	(598)	(448)
Balance at end of period	<u>\$ 1,669</u>	<u>\$ 1,206</u>	<u>\$ 916</u>

(a) As discussed in Note 4, 2006 includes additions of \$360, assumed in connection with the acquisition of Parker Chandler Homes, Inc. and Capitol Homes Inc.

Revenue recognition

The Company recognizes revenues and related profits from the sale of residential properties, including multiple units to the same buyer, and finished lots when closing has occurred, full payment has been received, title and possession of the property transfer to the buyer and the Company has no significant continuing involvement in the property.

Other revenues include revenue from land sales and from management and administrative support services provided to related parties, which are recognized as the services are provided.

Advertising costs

The total amount of advertising costs charged to general, selling and administrative expense was \$4,223, \$1,602 and \$863 for the years ended December 31, 2006, 2005 and 2004, respectively.

Stock compensation

As discussed in Note 14, the Company currently sponsors stock option plans and restricted stock award plans. Prior to December 14, 2004, the Company did not sponsor any such plans. Effective January 1, 2004, the Company prospectively adopted Statement of Financial Accounting Standards No. 123R (revised 2004), *Share-Based Payment* ("SFAS 123R"), which supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees*. SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements over the vesting period based on their fair values at the date of grant. A portion of the costs associated with stock-based compensation is capitalized to real estate held for development and sale and the remainder is allocated to selling, general and administrative expenses.

Income taxes

Prior to December 17, 2004, the Predecessor company had elected to be treated as an S corporation under Subchapter S of the Internal Revenue Code and therefore was not subject to income taxes. Taxable income or loss was passed through to and reported by the individual shareholders. Subsequent to the consolidation the company was reorganized as a C corporation under which income taxes are accounted for under the asset and liability method in accordance with Statement of Financial Accounting Standards No. 109 *Accounting for Income Taxes*. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to the 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 on the deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Earnings per share

The following weighted average shares and share equivalents are used to calculate basic and diluted EPS for the years ended December 31, 2006, 2005 and 2004:

	Year Ended December 31,		
	2006	2005	2004
Basic earnings per share			
Net (loss) income	\$ (39,845)	\$ 27,562	\$ 14,303
Basic weighted-average shares outstanding	15,148	12,870	7,347
Per share amounts	\$ (2.63)	\$ 2.14	\$ 1.95
Dilutive Earnings Per Share			
Net (loss) income	\$ (39,845)	\$ 27,562	\$ 14,303
Basic weighted-average shares outstanding	15,148	12,870	7,347
Stock options and restricted stock grants	—	152	4
Dilutive weighted-average shares outstanding	15,148	13,022	7,351
Per share amounts	\$ (2.63)	\$ 2.12	\$ 1.95

For the year ended December 31, 2006 stock grant issuances in the amount of 587 shares and options and warrants to purchase 843 shares of Class A common stock were excluded from the calculation of dilutive earnings per share. The exclusion was due to the options and warrants having an exercise price greater than the average market price of the common shares. In addition, as a result of a net loss for the year ended December 31, 2006, stock grant issuances were excluded from the computation of dilutive earnings per share, because their inclusion would have been anti-dilutive. For the year ended December 31, 2005, options to purchase 107 shares of Class A common stock were excluded from the calculation of dilutive earnings per share. There were no equity instruments which were excluded from the computation of diluted earnings per share for the year ended December 31, 2004

Comprehensive income

For the years ended December 31, 2006, 2005 and 2004, comprehensive income equaled net income; therefore, a separate statement of comprehensive income is not included in the accompanying consolidated financial statements.

Segment reporting

Statement of Financial Accounting Standards No. 131, *Disclosures about Segments of an Enterprise and Related Information* ("SFAS 131") establishes standards for the manner in which companies report information about operating segments. The Company determined it provides one single type of business activity, homebuilding, which operates in multiple geographic or economic environments. In addition, as a result of the Company's acquisitions in Georgia and North Carolina, which became fully integrated in the fourth quarter of 2006, the Company modified how it analyzes its business during the fourth quarter of 2006. *As such*, the Company has determined that its homebuilding operations now primarily involve three reportable geographic segments: Washington DC Metropolitan Area, North and South Carolina, and Georgia. The aggregation criteria is based on the similar economic characteristics of the projects located in each of these regions.

The table below summarizes revenue and operating (loss) income for each of the Company's geographic segments:

	Year ended December 31,		
	2006	2005	2004
Revenues:			
Washington DC Metropolitan Area	\$ 181,058	\$ 212,973	\$ 96,045
North and South Carolina(a)	32,297	11,332	—
Georgia(b)	32,526	—	—
Total	\$ 245,881	\$ 224,305	\$ 96,045
Operating (loss) income			
Washington DC Metropolitan Area	(10,729)	57,738	22,940
North and South Carolina	(7,811)	(1,022)	—
Georgia	(29,121)	—	—
Segment operating (loss) income	(47,661)	56,716	22,940
Corporate expenses unallocated	(18,041)	(14,307)	(2,828)
Total operating (loss) income	(65,702)	42,409	20,112
Other income (loss)	1,487	1,450	(908)
Equity in (losses) earnings of real estate partnership	(135)	99	118
Minority interest expense	(15)	(30)	(5,260)
(Loss) income before income taxes	\$ (64,365)	\$ 43,928	\$ 14,062

(a) As discussed in Note 1, the Company entered the North and South Carolina market on December 14, 2004 as a result of the merger with Comstock Service. Due to their immateriality, the results of the North and South Carolina region, for the period December 14, 2004 to December 31, 2004 have been included in the Washington DC Metropolitan Area. In May of 2006, the Company acquired Capital Homes Inc. and expanded its presence in the North and South Carolina region.

(b) In January of 2006, the Company entered the Georgia region, by acquiring Parker Chandler Homes Inc.

The table below summarizes total assets for each of the Company's segments at December 31,

Total Assets	2006	2005
	Washington DC Metropolitan Area	\$ 317,349
North and South Carolina	61,617	19,930
Georgia	94,133	—
Corporate	44,330	60,419
Total Assets	\$ 517,429	\$ 431,319

Use of estimates

The preparation of the financial statements, in conformity with accounting principles generally accepted in the United States of America, 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 real estate held for development and sale, capitalization of costs, consolidation of variable interest entities and warranty reserves.

Recent accounting pronouncements

In September 2006, the FASB issued Statement of Financial Accounting Standard No. 157, *Fair Value Measurements* ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is currently reviewing the effect of SFAS 157 on its consolidated financial statements.

In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement No. 109, Accounting for Income Taxes* ("FIN 48"), to create a single model to address accounting for uncertainty in tax positions. FIN 48 clarifies the accounting for income taxes, by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on de-recognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company will adopt FIN 48 as of January 1, 2007, as required. The cumulative effect of adopting FIN 48 will be recorded as an adjustment to the opening balance of retained earnings and is not expected to have a significant impact on the Company's consolidated financial position. The adoption of FIN 48 may cause greater volatility in the effective tax rate going forward. The Company expects to record a benefit of approximately \$1,194 to opening retained earnings as a result of the adoption of FIN 48.

3. CONSOLIDATION OF VARIABLE INTEREST ENTITIES

The Company typically acquires land for development at market prices from various entities under fixed price purchase agreements. The purchase agreements require deposits that may be forfeited if the Company fails to perform under the agreements. The deposits required under the purchase agreements are in the form of cash or letters of credit in varying amounts. The Company may, at its option, choose for any reason and at any time not to perform under these purchase agreements by delivering notice of its intent not to acquire the land under contract. The Company's sole legal obligation and economic loss for failure to perform under these purchase agreements is typically limited to the amount of the deposit pursuant to the liquidated damages provision contained within the purchase agreement. As a result, none of the creditors of any of the entities with which the Company enters into forward fixed price purchase agreements have recourse to the general credit of the Company.

The Company also does not share in an allocation of either the profit earned or loss incurred by any of these entities with which the Company has fixed price purchase agreements. The Company has concluded that whenever it options land or lots from an entity and pays a significant non-refundable deposit as described above, a variable interest entity is created under the provisions of FIN 46-R. This is because the Company has been deemed to have provided subordinated financial support, which creates a variable interest which limits the equity holders' returns and may absorb some or all of an entity's expected theoretical losses if they occur. The Company, therefore, examines the entities with which it has fixed price purchase agreements for possible consolidation by the Company under FIN 46-R. This requires the Company to compute expected losses and expected residual returns based on the probability of future cash flows as outlined in FIN 46-R. This calculation requires substantial management judgments and estimates. In addition, because the Company does not have any contractual or ownership interests in the entities with which it contracts to buy the land, the Company does not have the ability to compel these development entities to provide financial or other data to assist the Company in the performance of the primary beneficiary evaluation.

The Company has evaluated all of its fixed price purchase agreements and has determined that it is the primary beneficiary of some of those entities. As a result, at December 31, 2006 and 2005, the Company has consolidated 9 entities and 5 entities, respectively in the accompanying consolidated balance sheets. The effect of the consolidation at December 31, 2006 and 2005 was the inclusion of \$39,634 and \$89,890, respectively, in "Inventory not owned — Variable Interest Entities" with a corresponding inclusion of \$37,350 (net of land deposits paid of \$2,284) and \$83,015 (net of land deposits paid of \$6,875), respectively, to "Obligations related to inventory not owned." Creditors, if any, of these Variable Interest Entities have no recourse against the Company.

As discussed in Note 12, the company has consolidated an entity that is wholly owned and controlled by a former executive of the Company.

4. ACQUISITIONS

On January 19, 2006, the Company acquired all of the issued and outstanding capital stock of Parker Chandler Homes, Inc., a homebuilder in the Atlanta, Georgia metropolitan market, for a cash purchase price of \$10,400 (including transaction costs) and the assumption of \$63,800 in liabilities. The results of Parker Chandler Homes are included in the accompanying consolidated financial statements beginning January 19, 2006. The Company accounted for this transaction in accordance with SFAS 141. Approximately \$700 of the purchase price was allocated to intangibles with a weighted average life of 4.6 years. The intangibles are related to the Parker Chandler trade name, employment and non-compete agreements entered into with certain selling shareholders. The remainder of the purchase price was allocated to real estate held for development and sale and land option agreements. There was no goodwill associated with the transaction.

On May 5, 2006, the Company acquired all of the issued and outstanding capital stock of Capitol Homes, Inc., a homebuilder in North Carolina, for a cash purchase price of \$7,500 (including transaction costs) and the assumption of \$20,600 in liabilities. The results of Capitol Homes are included in the accompanying financial statements beginning May 5, 2006. The Company also accounted for this transaction in accordance with SFAS 141. Approximately \$251 of the purchase price was allocated to intangibles with a weighted average life of 2.7 years. The intangibles are related to the Capitol Homes trade name, employment and non-compete agreements entered into with certain selling shareholders. The remainder of the purchase price was allocated to real estate held for development and sale and land option agreements. There was no goodwill associated with the transaction. In accordance with SFAS 141, and as part of the initial purchase accounting, the Company recorded, an earn-out payable in the amount \$2,463. Subsequent to the acquisition, employment with certain selling shareholders terminated and the Company negotiated a release of all earn-out provisions. As a result, the original purchase accounting entry recorded as a step-up to the basis of real estate held for development and sale was reversed.

Subsequent to each acquisition, as a result of the Company releasing the restrictive terms under the employment and non-complete agreements and the decision to no longer use the respective trade names, all amounts assigned to intangibles were written off.

5. REAL ESTATE HELD FOR DEVELOPMENT AND SALE

During 2006, the Company continued to experience a slowdown in demand for homes at several of the Company's communities. This slowdown in demand resulted in low overall sales volume, reduced selling prices, cost overruns and increases in concessions being offered to our customers. Where deemed appropriate, the Company evaluated its projects to determine if recorded carrying amounts were recoverable. This evaluation resulted in impairment charges of \$51,200 and \$1,200 million for the years ended December 31, 2006 and 2005. Of the \$51,200 in impairment charges during 2006, \$39.9 was incurred during the fourth quarter of 2006. The impairment charge was calculated using a discounted cash flow analysis model which is dependent on several subjective factors, including the selection of an appropriate discount rate, estimated future selling prices, estimated costs and estimated absorption rates. The estimates used by the Company are based on the best available information at the time the estimates are made. Adverse changes to these estimates in future periods could cause additional impairment amounts to be recorded.

Total impairments by our reportable segments were as follows:

Washington DC Metropolitan Area	\$ 19,900
North and South Carolina	\$ 4,700
Georgia	\$ 15,200

Real estate held for development and sale consists of the following:

	December 31,	
	2006	2005
Land and land development costs	\$ 232,693	\$ 119,530
Cost of construction (including capitalized interest and real estate taxes)	172,451	144,272
Total	\$ 405,144	\$ 263,802

6. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment consist of the following:

	December 31,	
	2006	2005
Computer equipment and capitalized software	\$ 2,228	\$ 540
Furniture and fixtures	371	296
Office equipment	282	243
Leasehold improvements	640	—
	2,746	1,079
Less: accumulated depreciation	(798)	(474)
	\$ 2,723	\$ 605

Depreciation expense, included in “selling, general, and administrative” in the consolidated and combined financial statements of operations, amounted to \$357, \$172 and \$106 for the years ended December 31, 2006, 2005 and 2004, respectively.

During 2006 the Company capitalized costs totaling approximately \$1,195 related to software and related implementation costs, of the Company’s new enterprise wide accounting and production management system. The costs were capitalized in accordance with Statement of Position 98-1 Accounting for the Costs of Computer Software Developed or Obtained for Internal Use. At December 31, 2006 all of these costs were unamortized as a result of the software go-live date occurring in January 2007.

7. INVESTMENT IN REAL ESTATE PARTNERSHIP

In 2001, prior to the Company’s acquisition of Comstock Service in December of 2004, Comstock Service had invested \$41 in North Shore Investors, LLC (“North Shore”) for a 50% ownership interest. North Shore was formed to acquire and develop residential lots and construct single family and townhouse units. In 2002, as a result of recognizing its share of net losses incurred by North Shore, Comstock Service reduced its investment in North Shore, to \$0. The Company, as part of the acquisition of Comstock Service in December 2004, recorded this investment in North Shore at \$0.

On June 28, 2005 the Company received a capital call from North Shore in the amount of \$719 so that North Shore could comply with certain debt repayments. Because the Company may be obligated to provide future financial support to cover certain debt repayments, the Company is recording its share of losses incurred by North Shore in the accompanying financial statements in the amount of \$(171) and \$(35) for the years ended December 31, 2006 and 2005, respectively.

During the third quarter of 2005, the Company, as manager of an affiliated entity, exercised its option rights to purchase the project acquisition, development and construction loan made for the benefit of North Shore. The Company finalized the purchase of the loans on or about September 8, 2005, and issued a notice of default under the acquisition and development loan at maturity on September 30, 2005. The Company then filed suit for collection of the loans against one of the individual guarantors under the loan on or about October 21, 2005 and initiated foreclosure proceedings on or about November 18, 2005. On or about December 22, 2005, the individual guarantor

subject to the earlier suit filed a countersuit against two of the officers of the Company who were also individual guarantors under the acquisition and development loan.

The Company has agreed to indemnify these officers. The Company, as manager of an affiliated entity, set and held a foreclosure sale on March 24, 2006 in which it was the highest bidder. However, transfer of title to the property has been delayed pending judicial resolution of a suit filed on March 24, 2006 by the non-affiliated 50% owner of North Shore. On June 30, 2006, the Company, on its own behalf and on behalf of affiliates, filed an additional lawsuit expanding the number of party defendants, demanding equitable relief, and demanding \$33,000 in damages. A meeting of the parties to the lawsuit is scheduled for March 2007 to discuss an acceptable resolution to the matter.

As of December 31, the Company carried the following amounts in its financial statements related to North Shore:

	<u>2006</u>	<u>2005</u>
Investment in real estate partnership	\$ (171)	\$ (35)
Development and construction loan receivable	\$ 3,477	\$ 2,835

The Company has evaluated the carrying value of its investment in and receivables from North Shore. At this time, the Company does not believe an impairment reserve is warranted. However, it is possible this may change in future periods. In addition, based on results of negotiations, the Company may, in the future be required to consolidate the North Shore entity.

The condensed combined balance sheets and the statements of operations for the real estate property partnerships accounted for using the equity method are as follows:

	<u>December 31,</u>	
	<u>2006</u>	<u>2005</u>
Real estate held for development and sale	\$ 13,081	\$ 11,263
Other assets	22	75
Total assets	\$ 13,103	\$ 11,338
Mortgage notes payable	\$ 14,353	\$ 10,921
Notes payable to related parties	350	1,547
Other liabilities	64	143
Total liabilities	14,767	12,611
Partners' deficit	(1,664)	(1,273)
Total liabilities and partners' deficit	\$ 13,103	\$ 11,338

Condensed Combined Statements of Operations

	<u>Years Ended December 31,</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
Revenues	\$ —	\$ 3,920	\$ 22,157
Operating (loss) income	\$ (241)	111	4,573
Other expense	141	7	99
Net (loss) income	\$ (382)	\$ 104	\$ 4,474
Company's share of net (loss) income	\$ (135)	\$ 99	\$ 118

8. OTHER ASSETS

Other assets consist of the following:

	December 31,	
	2006	2005
Contract land deposits	\$ 2,528	\$ 2,825
Restricted escrow deposits	2,231	1,915
Prepaid income taxes(1)	4,460	4,708
Miscellaneous prepaid and other	4,895	1,583
	<u>\$ 14,114</u>	<u>\$ 11,031</u>

(1) Prepaid income taxes includes approximately \$2,705 in expected tax benefits as a result of a taxable loss incurred for the twelve months ended December 31, 2006. The company expects to carry back this benefit and apply it against 2005 taxable income.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

	December 31,	
	2006	2005
Trade payables	\$ 32,990	\$ 35,163
Warranty	1,672	1,206
Customer deposits	14,932	17,817
Other	6,086	4,945
	<u>\$ 55,680</u>	<u>\$ 59,131</u>

10. NOTES PAYABLE, JUNIOR SUBORDINATED DEBT AND COVENANTS

The Company has outstanding borrowings with various financial institutions and other lenders which have been used to finance the acquisition, development and construction of real estate property. Notes payable consist of the following:

Debt	Due	December 31,	
		2006	2005
Secured acquisition, development and construction notes(a)	Various	\$ 218,461	\$ 138,097
Secured revolving credit line(b)	May 2009	39,981	2,046
Junior subordinated note(c)	June 2036	30,000	—
Unsecured term loans(d)	Various	6,764	—
Subordinate secured notes(e)	Various	197	2,851
Sub-total		<u>295,403</u>	<u>142,994</u>
Other notes payable — related party		—	663
Total		<u>\$ 295,403</u>	<u>\$ 143,657</u>

(a) Secured acquisition, development and construction notes

We have several loans with various banks that provide us with specific project financing. These loans are secured by specific project assets and are used for land acquisition, development and construction. The loans bear interest at various rates, based on Prime or LIBOR benchmarks with a certain amount of additional basis points added. At December 31, 2006 the weighted average stated rate was approximately 9.21%. The Company is required to maintain certain financial covenants with these various institutions. Under the terms of the agreement, the

Company is required to maintain a specified EBITDA to debt service ratio, a minimum tangible net worth, a maximum leverage ratio and a global sold to unsold ratio. At December 31, 2006, the Company was not in compliance with the covenants. In February and March of 2007 the Company successfully re-negotiated all covenants for the period covering December 31, 2006 and all future periods. The Company is in compliance with all covenants as revised. The notes mature at various times between March 2007 and December 2007.

(b) Secured revolving credit lines

In May 2006 the Company entered into a \$40 million borrowing base revolving credit agreement secured by certain project assets. The interest rate is 30 day LIBOR plus 2.25% maturing May 2009. At December 31, 2006 the interest rate was 7.57%. Under the terms of the agreement, the Company is required to maintain a specified EBITDA to debt service ratio, a minimum tangible net worth, a maximum leverage ratio and a global sold to unsold ratio. At December 31, 2006, the Company was not in compliance with the covenants as defined. In March of 2007 the Company successfully re-negotiated all covenants for the period covering December 31, 2006 and entered into a forbearance agreement against existing and future defaults through March 2008. The Company is in compliance with all covenants of the forbearance agreement. The forbearance agreement provides that the bank will not enforce any remedy's that are available to it, for a period up to March 2008, in the event of a default by the Company.

(c) Junior subordinated note

In May 2006 the company closed on a \$30 million junior subordinated note offering. The term of the note was thirty years, maturing June 2036, and could have been retired after five years with no penalty. The interest rate was fixed at 9.72% for the first five years after which it converted to a floating rate of LIBOR plus 4.2% for the remaining twenty-five years. The Company was required to maintain certain financial covenants under the terms of the indenture, including a minimum tangible net worth, fixed charge coverage ratio and maximum leverage ratio. At December 31, 2006, the Company was not in compliance with the fixed charge coverage ratio. In March of 2007, the Company retired the notes and closed on a new Senior Unsecured note offering with the same lender in the same amount at the same rate of interest. The new \$30 million note has a term of 10 years and requires a lower fixed charge coverage ratio and a lower tangible net worth with a phased increase to levels consistent with the original junior subordinated note. The new notes also require the Company to create and maintain an interest reserves in the amount equivalent to three quarters of interest payments until the original fixed charge coverage ratio is sustained for four consecutive quarters. The original purchasers of the newly issued note have a right, at their option, to force a \$2,000 pay down on or after September 30, 2007 for so long as they are the owners of the notes.

(d) Unsecured term loans

At December 31, 2006 we had \$6,764 outstanding under unsecured term loan agreements with two financial institutions. These unsecured loans have a weighted average stated rate of interest of approximately 8.37%. There are no financial covenants associated with these loans. The notes mature at various times between March 2007 and December 2007.

(e) Subordinated secured notes

The Company's subordinated second trust loans are collateralized by subordinate liens on specific assets held for development and construction. These subordinate liens are subject to inter-creditor agreements with the senior lenders and are used by the Company to satisfy all or a portion of the equity requirements of its senior lenders. The interest rates range from 8.0% to 8.4% with various maturity dates. At December 31, 2006 the weighted average stated rate was approximately 9.21%. There are no financial covenants associated with these loans. These notes mature at various times between June 2007 and March 2008.

The Company expects to comply with the financial covenants under the amended credit agreements for the next twelve months. Non-compliance with such covenants would allow the lenders to demand immediate repayment of all outstanding borrowings under the facility. The inability of the Company to comply with its financial covenants, obtain waivers for non-compliance or obtain alternative financing to replace the current credit facility could have a material adverse effect on the Company's financial position, results of operations and cash flows.

As of December 31, 2006, future maturities of our borrowings are as follows:

Year ending December 31,	
2007	\$ 205,922
2008	16,986
2009	39,981
2010	2,514
2011 and thereafter	30,000
Total	\$ 295,403

For the years ended December 31, 2006, 2005 and 2004, aggregate debt had a weighted average annual effective interest rate of 9.7%, 9.2%, and 6.9%, respectively.

11. COMMON STOCK

As discussed in Note 1, the Company immediately prior to the IPO as a result of its merger with Comstock Holdings, had 4,333 and 2,734 shares Class A and B Common Stock outstanding. Class A and B Common Stock shares bear the same economic rights. However for voting purposes, Class A stock holders are entitled to one vote for each share held while Class B stock holders are entitled to fifteen votes for each share held.

As a result of the IPO, the Company sold 3,960 Class A shares of Common Stock. The Company also sold an additional 594 shares of Class A Common Stock pursuant to the underwriters' exercise of their over-allotment option.

On June 22, 2005 the Company completed a follow-on offering in which 2,360 shares of Class A Common stock were sold to the public.

On May 12, 2006 (the "Closing Date"), the Company completed a private placement (the "PIPE") to institutional and other accredited investors of 2,121,048 shares of Class A common stock and warrants exercisable into 636,316 shares of Class A common stock. The Company sold the securities for \$9.43 per share for total proceeds of approximately \$20,000 and net proceeds of approximately \$18,700. The per share price of \$9.43 represented a premium of approximately 14.6% to the closing price of the Company's common stock on the date the purchase was completed. The net proceeds were used for general corporate purposes. The warrants issued in connection with the PIPE were five-year warrants exercisable at any time after November 10, 2006 with an exercise price of \$11.32 per share.

Under EITF 00-19 "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock", the fair value of the warrants issued under the PIPE have been reported as equity instruments because the liquidated damages, which are capped at 10%, reasonable represent the difference between the value of a registered share and an unregistered share of the Company's common stock.

In February 2006 the Company's Board of Directors authorized the Company to purchase up to 1,000,000 shares of the Company's Class A Common stock in the open market or in privately negotiated transactions. The authorization did not include a specified time period in which the shares repurchase would remain in effect. During the twelve months ended December 31, 2006, the Company repurchased an aggregate of 391,000 shares of Class A common stock for a total of \$2,439 or \$6.23 per share. The Company has no other repurchase programs at this time

12. RELATED PARTY TRANSACTIONS

In June 2002, the Predecessor entered into a promissory note agreement with TCG Fund I, LC to fund development projects. TCG Fund I, LC, is a related party in which the Company has an equity investment. The promissory note agreement allows for the Company to borrow up to \$4,000. The note, which had interest at 12% per annum, was paid in full during June 2005.

In September 2004, the Predecessor entered into a promissory note agreement with TCG Fund II, LC to fund development projects. TCG Fund II, LC is an affiliate which the company manages as a non-member. The promissory note agreement allows the Company to borrow up to \$10,000. The note, which had interest at 12% per annum, was paid in full during November 2005.

In April 2002 and January 2004, the Predecessor entered into lease agreements for approximately 7.7 and 8.8 square feet, respectively, for its corporate headquarters at 11465 Sunset Hills Road, Reston, Virginia from Comstock Partners, L.C., an affiliate of our Predecessor in which executive officers of the Company, Christopher Clemente, Gregory Benson, and others are principals. Christopher Clemente owns a 45% interest, Gregory Benson owns a 5% interest, an entity which is owned or controlled by Christopher Clemente's father-in-law, Dwight Schar, owns a 45% interest, and an unrelated third party owns a 5% interest in Comstock Partners. For the nine months ended September 30, 2004, total payments made under these lease agreements were \$231. On September 30, 2004, the lease agreements were canceled and replaced with a new lease for a total of 20.6 square feet with Comstock Asset Management, L.C., an entity wholly owned by Christopher Clemente. Total payments made under this lease agreement were \$142 as of December 31, 2004. On August 1, 2005, the lease agreement was amended for an additional 8.4 square feet. Total payments made under this amended lease agreement were \$751 and \$629 for the year ended December 31, 2006 and 2005, respectively.

In May 2003, the Predecessor hired a construction company, in which Christopher Clemente's brother, Louis Clemente, serves as the President and is a significant shareholder, to provide construction services and act as a general contractor at two of the Company's developments. The Company paid \$6,523, \$10,038, and \$4,352 to this construction company during the year ended December 31, 2006, 2005, and 2004, respectively.

Christopher Clemente's mother-in-law and Gary Martin (formerly one of the Company's directors) each invested \$100 as minority shareholders in one of our subsidiaries, respectively. The parents of Bruce Labovitz loaned approximately \$300 to another of our subsidiaries. During the first quarter of 2005, the Company repurchased the minority shareholders' interests referenced above for an approximate purchase price of \$136. In April 2005, the Company paid the \$300 loan in full.

During 2003, the Predecessor entered into agreements with I-Connect, L.C., a company in which Investors Management, LLC ("Investors Management"), an entity wholly owned by Gregory Benson, holds a 25% interest, for information technology consulting services and the right to use certain customized enterprise software developed with input from the Company. The intellectual property rights associated with the software solution developed by I-Connect, along with any improvements made thereto by the Company, remain the property of I-Connect. For the years ended December 31, 2006, 2005 and 2004, the Company paid \$471, \$485, and \$434, respectively, to I-Connect.

In October 2004, the Predecessor entered into an agreement with Comstock Asset Management, L.C. ("CAM"), where CAM assigned the Company first refusal rights to purchase a portion of their Loudoun Station Properties. In partial consideration for the performance of which the Company would provide management services for a fee of \$20 per month. For the year ended December 31, 2006, 2005, and 2004 the Company recorded \$240, \$240, and \$60 in revenue, respectively. For the year ended December 31, 2006 and 2005, the Company recorded a receivable for \$20 and \$0, respectively, from this entity.

In addition, the Company, in November 2004, entered into an agreement with CAM to sell certain retail condominium units at Potomac Yard for a total purchase price of \$14,500. In connection with this sale, the Company received a non-refundable deposit of \$8,000 upon execution of the agreement. The agreement was modified in 2005, which reduced the deposit amount to \$6,000. During the year ended December 31, 2006, the Company incurred \$579 in costs associated with the retail units and recorded a receivable of \$377 which will be reimbursed by CAM.

During the years ended December 31, 2006 and 2005, the Company provided bookkeeping services to related party entities at no charge.

In August 2004, the Predecessor entered into a \$2,400 promissory note agreement with Belmont Models I, L.L.C., an unrelated entity managed by Investors Management. The note had an interest rate of 12%, which was payable monthly and originally matured in August 2006. However the company exercised its right to a three-month extension, and therefore the note matured November 5, 2006. In March 2004, the Company sold four condominium units to Belmont Models I, L.C. under a sale and leaseback arrangement. The four condominium units were delivered for a total purchase price of \$2,000 and leased back at a rate of \$20 per month. The Company expects the lease to continue for a period of twenty-four months and has extension options available at its discretion. As a result of the deliveries, the promissory note was reduced by the total purchase price. As discussed, the promissory note agreement with Belmont Models I, L.L.C., was paid in full during the year ended December 31, 2006. Thus, for the year ended December 31, 2006 and 2005, the Company owed \$0 and \$663, respectively. For the year ended December 31, 2006 and 2005, the accrued interest on the note totaled \$0 and \$6, respectively.

During the years ended December 31, 2006 and 2005, the Company entered into sales contracts to sell homes to certain employees of the Company. The Company, in order to attract, retain, and motivate employees maintains a home ownership benefit program. Under the home ownership benefits, an employee receives certain cost benefits provided by us when purchasing a home or having one built by us. Sales of homes to employees for investment purposes are conducted at market prices.

In September 2005, Comstock Foundation, Inc., was created. Comstock Foundation is a not-for-profit organization organized exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code and is an affiliate of the Company. The affairs of Comstock Foundation are managed by a five-person board of directors with Christopher Clemente, Gregory Benson, Bruce Labovitz and Tracy Schar (employee of the Company and spouse of Christopher Clemente) being four of the five. The Company also provides bookkeeping services to Comstock Foundation at no charge. In October 2005, the Company donated \$100 in cash and the right to use 27 units at our Penderbrook condominium conversion project in Fairfax, VA for a period of six months. The Foundation provided these units to victims of Hurricane Katrina. The fair market value of the rental units donated was \$237. During the year ended December 31, 2006, the Company donated \$59 to Comstock Foundation.

During December of 2006 the Company's executive vice president voluntarily resigned from the Company. As part his voluntary resignation, the former executive vice president negotiated the purchase of the remaining 30 condominium units in the Company's Countryside development for a purchase price of \$4,200, which was approximately \$1,300 below the estimated fair value. The difference between purchase price and the fair value of the units, has been recorded as compensation expense and is included in selling, general and administrative expense in the accompanying consolidated and combined statements of operations. Simultaneously with the purchase, the Company entered into a marketing and sale agreement with the special purpose entity created by the former executive vice president that purchased the units ("SPE"), whereby the Company would bear the cost associated with marketing and selling the units and pay the SPE a monthly option payment that allows the Company to share in the revenue of the units as they settle. The monthly option payments have created a variable interest in the SPE, and as such the Company has performed an analysis under the provisions of FIN46(R) and has determined that the entity is a variable interest entity and the Company is the primary beneficiary of this entity. As a result, the Company has consolidated the SPE. The SPE had \$3,600 of assets, which are included in inventory not owned-variable interest entities in the accompanying consolidated balance sheets and \$3,600 of third party debt, which is included in obligations related to inventory not owned in the accompanying consolidated balance sheets. The third party lender does not have recourse against the Company as the debt is collateralized by the units purchased by the SPE.

13. EMPLOYEE BENEFIT PLANS

The Company maintains a defined contribution retirement savings plan pursuant to Section 401(k) of the Internal Revenue Code (the "Code"). Eligible participants may contribute a portion of their compensation to their respective retirement accounts in an amount not to exceed the maximum allowed under the Code. In January 2006, the Company began matching employee contributions. The total amount matched for the twelve months 2006, was \$135. The Company also maintains an Employee Stock Purchase Plan in which eligible employees have the opportunity to purchase common stock of the Company at a discounted price of 85% of the fair market value of the stock on the designated dates of purchase. Under the terms of the plan, the total fair market value of the common stock that an eligible employee may purchase each year is limited to the lesser of 15% of the employee's annual

compensation or \$12,750. Under the plan, employees of the Company purchased 18,231 and 7,817 shares of Class A common stock, for the twelve months ending December 31, 2006 and 2005.

14. RESTRICTED STOCK, STOCK OPTIONS AND OTHER STOCK PLANS

Effective January 1, 2004, the Company adopted the fair value recognition provisions of SFAS 123(R). Prior to December 14, 2004 the Company did not sponsor any stock based plans.

On December 14, 2004 the Company adopted the 2004 Long-Term Compensation Plan ("The Plan"). The 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 vest typically over service periods that range from one to five years. Stock options issued under the plan expire 10 years from the date they are granted.

The Plan provided for an initial authorization of 1,550 shares of Class A Common stock for issuance thereunder, plus an additional annual authorization effective January 1, 2006 equal to the lesser of (i) 3% of the Class A Common Stock outstanding on the date of determination, (ii) 500,000 shares or (iii) such lesser amount as may be determined by the Company's Board of Directors.

The following equity awards were outstanding at December 31,

	<u>2006</u>	<u>2005</u>
Stock options	207,144	213,993
Restricted stock grants	617,827	273,891
Total outstanding equity awards	<u>824,971</u>	<u>487,884</u>

On December 31, 2006 the following amounts were available for issuance under the plan:

Shares available for issuance at December 31, 2005	1,050
Additions to plan	338
Restricted stock grants — Issued	(819)
Shares issued under employee stock purchase plan	(18)
Restricted stock grants and options — Forfeited	376
Shares available for issuance at December 31, 2006	<u>927</u>

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. Because the Company does not have sufficient trading history, expected volatilities are based on historical volatilities of comparable companies within our industry. We estimate forfeitures using a weighted average historical forfeiture rate. Our estimates of forfeitures will be adjusted over the requisite service period based on the extent to which actual forfeitures differ, or are expected to differ, from their estimate. Due to lack of history, the expected lives are based on management's best estimates at the time of grant. The risk-free rate for the periods is based on the U.S. Treasury rates in effect at the time of grant. The following table summarizes the assumptions used to calculate the fair value of options during 2005. There were no option grants during 2006.

	<u>2006</u>	<u>2005</u>
Weighted average fair value of options granted	N/A	\$ 7.61
Dividend yields	N/A	N/A
Expected volatility	N/A	41-48%
Weighted average expected volatility	N/A	45%
Risk free interest rates	N/A	3.56- 3.63%
Weighted average expected lives (in years)	N/A	2.5

The following table summarizes information about stock options activity:

	Shares	Weighted Average Exercise Price	Weighted Average Intrinsic Value
Outstanding at December 31, 2004	107,144	\$ 16.00	
Granted	106,849	23.90	
Exercised	—	—	
Forfeited or expired	—	—	
Outstanding at December 31, 2005	213,993	19.94	
Granted	—	—	
Exercised	—	—	
Forfeited or expired	(6,849)	23.00	
Outstanding at December 31, 2006	207,144	\$ 19.81	
Exercisable at December 31, 2006	25,000	\$ 23.00	\$ —

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

	Shares	Weighted Average Fair Value at Date of Grant
Restricted shares outstanding at December 14, 2004	—	—
Granted	275,317	\$ 16.00
Restricted shares outstanding at December 31, 2005	275,317	16.00
Granted	16,188	24.55
Vested	(4,068)	18.12
Forfeited	(13,545)	16.28
Restricted shares outstanding at December 31, 2005	273,892	16.46
Granted	597,940	9.71
Vested	(129,800)	(15.05)
Forfeited	(155,347)	15.62
Restricted shares outstanding at December 31, 2006	586,685	\$ 9.83

As of December 31, 2006, there was \$4,242 of total unrecognized compensation cost related to nonvested restricted stock issuances granted under the Plan. This cost is expected to be recognized over a weighted-average period of 4.4 years.

Total compensation expense for share based payment arrangements for the year ended December 31, 2006 and 2005 was \$2,186 and \$2,322 respectively, of which \$347 and \$407 was capitalized to real estate held for development and sale. The total deferred tax benefit related to stock compensation, recorded on the balance sheet as of December 31, 2006 and 2005 amounted to \$ 760 and \$790 respectively.

The Company intends to issue new shares of its common stock upon vesting of restricted stock grants or the exercise of stock options.

15. COMMITMENTS AND CONTINGENCIES

Litigation

The Company, as manager of an affiliated entity, exercised its option rights to purchase the project acquisition, development and construction loans made for the benefit of North Shore. The Company subsequently issued a notice of default under the acquisition and development loan at maturity on September 30, 2005, thereafter filed suit for collection of the loans against one of the individual guarantors under the loan on or about October 21, 2005. The

Company, as manager of an affiliated entity, set and held a foreclosure sale on March 24, 2006 in which it was the high bidder. However, transfer of title to the property has been delayed pending judicial resolution of a suit filed on March 24, 2006 by the non-affiliated 50% owner of North Shore. On June 30, 2006, the Company, on its own behalf and on behalf of affiliates, filed an additional lawsuit expanding the number of party defendants, demanding equitable relief and demanding \$33,000 in damages. The parties have reached a tentative settlement agreement whereby a company affiliated with the non-affiliated 50% owner of North Shore may purchase the Company's rights to North Shore or conversely, the Company may purchase the rights of the non-affiliated 50% owner upon certain conditions. The final terms and conditions of a definitive settlement agreement have not reached at this time.

On August 11, 2005, the Company was served with a motion to compel arbitration resulting from an allegation of a loan brokerage fee being owed for placement of a \$147,000 project loan for the Eclipse at Potomac Yard project. The claim in the base amount of \$2,000 plus interest and costs is based on breach of contract and equitable remedies of unjust enrichment and quantum meruit. The claims have been denied by the Company. On February 23, 2007, an arbitration award was rendered against the Company in the amount of \$2,039 plus accrued interest of \$348. An additional \$670 was rendered against the Company resulting from an allegation of a loan brokerage fee being owed for another project owned by the Company.

Other than the foregoing, we are not currently 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 currently 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 or rights to indemnification, or where appropriate, have established reserves in connection with these legal proceedings.

In the normal course of its business, the Company and/or its subsidiaries are named as defendants in certain legal actions arising from its normal business activities. Management believes that none of these litigation matters in which the Company or any subsidiary is involved would have a material adverse effect on the consolidated financial condition or operations of the Company.

Letters of credit and performance bonds

The Company has commitments as a result of contracts entered into with certain third parties to meet certain performance criteria as outlined in such contracts. The Company is required to issue letters of credit and performance bonds to these third parties as a way of ensuring that such commitments entered into are met by the Company. At December 31, 2006, the Company has issued \$3,143 in letters of credit and \$20,290 in performance and payment bonds to these third parties. No amounts have been drawn against these letters of credit and performance bonds.

Operating leases

The Company leases office space under non-cancelable operating leases. Future minimum annual lease payments under these leases at December 31, 2006 approximate:

<u>Year Ended:</u>	<u>Amount</u>
2007	\$ 1,231
2008	1,120
2009	903
2010	164
2011	5
Thereafter	—
Total	\$ 3,423

Operating lease rental expense aggregated \$1,107, \$728 and [\$347] respectively, for years ended December 31, 2006, 2005 and 2004.

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts reported in the combined consolidated balance sheets for cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities and floating rate debt approximate fair value. The carrying amount and fair value of fixed rate debt are as follows:

	December 31,	
	2006	2005
Carrying amount	\$ 60,097	\$ 31,609
Fair value	\$ 61,924	\$ 36,233

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

17. INCOME TAXES

Income taxes are accounted for under the asset and liability method in accordance with SFAS 109 "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 on the deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company expects to generate a current year (\$7.5) million and (\$7.9) million net operating loss (NOL) for federal and state tax purposes respectively. An NOL carryback claim to 2005 is expected to result in cash refunds of federal and state taxes to the Company of approximately \$2.7 million.

Income Tax provision consists of the following as of December 31,:

	2006	2005
Current:		
Federal	\$ (2,281)	\$ 15,160
State	(424)	2,885
	(2,705)	18,045
Deferred:		
Federal	(18,833)	(1,417)
State	(3,552)	(262)
	(22,385)	(1,679)
Other		
Tax shortfall related to the vesting of equity awards	570	—
Total income tax (benefit) expense	\$ (24,520)	\$ 16,366

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, 2006 and 2005 are as follows:

	<u>2006</u>	<u>2005</u>
Deferred tax assets:		
Inventory	\$ 9,642	\$ 2,246
Warranty	612	417
Investment in affiliates	25	27
Accrued expenses	1,213	64
Stock based compensation	762	790
	<u>12,254</u>	<u>3,544</u>
Less — valuation allowance	(470)	(840)
Net deferred tax assets	<u>11,784</u>	<u>2,704</u>
Deferred tax liabilities:		
Depreciation and amortization	(1,596)	(159)
Net deferred tax liabilities	<u>(1,596)</u>	<u>(159)</u>
Net deferred tax assets	<u>\$ 10,188</u>	<u>\$ 2,545</u>

The Company has adequately provided for contingencies related to income taxes in accordance with SFAS No. 5. At December 31, 2006 and 2005, the Company recorded \$1,194 and \$ 802, respectively in income tax reserves. This tax reserve relates predominately to a potential dispute by taxing authorities over tax benefits resulting from additional income tax basis in certain residential housing development projects. The Company has also determined that a valuation allowance of approximately \$470 and \$840 as of December 31, 2005 and 2004 respectively related to a deferred tax asset of approximately \$470 and \$ 840 resulting from additional tax basis in residential real estate development projects. In analyzing the need for the provision of tax contingency reserves and the valuation allowance, management reviewed applicable statutes, rules, regulations and interpretations and established these reserves based on past experiences and judgments about potential actions by taxing jurisdictions. In January 2007, upon the adoption of Fin 48, the Company expects to reverse income tax reserves in the amount of \$1,194 as a benefit to the opening retained deficit balance.

A reconciliation of the statutory rate and the effective tax rate follows:

	<u>2006</u>	<u>2005</u>
Statutory Rate	35.00%	35.00%
State income taxes — net of federal benefit	4.03%	3.95%
Permanent differences	0.02%	(1.75)%
Change in effective tax rate	(0.04)%	(0.03)%
Tax reserve	(0.61)%	1.67%
Tax shortfall related to the vesting of certain equity awards	(0.88)%	0.00%
Change in valuation allowance	0.58%	(1.58)%
	<u>38.10%</u>	<u>37.26%</u>

18. QUARTERLY RESULTS (unaudited)

Quarterly results for the years ended December 31, 2006 and 2005 follow (in thousands, except per share amounts):

	Three months ended			
	March 31, 2006	June 30, 2006	September 30, 2006	December 31, 2006
Revenues	\$ 36,595	\$ 50,697	\$ 35,280	\$ 123,309
Operating income (loss)	1,778	(11,962)	(9,709)	(45,808)
Pretax income	1,991	(11,645)	(9,404)	(45,306)
Net income (loss)	1,240	(7,123)	(5,754)	(28,207)
Basic earnings per share	0.09	(0.47)	(0.36)	(1.79)
Diluted earnings per share	0.09	(0.47)	(0.36)	(1.79)

	Three months ended			
	March 31, 2005	June 30, 2005	September 30, 2005	December 31, 2005
Revenues	\$ 28,729	\$ 39,911	\$ 78,437	\$ 77,228
Operating income (loss)	6,075	4,636	17,919	13,779
Pretax income	6,140	4,787	18,424	14,578
Net income (loss)	3,809	3,066	11,483	9,204
Basic earnings per share	0.33	0.26	0.82	0.66
Diluted earnings per share	0.32	0.26	0.81	0.65

Quarterly and year-to-date computations of per share amounts are made independently. Therefore, the sum of per share amounts for the quarters may not agree with per share amounts for the year.

As discussed in Note 4, the company acquired Parker Chandler Homes Inc., during the first quarter of 2006 and Capitol Homes Inc., during the second quarter of 2006.

During 2006, the Company recorded total impairment and write-off charges of \$57,400. Of this amount, \$9,500, \$5,200 and \$42,700 was recorded during the first, second and third quarter of 2006, respectively.

19. SUBSEQUENT EVENTS

In February 2007 we received a ruling from a panel of arbitrators ordering payment of approximately \$3.0 million with respect to an allegation of a loan brokerage fee being owed for placement of a \$147.0 million project loan for the Eclipse at Potomac Yard project and a \$67.0 million project loan at Penderbrook. We are assessing our rights of appeal with respect to this decision.

In February 2007 we entered into a limited recourse \$28.0 million loan agreement with Guggenheim Capital Partners to refinance an existing loan with Corus Bank. The new loan has a term of 3 years and bears a floating interest rate of LIBOR + 500 basis points.

In January 2007 we entered into a contract to sell 110 lots at our Massey Preserve project in Raleigh, NC to another builder in two takedowns. The first closing on 55 lots occurred in February 2007 for proceeds of \$3.6 million. The second takedown is scheduled to occur in July 2007.

On May 4, 2006 we closed on a \$30 million Junior Subordinated Note Offering. The term of the note was thirty years which could be retired after five years with no penalty. The rate was fixed at 9.72% the first five years and LIBOR plus 420 basis points for the remaining twenty-five years. In March 2007 we retired the original Junior Subordinated Note and entered into a new 10-year \$30 million Senior Secured Note Offering with the same lender at the same interest rate.

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 HOMEBUILDING COMPANIES, INC.

Date: March 16, 2006

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.

On March 16, 2007, we, the undersigned officers and directors of Comstock Homebuilding Companies, Inc., hereby, severally and individually, constitute and appoint Christopher Clemente and Bruce J. Labovitz, the true and lawful attorneys-in-fact and agents (with full power of substitution in each case) of each of us to execute, in the name, place and stead of each of us (individually and in any capacity stated below), any and all amendments to this Annual Report on Form 10-K and all instruments necessary or advisable in connection therewith, and to file the same with the SEC, said attorneys-in-fact and agents to have power to act and to have full power and authority to do and perform, in the name and on behalf of each of the undersigned, every act whatsoever necessary or advisable to be done in the premises as fully and to all intents and purposes as any of the undersigned might or could do in person and we hereby ratify and confirm our signatures as they may be signed by or said attorneys-in-fact and agents to any and all such amendments and instruments.

Signature	Capacity	Date
<u>/s/ CHRISTOPHER CLEMENTE</u> Christopher Clemente	Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)	March 16, 2007
<u>/s/ Gregory V. Benson</u> Gregory V. Benson	Regional President, Southeast	March 16, 2007
<u>/s/ Bruce J. Labovitz</u> Bruce J. Labovitz	Chief Financial Officer (Principal Financial Officer)	March 16, 2007
<u>/s/ JASON PARIKH</u> Jason Parikh	Chief Accounting Officer (Principal Accounting Officer)	March 16, 2007
<u>/s/ A. CLAYTON PERFAL</u> A. Clayton Perfal	Director	March 16, 2007
<u>/s/ DAVID M. GUERNSEY</u> David M. Guernsey	Director	March 16, 2007
<u>/s/ JAMES A. MACCUTCHEON</u> James A. MacCutcheon	Director	March 16, 2007
<u>/s/ NORMAN D. CHIRITE</u> Norman D. Chirite	Director	March 16, 2007
<u>/s/ ROBERT P. PINCUS</u> Robert P. Pincus	Director	March 16, 2007
<u>/s/ SOCRATES VERSES</u> Socrates Verses	Director	March 16, 2007

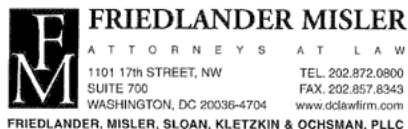
**Exhibit
Number****Exhibit**

3.1(2)	Amended and Restated Certificate of Incorporation
3.2(2)	Amended and Restated Bylaws
4.1(1)	Specimen Stock Certificate
10.1(1)	Lease Agreement, dated as of January 31, 2004, with Comstock Partners, L.C.
10.2(1)	Agreement of Sublease, dated as of October 1, 2004, with Comstock Asset Management, L.C.
10.3(1)	Loan Agreement, dated December 17, 1997, as amended, with Bank of America, N.A.
10.4(1)	Disbursement and Construction Loan Agreement and Disbursement and Development Loan Agreement, each dated October 10, 2002 and as amended, with Branch Banking and Trust Company of Virginia
10.5(1)	Disbursement and Construction Loan Agreement and Acquisition, Disbursement and Development Loan Agreement, each dated July 25, 2003, with Branch Banking and Trust Company of Virginia
10.6(2)	Loan Agreement, dated January 25, 2005, with Corus Bank, N.A.
10.7(2)	Completion Guaranty, dated January 25, 2005 in favor of Corus Bank, N.A.
10.8(2)	Carve-Out Guaranty, dated January 25, 2005, in favor of Corus Bank, N.A.
10.9(1)	Form of Indemnification Agreement
10.10(1)	Form of Promissory Note to be issued to each of Christopher Clemente, Gregory Benson, James Keena and Lawrence Golub by each of Comstock Holding Company, Inc., Comstock Homes, Inc., Sunset Investment Corp., Inc. and Comstock Service Corp., Inc.
10.11(1)	Form of Tax Indemnification Agreement to be entered into by each of Christopher Clemente, Gregory Benson, James Keena and Lawrence Golub with each of Comstock Holding Company, Inc., Comstock Homes, Inc., Sunset Investment Corp., Inc. and Comstock Service Corp., Inc.
10.12(1)	2004 Long-Term Incentive Compensation Plan
10.13(1)	Form of Stock Option Agreement under the 2004 Long-Term Incentive Compensation Plan
10.14(2)	Form of Restricted Stock Grant Agreement under the 2004 Long-Term Incentive Compensation Plan
10.15(1)	Employee Stock Purchase Plan
10.16(1)	Purchase and Sale Agreement, dated as of April 25, 2003, as amended, with Crescent Potomac Yard Development, LLC
10.17(2)	Purchase and Sale Agreement, dated as of November 9, 2004, as amended, with Fair Oaks Penderbrook Apartments L.L.C.
10.18(2)	Real Estate Purchase Contract, dated as of February 4, 2005, with Westwick Apartments LLC
10.19(2)	Services Agreement, dated March 4, 2005, with Comstock Asset Management, L.C.
10.20(1)	Employment Agreement with Christopher Clemente
10.21(1)	Employment Agreement with Gregory Benson
10.22(1)	Employment Agreement with Bruce Labovitz
10.23(1)	Confidentiality and Non-Competition Agreement with Christopher Clemente
10.24(1)	Confidentiality and Non-Competition Agreement with Gregory Benson
10.25(1)	Confidentiality and Non-Competition Agreement with Bruce Labovitz
10.26(2)	Description of Arrangements with William Bensten
10.27(2)	Description of Arrangements with David Howell
10.28(1)	Trademark License Agreement
10.29(2)	Purchase Agreement, dated as of November 12, 2004 with Comstock Asset Management, L.C.
10.30(3)	Agreement of Purchase and Sale, dated June 23, 2005, by and between Comstock Carter Lake, L.C. and E.R. Carter, L.L.C.
10.31(3)	Agreement of Purchase and Sale, dated September 28, 2005, by and between Comstock Bellemeade, L.C. and Bellemeade Farms Investors, LLC et. al.
10.32(3)	Loan Agreement, dated September 28, 2005, by and between Comstock Bellemeade, L.C. and Bank of America, N.A.

Exhibit Number	Exhibit
10.33(3)	Guaranty Agreement, dated September 28, 2005, by the Registrant in favor of Bank of America, N.A.
10.34(4)	Life Insurance Reimbursement Agreement with William P. Bensten
10.35(4)	Life Insurance Reimbursement Agreement with Bruce Labovitz
10.36(4)	Description of Reimbursement and Indemnification Arrangement with Christopher Clemente and Gregory Benson
10.37(3)	Agreement of Purchase and Sale, dated June 23, 2005, by and between Comstock Carter Lake, L.C. and E.R. Carter, L.L.C.
10.38(5)	Stock Purchase Agreement with Parker-Chandler Homes, Inc. and the Selling Stockholders identified therein, dated as of January 19, 2006
10.39(5)	Loan Agreement, dated January 31, 2006, by and between Comstock Carter Lake, L.C. and Bank of America, N.A.
10.40(5)	Guaranty Agreement, dated January 31, 2006, by the Registrant in favor of Bank of America, N.A.
10.41(6)	Form of purchase agreement, dated as of May 5, 2006, as amended as of May 9, 2006, by and between the Company and the purchasers identified therein
10.42(6)	Form of warrant.
10.43(7)	Note Purchase Agreement with Kodiak Warehouse LLC, dated as of May 4, 2006
10.44(7)	Junior Subordinated Indenture with Wells Fargo Bank, N.A., dated as of May 4, 2006
10.45(7)	Credit Agreement with Wachovia Bank, N.A., dated as of May 26, 2006
10.46(7)	Stock Purchase Agreement with Capitol Homes, Inc. and the Selling Shareholders identified therein, dated as of May 1, 2006
10.47*	Letter, dated October 18, 2007, from Friedlander, Misler, Sloan, Kletzkina & Ochsman, PLLC to the Registrant and Comstock Bellemeade, L.C.
10.48*	Purchase and Sale Agreement by and between Comstock Countryside L.C. and Merion-Loudon, LC, dated as of December 21, 2006
10.49*	Marketing and Sale Agreement by and between Comstock Countryside LC and Merion-Loudon, L.C., dated as of December 21, 2006
10.50*	Consulting Agreement with The Merion Group, LC, dated as of December 21, 2006
10.51*	Loan Modification Agreement, dated as of December 2006, by and among the Registrant, Highland Avenue Properties, LLC and Bank of America, N.A.
10.52*	Amended and Restated Guaranty Agreement, dated December 2006, by the Registrant in favor of Bank of America, N.A.
10.53*	Loan Modification Agreement, dated as of December 2006, by and among the Registrant, Comstock Homes of Atlanta, LLC, Comstock Homes of Myrtle Beach, LLC and Bank of America, N.A.
10.54*	Amended and Restated Guaranty Agreement, dated December 2006, by the Registrant in favor of Bank of America, N.A.
10.55*	First Loan Modification Agreement, dated as of December 2006, by and among the Registrant, Comstock Bellemeade, L.C., Bank of America, N.A. and Lenka E. Lundsten
10.56*	Second Loan Modification Agreement, dated as of December 22, 2006, by and between the Registrant and Bank of America, N.A.
14.1(2)	Code of Ethics
21.1*	List of subsidiaries
23.1*	Consent of PricewaterhouseCoopers LLP
24.1*	Power of Attorney (see signature page to this Annual Report on Form 10-K.)
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

* Filed herewith.

- (1) 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).
- (2) 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) Incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on November 14, 2005.
- (4) Incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on August 9, 2005.
- (5) Incorporated by reference to an exhibit to the Registrant's Annual Report on Form 10-K filed with the Commission on March 16, 2006.
- (6) Incorporated by reference to an exhibit to the Current Report on Form 8-K of the Registrant filed with the Commission on May 10, 2005.
- (7) Incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on August 9, 2006.



David Astrove
DAstrove@dclawfirm.com

October 18, 2006

VIA MESSENGER, TELECOPY AND CERTIFIED MAIL

Comstock Bellemeade, L.C.
11465 Sunset Hills Road
5th Floor
Reston, Virginia 20190
Attention: Christopher Clemente
Jubal Thompson

Comstock Homebuilding Companies, Inc.
11465 Sunset Hills Road
5th Floor
Reston, Virginia 20190
Attention: Christopher Clemente

Re: **NOTICE OF DEFAULT**; Forty-Six Million Seven Hundred Twenty-Five Thousand and No/100 (\$46,725,000.00) Loan (the "Loan") between Comstock Bellemeade, L.C. ("Borrower") and Bank of America, N.A. ("Lender") which Loan is guaranteed by Comstock Homebuilding Companies, Inc. ("Guarantor")

Dear Mr. Clemente:

This firm represents the Lender in connection with the above-referenced Loan which is secured by certain property owned by the Borrower located in Loudoun County, Virginia. In accordance with the terms of Section 1 of that certain Deed of Trust Note dated September 28, 2005 (the "Note"), Borrower is obligated to make payments in curtailment of the outstanding principal balance of the Loan on or before certain deadlines as specified in the Note.

Borrower received notice from Lender by invoice # 0060622969 dated September 20, 2006 that the sum of \$2,757,198.00 was due on September 30, 2006 (the "September Payment Deadline"). Borrower failed to pay such amount on or before the September Payment Deadline. Therefore, Borrower is in default under the Loan.

Lender reserves the right to pursue all remedies available to Lender under the Loan documents or at law as a result of such default. Lender further reserves the right to assess in the future, to the fullest extent provided for in the Loan documents additional legal fees, other costs of collection, interest at the default rate from and after the date hereof, and other fees, costs and charges, which may or may not be currently known to Lender (individually and collectively, the "Additional Charges").



FRIEDLANDER MISLER

Christopher Clemente
October 18, 2006
Page 2

Nothing in this letter is intended to constitute a waiver by Lender of any of the rights, liens, guaranties or other benefits afforded to it pursuant to any one or more of the documents executed in connection with the Loan, other documents, by law, or otherwise, and all such rights, liens, guaranties and other benefits and/or remedies afforded to Lender by any one or more of the foregoing are hereby expressly reserved to Lender.

Sincerely,

David M. Astrove, Esq.

cc: John A. Moffet, Jr., Esq. — Via Telecopier No. (703) 383-9343 and Certified Mail
John DeZinno — Via Email

PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT ("Agreement") is made this 21st day of December, 2006, by and between Comstock Countryside, L.C. ("Seller"), a Virginia limited liability company and Merion-Loudoun, L.C, a Virginia limited liability company ("Purchaser").

WITNESSETH:

WHEREAS, Seller is the Declarant of The Villas at Countryside Condominium in Sterling, Virginia (the "Condominium"), and owns thirty (30) units therein, as identified on Exhibit A attached hereto (the "Units");

WHEREAS, Seller desires to sell and Purchaser desires to purchase the Units, and, in conjunction therewith, Seller desires to transfer and Purchaser desires to accept certain Special Declarant Rights (as such term is defined in Section 55-79.41 of the Virginia Condominium Act) relating to the Units, all in accordance with the terms and conditions hereof.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. **AGREEMENT OF PURCHASE AND SALE**. Seller hereby agrees to sell and convey unto the Purchaser, and Purchaser hereby agrees to purchase from Seller, the Units at the price and upon the terms and conditions hereinafter set forth.
2. **PURCHASE PRICE**. The purchase price for the Units shall be Four Million Two Hundred Thousand and No/100 Dollars (\$4,200,000) (the "Purchase Price"). The Purchase Price shall be paid by Purchaser to Seller by wire transfer in immediately available funds at closing hereunder ("Closing").
3. **CLOSING**. Purchaser and Seller shall close on the sale of the Units no later than December 27, 2006. Closing shall be conducted at the offices of Premier Title Company ("Closing Agent"). At Closing, Seller shall convey the Units to Purchaser by special warranty deed, which shall thereupon be recorded among the applicable land records. Seller shall also deliver actual possession of the Units to Purchaser at Closing free and clear of all leases and tenancies. Seller and Purchaser agree to execute and deliver such documents as may be requested by Closing Agent to effect Closing. Seller shall pay the transfer tax applicable to this transaction. Purchaser shall pay all other costs of Closing, including without limitation the cost of obtaining title insurance and financing for the Units. Each party shall pay for its own attorneys fees. All real estate taxes, utility bills, Condominium assessments and other charges and fees related to the Units shall be prorated as of the date of Closing such that all such expenses from and after the date of Closing shall be borne by Purchaser. Purchaser and Seller agree to cooperate after Closing with respect to any adjustments to the prorations provided for hereunder.

4. **MARKETING AND SALES AGREEMENT.** At Closing, Seller and Purchaser shall enter into an agreement, in the form attached hereto as Exhibit B, whereby Seller shall become the exclusive agent for the marketing and sales of the Units.

5. **UNIT OUTSALE CONTRACTS.** At Closing, Seller and Purchaser shall enter in a document which assigns the deposits, rights and obligations under existing unsettled contracts for the sale of Units to retail purchasers ("**Unit Outsale Contracts**"). The Units which are subject to a Unit Outsale Contract shall be as stated in Exhibit C-1 and copies of all Unit Outsale Contracts shall be attached thereto as Exhibit C-2. The form of the assignment of Unit Outsale Contracts is attached hereto as Exhibit C-3.

6. **SPECIAL DECLARANT RIGHTS.** At Closing, Seller and Purchaser shall enter into a document, in the form attached hereto as Exhibit D, whereby Seller shall transfer to Purchaser certain Special Declarant Rights in order to facilitate the sale of Units and whereby Purchaser becomes of Co-Declarant with the right to offer Units for sale under the governing documents of the Condominium (the "Condominium Documents"). Said document shall thereupon be recorded among the applicable land records immediately following the recordation of the special warranty deed. Immediately thereafter, Purchaser shall cause the Condominium Registration Application and the Public Offering Statement of the Condominium to be amended to reflect the conveyance of the Units and transfer of Special Declarant Rights from Seller to Purchaser. Seller and Purchaser each agree to promptly take all action necessary to effect the foregoing amendments.

7. **PURCHASER'S DEFAULT; SELLER'S REMEDY.** In the event that Seller performs all of its obligations hereunder and Purchaser fails to meet any of its obligations under the Agreement or to complete settlement hereunder, Seller shall be entitled to terminate this Agreement and shall have all remedies available at law or in equity, and thereupon the parties hereto shall have no further rights or obligations hereunder.

8. **SELLER'S DEFAULT; PURCHASER'S REMEDY.** In the event that Seller fails to settle on the Property pursuant to the terms hereof or otherwise breaches the terms hereof, Purchaser shall have, as its sole remedy, (i) the right to seek specific performance under this Agreement and to recover all costs associated with obtaining specific performance, including reasonable attorneys' fees, and (ii) the license, without cost, to use all marketing materials, brochures and the like to continue to market the Units; provided, however, that Purchaser shall not use the name "Comstock" in any such marketing.

9. **REPRESENTATIONS AND WARRANTIES.** Seller hereby represents and warrants that it is selling the Units to Purchaser with all of the representations and warranties made to prospective purchasers in the Public Offering Statement for the Condominium and the Exhibits thereto (collectively, the "POS"). Seller hereby acknowledges and agrees that any warranty work on Units, or on any other units or the Common Elements in the Condominium, for which Seller is responsible as Declarant under the Condominium Documents or as otherwise mandated by the Virginia Condominium Act — shall be performed by Seller at its sole cost and expense. Seller and Purchaser hereby acknowledge that as Co-Declarants of the Condominium the statutory warranty period provided in the Virginia Condominium Act shall not commence until each Unit has been conveyed to a third party purchaser.

Except as expressly set forth in the POS or as otherwise mandated by the Virginia Condominium Act, Seller shall sell and convey to Purchaser, and Purchaser shall accept, the Units in "as-is", "where-is" condition. Planned renovations of the Units, as more particularly described in Exhibit E attached hereto, shall be completed by the Seller at the Seller's sole expense within sixty (60) days of Closing. Seller shall remain responsible for all obligations incurred or outstanding with regard to improvements to the Units.

10. RECEIPT OF POS. Purchaser hereby acknowledges having received the POS, and hereby waives its right to rescind this Agreement following the full-execution hereof.

11. GENERAL PROVISIONS.

- a. Broker. Purchaser and Seller warrant that they have not dealt with any broker in the transaction contemplated hereby. Seller and Purchaser each agree to indemnify and hold harmless the other party from any claim for commission by any broker or agent claiming any such commission for or through either Seller or Purchaser other than referenced herein.
- b. Applicable Law. The provisions of this Agreement and the application thereof shall be governed by the laws of the Commonwealth of Virginia, without regard to its conflicts of laws principles.
- c. Merger. Unless otherwise expressly stated to the contrary, the provisions of this Agreement shall be merged into the execution and delivery of the deed and shall not survive closing.
- d. Computation of Time. In the event that any period of time provided for under this Agreement expires, or falls upon, a Saturday, Sunday or legal holiday, then said period of time will be deemed to be extended to the immediately following business day. Time shall be of the essence for all purposes under this Agreement.
- e. Entire Agreement. This Agreement constitutes the entire agreement by and between the parties. No amendment, modification, or waiver under this Agreement shall be effective unless in writing and signed by both parties.
- f. Notices. Unless otherwise agreed to by the parties any and all notices required hereunder shall be sent to the parties by hand delivery or overnight delivery service or by certified or registered mail, return receipt requested, (or by facsimile transmission when followed by delivery of the original) at the following addresses:

If to Seller:

Comstock Countryside, L.C.
c/o Comstock Homebuilding Companies, Inc.
11465 Sunset Hills Road, 5th Floor
Reston, Virginia 20190
Attn: Christopher Clemente

If to Purchaser:

William P. Bensten
928 Mackall Avenue
McLean, Virginia 22101
Fax: (703) 442-8714

Any party shall have the right to change the place where notices are to be sent by written notice to the other party.

g. Assignment. This Agreement and the benefits hereunder are assignable by Purchaser only upon the prior written consent of Seller. This Agreement is assignable by Seller to parties under common control of Seller and shall be binding upon its successors and assigns.

h. Counterparts. This Agreement may be executed in counterparts, each of which shall constitute an original.

g. Survival. The obligations contained in Sections 4 through 9 and 11 of this Purchase and Sale Agreement shall survive Closing and shall not be merged into the deed of conveyance for the Units.

[REMAINDER OF PAGE LEFT INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the date first set forth above.

SELLER:

Comstock Countryside, L.C., a Virginia limited liability company

By: Comstock Homebuilding Companies, Inc.,
Its Manager

By: /s/ Christopher Clemente
Christopher Clemente
Chief Executive Officer

PURCHASER:

Merion-Loudoun, L.C, a Virginia
limited liability company

By: /s/ William P. Bensten
Name: William P. Bensten
Title: Managing Member

AGREEMENT
(Marketing and Sale of Condominium Units)

THIS AGREEMENT ("Agreement") is made as of the 21st day of December, 2006, by and between **Comstock Countryside, L.C.**, a Virginia limited liability company ("Countryside"), having its offices at 11465 Sunset Hills Road, 5th Floor, Reston, Virginia 20190 and Merion-Loudoun, L.C., a Virginia limited liability company ("Owner"), having its offices at 928 Mackall Ave, McLean, Virginia 22101.

WITNESSETH:

WHEREAS, Countryside is the Declarant of The Villas at Countryside Condominium (the "Condominium") in Sterling, Virginia and the owner of certain condominium units therein, as identified on Schedule 1 attached hereto (the "Units");

WHEREAS, concurrently herewith, Countryside is selling the Units to Owner, and in connection therewith, is transferring certain Special Declarant Rights to Owner;

WHEREAS, the Owner desires to have Countryside continue to carry out the marketing and sales activities for the Units;

WHEREAS, Countryside desires to assume such responsibilities on and in accordance with the terms and conditions of this Agreement.

NOW, THEREFORE, for and in consideration of the premises and mutual covenants and agreement of the parties contained herein, and of other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound, do hereby agree as follows:

ARTICLE I. MARKETING AND SALE

1.1. Subject to the terms of this Agreement, the Owner grants to Countryside the authority to take all actions, as Countryside deems necessary and appropriate, at Countryside's sole cost and expense, to actively and continuously market and sell the Units, and, to the extent that the estimated Net Price (defined herein) for a given Unit exceeds its Base Price (defined herein), to enter into contracts (the "Outsale Contracts"), as the exclusive agent for and on the Owner's behalf, for the sale of Units. Countryside will provide, under its supervision and management, at Countryside's sole cost and expense, either its own employees or employees of a brokerage company (which may be affiliated or unaffiliated with the Company), to market and sell the Units and to manage the continuing administrative obligations of the Owner as Co-Declarant in connection with the sale of the Units to Owner. The form of the Outsale Contracts shall be the form currently used by Countryside for the sale of units at the Condominium to retail purchasers, with an Addendum in the form attached hereto as Exhibit A, and shall provide for a purchase price and earnest money deposit in such amount as may be agreed to by the Owner and Countryside from time to time. The Owner agrees to enter into any additional documents which may be necessary to confirm or ratify the authority granted to Countryside pursuant to the provisions of this Section.

1.2. All deeds for the conveyance of any Unit shall be in the name of the Owner as grantor.

1.3 Countryside shall comply with the applicable governing laws and regulations in effect in the jurisdiction in which the Units are located to perform its marketing and sales duties.

ARTICLE II. PAYMENTS TO COUNTRYSIDE

2.1. Owner shall not be obligated to reimburse Countryside for any costs incurred by Countryside in carrying out its obligations under this Agreement unless Owner shall have previously agreed to do so in writing.

2.2. Owner shall pay Countryside an amount equal to the difference between the Net Price for each Unit settled, and the price for such Unit listed on Schedule 1 attached hereto (the "Base Price"). For purposes hereof, the "Net Price" shall refer to the sales price for the Unit less settlement expenses (such as real estate commissions, recording and closing costs, incentives to buyers and the like) paid by Owner.

2.3. So long as this Agreement shall remain in force, the foregoing amounts (the "Amounts Payable") shall be paid to Countryside upon the conveyance of each Unit regardless of whether Countryside was the procuring cause of such sale. The Amounts Payable are not a commission, but an allocation of profit which was negotiated in conjunction with the sale of the Units to Owner by Countryside. The Amounts Payable shall be due and payable at the time of settlement on each Unit, and shall be reflected as an amount due to Countryside on the settlement statement.

2.4. If this Agreement has been terminated by Countryside as a result of a material breach by Owner pursuant to Section 4.4 hereof, then the Amounts Payable shall remain due and payable to Countryside pursuant to the terms of this Agreement despite the termination.

ARTICLE III. PAYMENTS TO OWNER

3.1. During the term of this Agreement, Countryside shall pay Owner the sum of \$1,500 per month for each Unit which has not been conveyed to a retail purchaser (the "Monthly Payment"). The foregoing monthly amount shall be prorated for any month in which a particular Unit was conveyed. Owner hereby agrees to apply each Monthly Payment toward the interest carry on the first mortgage encumbering the Units. Failure to do so shall constitute a material breach of this Agreement. Each Monthly Payment shall be due and payable on the fifth (5th) day of each calendar month.

3.2. If Countryside shall fail to make a Monthly Payment on or before the due date, and such failure shall continue for more than ten (10) business days after having received written notice thereof from Owner, then Owner shall have the right to terminate this Agreement by delivering written notice thereof to Countryside. In the event of such duly effected termination, Countryside shall have no further right to any Amounts Payable on any Units which were not settled prior to the termination.

3.3. Upon full execution of this Agreement, Countryside shall make an initial payment (the "Initial Payment") of the total amount of Monthly Payments due for the first three (3) months (the "Initial Period") of the Fixed Term. In the event any Units are settled prior to the expiration of the Initial Period, then the portion of the Initial Payment ascribed to the post-settlement period of the settled Units shall, at Countryside's election, either be (a) paid as a reimbursement to Countryside at settlement, or (b) applied as a credit against the Monthly Payment due during the fourth (4th) month of the Fixed Term.

ARTICLE IV. TERM

4.1. The fixed term of this Agreement (the "Fixed Term") shall be 18 months, commencing January 1, 2007 and expiring June 30, 2008.

4.2. In the event Countryside has settled at least 20 Units during the Fixed Term (or can demonstrate that it is likely to settle at least 20 Units within thirty days thereafter), then it shall have the unilateral right to extend the term of this Agreement for an additional 6 months, through December 31, 2008 (the "Extension Term").

4.3. Neither party shall have the unilateral right to terminate this Agreement without cause.

4.4. In the event either party hereto commits a material breach of this Agreement, then the other party shall have the right to terminate the same if the defaulting party fails to rectify the breach within ten days after receiving written notice thereof from the other party. In the event of a material breach by Countryside, Owner's sole remedy shall be to terminate this Agreement pursuant to Section 3.2 hereof. In the event of a material breach by Owner, Countryside shall have all of its rights and remedies available at law to recover its actual damages for such breach, and all of its rights and remedies at equity to enforce any equitable remedy. If Owner should terminate this Agreement as a result of a material default by Countryside, as aforesaid, then Owner shall have a temporary license to use the marketing materials being used by Countryside immediately prior to the termination of this Agreement, but only to the extent Countryside has the legal right to grant such license, and only until the earlier of (a) settlement on the final Unit, or (b) two years from the date hereof.

ARTICLE V. USE OF MODEL UNITS; COUNTRYSIDE'S BOOKS AND RECORDS

5.1 During the term of this Agreement, Countryside shall have a license to use the model units for performing its responsibilities hereunder. During such time, Countryside shall pay for all of the operating expenses associated with use of the model units, such as (without limitation) the cost of utilities; however, Countryside shall not be responsible for paying costs associated with ownership of the model units, such as (without limitation) real estate taxes and mortgage interest.

5.2. Countryside will keep accurate books of account for the work performed under this Agreement, showing the costs incurred hereunder, which books of account and all supporting data shall, during regular business hours and at reasonable times, be open to inspection and copying by the Owner or its authorized representatives, and shall be retained and available for reference for a period of at least one year after the work has been completed.

ARTICLE VI. INDEMNIFICATION

Owner hereby agrees to indemnify Countryside, its agents and employees, for any damages incurred by Countryside, its agents or employees, in executing the responsibilities of Countryside hereunder, arising from the gross negligence or willful misconduct of Owner, its agent or employees. Countryside hereby agrees to indemnify Owner, its agents and employees, for any damages incurred by Owner, its agents or employees, arising from the gross negligence or willful misconduct of Countryside, its agent or employees, in executing the responsibilities of Countryside hereunder.

ARTICLE VII. MISCELLANEOUS

7.1. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided, that neither party may assign any of its rights or obligations hereunder without the prior written agreement of the non-assigning party.

7.2. All notices and other communications hereunder shall be in writing and shall be deemed duly given if hand delivered, or mailed by certified mail, return receipt requested, postage prepaid, to the addresses set forth in the preamble of this Agreement, or to such other address of which one party hereto notifies the other.

7.3. If any term, covenant, or condition of this Agreement or the application thereof to any party shall be held invalid or unenforceable, the remaining terms, covenants, and conditions shall not be affected thereby, and such remaining terms, covenants, and conditions shall be valid and enforceable to the fullest extent permitted by law.

7.4. The interpretation and enforcement of this Agreement shall be governed by the laws of the Commonwealth of Virginia, without respect to its conflicts of laws principles.

7.5. This Agreement may be amended, modified, or supplemented only by written agreement of the parties. The waiver by any party hereto of a breach of any provision contained herein shall be in writing, signed by the waiving party, and shall in no way be construed as a waiver of any prior or succeeding breach of such provision or the waiver of the provision itself.

7.6. Each party hereto shall do and perform, or cause to be done and performed, all such further acts and things and shall execute and deliver all such other agreements, certificates, instruments, and documents as any other party hereto or person otherwise subject hereto may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

[Signature Page to Follow]

IN WITNESS WHEREOF, this Agreement has been duly executed by each of the parties hereto on the date opposite such party's signature, and the provisions hereof shall be deemed effective as of the date first above written.

OWNER:

Merion-Loudoun, LC

By: /s/ William P. Bensten

William P. Bensten
Managing Member

COUNTRYSIDE:

Comstock Countryside, L.C.

By: Comstock Homebuilding Companies, Inc.

By: /s/ Christopher Clemente

Christopher Clemente
Chief Executive Officer

CONSULTING AGREEMENT

THIS CONSULTING AGREEMENT (this "Agreement") is entered into as of the 21st day of December, 2006, by and between Comstock Homebuilding Companies, Inc., a Delaware corporation ("Comstock"), and The Merion Group, L.C. ("Consultant").

WHEREAS, Comstock desires that the Consultant provide certain consulting services (the "Services") related to The Eclipse on Center Park Condominium in Arlington, Virginia (the "Condominium") and other projects being developed by Comstock in the Washington, D.C. metropolitan area, and Consultant has agreed to provide such Services pursuant to the terms and conditions of this Agreement.

NOW, THEREFORE, for and in consideration of the premises herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

1. **Services.** The Services shall be defined to include sales management, marketing, and production coordination services related to the Condominium and other existing and/or future projects of Comstock in the Washington, D.C. metropolitan area, as designated by Comstock from time to time and shall involve the Consultant providing an average of 20 hours of consultation time per week during the Fixed Term (hereinafter defined). To facilitate Consultant's performance of the Services, Comstock shall provide Consultant, without charge, with the use of an office and ancillary facilities within Comstock's office premises during the term of this Agreement.

2. **Consulting Fee.**

(a) In consideration of the Consultant providing the Services to Comstock, Comstock agrees to pay to the Consultant a fee (the "Fixed Term Consulting Fee") in the amount of Twenty-Five Thousand Nine Hundred and No/100 Dollars (\$25,900.00) per month during the first three (3) months of the Fixed Term, and the amount of Fifteen Thousand Nine Hundred and No/100 Dollars (\$15,900.00) per month during the final three (3) months of the Fixed Term. Should Comstock elect to terminate this Agreement at any time, Comstock shall nevertheless remain obligated to pay the Fixed Term Consulting Fee to Consultant through the expiration of the Fixed Term.

(b) In the event Comstock requests, in writing, that the Consultant commit time above and beyond those called for to perform the Services pursuant to Section 1 herein (including without limitation those services described in Section 6 of the Separation Agreement entered into by Comstock and Consultant as of even date herewith), then the fee to be paid to Consultant (the "Additional Fees") in consideration of those additional hours shall be \$200 per hour. The Additional Fees shall be due and payable to Consultant within fifteen (15) business days after Consultant submits an invoice therefor to Comstock.

(c) Consultant shall keep time sheets memorializing the number of hours spent and the Services provided for each calendar month during the term of this Agreement.

In the event Consultant spends fewer than 80 hours in a calendar month, then no Additional Fees shall be earned by Consultant until Consultant has provided Services for the number of hours necessary to make-up the deficit from the previous month(s).

(d) Comstock hereby agrees to reimburse Consultant for all costs incurred by Consultant in carrying out its obligations under this Agreement, including, without limitation, travel costs, so long as such costs were pre-approved in writing (which may include e-mail) by Comstock.

3. Agents and Commission. Comstock and the Consultant each warrant to the other that neither had dealt with an agent, broker or finder with respect to the transaction contemplated by this Agreement. In the event any claim for commission or finder's fee is brought by any person or entity as a consequence of the transaction contemplated hereby, then the party whose acts give rise to such claim shall indemnify and hold harmless the other party against any loss, cost or expense of any nature, including, but not limited to, court costs and reasonable attorneys' fees, arising as a consequence of the claim for a commission or fee.

4. Representations and Warranties by Consultant. Consultant has the power and authority to enter into this Agreement and perform its obligations hereunder; the performance by Consultant of its obligations hereunder does not and will not violate any law; and neither this Agreement nor the performance by Consultant of its obligations hereunder violates any agreement or contract to which Consultant is bound or a party. This Agreement is binding upon and enforceable against Consultant in accordance with its terms, and the person signing this Agreement on behalf of Consultant is authorized to do so.

5. Indemnification. As specifically provided for and limited hereby, Consultant shall protect, defend, hold harmless, and indemnify Comstock and its partners, affiliates, successors, heirs, assigns, directors, officers, employees and agents from and against all claims, actions, liabilities, damages, losses, costs and expenses (including court costs and attorneys' fees) arising out of or incidental to the performance by Consultant of any duties and obligations pursuant to this Agreement, or any breach by Consultant of the representations and warranties of Consultant under this Agreement; provided, however, that such indemnification shall be strictly limited to the actual damages suffered and shall in no event exceed the total compensation paid by Comstock to Consultant hereunder. The foregoing indemnification shall survive the expiration or termination of this Agreement and the purchase and sale of any property or potential transaction for which Consultant has been retained hereunder.

6. Term. The fixed term of this Agreement (the "Fixed Term") shall commence on January 1, 2007 and shall continue through June 30, 2007. It is understood and agreed that Comstock may terminate this Agreement without cause upon delivering written notice thereof to Consultant, whereupon the parties hereto shall have no further liability to each other, except for the requirement in Section 2 hereof regarding Comstock's obligation to pay the Fixed-Term Consultant Fee to Consultant through the expiration of the Fixed Term. Upon the expiration of the Fixed Term, the parties hereto may agree to extend the term of this Agreement on a month-to-month basis (the "Month-To-Month Term"). The Month-To-Month Term may be terminated by either party hereto with or without cause immediately upon delivery of written notice thereof from one party to the other. Unless otherwise agreed to in writing by the parties hereto, the fees charged by Consultant during the Month-To-Month Term shall be the same as the Additional Fees.

7. Notice. All notices and other communications hereunder shall be in writing and be deemed duly given if personally delivered, telecopied with proof of receipt, or sent by nationally recognized overnight courier, or mailed by certified mail, return receipt requested, postage prepaid:

If to Comstock:

Comstock Homebuilding Companies Inc.
11465 Sunset Hills Road, Suite 510
Reston, Virginia 20190
Attn: Christopher Clemente
Telecopier (703) 760-1520

If to Consultant:

William P. Bensten
928 Mackall Avenue
McLean, Virginia 22101
Telecopier (703) 442-8714

The parties hereto shall be responsible for notifying each other of any change of address.

8. Assignment. Except for an assignment to an affiliate of Comstock, the benefits hereunder are not assignable by either party without the written consent of the other party.

9. Construction of Agreement.

a. This Agreement may be executed in several counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

b. Titles to paragraphs and subparagraphs are for convenience only and are not intended to limit or expand the covenants and obligations expressed thereunder.

c. Time shall be of the essence with regard to all terms and conditions of this Agreement.

d. This Agreement contains the entire agreement among the parties hereto with respect to the subject matter hereof. No change or modification of this Agreement, or any waiver of the provisions hereof, shall be valid unless same is in writing and signed by the parties hereto.

e. Waiver of performance or satisfaction of timely performance or the satisfaction of any condition, covenant, requirement, obligation or warranty by one party shall not be deemed a waiver of the performance or satisfaction of any other condition, covenant, requirement, obligation or warranty unless specifically consented to in writing.

f. This Agreement shall be construed in accordance with the laws of the Commonwealth of Virginia, without regard to its conflicts of laws principles.

g. Nothing contained herein is intended to make, nor be construed to make, Comstock and Consultant as partners or joint venturers.

h. If any term, covenant or condition of this Agreement or the application thereof to any part shall be invalid or unenforceable, the remaining terms, covenants and conditions or circumstances shall not be affected thereby, and each term shall be valid and enforceable to the fullest extent permitted by law.

i. In the event any party is required to resort to litigation to enforce its rights hereunder, the parties hereto agree that any judgment awarded to the substantially prevailing party shall include all litigation expenses, including reasonable attorneys' fees and costs. The parties hereto hereby consent to the jurisdiction of the Circuit Court of Fairfax County with regard to any litigation arising out of this Agreement, and hereby waive their right to a jury trial.

WITNESS the following signatures and seals:

COMSTOCK:

COMSTOCK HOMEBUILDING COMPANIES, INC.,
a Delaware corporation, Manager

By: /s/ Christopher Clemente

Christopher Clemente
Chief Executive Officer

CONSULTANT:

By: /s/ William P. Bensten

William P. Bensten

LOAN MODIFICATION AGREEMENT

THIS LOAN MODIFICATION AGREEMENT (this "Agreement" or this "Modification") is made as of the _____ day of December, 2006, by and among: (a) **HIGHLAND AVENUE PROPERTIES, LLC**, a Georgia limited liability company (the "Borrower"); (b) **COMSTOCK HOMEBUILDING COMPANIES, INC.**, a Delaware corporation ("Guarantor") and (c) **BANK OF AMERICA, N.A.**, a national banking association, its successors and/or assigns ("Lender").

RECITALS:

WHEREAS, pursuant to the terms of that certain Land Acquisition and Development Agreement dated as of May 2, 2005, by and between Borrower and Lender (as the same may be amended, renewed, supplemented or restated from time to time, the "Loan Agreement"), Lender made a loan (the "Loan") to Borrower in the original maximum principal amount of Four Million Eight Hundred Fifty One Thousand Two Hundred Thirty-Five and No/100 Dollars (\$4,851,235.00), as evidenced by that certain Promissory Note dated May 2, 2005 made by Borrower payable to the order of Lender (as the same may be amended, renewed, supplemented or restated from time to time, the "Note"); and

WHEREAS, Borrower's obligations under the Note are secured by, among other things, a Deed to Secure Debt and Security Agreement dated as of May 2, 2005, from Borrower for the benefit of Lender, and recorded among the land records of Fulton County, Georgia in the Superior Court of Fulton County, Georgia on May 4, 2005 in Deed Book 39924 Page 32 (as the same may be amended, renewed, supplemented or restated from time to time, the "Deed to Secure"), covering certain real property and improvements thereon located in Fulton County Georgia and more particularly described therein and on Exhibit A attached hereto (collectively, the "Property"); and

WHEREAS, Borrower's obligations under the Note are guaranteed by Guarantor pursuant to a Guaranty Agreement dated February 10, 2006 which guarantees the Loan together with certain other Loans made by Lender (the "Other Guaranteed Loans") (as the same may be amended, renewed, supplemented or restated from time to time, the "Guaranty"); and

WHEREAS, in consideration of Lender entering into this Modification, and because some of Other Guaranteed Loans have been satisfied in full, the Guarantor has agreed to execute a new Guaranty Agreement simultaneously with the execution of this Agreement.

WHEREAS, the outstanding principal balance under the Loan as of the date hereof is Four Million Two Hundred Seventy Seven Thousand Six Hundred Nine and 99/100 Dollars (\$4,277,609.99).

WHEREAS, Borrower's obligations under the Note and the other Loan Documents (hereinafter defined) are hereinafter collectively called the "Obligations"; the Note, the Deed to Secure, the Loan Agreement, the Guaranty and all other documents previously, now or hereafter executed and delivered to evidence, secure, guarantee, or in connection with, the Obligations, as the same may from time to time be renewed, extended, amended, supplemented or restated, are hereinafter collectively called the "Loan Documents" and all liens, security interests, assignments, superior titles, rights, remedies, powers, equities and priorities securing the Note or providing recourse to Lender with respect thereto are hereinafter collectively called the "Liens"; and

Bank of America — Comstock Highland Modification

WHEREAS, at the request of the Borrower, the Lender has agreed to modify the Loan to (i) modify certain payment terms of the Loan; and (ii) make certain other changes to the Loan Documents as set forth herein.

NOW, THEREFORE, in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by all parties, the parties agree as follows:

1. **Recitals.** The recitals set forth above are a material part of this Agreement. Borrower acknowledges and affirms the accuracy of the recitals set forth above.

2. **Definitions.** All capitalized terms herein, unless otherwise defined herein, shall have the same meaning ascribed to such terms as in the Loan Documents.

3. **Modification to Bellemeade Loan, the Atlanta Homes Loan and Fifteen Million Dollar Comstock Loan.** Simultaneously with the execution of this Agreement (i) Comstock Bellemeade, L.C. and Guarantor shall execute that certain First Loan Modification Agreement in connection with that certain loan originally made by Lender to Comstock Bellemeade, L.C. in the original principal amount of Forty-Six Million Seven Hundred Twenty-Five Thousand and No/100 Dollars (\$46,725,000.00) (as the same has been amended, renewed, supplemented or restated from time to time, the "Bellemeade Loan") (ii) Comstock Homes of Atlanta, LLC, Comstock Homes of Myrtle Beach, LLC (formerly known as Parker-Chandler Homes/South Carolina, LLC) and Guarantor shall execute that certain Loan Modification Agreement in connection with that certain loan originally made by Lender to Comstock Homes of Atlanta, LLC (formerly known as PCH Development, LLC which is successor by merger to Parker Chandler Homes, Inc.) in the original principal amount of Seven Million Five Hundred Thousand and No/100 Dollars (\$7,500,000.00) (as the same has been amended, renewed, supplemented or restated from time to time, the "Atlanta Homes Loan") and (iii) Guarantor shall execute that certain First Loan Modification Agreement in connection with that certain loan originally made by Lender to Guarantor in the original principal amount of Fifteen Million and No/100 Dollars (\$15,000,000.00) (as the same may be amended, renewed, supplemented or restated from time to time, the "Fifteen Million Dollar Comstock Loan").

4. **Loan Agreement.**

a. **Exhibit A; Section 3.** Section 3 of Exhibit A to the Loan Agreement shall be deleted in its entirety and replaced with the following:

"All of the Obligations, including (without limitation) all outstanding principal, accrued and unpaid interest, outstanding late charges, unpaid fees, and all other amounts outstanding under the Note and the other Loan Documents are due and payable in full on May 1, 2007 (the "Maturity Date"). Notwithstanding the foregoing, Borrower may elect to extend the Maturity Date to May 1, 2008 (the "Extension Period"). provided that; (i) prior to the commencement of the Extension Period, no Default has occurred and remains uncured under (a) this Loan or (b) that certain loan originally made by Lender to Comstock Bellemeade, L.C. in the original principal amount of Forty-Six Million Seven Hundred Twenty-Five Thousand and No/100 Dollars (\$46,725,000.00) (as the same has been amended, renewed, supplemented or restated from time to time, the "Bellemeade Loan") or (c) that certain Loan Modification Agreement in connection with that certain loan originally made by Lender to Comstock Homes of Atlanta, LLC (formerly known as PCH Development, LLC which is successor by merger to Parker Chandler Homes, Inc.)

Bank of America — Comstock Highland Modification

(in the original principal amount of Seven Million Five Hundred Thousand and No/100 Dollars (\$7,500,000.00) (as the same has been amended, renewed, supplemented or restated from time to time, the "Atlanta Homes Loan") or (d) that certain loan originally made by Lender to Comstock Homebuilding Companies, Inc. in the original principal amount of Fifteen Million and No/100 Dollars (\$15,000,000.00) (as the same may be amended, renewed, supplemented or restated from time to time, the "Fifteen Million Dollar Comstock loan"); and (ii) the Borrower pays an extension fee to Lender in an amount equal to one half of one percent (0.50%) of the sum of the then outstanding Loan amount for each year in which the Loan remains outstanding, which extension fee must be paid by Borrower to Lender in immediately available funds; and (iii) Borrower pays to Lender, immediately upon demand, the cost of the appraisal ordered by Lender in connection with Modification; and (iv) on or before January 1, 2007, Borrower provides Lender with written notice that Borrower elects to extend the Maturity Date for the Extension Period (such election in accordance with the terms hereof shall be referred to as the "Extension Option")."

b. Exhibit A; Section 8. Section 8 of Exhibit A to the Loan Agreement shall be deleted in its entirety.

c. Exhibit A; Section 9. Section 9 of Exhibit A to the Loan Agreement shall be deleted in its entirety and replaced with the following:

"Each lot will be released upon payment of the greater of: (i) Two Hundred Two Thousand One Hundred Thirty Six and No/100 Dollars (\$202,136.00) or (ii) ninety percent (90%) of the "as complete" per lot value based on an appraisal satisfactory to Lender in Lender's sole discretion." No lot shall be released prior to receipt of a copy of the final plat approved by the County and the Lender and recorded."

d. Exhibit A; Section 12. The following language shall be added to Section 12 of Exhibit A to the Loan Agreement:

"Additionally, Borrower must submit to Lender (i) within ten (10) days from the end of each month, monthly financial statements (all of which financial statements must include a balance sheet, income statement, sources and uses of funds for such fiscal month, projected sources and uses of funds for the coming month, detailed listing and description of all contingent liabilities, tax returns, written verification of liquidity and such other supporting schedules and documentation). All such financial statements shall be certified as true and correct by the Chief Financial Officer of Comstock Homebuilding Companies, Inc. in a form acceptable to the Lender in all respects; and (ii) within thirty (30) days from the end of each month a certified rent roll for the Property."

5. Payments. Payments of interest only shall continue to be due and payable on the first day of each month. From and after the date hereof, Borrower must make all payments of any kind whatsoever, due by Borrower to Lender in connection with the Loan, via wire transfer of immediately available funds, in accordance with the wiring instructions attached hereto as Exhibit B.

6. Completion Budget and Schedule. Lender will fund the remaining balance of the Loan (i.e. \$573,625.01) subject to the following conditions:

- (i) No advances shall be made if any default under the Loan exists;

- (ii) Borrower must deliver to Lender a Development Loan Draw Schedule acceptable to Lender with each request for an advance in the same form and detail previously provided by Borrower in connection with the Loan together with invoices to substantiate such draw request;
- (iii) Before Lender advances funds pursuant to a draw request Lender must receive a report from the inspecting engineer, at Borrower's expense, confirming that the work for which payment is being requested pursuant to such draw request has been satisfactorily completed;
- (iv) Upon satisfaction of the conditions set forth herein, Lender shall fund the requested advance by depositing such amount into the Borrower's account maintained with Lender (i.e. account number 3268592963).

After the remaining balance of the Loan is funded (i.e. \$573,625.01), Lender shall have no obligation to fund any further amount to Borrower. In the event that the cost to complete the project exceeds the remaining balance of the Loan (i.e. \$573,625.01) Borrower must fund the deficiency.

7. Borrower's Representations and Warranties. The Borrower hereby reaffirms all of representations and warranties set forth in the Loan Documents, and further represents and warrants that: (a) the Borrower is the sole legal and beneficial owner of the Property; (b) the execution and delivery of this Agreement does not contravene, resulting in a breach of, or constitute a default under, any deed of trust, loan agreement, indenture or other contract or agreement to which Borrower is a party or by which Borrower or any of its properties may be bound (nor would such execution and delivery constitute such a default with the passage of time or the giving of notice or both), and does not violate or contravene any law, order, decree, rule, regulation or restriction to which Borrower or the Property is subject; (c) this Agreement constitutes the legal, valid and binding obligations of Borrower enforceable in accordance with its terms; (d) the execution and delivery of, and performance under, this Agreement are within Borrower's power and authority without the joinder or consent of any other party and have been duly authorized by all requisite action, and are not in contravention of any law, or of any indenture, agreement or undertaking to which Borrower is party or by which it is bound; (e) there exists no default under the Note or any other Loan Document; (f) there are no offsets, claims or defenses with respect to the Obligations; and (g) Borrower is duly organized and legally existing under the laws of the state of its organization and is duly qualified to do business in the state of Georgia. The Borrower further represents and warrants that, except as disclosed in public filings, there is no suit, judicial or administrative action, claim, investigation, inquiry, proceeding or demand pending (or, to Borrower's knowledge, threatened) against (i) Borrower, or against any other person liable directly or indirectly for the Obligations, or (ii) which affects the Property or the Borrower's title to the Property, or (iii) which affects the validity enforceability or priority of any of the Loan Documents. Borrower agrees to indemnify and hold the Lender harmless against any loss, claim damage, liability or expense (including, without limitation, attorneys' fees) incurred as a result of any representation or warranty made by Borrower herein which proves to be untrue or inaccurate in any respect, and any such occurrence shall constitute a default under the Loan Documents.

8. Renewal; Lien Continuation; No Novation. Borrower hereby renews the Obligations and promises to pay and perform all Obligations as modified by this Agreement. The Liens are hereby ratified and confirmed as valid, subsisting and continuing to secure the Obligations, as modified hereby. Nothing herein shall in any manner diminish, impair, waive or extinguish the Note, the Obligations or the Liens. The execution and delivery of this Agreement shall not constitute a novation of the debt evidenced and secured by the Loan Documents.

9. **Expenses.** Borrower shall pay all costs and expenses and reimburse Lender for any and all expenditures of every character incurred or expended from time to time, regardless of whether a default shall have occurred, in connection with (a) this Agreement; (b) the restructuring of the Loan which has occurred previous to and simultaneously with the execution of this Agreement; (c) the issuance by Lender at any time (including any time prior to the execution of this Agreement) of any default letters or standstill letters or correspondence of any kind to Borrower in connection with the Loan; (d) the evaluation, monitoring and protection of the Property pursuant to rights given in the Loan Documents or by law; and (e) the creation, perfection or realization upon the Liens, and all costs and expenses relating to Lender's exercise of any of its rights and remedies under any of the Loan Documents or at law, including, without limitation, all filing fees, taxes, brokerage fees and commissions, title review and abstract fees, recordation and transfer taxes, Uniform Commercial Code search fees, other fees and expenses incident to title searches, reports and security interests, escrow fees, attorneys' fees, legal expenses, court costs, fees and expenses incurred in connection with any complete or partial liquidation of the Property, and all fees and expenses for any professional service relating to the Property or any operations conducted in connection with it; provided, however, no right or option granted by Borrower to Lender or otherwise arising pursuant to any provision of this or any other document shall be deemed to impose a duty on Lender to supervise, monitor or protect any aspect of the Property or any operations conducted in connection with it.

10. **Authorization.** At the time of execution of this Modification, Borrower shall, if and to the extent requested by Lender, deliver to Lender (a) the opinion of Borrower's counsel dated the date hereof, in form and substance satisfactory to Lender, that this Agreement has been duly authorized, executed and delivered by Borrower and the Guarantor and is binding on, and enforceable against, the Borrower and the Guarantor in accordance with its terms; and (b) such other evidence of due authorization and execution by the Borrower and the Guarantor as the Lender may require.

11. **Further Assurances.** The Borrower agrees to execute and deliver to the Lender, promptly upon request from Lender, such additional documents as may be necessary or appropriate to consummate the transactions contemplated herein or to perfect, or continue the perfection of, the Liens.

12. **No Defenses.** Borrower and Guarantor, as the case may be, each represent and warrant that they (individually and collectively) have no claims, actions, causes of action, defenses, counterclaims or setoffs of any kind or nature which they can assert against Lender in connection with the making, closing, administration, collection or enforcement by Lender of the Loan Documents, this Agreement or any related agreements.

13. **Default Under Deed to Secure.** If Borrower shall fail to keep or perform any of the covenants or agreements contained herein or in any of the Loan Documents, or if any statement, representation or warranty contained herein is false, misleading or erroneous in any material respect, Borrower shall be deemed to be in default under the Deed to Secure and Lender shall be entitled at its option to exercise any and all of the rights and remedies granted pursuant to the Deed to Secure, as amended hereby, or any other Loan Document or to which Lender may otherwise be entitled, whether at law or in equity.

Lender shall be fully subrogated to all of the rights of the person or entity receiving such payment. Any amounts owing by Borrower to Lender pursuant to this provision or any other provision of this Agreement shall automatically and without notice constitute a portion of the Obligations evidenced by the Note secured by the Deed to Secure and the other Loan Documents, and guaranteed by the Guarantors under the Guaranty. The amount and nature of any such expense and the time when paid shall be fully established by the affidavit of Lender or any of Lender's officers or agents.

16. Release of Lender. Upon execution of this Agreement, Borrower and Guarantor each hereby releases, remises and forever discharges Lender, its employees, officers, directors, consultants, advisors, participants, agents and affiliates (collectively, the "Lender Parties") from any and all causes of actions, suits, debts, claims and demands whatsoever arising prior to execution of this Agreement in law or in equity due to any action taken or omitted be taken by any of the Lender Parties in connection with the Loan, the Atlanta Homes Loan, the Bellemeade Loan, the Fifteen Million Dollar Comstock Loan or any other potential transaction between Guarantor (or any affiliate of Guarantor) and Lender that may have been discussed with Lender but not consummated.

17. Miscellaneous. To the extent of any conflict between the Note (or any earlier modification of it) and this Modification, this Modification shall control. Except as hereby expressly modified, all terms of the Note and all other Loan Documents (as any of them may have been previously modified by any written agreement) remain in full force and effect. This Agreement (a) shall bind and benefit the parties hereto and their respective heirs, beneficiaries, administrators, executors, receivers, trustees, successors and assigns (provided, however, no party other than the Lender shall assign its rights hereunder without the prior written consent of the Lender); (b) may be modified or amended only by a writing signed by the Lender and the Borrower; (c) SHALL BE GOVERNED BY (INCLUDING BUT NOT LIMITED TO ITS VALIDITY, ENFORCEMENT AND INTERPRETATION) THE LAWS OF THE STATE OF GEORGIA AND UNITED STATES FEDERAL LAW; (d) may be executed in several counterparts, and by the parties hereto on separate counterparts, and each counterpart, when executed and delivered, shall constitute an original agreement enforceable against all who signed it without production of or accounting for any other counterpart, and all separate counterparts shall constitute the same agreement; and (e) embodies the entire agreement and understanding between the parties with respect to modifications of documents provided for herein and supersedes all prior conflicting or inconsistent agreements, consents and understandings relating to such subject matter. "Borrower" shall include, in their individual capacities and jointly, all parties hereinabove named as the Borrower. The duties, covenants, conditions, obligations, and warranties of the Borrower in this Agreement shall be joint and several obligations of the Borrower and, if more than one, of each party named a the Borrower hereinabove, and each such party's heirs, legal representatives, successors and assigns. If any Borrower is a corporation, partnership or other legal entity, the Borrower and the person or persons signing for it represent and warrant to the Lender that this Agreement is duly executed, acknowledged and delivered by the Borrower's duly authorized representatives. Whenever used herein, the singular number shall include the plural and the plural the singular, and any gender shall be applicable to all genders. The use of the words "herein", "hereof", "hereunder" and other similar compounds of the word "here" shall refer to this entire Modification and not to any particular section, paragraph or provision. The headings in this Modification shall be accorded no significance in interpreting it.

18. Financing Statements. Borrower authorizes the Lender, from time to time and without expense to the Lender, to file in such filing office or offices as the Lender may select, any financing statements and extensions, renewals or amendments thereof, naming the Borrower as debtor and several obligations of the Borrower and, if more than one, of each party named a the Borrower hereinabove, and each such party's heirs, legal representatives, successors and assigns. If any Borrower is a corporation, partnership or other legal entity, the Borrower and the person or persons signing for it represent and warrant to the Lender that this Agreement is duly executed, acknowledged and delivered by the Borrower's duly authorized representatives. Whenever used herein, the singular number shall include the plural and the plural the singular, and any gender shall be applicable to all genders. The use of the words "herein", "hereof", "hereunder" and other similar compounds of the word "here" shall refer to this entire Modification and not to any particular section, paragraph or provision. The headings in this Modification shall be accorded no significance in interpreting it.

18. Financing Statements. Borrower authorizes the Lender, from time to time and without expense to the Lender, to file in such filing office or offices as the Lender may select, any financing statements and extensions, renewals or amendments thereof, naming the Borrower as debtor and in such form as the Lender may require, in order to further evidence or perfect Lender's security interests granted pursuant to the Loan Documents.

19. Notices. All notices, in connection with the Loan addressed to Lender, shall hereinafter be sent to Lender at the following address:

Lender:

Norman Trepner
Bank of America, N.A.
187 Danbury Road
Wilton, CT 06897
Fax (203) 423-4003

with a copy to:

Bank of America, N.A.
Attn: Loan Administration; Ladreda Spencer
101 E. Kennedy Boulevard (7th Floor)
Tampa, FL 33602
Fax (813) 225-8322

with a copy to:

Bank of America, N.A.
Attn: Loan Administration, Kathie Hatton
101 E. Kennedy Boulevard (7th Floor)
Tampa, FL 33602
Fax (813) 225-8322

with a copy to:

Friedlander, Mislner, Sloan, Kletzkina & Ochsmann, PLLC
Attn: David M. Astrove
1101 17th Street, NW, Suite 700
Washington, DC 20036

Bank of America — Comstock Highland Modification

[remainder of page intentionally left blank]

[signatures to follow]

EXECUTED ON THE DATE OR DATES OF THE ACKNOWLEDGMENTS HEREOF, BUT EFFECTIVE AS OF THE DATE FIRST STATED IN THIS AGREEMENT.

WITNESS:

BORROWER:

HIGHLAND AVENUE PROPERTIES, LLC, a
Georgia limited liability company

/s/ Joey Manahan
Print Name: Joey Manahan

By: Comstock Homebuilding Companies, Inc, a
Delaware corporation, Manager

[SEAL]

By: /s/ Christopher Clemente
Print Name: Christopher Clemente
Print Title: CEO

WITNESS:

/s/ Bruce Labovitz
Print Name: Bruce Labovitz
[SEAL]

COMMONWEALTH OF VIRGINIA)
)ss:
COUNTY OF Fairfax)

I, Kelly L. Wyche, a Notary Public in and for the aforesaid said jurisdiction, do hereby certify that Christopher Clemente, who is personally well known to me as (or satisfactorily proven to me to be) the person who signed the foregoing instrument executed this 28 day of December, 2006, personally appeared before me in said jurisdiction and acknowledged that he is the CEO of COMSTOCK HOMEBUILDING COMPANIES, INC. which is the Manager of **HIGHLAND AVENUE PROPERTIES, LLC**, a Georgia limited liability company which is a party to the foregoing instrument; that he has been duly authorized to execute and deliver the foregoing instrument for the purposes therein contained and that the same is his act and deed and the act and deed of **HIGHLAND AVENUE PROPERTIES, LLC**, a Georgia limited liability company.

IN WITNESS WHEREOF, I have set my hand and Notarial Seal, this 28 day of December, 2006.

/s/ Kelly L. Wyche
Notary Public

(SEAL)

My Commission expires: 11-30-08

[signatures continue on the next page]

WITNESS:

Print Name:
[SEAL]

LENDER:

BANK OF AMERICA, N.A.

By:

WITNESS:

Print Name:
[SEAL]

Print Name:
Print Title:

COMMONWEALTH OF FLORIDA)
) ss:
COUNTY OF HILLSBOROUGH)

I, _____, a Notary Public in and for the aforesaid said jurisdiction, do hereby certify that _____, who is personally well known to me as (or satisfactorily proven to me to be) the person who signed the foregoing instrument executed this _____ day of _____, 2006, personally appeared before me in said jurisdiction and acknowledged that he is the _____ of **BANK OF AMERICA, N.A.**, a national banking association; that he has been duly authorized to execute and deliver the foregoing instrument for the purposes therein contained and that the same is his act and deed and the act and deed of BANK OF AMERICA, N.A.

IN WITNESS WHEREOF, I have set my hand and Notarial Seal, this _____ day of _____, 2006.

(SEAL)

Notary Public

My Commission expires:

[signatures continue on the next page]

WITNESS:

/s/ Joey Manahan
Print Name: Joey Manahan
[SEAL]

WITNESS:

/s/ Bruce Labovitz
Print Name: Bruce Labovitz
[SEAL]

COMMONWEALTH OF VIRGINIA)
)ss:
COUNTY OF Fairfax)

I, Kelly L. Wyche, a Notary Public in and for the aforesaid said jurisdiction, do hereby certify that Christopher Clemente, who is personally well known to me as (or satisfactorily proven to me to be) the person who signed the foregoing instrument executed this 28 day of December, 2006, personally appeared before me in said jurisdiction and acknowledged that he is the CEO of **COMSTOCK HOMEBUILDING COMPANIES, INC.**, a Delaware corporation which is a party to the foregoing instrument; that he has been duly authorized to execute and deliver the foregoing instrument for the purposes therein contained and that the same is his act and deed and the act and deed of **COMSTOCK HOMEBUILDING COMPANIES, INC.**, a Delaware corporation.

IN WITNESS WHEREOF, I have set my hand and Notarial Seal, this 28 day of December, 2006.

GUARANTOR:

COMSTOCK HOMEBUILDING COMPANIES, INC., a Delaware-corporation

By:

/s/ Christopher Clemente
Print Name: Christopher Clemente
Print Title: CEO

/s/ Kelly L. Wyche
Notary Public

(SEAL)

My Commission expires: 11-30-08

AMENDED AND RESTATED GUARANTY AGREEMENT

THIS AMENDED AND RESTATED GUARANTY AGREEMENT (this "**Guaranty**") is made as of the ___ day of December, 2006, by **COMSTOCK HOMEBUILDING COMPANIES, INC.**, a Delaware corporation (the "**Guarantor**") in favor of **BANK OF AMERICA, N.A.**, a national banking association (the "**Lender**"), and its successors and assigns.

R E C I T A L S:

WHEREAS, pursuant to the terms of a certain Land Acquisition and Development Agreement dated as of May 2, 2005, by and between Highland Avenue Properties, LLC, a Georgia limited liability company (the "**Borrower**") and Lender (as the same may be amended, renewed, supplemented or restated from time to time, the "**Loan Agreement**"), Lender made a loan (the "**Loan**") to Borrower in the original maximum principal amount of Four Million Eight Hundred Fifty One Thousand Two Hundred Thirty-Five and No/100 Dollars (\$4,851,235.00), as evidenced by that certain Promissory Note dated May 2, 2005 made by Borrower payable to the order of Lender (as the same may be amended, renewed, supplemented or restated from time to time, the "**Note**"); and

WHEREAS, Borrower's obligations under the Note are secured by, among other things, a Deed to Secure Debt and Security Agreement dated as of May 2, 2005, from Borrower for the benefit of Lender, and recorded among the land records of Fulton County, Georgia in the Superior Court of Fulton County, Georgia on May 4, 2005 in Deed Book 39924 Page 32 (as the same may be amended, renewed, supplemented or restated from time to time, the "**Deed to Secure**"), covering certain real property and improvements thereon located in Fulton County Georgia and more particularly described therein and on Exhibit A attached hereto (collectively, the "**Property**"); and

WHEREAS, Borrower's obligations under the Note and the other Loan Documents (hereinafter defined) including, but not limited to, the prompt and full payment and performance of the Indebtedness and the other obligations in connection with the Loan as are hereinafter collectively called the "**Obligations**"; the Note, the Deed to Secure, the Loan Agreement and all other documents previously, now or hereafter executed and delivered to evidence, secure, guarantee, or in connection with, the Obligations, as the same may from time to time be renewed, extended, amended, supplemented or restated, are hereinafter collectively called the "**Loan Documents**"; and all liens, security interests, assignments, superior titles, rights, remedies, powers, equities and priorities securing the Note or providing recourse to Lender with respect thereto are hereinafter collectively called the "**Liens**"; and

WHEREAS, Borrower's Obligations under the Note are guaranteed by Guarantor pursuant to a Guaranty Agreement dated February 10, 2006 (the "**Original Guaranty**") which guarantees the Loan together with certain other Loans made by Lender (the "**Other Guaranteed Loans**"); and

WHEREAS, Borrower has requested that Lender agree to modify the Loan to (i) modify certain payment terms of the Loan; and (ii) make certain other changes to the Loan Documents as set forth in a certain Loan Modification Agreement of even date herewith (the "**Modification**").

WHEREAS, in consideration of Lender entering into the Modification, and because some of Other Guaranteed Loans have been satisfied in full, the Guarantor has agreed to execute a new Guaranty Agreement simultaneously with the execution of the Modification.

WHEREAS, it is intended that this Guaranty extend to the Loan and all other amounts owing under any of the Loan Documents, without any need for any notice to the Guarantor of the making of advances under the Loan and without any need for any supplements or amendments to this Guaranty or any other documentation to be executed by the Guarantor; and

WHEREAS, unless otherwise defined herein, all capitalized terms used herein shall have the meanings assigned to them in the Loan Agreement.

WITNESSETH:

For good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and as a material inducement to the Lender to enter into the Modification with the Borrower, the Guarantor hereby amends and restates the Original Guaranty as follows:

1. Guaranty of Payment. The Guarantor hereby unconditionally and irrevocably guarantees to the Lender the punctual payment when due, whether by scheduled payment date, upon maturity, lapse of time, by acceleration of maturity, or otherwise, and at all times thereafter, of all principal, interest (including interest accruing after the commencement of any bankruptcy or insolvency proceeding by or against the Borrower, whether or not allowed in such proceeding), fees, late charges, costs, expenses, indemnification indebtedness (including, without limitation, indemnification for environmental matters), and other sums of money now or hereafter due and owing pursuant to (a) the terms of the Note, the Loan Agreement, the Deed to Secure and any and all other Loan Documents, now or hereafter existing, and specifically including any and all advances made by the Lender under the Loan Documents from sources other than the Loan, and interest on such advances, and (b) all renewals, extensions, increases, refinancings, modifications, supplements or amendments to such indebtedness, or any of the Loan Documents, or any part thereof (such indebtedness being hereinafter collectively called the "Indebtedness"). This Guaranty covers all amounts outstanding under the Loan (the "Indebtedness"), whether presently outstanding or arising subsequent to the date hereof, whether or not presently contemplated by the Guarantor, the Borrower or the Lender, and whether or not the same shall be incurred after satisfaction, payment or reduction of any previous Indebtedness, including all amounts advanced and/or readvanced by the Lender in stages or installments. The guaranty of the Guarantor as set forth in this Section is a continuing guaranty of payment and not a guaranty of collection.

2. Guaranty of Performance. The Guarantor additionally hereby unconditionally and irrevocably guarantees to the Lender the timely performance of all other obligations of the Borrower under all of the Loan Documents, including without limitation, completion of the Improvements and compliance with all covenants regarding environmental matters.

3. Primary Liability of the Guarantor. This Guaranty is an absolute, irrevocable and unconditional guaranty of payment and performance. The Guarantor shall be liable for the payment and performance of the Obligations, as set forth in this Guaranty, as a primary obligor.

This Guaranty shall be effective as a waiver of, and the Guarantor hereby expressly waives any and all rights to which the Guarantor may otherwise have been entitled under any suretyship laws in effect from time to time, including any right or privilege, whether existing under statute, at law or in equity, to require the Lender to take prior recourse or proceedings against any collateral, security or Person (hereinafter defined) whatsoever. Upon the occurrence of: (i) any Default under the Loan, (ii) any reasonable determination by the Lender that a material adverse change has occurred in the financial condition of the Guarantor, (iii) the dissolution or insolvency of Guarantor, subject to the provisions of Section 4 below, or (iv) any transfer of assets of Guarantor without receiving fair value in exchange therefor, the Indebtedness shall be deemed immediately due and payable at the election of the Lender, and the Guarantor shall, on demand and without presentment, protest, any notice whatsoever, pay the amount due thereon to the Lender or perform or observe the agreement, covenant, term or condition, as the case may be, and it shall not be necessary for the Lender, in order to enforce such payment or performance by Guarantor, first to institute suit or pursue or exhaust any rights or remedies against the Borrower or others liable on the Obligations or for such performance, or to institute suit or pursue or exhaust any rights or remedies against the Borrower or Guarantor or other sureties of the Obligations as contemplated by applicable law or to enforce any rights against any security that shall ever have been given to secure the Obligations, or to join the Borrower or any others liable for the payment or performance of the Obligations or any part thereof in any action to enforce this Guaranty, or to resort to any other means of obtaining payment or performance of the Obligations. The term "Person" as used herein shall mean all of the Borrower and the Guarantor.

4. Representations, Warranties, and Covenants of the Guarantor. Guarantor hereby represents, warrants, and covenants that: (a) Guarantor will derive substantial benefit, directly or indirectly, from Lender entering into the Modification with the Borrower and from the making of this Guaranty by the Guarantor; (b) this Guaranty is duly authorized and valid, and is binding upon and enforceable against the Guarantor; (c) the Guarantor is not, and the execution, delivery and performance by the Guarantor of this Guaranty will not cause the Guarantor to be, in violation of or in default with respect to any law; (d) Guarantor is a duly organized, validly existing corporation in good standing under the state of Delaware, is lawfully doing business in the jurisdiction where it operates, and has full power and authority to enter into and perform this Guaranty; (e) except as may have been disclosed in public filings, there is not now pending against or affecting the Guarantor, nor, to the knowledge of the Guarantor, is there threatened, any action, investigation, suit or proceeding by or before any administrative agency which if adversely determined would materially impair or affect the Guarantor's financial condition (f) all financial statements and information heretofore furnished to the Lender by the Guarantor do, and all financial statements and information hereafter furnished to the Lender by the Guarantor will, fully and accurately present the financial condition of the Guarantor as of their dates and the results of the Guarantor's operations for the periods therein specified, and, since the date of the most recent financial statements of the Guarantor heretofore furnished to the Lender, except as heretofore disclosed in public filings, the Guarantor has not incurred any material liability, direct or indirect, fixed or contingent; (g) after giving effect to this Guaranty, the Guarantor is solvent, is not engaged or about to engage in business or a transaction for which the property of the Guarantor is an unreasonably small capital, and does not intend to incur or believes that it will incur debts that will be beyond its ability to pay as such debts mature; (h) the Lender has no duty at any time to investigate or inform the Guarantor of the financial or business condition or affairs of the Borrower or any change therein, and the Guarantor will keep fully apprised of the Borrower's financial and business condition; (i) the Guarantor acknowledges and agrees that the Guarantor may be required to pay and perform the Obligations in full without assistance or support from the Borrower or any other Person; and (j) the Guarantor has read and fully understand the provisions contained in the Loan Agreement,

the Deed to Secure, and the other Loan Documents, each of which may be modified, extended, supplemented or extended from time to time without notice to or consent from the Guarantor and without affecting the obligations of the Guarantor under this Guaranty.

The Guarantor's representations, warranties and covenants are a material inducement to the Lender to enter into the other Loan Documents and shall survive the execution hereof and any bankruptcy, foreclosure, transfer of security or other event affecting the Borrower, the Guarantor, any other party, or any security for all or any part of the Obligations.

5. Financial Information. The Guarantor shall furnish or cause to be furnished to the Lender upon request any financial statements for Guarantor and any entity related to the Guarantor containing such information and in such form as Lender may from time to time reasonably determine, provided the obligations of the Guarantor hereunder have not already terminated.

Without limiting the generality of the foregoing, the Guarantor shall furnish to the Lender financial statements as follows:

(a) as soon as available, but in no event later than ninety (90) days after the close of its fiscal year (but in no event earlier than the date such financial statements must be submitted to governmental authorities), financial statements (all of which financial statements may include, as requested by the Lender, a balance sheet, income statement, sources and uses of funds for such fiscal and/or calendar year, projected sources and uses of funds for the coming year, detailed listing and description of all contingent liabilities, tax returns, written verification of liquidity and such other supporting schedules and documentation which the Lender may request). All such financial statements shall be audited by a certified public accountant acceptable to the Lender in all respects; and

(b) if requested by the Lender, within forty-five (45) days after the close of its quarterly business period (but in no event earlier than the date such financial statements must be submitted to governmental authorities), the financial statements to be filed with applicable governmental authorities.

6. Certain Agreements and Waivers by the Guarantor.

(a) The Guarantor hereby agrees that neither the Lender's rights or remedies nor the Obligations shall be released, diminished, impaired, reduced or affected by any one or more of the following events, actions, facts, or circumstances, and the liability of the Guarantor under this Guaranty shall be absolute and unconditional irrespective of:

- (i) any limitation of liability or recourse in any other Loan Document or arising under any law;
- (ii) any claim or defense that this Guaranty was made without consideration or is not supported by adequate consideration;
- (iii) the taking or accepting of any other security or guaranty for, or right of recourse with respect to, any or all of the Obligations;
- (iv) any homestead exemption or other exemption under applicable law;

(v) any release, surrender, abandonment, exchange, alteration, sale or other disposition, subordination, deterioration, waste, failure to protect or preserve, impairment, or loss of, or any failure to create or perfect any lien or security interest with respect to, or any other dealings with, any collateral or security at any time existing or purported, believed or expected to exist in connection with any or all of the Obligations, including any impairment of the Guarantor's recourse against any Person or collateral;

(vi) whether express or by any operation of law, any full or partial release of the liability of the Guarantor, the Borrower or any other party hereunder or under any of the other Loan Documents;

(vii) the death, insolvency, bankruptcy, disability, dissolution, liquidation, termination, receivership, reorganization, merger, consolidation, change of form, structure or ownership, sale of all assets, or lack of corporate, partnership or other power of the Borrower, the Guarantor or any other party at any time liable for the payment or performance of any or all of the Obligations;

(viii) either with or without notice to or consent of the Guarantor, any renewal, extension, modification or rearrangement of the terms of any or all of the Obligations and/or any of the Loan Documents, including, without limitation, material alterations of the terms of payment (including changes in maturity date(s), interest rate(s) and amortization) or performance or any other terms thereof, or any waiver, termination, or release of, or consent to departure from, any of the Loan Documents or any other guaranty of any or all of the Obligations, or any adjustment, indulgence, forbearance, or compromise that may be granted from time to time by the Lender to the Borrower, the Guarantor, and/or any other Person at any time liable for the payment or performance of any or all of the Obligations;

(ix) any neglect, lack of diligence, delay, omission, failure, or refusal of the Lender to take or prosecute (or in taking or prosecuting) any action for the collection or enforcement of any of the Obligations, or to foreclose or take or prosecute any action to foreclose (or in foreclosing or taking or prosecuting any action to foreclose) upon any security therefor, or to exercise (or in exercising) any other right or power with respect to any security therefor, or to take or prosecute (or in taking or prosecuting) any action in connection with any Loan Document, or any failure to sell or otherwise dispose of in a commercially reasonable manner any collateral securing any or all of the Obligations;

(x) any failure of the Lender to notify the Guarantor of any creation, renewal, extension, rearrangement, modification, supplement, subordination, or assignment of the Obligations or any part thereof, or of any Loan Document, or of any release of or change in any security, or of any other action taken or refrained from being taken by the Lender against the Borrower or any security or other recourse, or of any new agreement between the Lender and the Borrower, it being understood that the Lender shall not be required to give the Guarantor any notice of any kind under any circumstances with respect to or in connection with the Obligations, any and all rights to notice that the Guarantor may have otherwise had being hereby waived by the Guarantor;

(xi) any refund of any payment by the Borrower or any other party liable for the payment or performance of any or all of the Obligations;

(xii) the existence of any claim, set-off, or other right that the Guarantor may at any time have against the Borrower, the Lender (other than pursuant to a final judgment), or any other Person, whether or not arising in connection with this Guaranty or any other Loan Document;

(xiii) the unenforceability of all or any part of the Obligations against the Borrower, whether because the Obligations exceed the amount permitted by law or violate any usury law, or because the act of creating the Obligations, or any part thereof, is beyond the scope of powers granted, or because the officers or Persons creating same acted in excess of their authority, or because of a lack of validity or enforceability of or defect or deficiency in any of the Loan Documents, or because the Borrower has any valid defense, claim or offset with respect thereto, or because the Borrower's obligation ceases to exist by operation of law, or because of any other reason or circumstance, it being agreed that the Guarantor shall remain liable hereunder regardless of whether the Borrower or any other Person are found not liable on the Obligations, or any part thereof, for any reason (and regardless of any joinder of the Borrower or any other party in any action to obtain payment or performance of any or all of the Obligations);

(xiv) any order, ruling or plan of reorganization emanating from proceedings under Title 11 of the United States Code with respect to the Borrower or any other Person, including any extension, reduction, composition, or other alteration of the Obligations, whether or not consented to by the Lender; or

(xv) any failure to notify the Guarantor of, or obtain the Guarantor's consent to, the making of the Loan or any advances thereunder.

(b) In the event that any payment by the Borrower or any other Person to the Lender is held to constitute a preference, fraudulent transfer or other voidable payment under any bankruptcy, insolvency or similar law, or if for any other reason the Lender is required to refund such payment or pay the amount thereof to any other party, such payment by the Borrower or any other party to the Lender shall not constitute a release of the Guarantor from any liability hereunder, and this Guaranty shall continue to be effective or shall be reinstated (notwithstanding any prior release, surrender or discharge by the Lender of this Guaranty or of the Guarantor), as the case may be, with respect to, and this Guaranty shall apply to, any and all amounts so refunded by the Lender or paid by the Lender to another Person (which amounts shall constitute part of the Obligations), and any interest paid by the Lender and any reasonable attorneys' fees, costs and expenses paid or incurred by the Lender in connection with any such event. It is the intent of the Guarantor and the Lender that the obligations and liabilities of the Guarantor hereunder are absolute and unconditional under any and all circumstances and that until the Obligations are fully and finally paid and performed, and not subject to refund or disgorgement, the obligations and liabilities of the Guarantor hereunder shall not be discharged or released, in whole or in part, by any act or occurrence that might, but for the provisions of this Guaranty, be deemed a legal or equitable discharge or release of any of the Guarantor except as otherwise set forth herein. The Lender shall be entitled to continue to hold this Guaranty in its possession for a period of one year from the date the Obligations are paid and performed in full and for so long thereafter as may be necessary to enforce any obligation of the Guarantor hereunder and/or to exercise any right or remedy of the Lender hereunder.

(c) if acceleration of the time for payment of any amount payable by the Borrower under the Note or any other Loan Document is stayed or delayed by any law or tribunal, all such amounts shall nonetheless be payable by the Guarantor on demand by the Lender.

7. Waiver of Trial by Jury; Consent to Jurisdiction. WITHOUT INTENDING IN ANY WAY TO LIMIT THE PARTIES' AGREEMENT TO ARBITRATE ANY "DISPUTE" (FOR PURPOSES OF THIS SECTION, AS DEFINED IN THE "DISPUTE RESOLUTION" SECTION) AS SET FORTH IN THIS NOTE, AGREEMENT, OR GUARANTY, AS APPLICABLE, TO THE EXTENT ANY "DISPUTE" IS NOT SUBMITTED TO ARBITRATION OR IS DEEMED BY THE ARBITRATOR OR BY ANY COURT WITH JURISDICTION TO BE NOT ARBITRABLE OR NOT REQUIRED TO BE ARBITRATED, BORROWER AND LENDER WAIVE TRIAL BY JURY IN RESPECT OF ANY SUCH "DISPUTE" AND ANY ACTION ON SUCH "DISPUTE." THIS WAIVER IS KNOWINGLY, WILLINGLY AND VOLUNTARILY MADE BY BORROWER AND LENDER, AND BORROWER AND LENDER HEREBY REPRESENT THAT NO REPRESENTATIONS OF FACT OR OPINION HAVE BEEN MADE BY ANY PERSON OR ENTITY TO INDUCE THIS WAIVER OF TRIAL BY JURY OR TO IN ANY WAY MODIFY OR NULLIFY ITS EFFECT. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE PARTIES ENTERING INTO THE LOAN DOCUMENTS. BORROWER AND LENDER ARE EACH HEREBY AUTHORIZED TO FILE A COPY OF THIS SECTION IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER OF JURY TRIAL. BORROWER FURTHER REPRESENTS AND WARRANTS THAT IT HAS BEEN REPRESENTED IN THE SIGNING OF THIS NOTE, AGREEMENT, OR GUARANTY, AS APPLICABLE, AND IN THE MAKING OF THIS WAIVER BY INDEPENDENT LEGAL COUNSEL, OR HAS HAD THE OPPORTUNITY TO BE REPRESENTED BY INDEPENDENT LEGAL COUNSEL SELECTED OF ITS OWN FREE WILL, AND THAT IT HAS HAD THE OPPORTUNITY TO DISCUSS THIS WAIVER WITH COUNSEL.

The Guarantor irrevocably submits to the nonexclusive jurisdiction of any state or federal court sitting in the Jurisdiction of Choice over any suit, action or proceeding arising out of, or relating to, this Guaranty, and irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such state or federal court. The Guarantor irrevocably waives, to the fullest extent permitted by law, any objection that the Guarantor may now or hereafter have to the laying of venue of any such suit, action or proceeding brought in any such court, and any claims that any such suit, action or proceeding is brought in an inconvenient forum. Final judgment in any such suit, action or proceeding brought in any such court shall be conclusive and binding upon the Guarantor and may be enforced in any court in which the Guarantor are subject to jurisdiction, by a suit upon such judgment provided that service of process is effected upon the Guarantor as provided in the Loan Documents or as otherwise permitted by applicable law.

8. Dispute Resolution.

(a) Arbitration. Except to the extent expressly provided below, any Dispute shall, upon the request of either party, be determined by binding arbitration in accordance with the Federal Arbitration Act, Title 9, United States Code (or if not applicable, the applicable state law), the then-current rules for arbitration of financial services disputes of the American Arbitration Association, or any successor thereof ("AAA") and the "Special Rules" set forth below. "Dispute" means any controversy, claim or dispute between or among the parties to this Note, Agreement, or Guaranty, as applicable, including any controversy, claim or dispute arising out of or relating to (a) this Note, Agreement, or Guaranty, as applicable, (b) any other Loan Documents, (c) any related agreements or instruments, or (d) the transaction contemplated herein or therein (including any claim based on or arising from an alleged personal injury or business tort). In the event of any inconsistency, the Special Rules shall control. The filing of a court action is not intended to constitute a waiver of the right of Borrower or Lender, including the suing party, thereafter to require submittal of the Dispute to arbitration.

Any party to this Note, Agreement, or Guaranty, as applicable, may bring an action, including a summary or expedited proceeding, to compel arbitration of any Dispute in any court having jurisdiction over such action. For the purposes of this Dispute Resolution Section only, the terms "party" and "parties" shall include any parent corporation, subsidiary or affiliate of Lender involved in the servicing, management or administration of any obligation described in or evidenced by this Note, Agreement, or Guaranty, as applicable, together with the officers, employees, successors and assigns of each of the foregoing.

(b) Special Rules.

(i) The arbitration shall be conducted in any U.S. state where real or tangible personal property collateral is located, or if there is no such collateral, in the City and County where Lender is located pursuant to its address for notice purposes in this Note, Agreement, or Guaranty, as applicable.

(ii) The arbitration shall be administered by AAA, who will appoint an arbitrator. If AAA is unwilling or unable to administer or legally precluded from administering the arbitration, or if AAA is unwilling or unable to enforce or legally precluded from enforcing any and all provisions of this Dispute Resolution Section, the any party to this Note, Agreement, or Guaranty, as applicable, may substitute another arbitration organization that has similar procedures to AAA and that will observe and enforce any and all provisions of this Dispute Resolution Section. All Disputes shall be determined by one arbitrator; however, if the amount in controversy in a Dispute exceeds Five Million Dollars (\$5,000,000), upon the request of any party, the Dispute shall be decided by three arbitrators (for purposes of this Note, Agreement, or Guaranty, as applicable, referred to collectively as the "arbitrator").

(iii) All arbitration hearings will be commenced within ninety (90) days of the demand for arbitration and completed within ninety (90) days from the date of commencement; provided, however, that upon a showing of good cause, the arbitrator shall be permitted to extend the commencement of such hearing for up to an additional sixty (60) days.

(iv) The judgment and the award, if any, of the arbitrator shall be issued within thirty (30) days of the close of the hearing. The arbitrator shall provide a concise written statement setting forth the reasons for the judgment and for the award, if any. The arbitration award, if any, may be submitted to any court having jurisdiction to be confirmed and enforced, and such confirmation and enforcement shall not be subject to arbitration.

(v) The arbitrator will give effect to statutes of limitations and any waivers thereof in determining the disposition of any Dispute and may dismiss one or more claims in the arbitration on the basis that such claim or claims is or are barred. For purposes of the application of the statute of limitations, the service on AAA under applicable AAA rules of a notice of Dispute is the equivalent of the filing of a lawsuit.

(vi) Any dispute concerning this arbitration provision, including any such dispute as to the validity or enforceability of this provision, or whether a Dispute is arbitrable, shall be determined by the arbitrator; provided, however, that the arbitrator shall not be permitted to vary the express provisions of these Special Rules or the Reservations of Rights in subsection (c) below.

(vii) The arbitrator shall have the power to award legal fees and costs pursuant to the terms of this Note, Agreement, or Guaranty, as applicable.

(viii) The arbitration will take place on an individual basis without reference to, resort to, or consideration of any form of class or class action.

(c) **Reservations of Rights.** Nothing in this Note, Agreement, or Guaranty, as applicable, shall be deemed to (i) limit the applicability of any otherwise applicable statutes of limitation and any waivers contained in this Note, Agreement, or Guaranty, as applicable, or (ii) apply to or limit the right of Lender (A) to exercise self help remedies such as (but not limited to) setoff, or (B) to foreclose judicially or nonjudicially against any real or personal property collateral, or to exercise judicial or nonjudicial power of sale rights, (C) to obtain from a court provisional or ancillary remedies such as (but not limited to) injunctive relief, writ of possession, prejudgment attachment, or the appointment of a receiver, or (D) to pursue rights against a party to this Note, Agreement, or Guaranty, as applicable, in a third-party proceeding in any action brought against Lender in a state, federal or international court, tribunal or hearing body (including actions in specialty courts, such as bankruptcy and patent courts). Lender may exercise the rights set forth in clauses (A) through (D), inclusive, before, during or after the pendency of any arbitration proceeding brought pursuant to this Note, Agreement, or Guaranty, as applicable. Neither the exercise of self help remedies nor the institution or maintenance of an action for foreclosure or provisional or ancillary remedies shall constitute a waiver of the right of any party, including the claimant in any such action, to arbitrate the merits of the Dispute occasioning resort to such remedies. No provision in the Loan Documents regarding submission to jurisdiction and/or venue in any court is intended or shall be construed to be in derogation of the provisions in any Loan Document for arbitration of any Dispute.

(d) **Conflicting Provisions for Dispute Resolution.** If there is any conflict between the terms, conditions and provisions of this Section and those of any other provision or agreement for arbitration or dispute resolution, the terms, conditions and provisions of this Section shall prevail as to any Dispute arising out of or relating to (i) this Note, Agreement, or Guaranty, as applicable, (ii) any other Loan Document, (iii) any related agreements or instruments, or (iv) the transaction contemplated herein or therein (including any claim based on or arising from an alleged personal injury or business tort). In any other situation, if the resolution of a given Dispute is specifically governed by another provision or agreement for arbitration or dispute resolution, the other provision or agreement shall prevail with respect to said Dispute.

(e) **Jury Trial Waiver in Arbitration.** By agreeing to this Section, the parties irrevocably and voluntarily waive any right they may have to a trial by jury in respect of any Dispute.

9. Attorneys' Fees and Costs of Collection. The Guarantor shall pay on demand all attorneys' fees and all other costs and expenses incurred by the Lender in the enforcement of or preservation of the Lender's rights under this Guaranty. The Guarantor's obligations and liabilities under this Section 9 shall survive any payment or discharge in full of the Obligations.

10. Term of Guaranty. This Guaranty shall continue in effect until such time as the Obligations have been fully and finally paid and performed, except that, and notwithstanding any return of this Guaranty to the Guarantor, this Guaranty shall continue in effect (a) with respect to any of the Obligations that survive after expiration or termination of the Loan, (b) with respect to all obligations and liabilities of the Guarantor for indemnification and for the payment of all costs and expenses, as provided herein, and (c) as provided herein with respect to preferential, fraudulent or other voidable payments or other transfers.

11. Subordination. If, for any reason whatsoever, the Borrower is now or hereafter becomes indebted to the Guarantor:

(a) such indebtedness and all interest thereon and all liens, security interests and rights now or hereafter existing with respect to property of the Borrower securing same shall, at all times, be subordinate in all respects to the Obligations and to all liens, security interests and rights now or hereafter existing to secure the Obligations; and

(b) The Guarantor shall not be entitled to enforce or receive payment, directly or indirectly, of any such indebtedness of the Borrower to the Guarantor until the Obligations have been fully and finally paid and performed. Notwithstanding the foregoing, the Guarantor may receive payments upon close-out of any Project with regard to loans made by the Guarantor to the owner of any such Project, or with regard to loans made to Borrower on behalf of the owner of any such Project. Notwithstanding the foregoing, the Guarantor may receive payments from Borrower in the form of salaries or shareholder or member dividends.

12. Subrogation. Notwithstanding anything to the contrary contained herein (a) the Guarantor shall not have any right of subrogation in or under any of the Loan Documents or to participate in any way therein, or in any right, title or interest in and to any security or right of recourse for the indebtedness, until the later of the date on which the Indebtedness has been fully and finally paid, or the Loan has expired or been terminated, and (b) if the Guarantor is or becomes an "insider" (as defined in Section 101 of the United States Bankruptcy Code) with respect to the Borrower, then the Guarantor hereby irrevocably and absolutely waives any and all rights of contribution, indemnification, reimbursement or any similar rights against the Borrower with respect to this Guaranty (including any right of subrogation, except to the extent of collateral held by the Lender), whether such rights arise under an express or implied contract or by operation of law. It is the intention of the parties that the Guarantor shall not be deemed to be a "creditor" (as defined in Section 101 of the United States Bankruptcy Code) of the Borrower by reason of the existence of this Guaranty in the event that the Borrower or the Guarantor becomes a debtor in any proceeding under the United States Bankruptcy code.

13. Notices. Unless specifically provided otherwise, any notice for purposes of this Guaranty shall be given in writing or by telecopier transmission and shall be addressed or delivered to the respective addresses set forth at the end of this Guaranty, or to such other address as may have been previously designated by the intended recipient by notice given in accordance with this Section. If sent by prepaid, registered or certified mail (return receipt requested), the notice shall be deemed effective when the receipt is signed or when the attempted initial delivery is refused or cannot be made because of a change in address of which the sending party has not been notified; and if transmitted by telecopier or personal delivery, the notice shall be effective when received. No notice of change of address shall be effective except upon actual receipt.

14. Cumulative Rights. The exercise by the Lender of any right or remedy hereunder or under any other Loan Document, or at law or in equity, shall not preclude the concurrent or subsequent exercise of any other right or remedy. The Lender shall have all rights, remedies and recourses afforded to the Lender by reason of this Guaranty or any other Loan Document or by law or equity or otherwise, and the same shall be cumulative and concurrent and are intended to be, and shall be, nonexclusive. No waiver of any default on the part of the Guarantor or of any breach of any of the provisions of this Guaranty or of any other document shall be considered a waiver of any other or subsequent default or breach, and no delay or omission in exercising or enforcing the rights and powers granted herein or in any other document shall be construed as a waiver of such rights and powers, and no exercise or enforcement of any rights or powers hereunder or under any other document shall be held to exhaust such rights and powers, and every such right and power may be exercised from time to time.

No provision of this Guaranty or any right, remedy or recourse of the Lender with respect hereto, or any default or breach, can be waived, nor can this Guaranty or the Guarantor be released or discharged in any way or to any extent, except specifically in each case by a writing intended for that purpose (and which refers specifically to this Guaranty) executed, and delivered to the Guarantor, by the Lender, except as otherwise provided herein.

15. Disclosure of Information. The Lender may sell or offer to sell the Loan or an interest in the Loan to one or more assignees or participants and may disclose to any such assignee or participant or prospective assignee or participant any information the Lender has pertaining to the Loan, the Obligations, this Guaranty, or the Guarantor. The Lender also may disclose any such information to any regulatory body having jurisdiction over the Lender and to any agent or attorney of the Lender and in such other circumstances and to such other parties as necessary or appropriate in the Lender's reasonable judgment.

16. Governing Law; Forum. This Guaranty is an agreement executed under seal, and its validity, enforcement, and interpretation, shall for all purposes be governed by and construed in accordance with the laws of the state of Georgia **[CONFIRM]** and applicable United States federal law, and is intended to be performed in accordance with, and only to the extent permitted by, such laws. If the Guarantor is a corporation, the designation "(SEAL)" on this Guaranty shall be effective as the affixing of Guarantor's corporate seal physically to this Guaranty. All obligations of the Guarantor hereunder are payable and performable at the place or places where the Obligations are payable and performable. The Guarantor hereby irrevocably submits generally and unconditionally for the Guarantor and in respect of the Guarantor's respective property to the jurisdiction of any state court, or any United States federal court, sitting in the state in which any of the Land is located, over any suit, action or proceeding arising out of or relating to this Guaranty or the Obligations. The Guarantor hereby irrevocably waives, to the fullest extent permitted by law, any objection that the Guarantor may now or hereafter have to the laying of venue in any such court and any claim that any such court is an inconvenient forum.

17. Counterparts. This Guaranty may be executed in multiple counterparts, each of which, for all purposes, shall be deemed an original, and all of which together shall constitute one and the same agreement.

18. Miscellaneous. This Guaranty embodies the entire agreement between the Lender and the Guarantor with respect to the guaranty by the Guarantor of the Obligations. This Guaranty supersedes all prior agreements and understandings, if any, with respect to guaranty by the Guarantor of the Obligations. This Guaranty may not be modified, amended or superseded except in a writing signed by the Lender and the Guarantor referencing this Guaranty by its date and specifically identifying the portions hereof that are to be modified, amended or superseded. This Guaranty is binding not only on the Guarantor, but also on the Guarantor's heirs, personal representatives, successors and assigns. If any provision of this Guaranty or the application thereof to any Person or circumstance shall, for any reason and to any extent, be declared to be invalid or unenforceable, neither the remaining provisions of this Guaranty nor the application of such provision to any other Person or circumstance shall be affected thereby, and the remaining provisions of this Guaranty, or the applicability of such provision to other Persons or circumstances, as applicable, shall remain in effect and be enforceable to the maximum extent permitted by applicable law.

19. Original Guaranty. Guarantor acknowledges that this Guaranty is given in substitution for, and amends, modifies and restates, and as amended, modified and restated, replaces the Original Guaranty.

It is expressly understood and agreed that this Guaranty is given in replacement of the Original Guaranty, and that no obligations or liabilities evidenced by the Original Guaranty shall be discharged, cancelled or impaired by the execution and delivery of this Agreement. To the extent any of the terms of the Original Guaranty and this Guaranty conflict, the terms of this Guaranty will govern.

[SIGNATURES ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, the Guarantor duly executed and delivered this Guaranty, intending that it be an instrument under seal, as of the date first written above.

WITNESS:

GUARANTOR:

COMSTOCK HOMEBUILDING COMPANIES,
INC., a Delaware corporation

By: /s/ Bruce Labovitz
Print Name: Bruce Labovitz
Print Title: CFO

By: /s/ Christopher Clemente
Print Name : Christopher Clemente
Print Title: CEO

(SEAL)

ADDRESS OF GUARANTOR:

11465 Sunset Hills Road
5th Floor
Reston, Virginia 20190
Attention: Mr. Christopher Clemente

ADDRESS OF LENDER:

Bank of America, N.A.
Attn: Loan Administration, Ladreda Spencer
101 E. Kennedy Boulevard (7th Floor)
Tampa, FL 33602
Fax (813) 225-8322

LOAN MODIFICATION AGREEMENT

THIS LOAN MODIFICATION AGREEMENT (this "Agreement" or this "Modification") is made as of the _____ day of December, 2006, by and among: (a) **COMSTOCK HOMES OF ATLANTA, LLC**, a Georgia limited liability company ("Comstock Atlanta") (formerly known as PCH Development, LLC, a Georgia limited liability company ("PC Development") which is successor by merger to Parker Chandler Homes, Inc., a Georgia corporation ("PC, Inc.")) (b) **COMSTOCK HOMES OF MYRTLE BEACH, LLC**, a South Carolina limited liability company ("Comstock Myrtle") (formerly known as **PARKER-CHANDLER HOMES/SOUTH CAROLINA, LLC**, a South Carolina limited liability company ("PC South")) (Comstock Atlanta, PC, Inc., PC Development, Comstock Myrtle and PC South are hereinafter collectively referred to as "Borrower"); (c) **COMSTOCK HOMEBUILDING COMPANIES, INC.**, a Delaware corporation ("Guarantor") and (d) **BANK OF AMERICA, N.A.**, a national banking association, its successors and/or assigns ("Lender").

RECITALS:

WHEREAS, pursuant to the terms of that certain Revolving Master Loan Agreement dated as of January 16, 2004, by and between Lender and PC, Inc. (as the same may be amended, renewed, supplemented or restated from time to time, the "Loan Agreement"), Lender made a loan (the "Loan") to PC, Inc. in the original maximum principal amount of Seven Million Five Hundred Thousand and No/100 Dollars (\$7,500,000.00), as evidenced by that certain Real Estate Note dated January 16, 2004 made by PC, inc. payable to the order of Lender (as the same may be amended, renewed, supplemented or restated from time to time, the "Note"); and

WHEREAS, pursuant to the terms of the Loan Agreement, the Loan is comprised of (i) a revolving construction loan in the maximum principal amount of Five Million Five Hundred and No/100 Dollars (\$5,500,000.00) (the "Revolving Facility") and (ii) a lot acquisition loan in the maximum principal amount of Two Million and No/100 Dollars (\$2,000,000.00) (the "Acquisition Facility").

WHEREAS, pursuant to the terms of a certain modification to the Loan dated February 16, 2005, the principal amount of the Loan was increased to a maximum principal amount of Ten Million and No/100 Dollars (\$10,000,000.00) whereby the Revolving Facility was increased to a maximum principal amount of Eight Million and No/100 Dollars (\$8,000,000.00) and the maximum principal amount of the Acquisition Facility remained Two Million and No/100 Dollars (\$2,000,000.00).

WHEREAS, pursuant to the terms of a certain Amendment to Promissory Note and Other Loan Documents dated July 1, 2005, by and between PC, Inc., PC South and Lender, PC South was added as a Borrower under the Loan.

WHEREAS, Borrower's obligations under the Note are secured by, among other things, a Deed to Secure Debt and Security Agreement dated as of January 16, 2004, from Borrower for the benefit of Lender, and originally recorded among the land records of Jackson County, Georgia in the Superior Court of Jackson County, Georgia on February 4, 2004 in Deed Book 331 Page 369 (as the same may be amended, renewed, supplemented or restated from time to time and as the same, as amended, has been subsequently recorded in the land records of Jackson County, the "Deed to Secure"), covering certain real property and improvements thereon located in Jackson County Georgia and Paulding County, Georgia and more particularly described therein and on Exhibit A attached hereto (collectively, the "Property"); and

Bank of America — Comstock Atlanta Homes Modification

WHEREAS, Borrower's obligations under the Note are guaranteed by Guarantor pursuant to a Guaranty Agreement dated February 10, 2006 which guarantees the Loan together with certain other Loans made by Lender (the "Other Guaranteed Loans") (as the same may be amended, renewed, supplemented or restated from time to time, the "Guaranty"); and

WHEREAS, in consideration of Lender entering into this Modification, and because some of Other Guaranteed Loans have been satisfied in full, the Guarantor has agreed to execute a new Guaranty Agreement simultaneously with the execution of this Agreement.

WHEREAS, the outstanding principal balance under the Loan as of the date hereof is Three Million Five Hundred Five Thousand Two Hundred Sixteen and 33/100 Dollars (\$3,505,216.33) consisting of an outstanding principal balance under the Revolving Facility in the amount of Two Million Six Hundred One Thousand Six Hundred Fifty Two and 33/100 Dollars (\$2,601,652.33) and an outstanding principal balance under the Acquisition Facility in the amount of Nine Hundred Three Thousand Five Hundred Sixty Four and 00/100 Dollars (\$903,564.00).

WHEREAS, Borrower's obligations under the Note and the other Loan Documents (hereinafter defined) are hereinafter collectively called the "Obligations": the Note, the Deed to Secure, the Loan Agreement, the Guaranty and all other documents previously, now or hereafter executed and delivered to evidence, secure, guarantee, or in connection with, the Obligations, as the same may from time to time be renewed, extended, amended, supplemented or restated, are hereinafter collectively called the "Loan Documents"; and all liens, security interests, assignments, superior titles, rights, remedies, powers, equities and priorities securing the Note or providing recourse to Lender with respect thereto are hereinafter collectively called the "Liens"; and

WHEREAS, at the request of the Borrower, the Lender has agreed to modify the Loan to (i) extend the Maturity Date of the Loan; (ii) modify the maximum principal amount of the Loan; and (iii) make certain other changes to the Loan Documents as set forth herein.

NOW, THEREFORE, in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by all parties, the parties agree as follows:

1. **Recitals.** The recitals set forth above are a material part of this Agreement. Borrower acknowledges and affirms the accuracy of the recitals set forth above.
2. **Definitions.** All capitalized terms herein, unless otherwise defined herein, shall have the same meaning ascribed to such terms as in the Loan Documents.
3. **Modification to Bellemeade Loan, Highlands Loan and Fifteen Million Dollar Comstock Loan.** Simultaneously with the execution of this Agreement, (i) Comstock Bellemeade, L.C. and Guarantor shall execute that certain First Loan Modification Agreement in connection with that certain loan originally made by Lender to Comstock Bellemeade, L.C. in the original principal amount of Forty-Six Million Seven Hundred Twenty-Five Thousand and No/100 Dollars (\$46,725,000.00) (as the same has been amended, renewed, supplemented or restated from time to time, the "Bellemeade Loan") (ii) Highland Avenue Properties, LLC and Guarantor shall execute that certain Loan Modification Agreement in connection with that certain loan originally made by Lender to Highland Avenue Properties, LLC in the original principal amount of Four Million Eight Hundred Fifty One Thousand Two Hundred Thirty-Five and No/100 Dollars (\$4,851,235.00) (as the same has been amended, renewed, supplemented or restated from time to time, the "Highlands Loan")

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and (iii) Guarantor shall execute that certain First Loan Modification Agreement in connection with that certain loan originally made by Lender to Guarantor in the original principal amount of Fifteen Million and No/100 Dollars (\$15,000,000.00) (as the same may be amended, renewed, supplemented or restated from time to time, the "Fifteen Million Dollar Comstock Loan").

4. **Maturity.** All of the Obligations, including (without limitation) all outstanding principal, accrued and unpaid interest, outstanding late charges, unpaid fees, and all other amounts outstanding under the Note and the other Loan Documents, shall be due and payable in full on November 15, 2007 (the "Maturity Date"). All references to the Maturity Date contained in the Loan Documents shall refer to the Maturity Date as defined in this Agreement.

5. **Amount of Loan.** The Note and the Loan Documents are hereby amended to reduce the maximum aggregate principal amount which can be outstanding under the Loan to Nine Million and No/100 Dollars (\$9,000,000.00). As a result, the maximum principal amount of the Revolving Facility portion of the Loan shall be Seven Million Six Hundred Thousand and No/100 Dollars (\$7,600,000.00) and the maximum principal amount of the Acquisition Facility portion of the Loan shall be One Million Four Hundred Thousand and No/100 Dollars (\$1,400,000.00). Any reference in any of the Loan Documents to the maximum principal amount of the Loan or Note being \$7,500,000.00 or \$10,000,000.00 is hereby deleted in its entirety and the amount \$9,000,000.00 is substituted in lieu thereof. Additionally, the Note and the Loan Documents are hereby amended so that no further advances shall be made under the Loan. Furthermore, from and after the date hereof, no amounts paid by Borrower towards the outstanding balance of the Loan can be reborrowed by Borrower. From and after the date hereof, Borrower must make all payments of any kind whatsoever, due by Borrower to Lender in connection with the Loan, via wire transfer of immediately available funds, in accordance with the wiring instructions attached hereto as Exhibit B.

6. **Loan Fee.** In consideration of Lender entering into this Modification, Borrower shall pay to Lender, a loan extension fee in the amount of one quarter of one percent (0.25%), which is due and payable on May 1, 2007.

7. **Loan to Value Ratio.** The Property shall have a required "Loan to Value Ratio" of not greater than eighty percent (80%) of the "as is" value of the Property. If at any time after the Loan closing, the loan-to-value ratio shall exceed the required Loan to Value Ratio, based on appraisals (to be engaged by Lender from time to time at the sole cost and expense of Borrower), which appraisals shall be satisfactory to Lender in all respects, in Lender's sole, absolute and unreviewable discretion, the Borrower shall immediately make a principal curtailment under the Loan so as to meet the Loan to Value ratio.

8. **Loan Agreement.**

a. **Article III (t).** Article III (t) of the Loan Agreement is hereby deleted in its entirety and replaced with the following:

"Each construction loan must be repaid in full nine months from the date of the initial advance. Any extensions or renewals thereof shall be in the Lender's sole discretion. Borrower will be required after 180 days to reduce the loan amount of each Lot Unit to an amount equal to eighty percent (80%) of the lesser of: (i) the as-is value of such Unit, which amount shall be determined by an appraisal or evaluation satisfactory to Lender; or (ii) the contracted purchase price for the lot loan Unit. Borrower will be required after 270 days to reduce the loan amount on each Lot Unit to an amount equal to seventy percent (70%) of the lesser of: (i) the as-is value" of such Unit, which amount shall be determined by an appraisal or evaluation satisfactory to Lender; or (ii) the contracted purchase price for the lot / loan Unit."

b. Article III (s). Article III (s) of the Loan Agreement is hereby deleted and replaced with the following:

“No later than 180 days prior to the Maturity Date, the Lender will notify Borrower whether or not the Lender will renew the loan. In the event the loan is not renewed at maturity, the Borrower can continue starting houses until August 15, 2007 and the lender will continue funding on those houses.”

c. Article V. The following language shall be added to Article V Section “b”:

“Additionally, Borrower must submit to Lender (i) within ten (10) days from the end of each month, monthly financial statements (all of which financial statements must include a balance sheet, income statement, sources and uses of funds for such fiscal month, projected sources and uses of funds for the coming month, detailed listing and description of all contingent liabilities, tax returns, written verification of liquidity and such other supporting schedules and documentation). All such financial statements shall be certified as true and correct by the Chief Financial Officer of Comstock Homebuilding Companies, Inc. in a form acceptable to the Lender in all respects and (ii) within thirty (30) days from the end of each month a certified rent roll for the Property; and”

9. Borrower’s Representations and Warranties. The Borrower hereby reaffirms all of representations and warranties set forth in the Loan Documents, and further represents and warrants that: (a) the Borrower is the sole legal and beneficial owner of the Property; (b) the execution and delivery of this Agreement does not contravene, resulting in a breach of, or constitute a default under, any deed of trust, loan agreement, indenture or other contract or agreement to which Borrower is a party or by which Borrower or any of its properties may be bound (nor would such execution and delivery constitute such a default with the passage of time or the giving of notice or both), and does not violate or contravene any law, order, decree, rule, regulation or restriction to which Borrower or the Property is subject; (c) this Agreement constitutes the legal, valid and binding obligations of Borrower enforceable in accordance with its terms; (d) the execution and delivery of, and performance under, this Agreement are within Borrower’s power and authority without the joinder or consent of any other party and have been duly authorized by all requisite action, and are not in contravention of any law, or of any indenture, agreement or undertaking to which Borrower is a party or by which it is bound; (e) there exists no default under the Note or any other Loan Document; (f) there are no offsets, claims or defenses with respect to the Obligations; and (g) Borrower is duly organized and legally existing under the laws of the state of its organization and is duly qualified to do business in the state of Georgia. The Borrower further represents and warrants that, except as disclosed in public filings, there is no material suit, judicial or administrative action, claim, investigation, inquiry, proceeding or demand pending (or, to Borrower’s knowledge, threatened) against (i) Borrower, or against any other person liable directly or indirectly for the Obligations, or (ii) which affects the Property or the Borrower’s title to the Property, or (iii) which affects the validity enforceability or priority of any of the Loan Documents. Borrower agrees to indemnify and hold the Lender harmless against any loss, claim damage, liability or expense (including, without limitation, attorneys’ fees) incurred as a result of any representation or warranty made by Borrower herein which proves to be untrue or inaccurate in any respect, and any such occurrence shall constitute a default under the Loan Documents.

10. Renewal; Lien Continuation; No Novation. Borrower hereby renews the Obligations and promises to pay and perform all Obligations as modified by this Agreement. The Liens are hereby ratified and confirmed as valid, subsisting and continuing to secure the Obligations, as modified hereby. Nothing herein shall in any manner diminish, impair, waive or extinguish the Note, the Obligations or the Liens. The execution and delivery of this Agreement shall not constitute a novation of the debt evidenced and secured by the Loan Documents.

11. Expenses. Borrower shall pay all costs and expenses and reimburse Lender for any and all expenditures of every character incurred or expended from time to time, regardless of whether a default shall have occurred, in connection with (a) this Agreement; (b) the restructuring of the Loan which has occurred previous to and simultaneously with the execution of this Agreement; (c) the issuance by Lender at any time (including any time prior to the execution of this Agreement) of any default letters or standstill letters or correspondence of any kind to Borrower in connection with the Loan; (d) the evaluation, monitoring and protection of the Property pursuant to rights given in the Loan Documents or by law; and (e) the creation, perfection or realization upon the Liens, and all costs and expenses relating to Lender's exercise of any of its rights and remedies under any of the Loan Documents or at law, including, without limitation, all filing fees, taxes, brokerage fees and commissions, title review and abstract fees, recordation and transfer taxes, Uniform Commercial Code search fees, other fees and expenses incident to title searches, reports and security interests, escrow fees, attorneys' fees, legal expenses, court costs, fees and expenses incurred in connection with any complete or partial liquidation of the Property, and all fees and expenses for any professional service relating to the Property or any operations conducted in connection with it; provided, however, no right or option granted by Borrower to Lender or otherwise arising pursuant to any provision of this or any other document shall be deemed to impose a duty on Lender to supervise, monitor or protect any aspect of the Property or any operations conducted in connection with it.

12. Authorization. At the time of execution of this Agreement, Borrower shall, if and to the extent requested by Lender, deliver to Lender (a) the opinion of Borrower's counsel dated the date hereof, in form and substance satisfactory to Lender, that this Agreement has been duly authorized, executed and delivered by Borrower and the Guarantor and is binding on, and enforceable against, the Borrower and the Guarantor in accordance with its terms; and (b) such other evidence of due authorization and execution by the Borrower and the Guarantor as the Lender may require.

13. Further Assurances. The Borrower agrees to execute and deliver to the Lender, promptly upon request from Lender, such additional documents as may be necessary or appropriate to consummate the transactions contemplated herein or to perfect, or continue the perfection of, the Liens.

14. No Defenses. Borrower and Guarantor, as the case may be, each represent and warrant that they (individually and collectively) have no claims, actions, causes of action, defenses, counterclaims or setoffs of any kind or nature which they can assert against Lender in connection with the making, closing, administration, collection or enforcement by Lender of the Loan Documents, this Agreement or any related agreements.

15. Default Under Deed to Secure. If Borrower shall fail to keep or perform any of the covenants or agreements contained herein or in any of the Loan Documents, or if any statement, representation or warranty contained herein is false, misleading or erroneous in any material respect, Borrower shall be deemed to be in default under the Deed to Secure and Lender shall be entitled at its option to exercise any and all of the rights and remedies granted pursuant to the Deed to Secure, as amended hereby, or any other Loan Document or to which Lender may otherwise be entitled, whether at law or in equity.

16. No Waiver by Lender. Borrower acknowledges and agrees that the execution of this Agreement by the Lender is not intended nor shall it be construed as (a) an actual or implied waiver of any, default under the Note, the Deed to Secure or any other Loan Document, or (b) an actual or implied waiver of any condition or obligation imposed upon the Borrower pursuant to the Note, the Deed to Secure or any other Loan Document, except to the extent, if any, specified herein.

17. Borrower's Performance. If Borrower should fail to comply with any of the agreements, covenants or obligations of the Borrower under this or any other Loan Document, then Lender (in Borrower's name or in its own name) may, but is under no obligation to, perform them or cause them to be performed for the account of Borrower at Borrower's sole expense. Any and all expenses thus incurred or paid by Lender shall be Borrower's demand obligations to Lender and shall bear interest, from the date of Lender's payment of any such obligation or expense for Borrower's account until the date on which Borrower repays it to Lender, at the default rate of interest set forth in the Note. Upon making any such payment or incurring any such expense, Lender shall be fully subrogated to all of the rights of the person or entity receiving such payment. Any amounts owing by Borrower to Lender pursuant to this provision or any other provision of this Agreement shall automatically and without notice constitute a portion of the Obligations evidenced by the Note secured by the Deed to Secure and the other Loan Documents, and guaranteed by the Guarantors under the Guaranty. The amount and nature of any such expense and the time when paid shall be fully established by the affidavit of Lender or any of Lender's officers or agents.

18. Release of Lender. Upon execution of this Agreement, Borrower and Guarantor each hereby releases, remises and forever discharges Lender, its employees, officers, directors, consultants, advisors, participants, agents and affiliates (collectively, the "Lender Parties") from any and all causes of actions, suits, debts, claims and demands whatsoever arising prior to execution of this Agreement in law or in equity due to any action taken or omitted to be taken by any of the Lender Parties in connection with the Loan, the Highlands Loan, the Bellemeade Loan, the Fifteen Million Dollar Comstock Loan or any other potential transaction between Guarantor (or any affiliate of Guarantor) and Lender that may have been discussed with Lender but not consummated.

19. Miscellaneous. To the extent of any conflict between the Note (or any earlier modification of it) and this Agreement, this Agreement shall control. Except as hereby expressly modified, all terms of the Note and all other Loan Documents (as any of them may have been previously modified by any written agreement) remain in full force and effect. This Agreement (a) shall bind and benefit the parties hereto and their respective heirs, beneficiaries, administrators, executors, receivers, trustees, successors and assigns (provided, however, no party other than the Lender shall assign its rights hereunder without the prior written consent of the Lender); (b) may be modified or amended only by a writing signed by the Lender and the Borrower; (c) SHALL BE GOVERNED BY (INCLUDING BUT NOT LIMITED TO ITS VALIDITY, ENFORCEMENT AND INTERPRETATION) THE LAWS OF THE STATE OF GEORGIA AND UNITED STATES FEDERAL LAW; (d) may be executed in several counterparts, and by the parties hereto on separate counterparts, and each counterpart, when executed and delivered, shall constitute an original agreement enforceable against all who signed it without production of or accounting for any other counterpart, and all separate counterparts shall constitute the same agreement

and (e) embodies the entire agreement and understanding between the parties with respect to modifications of documents provided for herein and supersedes all prior conflicting or inconsistent agreements, consents and understandings relating to such subject matter. "Borrower" shall include, in their individual capacities and jointly, all parties hereinabove named as the Borrower. The duties, covenants, conditions, obligations, and warranties of the Borrower in this Agreement shall be joint and several obligations of the Borrower and, if more than one, of each party named as the Borrower hereinabove, and each such party's heirs, legal representatives, successors and assigns. If any Borrower is a corporation, partnership or other legal entity, the Borrower and the person or persons signing for it represent and warrant to the Lender that this Agreement is duly executed, acknowledged and delivered by the Borrower's duly authorized representatives. Whenever used herein, the singular number shall include the plural and the plural the singular, and any gender shall be applicable to all genders. The use of the words "herein", "hereof", "hereunder" and other similar compounds of the word "here" shall refer to this entire Agreement and not to any particular section, paragraph or provision. The headings in this Agreement shall be accorded no significance in interpreting it.

20. Financing Statements. Borrower authorizes the Lender, from time to time and without expense to the Lender, to file in such filing office or offices as the Lender may select, any financing statements and extensions, renewals or amendments thereof, naming the Borrower as debtor and in such form as the Lender may require, in order to further evidence or perfect Lender's security interests granted pursuant to the Loan Documents.

21. Notices. All notices, in connection with the Loan addressed to Lender, shall hereinafter be sent to Lender at the following address:

Lender:

Norman Trepner
Bank of America, N.A.
187 Danbury Road
Wilton, CT 06897
Fax (203) 423-4003

with a copy to:

Bank of America, N.A.
Attn: Loan Administration, Ladreda Spencer
101 E. Kennedy Boulevard (7th Floor)
Tampa, FL 33602
Fax (813) 225-8322

Bank of America — Comstock Atlanta Homes Modification

with a copy to:

Bank of America, N.A.
Attn: Loan Administration, Kathie Hatton
101 E. Kennedy Boulevard (7th Floor)
Tampa, FL 33602
Fax (813) 225-8322

with a copy to:

Friedlander, Mislner, Sloan, Kletzkin & Ochsman, PLLC
Attn: David M. Astrove
1101 17th Street, NW, Suite 700
Washington, DC 20036

Bank of America — Comstock Atlanta Homes Modification

EXECUTED ON THE DATE OR DATES OF THE ACKNOWLEDGMENTS HEREOF, BUT EFFECTIVE AS OF THE DATE FIRST STATED IN THIS AGREEMENT.

WITNESS:

BORROWER:

COMSTOCK HOMES OF ATLANTA, LLC, a Georgia limited liability company (formerly known as PCH Development, LLC, a Georgia limited liability company which is successor by merger to Parker Chandler Homes, Inc., a Georgia corporation)

By: COMSTOCK HOMEBUILDING COMPANIES, Inc., Manager

/s/ Bruce Labovitz
Print Name: Bruce Labovitz

By: /s/ Christopher Clemente
Print Name: Christopher Clemente
Print Title: CEO

[SEAL]
COMMONWEALTH OF Virginia)
) ss:
COUNTY OF Fairfax)

I, Kelly L. Wyche, a Notary Public in and for the aforesaid said jurisdiction, do hereby certify that Christopher Clemente, who is personally well known to me as (or satisfactorily proven to me to be) the person who signed the foregoing instrument executed this 28 day of December, 2006, personally appeared before me in said jurisdiction and acknowledged that he is the CEO of COMSTOCK HOMEBUILDING COMPANIES, INC., a Delaware corporation which is the Manager of **COMSTOCK HOMES OF ATLANTA, LLC**, a Georgia limited liability company (formerly known as PCH Development, LLC, a Georgia limited liability company which is successor by merger to Parker Chandler Homes, Inc., a Georgia corporation) which is a party to the foregoing instrument; that he has been duly authorized to execute and deliver the foregoing instrument for the purposes therein contained and that the same is his act and deed and the act and deed of **COMSTOCK HOMES OF ATLANTA, LLC**, a Georgia limited liability company.

IN WITNESS WHEREOF, I have set my hand and Notarial Seal, this 28 day of December, 2006.

/s/ Kelly L. Wyche
Notary Public

(SEAL)

My Commission expires: 11-30-08

[signatures continue on the next page]

WITNESS:

/s/ Bruce Labovitz
Print Name: Bruce Labovitz

[SEAL]
COMMONWEALTH OF Virginia)
) ss:
COUNTY OF Fairfax)

I, Kelly L. Wyche, a Notary Public in and for the aforesaid said jurisdiction, do hereby certify that Christopher Clemente, who is personally well known to me as (or satisfactorily proven to me to be) the person who signed the foregoing instrument executed this 28 day of December, 2006, personally appeared before me in said jurisdiction and acknowledged that he is the CEO of COMSTOCK HOMEBUILDING COMPANINES, INC., a Delaware corporation which is the Manager of **COMSTOCK HOMES OF MYRTLE BEACH, LLC**, a South Carolina limited liability company (formerly known as PARKER-CHANDLER HOMES/SOUTH CAROLINA, LLC, a South Carolina limited liability company) which is a party to the foregoing instrument; that he has been duly authorized to execute and deliver the foregoing instrument for the purposes therein contained and that the same is his act and deed and the act and deed of **COMSTOCK HOMES OF MYRTLE BEACH, LLC**, a South Carolina limited liability company.

IN WITNESS WHEREOF, I have set my hand and Notarial Seal, this 28 day of December, 2006.

BORROWER:

COMSTOCK HOMES OF MYRTLE BEACH, LLC,
a South Carolina limited liability company (formerly known as Parker-Chandler
Homes/South Carolina, LLC, a South Carolina limited liability company)

By: COMSTOCK HOMEBUILDING COMPANIES, INC., a Delaware
corporation, Manager

By: /s/ Christopher Clemente
Print Name: Christopher Clemente
Print Title: CEO

/s/ Kelly L. Wyche
Notary Public

My Commission expires: 11-30-08

(SEAL)

[signatures continue on the next page]

WITNESS:

LENDER:

BANK OF AMERICA, N.A.

Print Name:

By: _____
Print Name:
Print Title:

[CORPORATE SEAL]

COMMONWEALTH OF FLORIDA)
) ss:
COUNTY OF HILLSBOROUGH)

I, _____, a Notary Public in and for the aforesaid said jurisdiction, do hereby certify that _____, who is personally well known to me as (or satisfactorily proven to me to be) the person who signed the foregoing instrument executed this _____ day of _____ 2006, personally appeared before me in said jurisdiction and acknowledged that he is the _____ of **BANK OF AMERICA, N.A.**, a national banking association; that he has been duly authorized to execute and deliver the foregoing instrument for the purposes therein contained and that the same is his act and deed and the act and deed of **BANK OF AMERICA, N.A.**

IN WITNESS WHEREOF, I have set my hand and Notarial Seal, this ____day of _____, 2006.

Notary Public

My Commission expires:

(SEAL)

[signatures continue on the next page]

WITNESS:

/s/ Bruce Labovitz
Print Name: Bruce Labovitz

GUARANTOR:

COMSTOCK HOMEBUILDING COMPANIES, INC., a Delaware corporation
By: /s/ Christopher Clemente
Print Name: Christopher Clemente
Print Title: CEO

[SEAL]
COMMONWEALTH OF VIRGINIA)
) ss:
COUNTY OF Fairfax)

I, Kelly L. Wyche , a Notary Public in and for the aforesaid said jurisdiction, do hereby certify that Christopher Clemente, who is personally well known to me as (or satisfactorily proven to me to be) the person who signed the foregoing instrument executed this 28 day of December, 2006, personally appeared before me in said jurisdiction and acknowledged that he is the CEO of COMSTOCK HOMEBUILDING COMPANIES, INC., a Delaware corporation which is a party to the foregoing instrument; that he has been duly authorized to execute and deliver the foregoing instrument for the purposes therein contained and that the same is his act and deed and the act and deed of COMSTOCK HOMEBUILDING COMPANIES, INC., a Delaware corporation.

IN WITNESS WHEREOF, I have set my hand and Notarial Seal, this 28 day of December, 2006.

/s/ Kelly L. Wyche
Notary Public

My Commission expires: 11-30-08

(SEAL)

Bank of America — Comstock Atlanta Homes Modification

AMENDED AND RESTATED GUARANTY AGREEMENT

THIS AMENDED AND RESTATED GUARANTY AGREEMENT (this "Guaranty") is made as of the _____ day of December 2006, by COMSTOCK HOMEBUILDING COMPANIES, INC., a Delaware corporation (the "Guarantor") in favor of BANK OF AMERICA, N.A., a national banking association (the "Lender"), and its successors and assigns.

RECITALS:

WHEREAS, pursuant to the terms of that certain Revolving Master Loan Agreement dated as of January 16, 2004, by and between Lender and Parker Chandler Homes, Inc., a Georgia corporation ("PC, Inc.") (as the same may be amended, renewed, supplemented or restated from time to time, the "Loan Agreement"), Lender made a loan (the "Loan") to PC, Inc. in the original maximum principal amount of Seven Million Five Hundred Thousand and No/100 Dollars (\$7,500,000.00), as evidenced by that certain Real Estate Note dated January 16, 2004 made by PC, inc. payable to the order of Lender (as the same may be amended, renewed, supplemented or restated from time to time, the "Note"); and

WHEREAS, pursuant to the terms of the Loan Agreement, the Loan is comprised of (i) a revolving construction loan in the maximum principal amount of Five Million Five Hundred and No/100 Dollars (\$5,500,000.00) (the "Revolving Facility") and (ii) a lot acquisition loan in the maximum principal amount of Two Million and No/100 Dollars (\$2,000,000.00) (the "Acquisition Facility").

WHEREAS, pursuant to the terms of a certain modification to the Loan dated February 16, 2005, the principal amount of the Loan was increased to a maximum principal amount of Ten Million and No/100 Dollars (\$10,000,000.00) whereby the Revolving Facility was increased to a maximum principal amount of Eight Million and No/100 Dollars (\$8,000,000.00) and the maximum principal amount of the Acquisition Facility remained Two Million and No/100 Dollars (\$2,000,000.00).

WHEREAS, pursuant to the terms of a certain Amendment to Promissory Note and Other Loan Documents dated July 1, 2005, by and between PC, Inc., Parker-Chandler Homes South Carolina, LLC, a South Carolina limited liability company ("PC South") and Lender, PC South was added as a Borrower under the Loan.

WHEREAS, PC, Inc. is now known as Comstock Homes of Atlanta, LLC, a Georgia limited liability company ("Comstock Atlanta") and PC South is now known as Comstock Homes of Myrtle Beach, LLC ("Myrtle") (Comstock Atlanta, PC, Inc., PC South and Myrtle are hereinafter collectively referred to as "Borrower").

WHEREAS, Borrower's obligations under the Note are secured by, among other things, a Deed to Secure Debt and Security Agreement dated as of January 16, 2004, from Borrower for the benefit of Lender, and originally recorded among the land records of Jackson County, Georgia in the Superior Court of Jackson County, Georgia on February 4, 2004 in Deed Book 331 Page 369 (as the same may be amended, renewed, supplemented or restated from time to time and as the same, as amended, has been subsequently recorded in the land records of Jackson County, the "Deed to Secure"), covering certain real property and improvements thereon located in Jackson County Georgia and Paulding County, Georgia and more particularly described therein and on Exhibit A attached hereto (collectively, the "Property"); and

WHEREAS, Borrower's Obligations under the Note are guaranteed by Guarantor pursuant to a Guaranty Agreement dated February 10, 2006 (the "Original Guaranty") which guarantees the Loan together with certain other Loans made by Lender (the "Other Guaranteed Loans"); and

WHEREAS, at the request of the Borrower, the Lender has agreed to modify the Loan to (i) extend the Maturity Date of the Loan; (ii) modify the maximum principal amount of the Loan; and (iii) make certain other changes to the Loan Documents as set forth herein (the "Modification");

WHEREAS, in consideration of Lender entering into the Modification, and because some of Other Guaranteed Loans have been satisfied in full, the Guarantor has agreed to execute a new Guaranty Agreement simultaneously with the execution of the Modification.

WHEREAS, it is intended that this Guaranty extend to the Loan and all other amounts owing under any of the Loan Documents, without any need for any notice to the Guarantor of the making of advances under the Loan and without any need for any supplements or amendments to this Guaranty or any other documentation to be executed by the Guarantor; and

WHEREAS, unless otherwise defined herein, all capitalized terms used herein shall have the meanings assigned to them in the Loan Agreement.

WITNESSETH:

For good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and as a material inducement to the Lender to enter into the Modification with the Borrower, the Guarantor hereby amends and restates the Original Guaranty as follows:

1. Guaranty of Payment. The Guarantor hereby unconditionally and irrevocably guarantees to the Lender the punctual payment when due, whether by scheduled payment date, upon maturity, lapse of time, by acceleration of maturity, or otherwise, and at all times thereafter, of all principal, interest (including interest accruing after the commencement of any bankruptcy or insolvency proceeding by or against the Borrower, whether or not allowed in such proceeding), fees, late charges, costs, expenses, indemnification indebtedness (including, without limitation, indemnification for environmental matters), and other sums of money now or hereafter due and owing pursuant to (a) the terms of the Note, the Loan Agreement, the Deed to Secure and any and all other Loan Documents, now or hereafter existing, and specifically including any and all advances made by the Lender under the Loan Documents from sources other than the Loan, and interest on such advances, and (b) all renewals, extensions, increases, refinancing, modifications, supplements or amendments to such indebtedness, or any of the Loan Documents, or any part thereof (such indebtedness being hereinafter collectively called the "Indebtedness"). This Guaranty covers all amounts outstanding under the Loan (the "Indebtedness"), whether presently outstanding or arising subsequent to the date hereof, whether or not presently contemplated by the Guarantor, the Borrower or the Lender, and whether or not the same shall be incurred after satisfaction, payment or reduction of any previous indebtedness, including all amounts advanced and/or readvanced by the Lender in stages or installments. The guaranty of the Guarantor as set forth in this Section is a continuing guaranty of payment and not a guaranty of collection.

2. **Guaranty of Performance.** The Guarantor additionally hereby unconditionally and irrevocably guarantees to the Lender the timely performance of all other obligations of the Borrower under all of the Loan Documents, including without limitation, completion of the improvements and compliance with all covenants regarding environmental matters.

3. **Primary Liability of the Guarantor.** This Guaranty is an absolute, irrevocable and unconditional guaranty of payment and performance. The Guarantor shall be liable for the payment and performance of the Obligations, as set forth in this Guaranty, as a primary obligor. This Guaranty shall be effective as a waiver of, and the Guarantor hereby expressly waives any and all rights to which the Guarantor may otherwise have been entitled under any suretyship laws in effect from time to time, including any right or privilege, whether existing under statute, at law or in equity, to require the Lender to take prior recourse or proceedings against any collateral, security or Person (hereinafter defined) whatsoever. Upon the occurrence of: (i) any Default under the Loan, (ii) any reasonable determination by the Lender that a material adverse change has occurred in the financial condition of the Guarantor, (iii) the dissolution or insolvency of Guarantor, subject to the provisions of Section 4 below, or (iv) any transfer of assets of Guarantor without receiving fair value in exchange therefor, the Indebtedness shall be deemed immediately due and payable at the election of the Lender, and the Guarantor shall, on demand and without presentment, protest, any notice whatsoever, pay the amount due thereon to the Lender or perform or observe the agreement, covenant, term or condition, as the case may be, and it shall not be necessary for the Lender, in order to enforce such payment or performance by Guarantor, first to institute suit or pursue or exhaust any rights or remedies against the Borrower or others liable on the Obligations or for such performance, or to institute suit or pursue or exhaust any rights or remedies against the Borrower or Guarantor or other sureties of the Obligations as contemplated by applicable law or to enforce any rights against any security that shall ever have been given to secure the Obligations, or to join the Borrower or any others liable for the payment or performance of the Obligations or any part thereof in any action to enforce this Guaranty, or to resort to any other means of obtaining payment or performance of the Obligations. The term "Person" as used herein shall mean all of the Borrower and the Guarantor.

4. **Representations, Warranties, and Covenants of the Guarantor.** Guarantor hereby represents, warrants, and covenants that: (a) Guarantor will derive substantial benefit, directly or indirectly, from Lender entering into the Modification with the Borrower and from the making of this Guaranty by the Guarantor; (b) this Guaranty is duly authorized and valid, and is binding upon and enforceable against the Guarantor; (c) the Guarantor is not, and the execution, delivery and performance by the Guarantor of this Guaranty will not cause the Guarantor to be, in violation of or in default with respect to any law; (d) Guarantor is a duly organized, validly existing corporation in good standing under the state of Delaware, is lawfully doing business in the jurisdiction where it operates, and has full power and authority to enter into and perform this Guaranty; (e) except as may have been disclosed in public filings, there is not now pending against or affecting the Guarantor, nor, to the knowledge of the Guarantor, is there threatened, any action, investigation, suit or proceeding by or before any administrative agency which if adversely determined would materially impair or affect the Guarantor's financial condition

(f) all financial statements and information heretofore furnished to the Lender by the Guarantor do, and all financial statements and information hereafter furnished to the Lender by the Guarantor will, fully and accurately present the financial condition of the Guarantor as of their dates and the results of the Guarantor's operations for the periods therein specified, and, since the date of the most recent financial statements of the Guarantor heretofore furnished to the Lender, except as heretofore disclosed in public filings, the Guarantor has not incurred any material liability, direct or indirect, fixed or contingent; (g) after giving effect to this Guaranty, the Guarantor is solvent, is not engaged or about to engage in business or a transaction for which the property of the Guarantor is an unreasonably small capital, and does not intend to incur or believes that it will incur debts that will be beyond its ability to pay as such debts mature; (h) the Lender has no duty at any time to investigate or inform the Guarantor of the financial or business condition or affairs of the Borrower or any change therein, and the Guarantor will keep fully apprised of the Borrower's financial and business condition; (i) the Guarantor acknowledges and agrees that the Guarantor may be required to pay and perform the Obligations in full without assistance or support from the Borrower or any other Person; and (j) the Guarantor has read and fully understand the provisions contained in the Loan Agreement, the Deed to Secure, and the other Loan Documents, each of which may be modified, extended, supplemented or extended from time to time without notice to or consent from the Guarantor and without affecting the obligations of the Guarantor under this Guaranty.

The Guarantor's representations, warranties and covenants are a material inducement to the Lender to enter into the other Loan Documents and shall survive the execution hereof and any bankruptcy, foreclosure, transfer of security or other event affecting the Borrower, the Guarantor, any other party, or any security for all or any part of the Obligations.

5. Financial information. The Guarantor shall furnish or cause to be furnished to the Lender upon request any financial statements for Guarantor and any entity related to the Guarantor containing such information and in such form as Lender may from time to time reasonably determine, provided the obligations of the Guarantor hereunder have not already terminated.

Without limiting the generality of the foregoing, the Guarantor shall furnish to the Lender financial statements as follows:

(a) as soon as available, but in no event later than ninety (90) days after the close of its fiscal year (but in no event earlier than the date such financial statements must be submitted to governmental authorities), financial statements (all of which financial statements may include, as requested by the Lender, a balance sheet, income statement, sources and uses of funds for such fiscal and/or calendar year, projected sources and uses of funds for the coming year, detailed listing and description of all contingent liabilities, tax returns, written verification of liquidity and such other supporting schedules and documentation which the Lender may request). All such financial statements shall be audited by a certified public accountant acceptable to the Lender in all respects; and

(b) if requested by the Lender, within forty-five (45) days after the close of its quarterly business period (but in no event earlier than the date such financial statements must be submitted to governmental authorities), the financial statements to be filed with applicable governmental authorities.

6. Certain Agreements and Waivers by the Guarantor.

(a) The Guarantor hereby agrees that neither the Lender's rights or remedies nor the Obligations shall be released, diminished, impaired, reduced or affected by any one or more of the following events, actions, facts, or circumstances, and the liability of the Guarantor under this Guaranty shall be absolute and unconditional irrespective of:

- (i) any limitation of liability or recourse in any other Loan Document or arising under any law;
- (ii) any claim or defense that this Guaranty was made without consideration or is not supported by adequate consideration;
- (iii) the taking or accepting of any other security or guaranty for, or right of recourse with respect to, any or all of the Obligations;
- (iv) any homestead exemption or other exemption under applicable law;
- (v) any release, surrender, abandonment, exchange, alteration, sale or other disposition, subordination, deterioration, waste, failure to protect or preserve, impairment, or loss of, or any failure to create or perfect any lien or security interest with respect to, or any other dealings with, any collateral or security at any time existing or purported, believed or expected to exist in connection with any or all of the Obligations, including any impairment of the Guarantor's recourse against any Person or collateral;
- (vi) whether express or by any operation of law, any full or partial release of the liability of the Guarantor, the Borrower or any other party hereunder or under any of the other Loan Documents;
- (vii) the death, insolvency, bankruptcy, disability, dissolution, liquidation, termination, receivership, reorganization, merger, consolidation, change of form, structure or ownership, sale of all assets, or lack of corporate, partnership or other power of the Borrower, the Guarantor or any other party at any time liable for the payment or performance of any or all of the Obligations;
- (viii) either with or without notice to or consent of the Guarantor, any renewal, extension, modification or rearrangement of the terms of any or all of the Obligations and/or any of the Loan Documents, including, without limitation, material alterations of the terms of payment (including changes in maturity date(s), interest rate(s) and amortization) or performance or any other terms thereof, or any waiver, termination, or release of, or consent to departure from, any of the Loan Documents or any other guaranty of any or all of the Obligations, or any adjustment, indulgence, forbearance, or compromise that may be granted from time to time by the Lender to the Borrower, the Guarantor, and/or any other Person at any time liable for the payment or performance of any or all of the Obligations;
- (ix) any neglect, lack of diligence, delay, omission, failure, or refusal of the Lender to take or prosecute (or in taking or prosecuting) any action for the collection or enforcement of any of the Obligations, or to foreclose or take or prosecute any action to foreclose (or in foreclosing or taking or prosecuting any action to foreclose) upon any security therefor, or to exercise (or in exercising) any other right or power with respect to any security therefor, or to take or prosecute (or in taking or prosecuting) any action in connection with any Loan Document, or any failure to sell or otherwise dispose of in a commercially reasonable manner any collateral securing any or all of the Obligations;
- (x) any failure of the Lender to notify the Guarantor of any creation, renewal, extension, rearrangement, modification, supplement, subordination, or assignment of the Obligations or any part thereof, or of any Loan Document, or of any release of or change in any security, or of any other action taken or refrained from being taken by the Lender against the Borrower or any security or other recourse, or of any new agreement between the Lender and the Borrower, it being understood that the Lender shall not be required to give the Guarantor any notice of any kind under any circumstances with respect to or in connection with the Obligations, any and all rights to notice that the Guarantor may have otherwise had being hereby waived by the Guarantor;

(xi) any refund of any payment by the Borrower or any other party liable for the payment or performance of any or all of the Obligations;

(xii) the existence of any claim, set-off, or other right that the Guarantor may at any time have against the Borrower, the Lender (other than pursuant to a final judgment), or any other Person, whether or not arising in connection with this Guaranty or any other Loan Document;

(xiii) the unenforceability of all or any part of the Obligations against the Borrower, whether because the Obligations exceed the amount permitted by law or violate any usury law, or because the act of creating the Obligations, or any part thereof, is beyond the scope of powers granted, or because the officers or Persons creating same acted in excess of their authority, or because of a lack of validity or enforceability of or defect or deficiency in any of the Loan Documents, or because the Borrower has any valid defense, claim or offset with respect thereto, or because the Borrower's obligation ceases to exist by operation of law, or because of any other reason or circumstance, it being agreed that the Guarantor shall remain liable hereunder regardless of whether the Borrower or any other Person are found not liable on the Obligations, or any part thereof, for any reason (and regardless of any joinder of the Borrower or any other party in any action to obtain payment or performance of any or all of the Obligations);

(xiv) any order, ruling or plan of reorganization emanating from proceedings under Title 11 of the United States Code with respect to the Borrower or any other Person, including any extension, reduction, composition, or other alteration of the Obligations, whether or not consented to by the Lender; or

(xv) any failure to notify the Guarantor of, or obtain the Guarantor's consent to, the making of the Loan or any advances thereunder.

(b) In the event that any payment by the Borrower or any other Person to the Lender is held to constitute a preference, fraudulent transfer or other voidable payment under any bankruptcy, insolvency or similar law, or if for any other reason the Lender is required to refund such payment or pay the amount thereof to any other party, such payment by the Borrower or any other party to the Lender shall not constitute a release of the Guarantor from any liability hereunder, and this Guaranty shall continue to be effective or shall be reinstated (notwithstanding any prior release, surrender or discharge by the Lender of this Guaranty or of the Guarantor), as the case may be, with respect to, and this Guaranty shall apply to, any and all amounts so refunded by the Lender or paid by the Lender to another Person (which amounts shall constitute part of the Obligations), and any interest paid by the Lender and any reasonable attorneys' fees, costs and expenses paid or incurred by the Lender in connection with any such event. It is the intent of the Guarantor and the Lender that the obligations and liabilities of the Guarantor hereunder are absolute and unconditional under any and all circumstances and that until the Obligations are fully and finally paid and performed, and not subject to refund or disgorgement, the obligations and liabilities of the Guarantor hereunder shall not be discharged or released, In whole or in part, by any act or occurrence that might, but for the provisions of this Guaranty, be deemed a legal or equitable discharge or release of any of the Guarantor except as otherwise set forth herein.

The Lender shall be entitled to continue to hold this Guaranty in its possession for a period of one year from the date the Obligations are paid and performed in full and for so long thereafter as may be necessary to enforce any obligation of the Guarantor hereunder and/or to exercise any right or remedy of the Lender hereunder.

(c) If acceleration of the time for payment of any amount payable by the Borrower under the Note or any other Loan Document is stayed or delayed by any law or tribunal, all such amounts shall nonetheless be payable by the Guarantor on demand by the Lender.

7. Waiver of Trial by Jury; Consent to Jurisdiction. WITHOUT INTENDING IN ANY WAY TO LIMIT THE PARTIES' AGREEMENT TO ARBITRATE ANY "DISPUTE" (FOR PURPOSES OF THIS SECTION, AS DEFINED IN THE "DISPUTE RESOLUTION" SECTION) AS SET FORTH IN THIS NOTE, AGREEMENT, OR GUARANTY, AS APPLICABLE, TO THE EXTENT ANY "DISPUTE" IS NOT SUBMITTED TO ARBITRATION OR IS DEEMED BY THE ARBITRATOR OR BY ANY COURT WITH JURISDICTION TO BE NOT ARBITRABLE OR NOT REQUIRED TO BE ARBITRATED, BORROWER AND LENDER WAIVE TRIAL BY JURY IN RESPECT OF ANY SUCH "DISPUTE" AND ANY ACTION ON SUCH "DISPUTE," THIS WAIVER IS KNOWINGLY, WILLINGLY AND VOLUNTARILY MADE BY BORROWER AND LENDER, AND BORROWER AND LENDER HEREBY REPRESENT THAT NO REPRESENTATIONS OF FACT OR OPINION HAVE BEEN MADE BY ANY PERSON OR ENTITY TO INDUCE THIS WAIVER OF TRIAL BY JURY OR TO IN ANY WAY MODIFY OR NULLIFY ITS EFFECT. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE PARTIES ENTERING INTO THE LOAN DOCUMENTS. BORROWER AND LENDER ARE EACH HEREBY AUTHORIZED TO FILE A COPY OF THIS SECTION IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER OF JURY TRIAL. BORROWER FURTHER REPRESENTS AND WARRANTS THAT IT HAS BEEN REPRESENTED IN THE SIGNING OF THIS NOTE, AGREEMENT, OR GUARANTY, AS APPLICABLE, AND IN THE MAKING OF THIS WAIVER BY INDEPENDENT LEGAL COUNSEL, OR HAS HAD THE OPPORTUNITY TO BE REPRESENTED BY INDEPENDENT LEGAL COUNSEL SELECTED OF ITS OWN FREE WILL, AND THAT IT HAS HAD THE OPPORTUNITY TO DISCUSS THIS WAIVER WITH COUNSEL.

The Guarantor irrevocably submits to the nonexclusive jurisdiction of any state or federal court sitting in the Jurisdiction of Choice over any suit, action or proceeding arising out of, or relating to, this Guaranty, and irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such state or federal court. The Guarantor irrevocably waives, to the fullest extent permitted by law, any objection that the Guarantor may now or hereafter have to the laying of venue of any such suit, action or proceeding brought in any such court, and any claims that any such suit, action or proceeding is brought in an inconvenient forum. Final judgment in any such suit, action or proceeding brought in any such court shall be conclusive and binding upon the Guarantor and may be enforced in any court in which the Guarantor are subject to jurisdiction, by a suit upon such judgment provided that service of process is effected upon the Guarantor as provided in the Loan Documents or as otherwise permitted by applicable law.

8. Dispute Resolution.

(a) **Arbitration.** Except to the extent expressly provided below, any Dispute shall, upon the request of either party, be determined by binding arbitration in accordance with the Federal Arbitration Act, Title 9, United States Code (or if not applicable, the applicable state law), the then-current rules of arbitration of financial services disputes of the American Arbitration Association or any successor thereof ("AAA") and the "Special Rules" set forth below. "Dispute" means any controversy, claim or dispute between or among the parties to this Note, Agreement, or Guaranty, as applicable, including any controversy, claim or dispute arising out of or relating to (a) this Note, Agreement, or Guaranty, as applicable, (b) any other Loan Documents, (c) any related agreements or instruments, or (d) the transaction contemplated herein or therein (including any claim based on or arising from an alleged personal injury or business tort), in the event of any inconsistency, the Special Rules shall control. The filing of a court action is not intended to constitute a waiver of the right of Borrower or Lender, including the suing party, thereafter to require submittal of the Dispute to arbitration. Any party to this Note, Agreement, or Guaranty, as applicable, may bring an action, including a summary or expedited proceeding, to compel arbitration of any Dispute in any court having jurisdiction over such action. For the purposes of this Dispute Resolution Section only, the terms "party" and "parties" shall include any parent corporation, subsidiary or affiliate of Lender involved in the servicing, management or administration of any obligation described in or evidenced by this Note, Agreement, or Guaranty, as applicable, together with the officers, employees, successors and assigns of each of the foregoing.

(b) Special Rules.

(i) The arbitration shall be conducted in any U.S. state where real or tangible personal property collateral is located, or if there is no such collateral, in the City and County where Lender is located pursuant to its address for notice purposes in this Note, Agreement, or Guaranty, as applicable.

(ii) The arbitration shall be administered by AAA, who will appoint an arbitrator. If AAA is unwilling or unable to administer or legally precluded from administering the arbitration, or if AAA is unwilling or unable to enforce or legally precluded from enforcing any and all provisions of this Dispute Resolution Section, the any party to this Note, Agreement, or Guaranty, as applicable, may substitute another arbitration organization that has similar procedures to AAA and that will observe and enforce any and all provisions of this Dispute Resolution Section. All Disputes shall be determined by one arbitrator; however, if the amount in controversy in a Dispute exceeds Five Million Dollars (\$5,000,000), upon the request of any party, the Dispute shall be decided by three arbitrators (for purposes of this Note, Agreement, or Guaranty, as applicable, referred to collectively as the "arbitrator").

(iii) All arbitration hearings will be commenced within ninety (90) days of the demand for arbitration and completed within ninety (90) days from the date of commencement; provided, however, that upon a showing of good cause, the arbitrator shall be permitted to extend the commencement of such hearing for up to an additional sixty (60) days.

(iv) The judgment and the award, if any, of the arbitrator shall be issued within thirty (30) days of the close of the hearing. The arbitrator shall provide a concise written statement setting forth the reasons for the judgment and for the award, if any. The arbitration award, if any, may be submitted to any court having jurisdiction to be confirmed and enforced, and such confirmation and enforcement shall not be subject to arbitration.

(v) The arbitrator will give effect to statutes of limitations and any waivers thereof in determining the disposition of any Dispute and may dismiss one or more claims in the arbitration on the basis that such claim or claims is or are barred.

For purposes of the application of the statute of limitations, the service on AAA under applicable AAA rules of a notice of Dispute is the equivalent of the filing of a lawsuit.

(vi) Any dispute concerning this arbitration provision, including any such dispute as to the validity or enforceability of this provision, or whether a Dispute is arbitrable, shall be determined by the arbitrator; provided, however, that the arbitrator shall not be permitted to vary the express provisions of these Special Rules or the Reservations of Rights in subsection (c) below.

(vii) The arbitrator shall have the power to award legal fees and costs pursuant to the terms of this Note, Agreement, or Guaranty, as applicable,

(viii) The arbitration will take place on an individual basis without reference to, resort to, or consideration of any form of class or class action.

(c) **Reservations of Rights.** Nothing in this Note, Agreement, or Guaranty, as applicable, shall be deemed to (i) limit the applicability of any otherwise applicable statutes of limitation and any waivers contained in this Note, Agreement, or Guaranty, as applicable, or (ii) apply to or limit the right of Lender (A) to exercise self help remedies such as (but not limited to) setoff, or (B) to foreclose judicially or nonjudicially against any real or personal property collateral, or to exercise judicial or nonjudicial power of sale rights, (C) to obtain from a court provisional or ancillary remedies such as (but not limited to) injunctive relief, writ of possession, prejudgment attachment, or the appointment of a receiver, or (D) to pursue rights against a party to this Note, Agreement, or Guaranty, as applicable, in a third-party proceeding in any action brought against Lender in a state, federal or international court, tribunal or hearing body (including actions in specialty courts, such as bankruptcy and patent courts). Lender may exercise the rights set forth in clauses (A) through (D), inclusive, before, during or after the pendency of any arbitration proceeding brought pursuant to this Note, Agreement, or Guaranty, as applicable. Neither the exercise of self help remedies nor the institution or maintenance of an action for foreclosure or provisional or ancillary remedies shall constitute a waiver of the right of any party, including the claimant in any such action, to arbitrate the merits of the Dispute occasioning resort to such remedies. No provision in the Loan Documents regarding submission to jurisdiction and/or venue in any court is intended or shall be construed to be in derogation of the provisions in any Loan Document for arbitration of any Dispute.

(d) **Conflicting Provisions for Dispute Resolution.** If there is any conflict between the terms, conditions and provisions of this Section and those of any other provision or agreement for arbitration or dispute resolution, the terms, conditions and provisions of this Section shall prevail as to any Dispute arising out of or relating to (i) this Note, Agreement, or Guaranty, as applicable, (ii) any other Loan Document, (iii) any related agreements or instruments, or (iv) the transaction contemplated herein or therein (including any claim based on or arising from an alleged personal injury or business tort). In any other situation, if the resolution of a given Dispute is specifically governed by another provision or agreement for arbitration or dispute resolution, the other provision or agreement shall prevail with respect to said Dispute.

(e) **Jury Trial Waiver in Arbitration.** By agreeing to this Section, the parties irrevocably and voluntarily waive any right they may have to a trial by jury in respect of any Dispute.

9. Attorneys' Fees and Costs of Collection. The Guarantor shall pay on demand all attorneys' fees and all other costs and expenses incurred by the Lender in the enforcement of or preservation of the Lender's rights under this Guaranty. The Guarantor's obligations and liabilities under this Section 9 shall survive any payment or discharge in full of the Obligations.

10. Term of Guaranty. This Guaranty shall continue in effect until such time as the Obligations have been fully and finally paid and performed, except that, and notwithstanding any return of this Guaranty to the Guarantor, this Guaranty shall continue in effect (a) with respect to any of the Obligations that survive after expiration or termination of the Loan, (b) with respect to all obligations and liabilities of the Guarantor for indemnification and for the payment of all costs and expenses, as provided herein, and (c) as provided herein with respect to preferential, fraudulent or other voidable payments or other transfers.

11. Subordination. If, for any reason whatsoever, the Borrower is now or hereafter becomes indebted to the Guarantor:

(a) such indebtedness and all interest thereon and all liens, security interests and rights now or hereafter existing with respect to property of the Borrower securing same shall, at all times, be subordinate in all respects to the Obligations and to all liens, security interests and rights now or hereafter existing to secure the Obligations; and

(b) The Guarantor shall not be entitled to enforce or receive payment, directly or indirectly, of any such indebtedness of the Borrower to the Guarantor until the Obligations have been fully and finally paid and performed. Notwithstanding the foregoing, the Guarantor may receive payments upon close-out of any Project with regard to loans made by the Guarantor to the owner of any such Project, or with regard to loans made to Borrower on behalf of the owner of any such Project. Notwithstanding the foregoing, the Guarantor may receive payments from Borrower in the form of salaries or shareholder or member dividends.

12. Subrogation. Notwithstanding anything to the contrary contained herein (a) the Guarantor shall not have any right of subrogation in or under any of the Loan Documents or to participate in any way therein, or in any right, title or interest in and to any security or right of recourse for the Indebtedness, until the later of the date on which the Indebtedness has been fully and finally paid, or the Loan has expired or been terminated, and (b) if the Guarantor is or becomes an "insider" (as defined in Section 101 of the United States Bankruptcy Code) with respect to the Borrower, then the Guarantor hereby irrevocably and absolutely waives any and all rights of contribution, indemnification, reimbursement or any similar rights against the Borrower with respect to this Guaranty (including any right of subrogation, except to the extent of collateral held by the Lender), whether such rights arise under an express or implied contract or by operation of law. It is the intention of the parties that the Guarantor shall not be deemed to be a "creditor" (as defined in Section 101 of the United States Bankruptcy Code) of the Borrower by reason of the existence of this Guaranty in the event that the Borrower or the Guarantor becomes a debtor in any proceeding under the United States Bankruptcy code.

13. Notices. Unless specifically provided otherwise, any notice for purposes of this Guaranty shall be given in writing or by telecopier transmission and shall be addressed or delivered to the respective addresses set forth at the end of this Guaranty, or to such other address as may have been previously designated by the intended recipient by notice given in accordance with this Section. If sent by prepaid, registered or certified mail (return receipt requested), the notice shall be deemed effective when the receipt is signed or when the attempted initial delivery is refused or cannot be made because of a change in address of which the sending party has not been notified; and if transmitted by telecopier or personal delivery, the notice shall be effective when received. No notice of change of address shall be effective except upon actual receipt.

14. Cumulative Rights. The exercise by the Lender of any right or remedy hereunder or under any other Loan Document, or at law or in equity, shall not preclude the concurrent or subsequent exercise of any other right or remedy.

The Lender shall have all rights, remedies and recourses afforded to the Lender by reason of this Guaranty or any other Loan Document or by law or equity or otherwise, and the same shall be cumulative and concurrent and are intended to be, and shall be, nonexclusive. No waiver of any default on the part of the Guarantor or of any breach of any of the provisions of this Guaranty or of any other document shall be considered a waiver of any other or subsequent default or breach, and no delay or omission in exercising or enforcing the rights and powers granted herein or in any other document shall be construed as a waiver of such rights and powers, and no exercise or enforcement of any rights or powers hereunder or under any other document shall be held to exhaust such rights and powers, and every such right and power may be exercised from time to time. No provision of this Guaranty or any right, remedy or recourse of the Lender with respect hereto, or any default or breach, can be waived, nor can this Guaranty or the Guarantor be released or discharged in any way or to any extent, except specifically in each case by a writing intended for that purpose (and which refers specifically to this Guaranty) executed, and delivered to the Guarantor, by the Lender, except as otherwise provided herein.

15. Disclosure of Information. The Lender may sell or offer to sell the Loan or an interest in the Loan to one or more assignees or participants and may disclose to any such assignee or participant or prospective assignee or participant any information the Lender has pertaining to the Loan, the Obligations, this Guaranty, or the Guarantor. The Lender also may disclose any such information to any regulatory body having jurisdiction over the Lender and to any agent or attorney of the Lender and in such other circumstances and to such other parties as necessary or appropriate in the Lender's reasonable judgment.

16. Governing Law; Forum. This Guaranty is an agreement executed under seal, and its validity, enforcement, and interpretation, shall for all purposes be governed by and construed in accordance with the laws of the state of Georgia [CONFIRM] and applicable United States federal law, and is intended to be performed in accordance with, and only to the extent permitted by, such laws. If the Guarantor is a corporation, the designation "(SEAL)" on this Guaranty shall be effective as the affixing of Guarantor's corporate seal physically to this Guaranty. All obligations of the Guarantor hereunder are payable and performable at the place or places where the Obligations are payable and performable. The Guarantor hereby irrevocably submits generally and unconditionally for the Guarantor and in respect of the Guarantor respective property to the jurisdiction of any state court, or any United States federal court, sitting in the state in which any of the Land is located, over any suit, action or proceeding arising out of or relating to this Guaranty or the Obligations. The Guarantor hereby irrevocably waives, to the fullest extent permitted by law, any objection that the Guarantor may now or hereafter have to the laying of venue in any such court and any claim that any such court is an inconvenient forum.

17. Counterparts. This Guaranty may be executed in multiple counterparts, each of which, for all purposes, shall be deemed an original, and all of which together shall constitute one and the same agreement.

18. Miscellaneous. This Guaranty embodies the entire agreement between the Lender and the Guarantor with respect to the guaranty by the Guarantor of the Obligations. This Guaranty supersedes all prior agreements and understandings, if any, with respect to guaranty by the Guarantor of the Obligations. This Guaranty may not be modified, amended or superseded except in a writing signed by the Lender and the Guarantor referencing this Guaranty by its date and specifically identifying the portions hereof that are to be modified, amended or superseded. This Guaranty is binding not only on the Guarantor, but also on the Guarantor's heirs, personal representatives, successors and assigns. If any provision of this Guaranty or the application thereof to any Person or circumstance shall, for any reason and to

any extent, be declared to be invalid or unenforceable, neither the remaining provisions of this Guaranty nor the application of such provision to any other Person or circumstance shall be affected thereby, and the remaining provisions of this Guaranty, or the applicability of such provision to other Persons or circumstances, as applicable, shall remain in effect and be enforceable to the maximum extent permitted by applicable law.

19. Original Guaranty. Guarantor acknowledges that this Guaranty is given in substitution for, and amends, modifies and restates, and as amended, modified and restated, replaces the Original Guaranty. It is expressly understood and agreed that this Guaranty is given in replacement of the Original Guaranty, and that no obligations or liabilities evidenced by the Original Guaranty shall be discharged, cancelled or impaired by the execution and delivery of this Agreement. To the extent any of the terms of the Original Guaranty and this Guaranty conflict, the terms of this Guaranty will govern.

[SIGNATURES ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, the Guarantor duly executed and delivered this Guaranty, intending that it be an instrument under seal, as of the date first written above.

WITNESS:

GUARANTOR:

COMSTOCK HOMEBUILDING COMPANIES,
INC., a Delaware corporation.

By: /s/ Bruce Labovitz
Print Name: Bruce Labovitz
Print Title: CFO

By: /s/ Christopher Clemente
Print Name: Christopher Clemente
Print Title: CEO

(Seal)

ADDRESS OF GUARANTOR:

11465 Sunset Hills Road
5th Floor
Reston, Virginia 20190
Attention: Mr. Christopher Clemente

ADDRESS OF LENDER:

Bank of America, N.A.
Attn: Loan Administration, Ladreda Spencer
101 E. Kennedy Boulevard (7th Floor)
Tampa, FL 33602
Fax (813) 225-8322

FIRST LOAN MODIFICATION AGREEMENT

THIS FIRST LOAN MODIFICATION AGREEMENT (this "Modification" or this "Agreement") is made as of the _____ day of December, 2006, by and among: (a) **COMSTOCK BELLEMEADE, L.C.**, a Virginia limited liability company ("Borrower"); (b) **COMSTOCK HOMEBUILDING COMPANIES, INC.**, a Delaware corporation ("Guarantor"); (c) **BANK OF AMERICA, N.A.**, a national banking association, its successors and/or assigns ("Lender") and (d) **LENKA E. LUNDSTEN**, a resident of Fairfax County, Virginia as Trustee (the "Trustee").

RECITALS:

WHEREAS, pursuant to the terms of that certain Loan Agreement dated as of September 28, 2005, by and between Lender and Borrower (as the same may be amended, renewed, supplemented or restated from time to time, the "Loan Agreement"), Lender made a loan (the "Loan") to Borrower in the original principal amount of Forty-Six Million Seven Hundred Twenty-Five Thousand and No/100 Dollars (\$46,725,000.00), as evidenced by that certain Deed of Trust Note dated September 28, 2005 made by Borrower payable to the order of Lender in the original principal amount of Forty-Six Million Seven Hundred Twenty-Five Thousand and No/100 Dollars (\$46,725,000.00) (as the same may be amended, renewed, supplemented or restated from time to time, the "Note"); and

WHEREAS, Borrower's obligations under the Note are secured by, among other things, a Credit Line Deed of Trust and Security Agreement dated September 28, 2005, from Borrower for the benefit of Lender, and recorded among the land records of Loudoun County, Virginia on September 29, 2005 as instrument #200509290111056 (as the same may be amended, renewed, supplemented or restated from time to time, the "Deed of Trust"), covering certain real property and improvements thereon located in Loudoun County, Virginia and more particularly described therein and on Exhibit A attached hereto (collectively, the "Property"); and

WHEREAS, the Deed of Trust also secured a certain letter of credit facility (the "LOC Facility") in the amount of One Million and No/100 Dollars (\$1,000,000.00), as evidenced by that certain Letter of Credit Note dated as of September 28, 2005 made by Borrower payable to the order of Lender in the original principal amount of One Million and No/100 Dollars (\$1,000,000.00) (the "LOC Note"), however the LOC Facility was cancelled and terminated prior to the date hereof; and

WHEREAS, Borrower's obligations under the Note are guaranteed by Guarantor pursuant to a Guaranty Agreement dated September 28, 2005 (as the same may be amended, renewed, supplemented or restated from time to time, the "Guaranty"); and

WHEREAS, the outstanding principal balance under the Loan as of the date hereof is Thirty-Three Million One Hundred Twenty Three Thousand Three Hundred Twenty and 72/100 Dollars (\$33,123,320.72); and

WHEREAS, Borrower's obligations under the Note and the other Loan Documents (hereinafter defined) are hereinafter collectively called the "Obligations" the Note, the Deed of Trust, the Loan Agreement, the Guaranty and all other documents previously, now or hereafter executed and delivered to evidence, secure, guarantee, or in connection with, the Obligations, as the same may from time to time be renewed, extended, amended, supplemented or restated, are hereinafter collectively called the "Loan Documents". and all liens, security interests, assignments,

Bank of America — Comstock Bellemeade Modification

superior titles, rights, remedies, powers, equities and priorities securing the Note or providing recourse to Lender with respect thereto are hereinafter collectively called the "Liens"; and

WHEREAS, at the request of the Borrower, the Lender has agreed to modify the Loan to (i) extend the Maturity Date of the Loan; (ii) modify the maximum principal amount of the Loan; (iii) modify certain payment terms of the Loan; and (iv) make certain other changes to the Loan Documents as set forth herein; and

WHEREAS, Lender issued a notice of default to Borrower and Guarantor on October 18, 2006 (the "Notice") with respect to the Loan which was disputed by Borrower and Guarantor. Upon execution and delivery of this Modification by Borrower and Guarantor and provided that the conditions set forth in Section 3 of this Modification are satisfied, Lender hereby expressly agrees that the Notice is withdrawn and of no further force and effect; and

NOW, THEREFORE, in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by all parties, the parties agree as follows:

1. **Recitals.** The recitals set forth above are a material part of this Agreement. Borrower acknowledges and affirms the accuracy of the recitals set forth above.
2. **Definitions.** All capitalized terms herein, unless otherwise defined herein, shall have the same meaning ascribed to such terms as in the Loan Documents.
3. **Modification to Atlanta Loan, Highlands Loan and Fifteen Million Dollar Comstock Loan.** Simultaneously with the execution of this Agreement, (i) Comstock Homes of Atlanta, LLC, Comstock Homes of Myrtle Beach, LLC (formerly known as Parker-Chandler Homes/South Carolina, LLC) and Guarantor shall execute that certain Loan Modification Agreement in connection with that certain loan originally made by Lender to Comstock Homes of Atlanta, LLC (formerly known as PCH Development, LLC which is successor by merger to Parker Chandler Homes, Inc.) in the original principal amount of Seven Million Five Hundred Thousand and No/100 Dollars (\$7,500,000.00) (as the same has been amended, renewed, supplemented or restated from time to time, the "Atlanta Homes Loan") (ii) Highland Avenue Properties, LLC and Guarantor shall execute that certain Loan Modification Agreement in connection with that certain loan originally made by Lender to Highland Avenue Properties, LLC in the original principal amount of Four Million Eight Hundred Fifty-One Thousand Two Hundred Thirty-Five and No/100 Dollars (\$4,851,235.00) (as the same has been amended, renewed, supplemented or restated from time to time, the "Highlands Loan") and (iii) Guarantor shall execute that certain Second Loan Modification Agreement in connection with that certain loan originally made by Lender to Guarantor in the original principal amount of Fifteen Million and No/100 Dollars (\$15,000,000.00) (as the same may be amended, renewed, supplemented or restated from time to time, the "Fifteen Million Dollar Comstock Loan").
4. **Maturity.** All of the Obligations, including (without limitation) all outstanding principal, accrued and unpaid interest, outstanding late charges, unpaid fees, and all other amounts outstanding under the Note and the other Loan Documents, shall be due and payable in full on December 31, 2007 (the "Maturity Date"). All references to the Maturity Date contained in the Loan Documents shall refer to the Maturity Date as defined in this Agreement.
5. **Amount of Loan.** The Note and the Loan Documents are hereby amended to reduce the maximum aggregate principal amount which can be outstanding under the Loan to

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Thirty-Three Million One Hundred Twenty Three Thousand Three Hundred Twenty and 72/100 Dollars (\$33,123,320.72). There shall be no further advances of principal under the Loan. Any reference in any of the Loan Documents to the amount of the Loan or Note as \$46,725,000.00 is hereby deleted in its entirety and the amount \$33,123,320.72 is substituted in lieu thereof. From and after the date hereof, Borrower must make all payments of any kind whatsoever, due by Borrower to Lender in connection with the Loan, via wire transfer of immediately available funds, in accordance with the wiring instructions attached hereto as Exhibit B.

6. Condominium. Lender hereby agrees that Borrower is permitted to terminate the declaration of condominium in effect at the Property and lease any of the units at the Property provided that Borrower complies with all applicable laws, rules and regulations with respect thereto.

7. Deed of Trust Note.

a. Section 1(a). Section 1(a) of the Note is hereby deleted in its entirety and replaced with the following:

"Accrued and unpaid interest shall continue to be due and payable on the first day of each month until December 31, 2007 (the "Maturity Date"), at which time the entire outstanding principal balance hereof, all accrued and unpaid interest hereon and all other amounts payable hereunder, shall be due and payable in full without notice. Notwithstanding the foregoing, Borrower may elect to extend the Maturity Date for one (1) period of twelve (12) months (the "Extension Period") provided that: (i) prior to the commencement of the Extension Period, no Default has occurred and remains uncured under (a) this Loan or (b) that certain loan originally made by Beneficiary to Parker-Chandler Homes, Inc. in the original principal amount of Seven Million Five Hundred Thousand and No/100 Dollars (\$7,500,000.00) (as the same has been amended, renewed, supplemented or restated from time to time, the "Atlanta Homes Loan") or (c) that certain loan originally made by Beneficiary to Highland Avenue Properties, LLC in the original principal amount of Four Million Eight Hundred Fifty One Thousand Two Hundred Thirty-Five and No/100 Dollars (\$4,851,235.00) (as the same has been amended, renewed, supplemented or restated from time to time, the "Highlands Loan") or (d) that certain loan originally made by Beneficiary to Comstock Homebuilding Companies, Inc. in the original principal amount of Fifteen Million and No/100 Dollars (\$15,000,000.00) (the "Fifteen Million Dollar Comstock Loan"); and (ii) the Borrower has timely made all required principal payments pursuant to Section 1(b) hereof; and (iii) the Borrower pays an extension fee to Lender in an amount equal to one-half of one percent (0.50%) of the then outstanding Loan amount, taking into account any payments made in reduction of the then outstanding Loan amount, which extension fee must be paid by Borrower to Lender in immediately available funds on or before December 31, 2007; and (iv) the Borrower pays to Lender, in immediately available funds on or before December 31, 2007, an amount (the "Mandatory September Appraisal Payment") sufficient to reduce the then outstanding principal balance of the Loan to eighty-percent (80%) of the value of the Property as determined pursuant to the September Appraisal (as hereinafter defined), and (v) on or before August 1, 2007, Borrower provides Lender with written notice that Borrower elects to extend the Maturity Date for the Extension Period (such election in accordance with the terms hereof shall be referred to as the "Extension Option").

Upon the timely receipt by Lender of Borrower's written election to exercise the Extension Option, Lender shall order an "as-is" appraisal of the Property on a per unit basis in September of 2007, at the sole cost and expense of Borrower, which appraisal shall be satisfactory to Lender in Lender's sole discretion (the "September Appraisal").

The Mandatory September Appraisal Payment shall be calculated, in Lender's sole discretion, based upon: (i) the September Appraisal and (ii) the number of units encumbered by the Deed of Trust (as hereinafter defined) on December 30, 2007 and (iii) the principal amount of the Loan outstanding on December 30, 2007."

b. Section 1(b), Section 1(b) of the Note is hereby deleted and replaced with the following:

"In addition to all payments due and payable pursuant to Section 1(a) of this Note, Borrower shall pay to Lender, in immediately available funds, payments to reduce the outstanding principal balance of the Loan in accordance with the following schedule contained in this Section 1(b):

Due Date	\$ Amount of Required Principal Payment
June 30, 2007	\$ 500,000.00
Extension Period	
March 31, 2008	\$1,000,000.00
June 30, 2008	\$1,000,000.00
September 30, 2008	\$1,000,000.00

Borrower hereby agrees that, in the event Borrower is unable to make the aforementioned payments from the sale of units at the Property, Borrower is nevertheless obligated to make the aforementioned payments to Lender with no exceptions. Failure to make any of the payments specified on the schedule contained in this Section 1 (b) shall constitute a Default and/or Event of Default as defined in the Loan Documents and Lender shall be immediately entitled to exercise all remedies available to Lender under any and all of the Loan Documents.—

8. Deed of Trust.

Section 10.1, Section 10.1 of the Deed of Trust is hereby deleted and replaced with the following:

"Prior to the Maturity Date, upon request from the Grantor, and provided no default exists under any of the Loan Documents, the Beneficiary shall release any Unit upon payment by the Grantor of a release price in accordance with the schedule below. The payment of a release price shall be applied as set forth in Section 8 of the Deed of Trust Note and in accordance with Exhibit B attached hereto. The Grantor shall pay any and all legal fees incurred by the Beneficiary in connection with any such release.

Type of Unit	Square Footage	Release Price
1 bedroom/1 bath	486	\$136,334
1 bedroom/1 bath	590	\$163,619
1 bedroom/1 bath	677	\$177,262
1 bedroom/1 bath	748	\$185,447
2 bedroom/2 bath	901	\$222,813
2 bedroom/2 bath	1010	\$238,835

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If Grantor elects to extend the Maturity Date in accordance with the terms of the Deed of Trust Note (as the same may be amended, renewed, supplemented or restated from time to time), Beneficiary shall release any unit upon payment by the Grantor of a release price determined by Lender, in Lender's sole discretion, equal to the greater of either (i) the release price listed in this Section 10.1 for the unit Grantor wishes to have released or (ii) the as-is value of the unit as determined by the September Appraisal (as defined in the Deed of Trust Note)."

9. Loan Agreement.

a. Section 6.1(b). The following language shall be added to the Loan Agreement as Section 6.1(b) and the remaining subsections of Section 6.1 shall be re numbered accordingly:

"(b) Additionally, Borrower must submit to Lender (i) within ten (10) days from the end of each month, monthly financial statements (all of which financial statements must include a balance sheet, income statement, sources and uses of funds for such fiscal month, projected sources and uses of funds for the coming month, detailed listing and description of all contingent liabilities, tax returns, written verification of liquidity and such other supporting schedules and documentation). All such financial statements shall be certified as true and correct by the Chief Financial Officer of Comstock Homebuilding Companies, Inc. in a form acceptable to the Lender in all respects; and (ii) within thirty (30) days from the end of each month a certified rent roll for the Property; and"

b. Section 6.15. Section 6.15 of the Loan Agreement is hereby deleted and replaced in its entirety with the following:

"In accordance with Section 1 (b) of the Note, Borrower shall pay to Lender, in immediately available funds, payments to reduce the outstanding principal balance of the Loan as follows:

Due Date	\$ Amount of Required Principal Payment
June 30, 2007	\$ 500,000.00
Extension Period	
March 31 , 2008	\$ 1,000,000.00
June 30 , 2008	\$1,000,000.00
September 30 , 2008	\$ 1,000,000.00

Borrower hereby agrees that, in the event Borrower is unable to make the aforementioned payments from the sale of units at the Property, Borrower is nevertheless obligated to make the aforementioned payments to Lender with no exceptions. Failure to make any of the payments specified on the schedule contained in this Section 6.15 shall constitute a Default and/or Event of Default as defined in the Loan Documents and Lender shall be immediately entitled to exercise all remedies available to Lender under any and all of the Loan documents."

Bank of America — Comstock Bellemeade Modification

10. Borrower's Representations and Warranties. The Borrower hereby reaffirms all of representations and warranties set forth in the Loan Documents, and further represents and warrants that; (a) the Borrower is the sole legal and beneficial owner of the Property; (b) the execution and delivery of this Agreement does not contravene, result in a breach of, or constitute a default under, any deed of trust, loan agreement, indenture or other contract or agreement to which Borrower is a party or by which Borrower or any of its properties may be bound (nor would such execution and delivery constitute such a default with the passage of time or the giving of notice or both), and does not violate or contravene any law, order, decree, rule, regulation or restriction to which Borrower or the Property is subject; (c) this Agreement constitutes the legal, valid and binding obligations of Borrower enforceable in accordance with its terms; (d) the execution and delivery of, and performance under, this Agreement are within Borrower's power and authority without the joinder or consent of any other party and have been duly authorized by all requisite action, and are not in contravention of any law, or of any indenture, agreement or undertaking to which Borrower is a party or by which it is bound; (e) there exists no default under the Note or any other Loan Document; (f) there are no offsets, claims or defenses with respect to the Obligations; and (g) Borrower is duly organized and legally existing under the laws of the state of its organization and is duly qualified to do business in the Commonwealth of Virginia. The Borrower further represents and warrants that, except as disclosed in public filings, there is no material suit, judicial or administrative action, claim, investigation, inquiry, proceeding or demand pending (or, to Borrower's knowledge, threatened) against (i) Borrower, or against any other person liable directly or indirectly for the Obligations, or (ii) which affects the Property or the Borrower's title to the Property, or (iii) which affects the validity enforceability or priority of any of the Loan Documents. Borrower agrees to indemnify and hold the Lender harmless against any loss, claim, damage, liability or expense (including, without limitation, attorneys' fees) incurred as a result of any representation or warranty made by Borrower herein which proves to be untrue or inaccurate in any respect, and any such occurrence shall constitute a default under the Loan Documents.

11. Guaranty. Paragraph (i) and (ii) are hereby deleted from Section 4 of the Guaranty.

12. Renewal; Lien Continuation; No Novation. Borrower hereby renews the Obligations and promises to pay and perform all Obligations as modified by this Agreement. The Liens are hereby ratified and confirmed as valid, subsisting and continuing to secure the Obligations, as modified hereby. Nothing herein shall in any manner diminish, impair, waive or extinguish the Note, the Obligations or the Liens. The execution and delivery of this Agreement shall not constitute a novation of the debt evidenced and secured by the Loan Documents.

13. Expenses. Borrower shall pay all costs and expenses and reimburse Lender for any and all expenditures of every character incurred or expended from time to time, regardless of whether a default shall have occurred, in connection with (a) this Agreement; (b) the restructuring of the Loan which has occurred previous to and simultaneously with the execution of this Agreement; (c) the issuance by Lender at any time (including any time prior to the execution of this Agreement) of any default letters or standstill letters or correspondence of any kind to Borrower in connection with the Loan; (d) the evaluation, monitoring and protection of the Property pursuant to rights given in the Loan Documents or by law; and (e) the creation, perfection or realization upon the Liens, and all costs and expenses relating to Lender's exercise of any of its rights and remedies under any of the Loan Documents or at law, including, without limitation, all filing fees, taxes, brokerage fees and commissions, title review and abstract fees, recordation and transfer taxes, Uniform Commercial Code search fees, other fees and expenses incident to title searches,

Bank of America — Comstock Bellemeade Modification

reports and security interests, escrow fees, attorneys' fees, legal expenses, court Costs, fees and expenses incurred in connection with any complete or partial liquidation of the Property, and all fees and expenses for any professional service relating to the Property or any operations conducted in connection with it; provided, however, no right or option granted by Borrower to Lender or otherwise arising pursuant to any provision of this or any other document shall be deemed to impose a duty on Lender to supervise, monitor or protect any aspect of the Property or any operations conducted in connection with it.

14. Reaffirmation of Guaranty. Guarantor, by signature below as such, for a valuable consideration, the receipt and adequacy of which are hereby acknowledged, hereby consents to and joins in this Agreement and hereby declares to and agrees with Lender that the Guaranty Agreement is and shall continue in full force and effect for the benefit of Lender with respect to the Obligations, as amended by this Agreement, that there are no offsets, claims, counterclaims, crossclaims or defenses of the Guarantor with respect to the Guaranty Agreement nor, to the Guarantor's knowledge, with respect to the Obligations, that the Guaranty Agreement is not released, diminished or impaired in any way by this Agreement or the transactions contemplated hereby, and that the Guaranty Agreement is hereby ratified and confirmed in all respects. Each Guarantor hereby reaffirms all of the representations, warranties and covenants set forth in the Guaranty Agreement. Each Guarantor acknowledges that without this consent and reaffirmation, Lender would not execute this Agreement or otherwise consent to its terms.

15. Authorization. At the time of execution of this Modification, Borrower shall, if and to the extent requested by Lender, deliver to Lender (a) the opinion of Borrower's counsel dated the date hereof, in form and substance satisfactory to Lender, that this Agreement has been duly authorized, executed and delivered by Borrower and the Guarantor and is binding on, and enforceable against, the Borrower and the Guarantor in accordance with its terms; and (b) such other evidence of due authorization and execution by the Borrower and the Guarantor as the Lender may require.

16. Further Assurances. The Borrower agrees to execute and deliver to the Lender, promptly upon request from Lender, such additional documents as may be necessary or appropriate to consummate the transactions contemplated herein or to perfect, or continue the perfection of, the Liens.

17. No Defenses. Borrower and Guarantor, as the case may be, each represent and warrant that they (individually and collectively) have no claims, actions, causes of action, defenses, counterclaims or setoffs of any kind or nature which they can assert against Lender in connection with the making, closing, administration, collection or enforcement by Lender of the Loan Documents, this Agreement or any related agreements.

18. Default Under Deed of Trust. If Borrower shall fail to keep or perform any of the covenants or agreements contained herein or in any of the Loan Documents, or if any statement, representation or warranty contained herein is false, misleading or erroneous in any material respect, Borrower shall be deemed to be in default under the Deed of Trust and Lender shall be entitled at its option to exercise any and all of the rights and remedies granted pursuant to the Deed of Trust, as amended hereby, or any other Loan Document or to which Lender may otherwise be entitled, whether at law or in equity.

19. No Waiver by Lender. Borrower acknowledges and agrees that the execution of this Agreement by the Lender is not intended nor shall it be construed as (a) an actual or implied waiver of any, default under the Note, the Deed of Trust or any other Loan Document (apart from Borrower's failure to make the principal payment required to be made under the Loan on September 30, 2006), or (b) an actual or implied waiver of any condition or obligation imposed upon the Borrower pursuant to the Note, the Deed of Trust or any other Loan Document, except to the extent, if any, specified herein.

20. Borrower's Performance. If Borrower should fail to comply with any of the agreements, covenants or obligations of the Borrower under this or any other Loan Document, then Lender (in Borrower's name or in its own name) may, but is under no obligation to, perform them or cause them to be performed for the account of Borrower at Borrower's sole expense. Any and all expenses thus incurred or paid by Lender shall be Borrower's demand obligations to Lender and shall bear interest, from the date of Lender's payment of any such obligation or expense for Borrower's account until the date on which Borrower repays it to Lender, at the default rate of interest set forth in the Note. Upon making any such payment or incurring any such expense, Lender shall be fully subrogated to all of the rights of the person or entity receiving such payment. Any amounts owing by Borrower to Lender pursuant to this provision or any other provision of this Agreement shall automatically and without notice constitute a portion of the Obligations evidenced by the Note secured by the Deed of Trust and the other Loan Documents, and guaranteed by the Guarantors under the Guaranty. The amount and nature of any such expense and the time when paid shall be fully established by the affidavit of Lender or any of Lender's officers or agents.

21. Release of Lender. Upon execution of this Agreement, Borrower and Guarantor each hereby releases, remises and forever discharges Lender, its employees, officers, directors, consultants, advisors, participants, agents and affiliates (collectively, the "Lender Parties") from any and all causes of actions, suits, debts, claims and demands whatsoever arising prior to execution of this Agreement in law or in equity due to any action taken or omitted to be taken by any of the Lender Parties in connection with the Loan, the Atlanta Homes Loan, the Highlands Loan, the LOC Note, the Fifteen Million Dollar Comstock Loan or any other potential transaction between Guarantor (or any affiliate of Guarantor) and Lender that may have been discussed with Lender but not consummated.

22. Miscellaneous. To the extent of any conflict between the Note (or any earlier modification of it) and this Modification, this Modification shall control. Except as hereby expressly modified, all terms of the Note and all other Loan Documents (as any of them may have been previously modified by any written agreement) remain in full force and effect. This Agreement (a) shall bind and benefit the parties hereto and their respective heirs, beneficiaries, administrators, executors, receivers, trustees, successors and assigns (provided, however, no party other than the Lender shall assign its rights hereunder without the prior written consent of the Lender); (b) may be modified or amended only by a writing signed by the Lender and the Borrower; (c) SHALL BE GOVERNED BY (INCLUDING BUT NOT LIMITED TO ITS VALIDITY, ENFORCEMENT AND INTERPRETATION) THE LAWS OF THE COMMONWEALTH OF VIRGINIA AND UNITED STATES FEDERAL LAW; (d) may be executed in several counterparts, and by the parties hereto on separate counterparts, and each counterpart, when executed and delivered, shall constitute an original agreement enforceable against all who signed it without production of or accounting for any other counterpart, and all separate counterparts shall constitute the same agreement; and (e) embodies the entire agreement and understanding between the parties with respect to modifications of documents provided for herein and supersedes all prior conflicting or inconsistent agreements, consents and understandings relating to such subject matter. "Borrower" shall include, in their individual capacities and jointly, all parties hereinabove named as the Borrower. The duties, covenants, conditions, obligations, and warranties of the Borrower in this Agreement shall be joint and several obligations of the Borrower and, if more than one, of each party named a the Borrower hereinabove, and each such party's heirs, legal representatives, successors and assigns.

If any Borrower is a corporation, partnership or other legal entity, the Borrower and the person or persons signing for it represent and warrant to the Lender that this Agreement is duly executed, acknowledged and delivered by the Borrower's duly authorized representatives. Whenever used herein, the singular number shall include the plural and the plural the singular, and any gender shall be applicable to all genders. The use of the words "herein", "hereof", "hereunder" and other similar compounds of the word "here" shall refer to this entire Modification and not to any particular section, paragraph or provision. The headings in this Modification shall be accorded no significance in interpreting it.

23. Notices. All notices, in connection with the Loan addressed to Lender, shall hereinafter be sent to Lender at the following address:

Lender:

Norman Trepner
Bank of America, N.A.
187 Danbury Road
Wilton, CT 06897
Fax (203) 423-4003

with a copy to:

Bank of America, N.A.
Attn: Loan Administration, Ladreda Spencer
101 E. Kennedy Boulevard (7th Floor)
Tampa, FL 33602
Fax (813) 225-8322

with a copy to:

Bank of America, N.A.
Attn: Loan Administration, Kathle Hatton
101 E. Kennedy Boulevard (7th Floor)
Tampa, FL 33602
Fax (813) 225-8322

with a copy to:

Friedlander, Misler, Sloan, Kletzkina & Ochsmann, PLLC
Attn: David M. Astrove
1101 17th Street, NW, Suite 700
Washington, DC 20036

**[remainder of page intentionally left blank]
[signatures to follow]**

Bank of America — Comstock Bellemeade Modification

EXECUTED ON THE DATE OR DATES OF THE ACKNOWLEDGMENTS HEREOF, BUT EFFECTIVE AS OF THE DATE FIRST STATED IN THIS AGREEMENT.

WITNESS:

BORROWER:

COMSTOCK BELLEMEADE, L.C., a Virginia limited liability company

By: COMSTOCK HOMEBUILDING COMPANIES, INC., as Manager

/s/ Bruce Labovitz
Print Name: Bruce Labovitz

By: /s/ Christopher Clemente
Print Name:
Print Title:

[SEAL]

COMMONWEALTH OF VIRGINIA)
)ss:
COUNTY OF Fairfax)

I, Kelly L. Wyche, a Notary Public in and for the aforesaid said jurisdiction, do hereby certify that Christopher Clemente who is personally well known to me as (or satisfactorily proven to me to be) the person who signed the foregoing instrument executed this 28 day of December, 2006, personally appeared before me in said jurisdiction and acknowledged that he is the CEO of COMSTOCK HOMEBUILDING COMPANIES, INC., a Delaware corporation, which is the Manager of COMSTOCK BELLEMEADE, L.C., a Virginia limited liability company which is a party to the foregoing instrument; that he has been duly authorized to execute and deliver the foregoing instrument for the purposes therein contained and that the same is his act and deed and the act and deed of COMSTOCK BELLEMEADE, L.C.

IN WITNESS WHEREOF, I have set my hand and Notarial Seal, this 28 day of December , 2006.

Kelly L. Wyche
Notary Public

(SEAL)

My Commission expires: 11-30-08

[signatures continue on the next page]

WITNESS:

LENDER:

BANK OF AMERICA, N.A.

Print Name:

By: _____
Print Name:
Print Title:

[CORPORATE SEAL]

STATE OF FLORIDA)
) ss:
COUNTY OF HILLSBOROUGH)

I, _____, Notary Public in and for the aforesaid jurisdiction, do hereby certify that _____, who is personally well known to me as (or satisfactorily proven to me to be) the person who signed the foregoing instrument executed this _____ day of _____, 2006, personally appeared before me in said jurisdiction and acknowledged that he is the _____, of **BANK OF AMERICA, N.A.**, a national banking association; that he has been duly authorized to execute and deliver the foregoing instrument for the purposes therein contained and that the same is his act and deed and the act and deed of **BANK OF AMERICA, N.A.**

IN WITNESS WHEREOF, I have set my hand and Notarial Seal, this _____ day of _____, 2006.

Notary Public

(SEAL)

My Commission expires: _____

[signatures continue on the next page]

WITNESS:

/s/ Bruce Labovitz
Print Name: Bruce Labovitz

[SEAL]

COMMONWEALTH OF VIRGINIA)
) ss:
COUNTY OF Fairfax)

I, Kelly L. Wyche, a Notary Public in and for the aforesaid jurisdiction, do hereby certify that Christopher Clemente, who is personally well known to me as (or satisfactorily proven to me to be) the person who signed the foregoing instrument executed this 27 day of December, 2006, personally appeared before me in said jurisdiction and acknowledged that he is the CEO of **COMSTOCK HOMEBUILDING COMPANIES, INC.**, a Delaware corporation which is a party to the foregoing instrument; that he has been duly authorized to execute and deliver the foregoing instrument for the purposes therein contained and that the same is his act and deed and the act and deed of **COMSTOCK HOMEBUILDING COMPANIES, INC.**, a Delaware corporation.

IN WITNESS WHEREOF, I have set my hand and Notarial Seal, this 27 day of December, 2006.

GUARANTOR:

COMSTOCK HOMEBUILDING COMPANIES, INC., a Delaware corporation

By: /s/ Christopher Clemente
Print Name: Christopher Clemente
Print Title: CEO

/s/ Kelly L. Wyche
Notary Public

(SEAL)

My Commission expires: 11-30-08

[signatures continue on the next page]

Bank of America — Comstock Bellemeade Modification

WITNESS:

TRUSTEE:

Print Name:

LENKA E. LUNDSTEN
Sole Acting Trustee

[CORPORATE SEAL]

COMMONWEALTH OF VIRGINIA)
) ss:
COUNTY OF _____)

I HEREBY CERTIFY that on this _____ day of _____, 2006, before me, the subscriber, a Notary Public in and for the jurisdiction aforesaid, personally appeared in said jurisdiction LENKA E. LUNDSTEN, personally well known to me (or satisfactorily proven) to be the person who executed the foregoing instrument as TRUSTEE; and acknowledged that, having authority to do so, she executed the foregoing instrument as her act and deed for the purposes therein contained, and delivered the same as such.

WITNESS my hand and Notarial Seal the year and day first above written.

Notary Public [SEAL]

Bank of America — Comstock Bellemeade Modification

SECOND LOAN MODIFICATION AGREEMENT

THIS SECOND LOAN MODIFICATION AGREEMENT (this "Agreement" or this "Modification") is made effective as of the 22nd day of November, 2006, by and among: COMSTOCK HOMEBUILDING COMPANIES, INC., a Delaware corporation (the "Borrower," whether one or more) and BANK OF AMERICA, N.A., a national banking association, its successors and assigns (the "Lender").

RECITALS:

WHEREAS, pursuant to the terms of that certain Revolving Line of Credit Note dated as of February 22, 2006, by and between Borrower and Lender (and as the same may be further modified, renewed, supplemented or restated, the "Note"), Lender made a loan (the "Loan") to Borrower in the original principal amount of Fifteen Million and No/100 Dollars (\$ 15,000,000.00), as evidenced by the Note (all documents executed in connection with the Loan are hereinafter referred to as the "Loan Documents"). Borrower's obligations under the Note and the other Loan Documents are hereinafter collectively called the "Obligations".

WHEREAS, pursuant to that certain Loan Modification Agreement dated August 22, 2006, Borrower and Lender agreed to (i) reduce the maximum outstanding principal amount of the loan to Ten Million and No/100 Dollars (\$10,000,000.00); (ii) extend the Maturity Date of the Loan to November 22, 2006 and (iii) make certain other changes in connection with the Loan and Loan Documents.

WHEREAS, the outstanding principal balance under the Loan as of the date hereof is Ten Million and No/100 Dollars (\$10,000,000.00); and

WHEREAS, at the request of the Borrower, the Lender has agreed to modify the Loan to (i) reduce the principal amount of the Loan; (ii) extend the Maturity Date of the Loan and (ii) modify certain payment terms of the Loan.

NOW, THEREFORE, in consideration of the sum of Ten Dollars (\$10.00), and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by all parties, the parties agree as follows:

1. **Recitals.** The recitals set forth above are a material part of this Agreement. Borrower acknowledges and affirms the accuracy of the recitals set forth above.

2. **Definitions.** All capitalized terms herein, unless otherwise defined, shall have the same meaning ascribed to such terms as in the Loan Documents.

3. **Maturity.** All of the Obligations, including (without limitation) all outstanding principal, accrued and unpaid interest, outstanding late charges, unpaid fees, and all other amounts outstanding under the Note and the other Loan Documents, shall be due and payable in full on December 28, 2007 (the "Maturity Date"). All references to the Maturity Date contained in the Loan Documents shall refer to the Maturity Date as defined in this Agreement.

4. **Revolving Line of Credit Note.**

a. **Revolver.** The title of the Note is hereby amended to "Note". From the date hereof, the Loan is not revolving. Any amount repaid may not be reborrowed.

Bank of America — Comstock Homebuilding Unsecured Loan Modification

b. Amount. The Note is hereby amended to change the maximum aggregate principal amount which can be outstanding under the Note to Five Million and No/100 Dollars (\$5,000,000.00), on the terms and conditions set forth in the Note. Any reference in the Loan Documents, as modified, to the amount of the Loan or Note as \$10,000,000.00 is hereby deleted in its entirety and the amount \$5,000,000.00 is substituted in lieu thereof.

c. Payments Due at Closing. Upon execution hereof, Borrower shall pay to Lender (i) Five Million and No/100 Dollars (\$5,000,000.00), in reduction of the current outstanding principal amount of the Note, which amount is sufficient to reduce the outstanding principal amount of the Note to Five Million and No/100 Dollars (\$5,000,000.00) and (ii) all unpaid interest that has accrued under the Loan as of December 28, 2006.

d. Interest Payments. Accrued and unpaid interest shall be due and payable on the 28th of each month commencing January 28, 2007.

e. Principal Payments. In addition to all other payments required under the Note, Borrower shall pay to Lender, in immediately available funds, five monthly payments in the amount of Eight Hundred Thirty Four Thousand and No/100 Dollars (\$834,000.00), which shall be due and payable on July 28, 2007, August 28, 2007, September 28, 2007, October 28, 2007 and November 28, 2007. Furthermore, Borrower shall pay to Lender, in immediately available funds, one payment in the amount of Eight Hundred Thirty Thousand and No/100 Dollars (\$830,000.00), which shall be due and payable on the Maturity Date together with all interest, fees and amounts then due under the Loan.

f. Additional Financial Statements Required. The following language shall be added as Section 8(a)(iv) of the Note:

“Additionally, Borrower must submit to Lender within ten (10) days from the end of each month, monthly financial statements (all of which financial statements must include a balance sheet, income statement, sources and uses of funds for such fiscal month, projected sources and uses of funds for the coming month, detailed listing and description of all contingent liabilities, tax returns, written verification of liquidity and such other supporting schedules and documentation). All such financial statements shall be certified as true and correct by Borrower’s Chief Financial Officer in a form acceptable to the Lender in all respects.”

g. Form of Payment. From the date hereof, Borrower must make all payments of any kind whatsoever, due by Borrower to Lender in connection with the Loan, via wire transfer of immediately available funds, in accordance with the wiring instructions attached hereto as Exhibit A.

h. Covenants. Section 8(b) and 8(c) of the Note are hereby deleted.

5. Modification to Atlanta Loan, Highlands Loan and Bellemeade Loan. Simultaneously with the execution of this Agreement, (i) Comstock Homes of Atlanta, LLC, Comstock Homes of Myrtle Beach, LLC (formerly known as Parker-Chandler Homes/South Carolina, LLC) and Borrower shall execute that certain Loan Modification Agreement in connection with that certain loan originally made by Lender to Comstock Homes of Atlanta, LLC (formerly known as PCH Development, LLC which is successor by merger to Parker Chandler Homes, Inc.) in the original principal amount of Seven Million Five Hundred Thousand and No/100 Dollars (\$7,500,000.00) (as the same has been amended, renewed, supplemented or restated from time to

time, the "Atlanta Homes Loan") (ii) Highland Avenue Properties, LLC and Borrower shall execute that certain Loan Modification Agreement in connection with that certain loan originally made by Lender to Highland Avenue Properties, LLC in the original principal amount of Four Million Eight Hundred Fifty One Thousand Two Hundred Thirty-Five and No/100 Dollars (\$4,851,235.00) (as the same has been amended, renewed, supplemented or restated from time to time, the "Highlands Loan"); and (iii) Comstock Bellemeade, L.C. and Borrower shall execute that certain First Loan Modification Agreement in connection with that certain loan originally made by Lender to Comstock Bellemeade, L.C. in the original principal amount of Forty-Six Million Seven Hundred Twenty-Five Thousand and No/100 Dollars (\$46,725,000.00) (as the same has been amended, renewed, supplemented or restated from time to time, the "Bellemeade Loan").

6. Borrower's Representations and Warranties. The Borrower hereby reaffirms all of representations and warranties set forth in the Loan Documents, and further represents and warrants that: (a) the execution and delivery of this Agreement does not contravene, resulting in a breach of, or constitute a default under, any deed of trust, loan agreement, indenture or other contract or agreement to which Borrower is a party or by which Borrower or any of its properties may be bound (nor would such execution and delivery constitute such a default with the passage of time or the giving of notice or both), and does not violate or contravene any law, order, decree, rule, regulation or restriction to which Borrower or any of Borrower's Property is subject; (b) this Agreement constitutes the legal, valid and binding obligations of Borrower enforceable in accordance with its terms; (c) the execution and delivery of, and performance under, this Agreement are within Borrower's power and authority without the joinder or consent of any other party and have been duly authorized by all requisite action, and are not in contravention of any law, or of any indenture, agreement or undertaking to which Borrower is a party or by which it is bound; (d) there exists no default under the Note or any other Loan Document which will not be cured by execution of this Modification; (e) there are no offsets, claims or defenses with respect to the Obligations; and (f) Borrower is duly organized and legally existing under the laws of the state of its organization and is duly qualified to do business in the Commonwealth of Virginia. The Borrower further represents and warrants that, except as disclosed in public filings, there is no material suit, judicial or administrative action, claim, investigation, inquiry, proceeding or demand pending (or, to Borrower's knowledge, threatened) against (i) Borrower, or against any other person liable directly or indirectly for the Obligations, or (ii) which affects title to any of Borrower's Property or the Borrower's title to any of Borrower's Property, or (iii) which affects the validity enforceability or priority of any of the Loan Documents. Borrower agrees to indemnify and hold the Lender harmless against any loss, claim damage, liability or expense (including, without limitation, attorneys' fees) incurred as a result of any representation or warranty made by Borrower herein which proves to be untrue or inaccurate in any respect, and any such occurrence shall constitute a default under the Loan Documents.

7. Renewal; Obligation Continuation; No Novation. The Borrower hereby renews the Obligations and promises to pay and perform the Obligations as modified by this Agreement. All Obligations evidenced by the Note are hereby ratified and confirmed as valid, subsisting and continuing to secure the Obligations, as modified hereby. Nothing herein shall in any manner diminish, impair, waive or extinguish the Note or the Obligations. The execution and delivery of this Agreement shall not constitute a novation of the debt evidenced by the Note and the Loan Documents.

8. Expenses. Borrower shall pay all costs and expenses and reimburse Lender for any and all expenditures of every character incurred or expended from time to time, regardless of whether a default shall have occurred, in connection with (a) this Agreement;

(b) the restructuring of the Loan which has occurred previous to and simultaneously with the execution of this Agreement; (c) the issuance by Lender at any time (including any time prior to the execution of this Agreement) of any default letters or standstill letters or correspondence of any kind to Borrower in connection with the Loan; (d) the evaluation, monitoring and protection of any of Borrower's Property pursuant to rights given in the Loan Documents or by law; and (e) the creation, perfection or realization upon the Liens, and all costs and expenses relating to Lender's exercise of any of its rights and remedies under any of the Loan Documents or at law, including, without limitation, all filing fees, taxes, brokerage fees and commissions, title review and abstract fees, recordation and transfer taxes, Uniform Commercial Code search fees, other fees and expenses incident to title searches, reports and security interests, escrow fees, attorneys' fees, legal expenses, court costs, fees and expenses incurred in connection with any complete or partial liquidation of the Property, and all fees and expenses for any professional service relating to the Property or any operations conducted in connection with it; provided, however, no right or option granted by Borrower to Lender or otherwise arising pursuant to any provision of this or any other document shall be deemed to impose a duty on Lender to supervise, monitor or protect any aspect of the Property or any operations conducted in connection with it.

9. Authorization. At the time of execution of this Modification, Borrower shall, if and to the extent requested by Lender, deliver to Lender (a) the opinion of Borrower's counsel dated the date hereof, in form and substance satisfactory to Lender, that this Modification Agreement has been duly authorized, executed and delivered by Borrower and is binding on, and enforceable against, the Borrower in accordance with its terms; and (b) such other evidence of due authorization and execution by the Borrower as the Lender may require.

10. Further Assurances. The Borrower agrees to execute and deliver to the Lender, promptly upon request from Lender, such additional documents as may be necessary or appropriate to consummate the transactions contemplated herein or to perfect, or continue the perfection of, the Liens.

11. No Defenses. Borrower represents and warrant that they (individually and collectively) have no claims, actions, causes of action, defenses, counterclaims or setoffs of any kind or nature which Borrower can assert against Lender in connection with the making, closing, administration, collection or enforcement by Lender of the Loan Documents, this Agreement or any related agreements.

12. Default Under Deed of Trust. If Borrower shall fail to keep or perform any of the covenants or agreements contained herein or in any of the Loan Documents, or if any statement, representation or warranty contained herein is false, misleading or erroneous in any material respect, Borrower shall be deemed to be in default under the Loan Documents and Lender shall be entitled at its option to exercise any and all of the rights and remedies granted pursuant to the Loan Documents, as amended hereby, or any other Loan Document or to which Lender may otherwise be entitled, whether at law or in equity.

13. No Waiver by Lender. Borrower acknowledges and agrees that the execution of this Agreement by the Lender is not intended nor shall it be construed as (a) an actual or implied waiver of any, default under the Note or any other Loan Document (apart from Borrower's failure to pay the Loan in full on November 22, 2006), or (b) an actual or implied waiver of any condition or obligation imposed upon the Borrower pursuant to the Note or any other Loan Document, except to the extent, if any, specified herein.

14. Borrower's Performance. If Borrower should fail to comply with any of the agreements, covenants or obligations of the Borrower under this or any other Loan Document, then Lender (in Borrower's name or in its own name) may, but is under no obligation to, perform them or cause them to be performed for the account of Borrower at Borrower's sole expense. Any and all expenses thus incurred or paid by Lender shall be Borrower's demand obligations to Lender and shall bear interest, from the date of Lender's payment of any such obligation or expense for Borrower's account until the date on which Borrower repays it to Lender, at the default rate of interest set forth in the Note. Upon making any such payment or incurring any such expense, Lender shall be fully subrogated to all of the rights of the person or entity receiving such payment. Any amounts owing by Borrower to Lender pursuant to this provision or any other provision of this Agreement shall automatically and without notice constitute a portion of the Obligations evidenced by the Note and the other Loan Documents. The amount and nature of any such expense and the time when paid shall be fully established by the affidavit of Lender or any of Lender's officers or agents.

15. Release of Lender. Upon execution of this Agreement, Borrower hereby releases, remises and forever discharges Lender, its employees, officers, directors, consultants, advisors, participants, agents and affiliates (collectively, the "Lender Parties") from any and all causes of actions, suits, debts, claims and demands whatsoever arising prior to execution of this Agreement in law or in equity due to any action taken or omitted to be taken by any of the Lender Parties in connection with the Loan, the Atlanta Homes Loan, the Highlands Loan, the Bellemeade Loan or any other potential transaction between Borrower (or any affiliate of Borrower) and Lender that may have been discussed with Lender but not consummated.

16. Miscellaneous. To the extent of any conflict between the Note (or any earlier modification of it) and this Modification, this Modification shall control. Except as hereby expressly modified, all terms of the Note and all other Loan Documents (as any of them may have been previously modified by any written agreement) remain in full force and effect. This Modification Agreement (a) shall bind and benefit the parties hereto and their respective heirs, beneficiaries, administrators, executors, receivers, trustees, successors and assigns (provided, however, no party other than the Lender shall assign its rights hereunder without the prior written consent of the Lender); (b) may be modified or amended only by a writing signed by the Lender and the Borrower; (c) SHALL BE GOVERNED BY (INCLUDING BUT NOT LIMITED TO ITS VALIDITY, ENFORCEMENT AND INTERPRETATION) THE LAWS OF THE COMMONWEALTH OF VIRGINIA AND UNITED STATES FEDERAL LAW; (d) may be executed in several counterparts, and by the parties hereto on separate counterparts, and each counterpart, when executed and delivered, shall constitute an original agreement enforceable against all who signed it without production of or accounting for any other counterpart, and all separate counterparts shall constitute the same agreement; and (e) embodies the entire agreement and understanding between the parties with respect to modifications of documents provided for herein and supersedes all prior conflicting or inconsistent agreements, consents and understandings relating to such subject matter. "Borrower" shall include, in their individual capacities and jointly, all parties hereinabove named as the Borrower. The duties, covenants, conditions, obligations, and warranties of the Borrower in this Agreement shall be joint and several obligations of the Borrower and, if more than one, of each party named as the Borrower hereinabove, and each such party's heirs, legal representatives, successors and assigns. If any Borrower is a corporation, partnership or other legal entity, the Borrower and the person or persons signing for it represent and warrant to the Lender that this Agreement is duly executed, acknowledged and delivered by the Borrower's duly authorized representatives. Whenever used herein, the singular number shall include the plural and the plural the singular, and any gender shall be applicable to all genders. The use of the words "herein", "hereof", "hereunder" and other similar compounds of the word "here" shall refer to this entire Modification and not to any particular section, paragraph or provision. The headings in this Modification shall be accorded no significance in interpreting it.

17. **Notices.** All notices, in connection with the Loan addressed to Lender, shall hereinafter be sent to Lender at the following address:

Lender:

Norman Trepner
Bank of America, N.A.
187 Danbury Road
Wilton, CT 06897
Fax (203) 423-4003

with a copy to:

Bank of America, N.A.
Attn: Loan Administration, Ladreda Spencer
101 E. Kennedy Boulevard (7th Floor)
Tampa, FL 33602
Fax (813) 225-8322

with a copy to:

Bank of America, N.A.
Attn: Loan Administration, Kathie Hatton
101 E. Kennedy Boulevard (7th Floor)
Tampa, FL 33602
Fax (813) 225-8322

with a copy to:

Friedlander, Mislner, Sloan, Kletzkina & Ochsman, PLLC
Attn: David M. Astrove
1101 17th Street, NW, Suite 700
Washington, DC 20036

**[remainder of page intentionally left blank]
[signatures to follow]**

Bank of America — Comstock Homebuilding Unsecured Loan Modification

EXECUTED ON THE DATE OR DATES OF THE ACKNOWLEDGMENTS HEREOF, BUT EFFECTIVE AS OF THE DATE FIRST STATED IN THIS AGREEMENT.

WITNESS:

Joey Manahan

/s/ Joey Manahan
Print Name:

BORROWER:

**COMSTOCK HOMEBUILDING COMPANIES,
INC.** a Delaware corporation

By: /s/ Christopher Clemente
Print Name: Christopher Clemente
Print Title: CEO

[SEAL]

COMMONWEALTH OF VIRGINIA)
) ss:
COUNTY OF Fairfax)

I, Kelly L. Wyche, a notary Public in and for the aforesaid said jurisdiction, do hereby certify that Christopher Clemente, who is personally well known to me as (or satisfactorily proven to me to be) the person who signed the foregoing instrument executed this 28 day of December, 2006, personally appeared before me in said jurisdiction and acknowledged that he is the CEO of the **COMSTOCK HOMEBUILDING COMPANIES, INC.**, a Delaware corporation which is a party to the foregoing instrument; that he has been duly authorized to execute and deliver the foregoing instrument for the purposes therein contained and that the same is his act and deed and the act and deed of **COMSTOCK HOMEBUILDING COMPANIES, INC.**, a Delaware corporation.

IN WITNESS WHEREOF, I have set my hand and Notarial Seal, this 28 day of December, 2006.

/s/ Kelly L. Wyche
Notary Public

(SEAL)

My Commission expires: 11-30-08

[signatures continue on the next page]

WITNESS:

LENDER:

BANK OF AMERICA, N.A.

Print Name:

By: _____
Print Name:
Print Title:

[CORPORATE SEAL]

STATE OF FLORIDA)
) ss:
COUNTY OF HILLSBOROUGH)

I, _____, a Notary Public in and for the aforesaid said jurisdiction, do hereby certify that _____, who is personally well known to me as (or satisfactorily proven to me to be) the person who signed the foregoing instrument executed this ___ day of December, 2006, personally appeared before me in said jurisdiction and acknowledged that he is the _____ of **BANK OF AMERICA, N.A.**, a national banking association; that he has been duly authorized to execute and deliver the foregoing instrument for the purposes therein contained and that the same is his act and deed and the act and deed of **BANK OF AMERICA, N.A.**

IN WITNESS WHEREOF, I have set my hand and Notarial Seal, this _____ day of December, 2006.

Notary Public

(SEAL)

My Commission expires:

Bank of America — Comstock Homebuilding Unsecured Loan Modification

List of Subsidiaries
[UPDATE]

Name	State of Incorporation or Organization
1. Buckhead Overlook, LLC	Georgia
2. Comstock Acquisitions, L.C.	Virginia
3. Comstock Airmont, L.C.	Virginia
4. Comstock Aldie, L.C.	Virginia
5. Comstock Barrington Park, L.C.	Virginia
6. Comstock Bellemeade, L.C.	Virginia
7. Comstock Belmont Bay 5, L.C.	Virginia
8. Comstock Belmont Bay 89, L.C.	Virginia
9. Comstock Blair Mill, L.L.C.	Virginia
10. Comstock Blooms Mill II, L.C.	Virginia
11. Comstock Brandy Station, L.C.	Virginia
12. Comstock Carter Lake, L.C.	Virginia
13. Comstock Cascades, L.C.	Virginia
14. Comstock Communities, L.C.	Virginia
15. Comstock Countryside, L.C.	Virginia
16. Comstock Culpeper, L.C.	Virginia
17. Comstock Delta Ridge II, L.L.C.	Virginia
18. Comstock Emerald Farm, L.C.	Virginia
19. Comstock Fairfax I, L.C.	Virginia
20. Comstock Flynn's Crossing, L.C.	Virginia
21. Comstock Hamlets of Blue Ridge, L.C.	Virginia
22. Comstock Holland Road, L.L.C.	Virginia
23. Comstock Homes of North Carolina, L.L.C.	North Carolina
24. Comstock Homes of Raleigh, L.L.C.	North Carolina
25. Comstock Homes of Washington, L.C.	Virginia
26. Comstock Investors III, L.P.	Virginia
27. Comstock Investors V, L.C.	Virginia
28. Comstock Investors VI, L.C.	Virginia
29. Comstock Kelton II, L.C.	Virginia
30. Comstock Lake Pelham, L.C.	Virginia
31. Comstock Landing, L.L.C.	Virginia
32. Comstock Loudoun Condos 1, L.C.	Virginia
33. Comstock North Carolina, L.L.C.	North Carolina
34. Comstock Penderbrook, L.C.	Virginia
35. Comstock Potomac Yard, L.C.	Virginia
36. Comstock Ryan Park, L.C.	Virginia
37. Comstock Sherbrooke, L.C.	Virginia
38. Comstock Summerland, L.C.	Virginia
39. Comstock Wakefield, L.L.C.	Virginia
40. Comstock Wakefield II, L.L.C.	Virginia
41. Highland Avenue Properties, LLC	Georgia
42. Highland Station Partners, LLC	Georgia
43. Mathis Partners, LLC	Georgia
44. North Shore Investors, L.L.C.	Virginia
45. North Shore Raleigh, L.L.C.	Virginia
46. North Shore Raleigh II, L.L.C.	Virginia
47. Parker-Chandler Homes, Inc.	Georgia
48. Parker Chandler Homes/Florida, LLC	Florida
49. Parker Chandler Homes/North Carolina, LLC	North Carolina
50. Parker Chandler Homes/South Carolina, LLC	South Carolina
51. Parker Chandler Realty, LLC	Georgia

	Name	State of Incorporation or Organization
52.	PCH Development, LLC	Georgia
53.	PCH James Road, LLC	Georgia
54.	Post Preserve, LLC	Georgia
55.	Raleigh Resolution, L.L.C.	Virginia
56.	Settlement Title Services, L.L.C.	Virginia
57.	TCG Debt Fund II, L.C.	Virginia
58.	TCG Fund I, L.C.	Virginia
59.	Tribble Road Development, LLC	Georgia

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-123709) of Comstock Homebuilding Companies, Inc. of our report dated March 16, 2007 relating to the financial statements, management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/PricewaterhouseCoopers LLP
McLean, Virginia
March 16, 2007

CERTIFICATION

I, Christopher Clemente, certify that:

1. I have reviewed this report on Form 10-K of Comstock Homebuilding Companies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual 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.

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

Date: March 16, 2007

CERTIFICATION

I, Bruce J. Labovitz, certify that:

1. I have reviewed this report on Form 10-K of Comstock Homebuilding Companies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual 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.

/s/ Bruce J. Labovitz

Bruce J. Labovitz
Chief Financial Officer

Date: March 16, 2007

**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 Homebuilding Companies, Inc. (the "Company") for the year ended December 31, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Christopher Clemente, Chairman and Chief Executive Officer of the Company and Bruce Labovitz, Chief Financial Officer of the Company, certify, to our best knowledge and belief, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (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.

/s/ Christopher Clemente

Christopher Clemente
Chairman and Chief Executive Officer

/s/ Bruce J. Labovitz

Bruce J. Labovitz
Chief Financial Officer

March 16, 2007