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

FORM 10-Q

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

For the quarterly period ended March 31, 2011

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

For the transition period from ______ to ______

Commission File Number 1-32375

Comstock Homebuilding Companies, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**20-1164345**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

11465 Sunset Hills Road
Suite 410
Reston, Virginia 20190
(703) 883-1700
(Address including zip code, and telephone number, including area code, of principal executive offices)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every interactive data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ☒ NO ☐

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

Large Accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☒

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

As of May 13, 2011, 17,120,462 shares of the Class A common stock, par value $.01 per share, and 2,733,500 shares of Class B common stock, par value $0.01, of the Registrant were outstanding.

COMSTOCK HOMEBUILDING COMPANIES, INC. AND SUBSIDIARIES

FORM 10-Q
INDEX

		Page
	PART I — FINANCIAL INFORMATION	1
ITEM 1.	FINANCIAL STATEMENTS:	1
	Consolidated Balance Sheets (unaudited) – March 31, 2011 and December 31, 2010	1
	Consolidated Statements of Operations (unaudited) – Three Months Ended March 31, 2011 and 2010	2
	Consolidated Statements of Changes in Shareholders’ Equity (unaudited) – Three Months Ended March 31, 2011 and 2010	3
	Consolidated Statements of Cash Flows (unaudited) – Three Months Ended March 31, 2011 and 2010	4
	Notes to Consolidated Financial Statements	5
ITEM 2.	MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	15
ITEM 4.	CONTROLS AND PROCEDURES	22
	PART II — OTHER INFORMATION	
ITEM 1.	LEGAL PROCEEDINGS	23
ITEM 1A.	RISK FACTORS	23
ITEM 6.	EXHIBITS	23
SIGNATURES		23

Table of Contents

COMSTOCK HOMEBUILDING COMPANIES, INC. AND SUBSIDIARIES

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

	March 31, 2011	December 31, 2010
ASSETS		
Cash and cash equivalents	$ 714	$ 475
Restricted cash	3,128	5,201
Real estate held for development and sale	28,876	34,008
Construction in process – Variable Interest Entity	4,029	—
Property, plant and equipment, net	45	50
Other assets	2,934	1,194
TOTAL ASSETS	$ 39,726	$ 40,928
LIABILITIES AND SHAREHOLDERS’ EQUITY		
Accounts payable and accrued liabilities	$ 5,020	$ 5,884
Notes payable - secured by real estate held for development and sale	16,041	18,853
Notes payable - Variable Interest Entity	1,094	—
Notes payable - due to affiliates, unsecured	5,008	5,008
Notes payable - unsecured	4,383	4,515
TOTAL LIABILITIES	31,546	34,260
Commitments and contingencies (Note 9)		
SHAREHOLDERS’ EQUITY		
Class A common stock, $0.01 par value, 77,266,500 shares authorized, 17,159,807 and 17,120,467 issued and outstanding, respectively	172	171
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	166,754	166,700
Treasury stock, at cost (391,400 shares Class A common stock)	(2,439)	(2,439)
Accumulated deficit	(158,816)	(157,791)
TOTAL COMSTOCK HOMEBUILDING EQUITY	5,698	6,668
Non-controlling interest – Variable Interest Entity	2,482	—
TOTAL EQUITY	8,180	6,668
Accumulated deficit		
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY	$ 39,726	$ 40,928

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

Table of Contents

COMSTOCK HOMEBUILDING COMPANIES, INC. AND SUBSIDIARIES

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

	Three Months Ended March 31,	
	2011	2010
Revenues		
Revenue—homebuilding	$ 3,019	$ 5,693
Revenue—other	1,567	3,446
Total revenue	4,586	9,139
Expenses		
Cost of sales—homebuilding	2,722	5,692
Cost of sales—other	1,273	2,872
Selling, general and administrative	1,385	1,455
Interest, real estate taxes and indirect costs related to inactive projects	369	848
Operating loss	(1,163)	(1,728)
Other income, net	270	836
Loss before income taxes	(893)	(892)
Income taxes expense	—	—
Net loss	(893)	(892)
Less: Net income attributable to non-controlling interests	132	—
Net loss attributable to Comstock Homebuilding	$ (1,025)	$ (892)
Basic loss per share	$ (0.05)	$ (0.05)
Diluted loss per share	$ (0.05)	$ (0.05)
Basic weighted average shares outstanding	18,645	18,096
Diluted weighted average shares outstanding	18,645	18,096

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

Table of Contents

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

	Class A		Class B		Additional paid-in capital	Treasury stock	Non-controlling interest	Retained earnings (deficit)	Total
	Shares	Amount	Shares	Amount					
Balance at December 31, 2009	15,609	$ 156	2,733	$ 27	$157,418	$(2,439)	$ —	$(151,029)	$ 4,133
Cumulative effect of a change in accounting principle								936	936
Stock compensation and issuances	294	3			482				485
Stonehenge capital contribution					7,689				7,689
Warrants					85				85
Net loss								(892)	(892)
Balance at March 31, 2010	15,903	$ 159	2,733	$ 27	$165,674	$(2,439)	$ —	$(150,985)	$12,436
Balance at December 31, 2010	17,120	$ 171	2,733	$ 27	$166,700	$(2,439)	$ —	$(157,791)	$ 6,668
Stock compensation and issuances	39	1			54				55
Non-controlling interest							2,350		2,350
Net loss							132	(1,025)	(893)
Balance at March 31, 2011	17,159	$ 172	2,733	$ 27	$166,754	$(2,439)	$ 2,482	$(158,816)	$ 8,180

COMSTOCK HOMEBUILDING COMPANIES, INC. AND SUBSIDIARIES

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

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
Cash flows from operating activities:		
Net loss (including net income attributable to non-controlling interest)	$ (1,025)	$ (892)
Adjustment to reconcile net loss to net cash provided by operating activities		
Net income attributable to non-controlling interest	132	—
Amortization and depreciation	4	75
Gain on M&T note retirement	(196)	—
Gain on trade payable settlements	(135)	(770)
Changes in operating assets and liabilities:		
Restricted cash	(27)	(28)
Real estate held for development and sale	2,706	7,911
Other assets	(1,739)	148
Accounts payable and accrued liabilities	1,650	280
Net cash provided by operating activities	1,370	6,724
Cash flows from investing activities:		
Investment in Cascades Apartments – construction in process	(1,603)	—
Purchase of property, plant and equipment	—	(4)
Net cash used in investing activities	(1,603)	(4)
Cash flows from financing activities:		
Proceeds from notes payable	12,233	267
Payments on notes payable	(14,111)	(7,036)
Proceeds from Cascades Private Placement	2,350	—
Net cash provided by (used in) financing activities	472	(6,769)
Net increase (decrease) in cash and cash equivalents	239	(49)
Cash and cash equivalents, beginning of period	475	1,085
Cash and cash equivalents, end of period	$ 714	$ 1,036
Supplemental disclosure for non-cash activity:		
Interest incurred but not paid in cash	$ 223	$ 655
Reduction in notes payable in connection with troubled debt restructuring	$ —	$ 7,689
Increase in additional paid in capital in connection with troubled debt restructuring	$ —	$ 7,689
Reduction in real estate held for development and sale in connection with deconsolidation of subsidiaries	$ —	$ 15,407
Reduction in notes payable in connection with deconsolidation of subsidiaries	$ —	$ 15,893
Reduction in accrued liabilities in connection with deconsolidation of subsidiaries	$ —	$ 449
Increase in opening retained earnings in connection with deconsolidation of subsidiaries	$ —	$ 936
Reduction in accrued liabilities in connection with issuance of stock compensation	$ 55	$ 571
Increase in class A common stock par value in connection with issuance of stock compensation	$ —	$ 3
Increase in additional paid in capital in connection with issuance of stock compensation	$ 54	$ 568
Reduction in accounts payable due to Cascades Private Placement closing	$ 2,100	$ —
Reduction in restricted cash due to Cascades Private Placement closing	$ 2,100	$ —

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

COMSTOCK HOMEBUILDING COMPANIES, INC. AND SUBSIDIARIES

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

1. ORGANIZATION AND BASIS OF PRESENTATION

The accompanying unaudited financial statements of Comstock Homebuilding Companies ("Comstock" or the "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Such financial statements do not include all of the information and disclosures required by GAAP for complete financial statements. In our opinion, all adjustments necessary for a fair presentation have been included in the accompanying financial statements. For further information and a discussion of our significant accounting policies other than as discussed below, refer to our audited consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010.

Comstock Homebuilding Companies, Inc. is a multi-faceted real estate development and services company focused on the Washington, DC metropolitan area. The Company has substantial experience with building a diverse range of products including single-family homes, townhouses, mid-rise condominiums, high-rise multi-family condominiums and mixed-use (residential and commercial) developments. Since our founding in 1985, and as of March 31, 2011, we have built and delivered more than 5,300 homes generating total revenue in excess of $1.3 billion. References in this Form 10-Q to "Comstock," "Company", "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 business was founded in 1985 as a residential land developer and homebuilder focused on the Northern Virginia suburbs of the Washington, DC area. In December 2004, Comstock completed its initial public offering. In 2005, Comstock began executing expansion plans and established operations in key markets throughout the Southeast. Notably, during 2006 Comstock increased revenues to $266 million. However, during 2007 it became clear that the unprecedented span of growth in the housing sector was quickly ending. Drawing on the valuable experience the Comstock management team had gained in previous downturns, Comstock expeditiously curtailed expansion plans and adopted a defensive strategy that allowed it to survive the housing downturn. Comstock quickly sold certain assets and worked closely with its existing lenders to amicably renegotiate the terms of project related and corporate borrowings, which had peaked at $340 million as of September 30, 2006.

Liquidity Developments

In an effort to stabilize the Company, management spent much of 2009 focused on negotiating with lenders to eliminate and restructure debt which temporarily limited our ability to pursue new business opportunities. In mid 2009, management formulated a Strategic Realignment Plan which identified key real estate projects to be retained by the Company and those to be disposed. The Company then worked to restructure the entirety of its debt. The restructuring was completed in late 2009 and resulted in improved operating cash flow as the lenders agreed to provide the Company with increased cash from proceeds as units are delivered to purchasers.

The Plan also identified real estate projects which it deemed to be non-essential to future growth. The strategic approach to debt secured by non-essential real estate projects was to pursue foreclosure agreements with the related lenders with the goal of transferring the real estate to the lender in return for a release from the related debt obligation. The Company made significant progress in that regard having successfully negotiated settlements with all of its lenders regarding the loans guaranteed by the Company and reduced the outstanding balance of debt from $102.8 million at December 31, 2008 to $67.6 million at December 31, 2009 to $28.4 million at December 31, 2010. In most cases, the Company was released from the obligations under the loan in return for its agreement to cooperate in the bank's foreclosure on the real estate assets securing the loan. In a limited number of cases, the Company provided the lenders with non-interest bearing deficiency notes with three year maturities in an amount equal to a fraction of the original debt. The balance of the deficiency notes at March 31, 2011 was $631 thousand.

The Company continues to engage in discussions with lenders and potential equity investors in an effort to provide additional liquidity to sustain business operations and growth capital to fund various new business opportunities. We are anticipating that through a combination of these negotiations, the additional cash from settlement proceeds and the cash generated by our other operating activities that the Company will generate sufficient cash to sustain our operations through 2011. However, this outcome is primarily dependent upon our ability to meet the minimum settlement requirements specified by our lenders at the Penderbrook and Eclipse projects. If we are unable to meet the sales quotas, substantially all of the proceeds from any settlements at the Penderbrook and Eclipse projects will be retained by the lenders and applied to principal debt curtailments. We have met the sales quota requirements for our loan related to the Eclipse project and are in compliance with these settlement requirements at March 31, 2011. The Company is currently in discussions with its lender on the Penderbrook project with respect to its required settlement quota as the quota was not achieved during the first quarter of 2011. The Company does not believe that a modification of the current cash flow proceed allocations related to this loan would have a material impact on its current cash flow or financial condition in the event the Company is unsuccessful in its effort to maintain the existing sales quota arrangement with the lender.

However, if we are unable to maintain compliance with the cumulative minimum settlement requirements for an extended period of time, it would be necessary to seek waivers or additional loan modifications from the project lenders at the Penderbrook and Eclipse projects. If we were unable to secure such waivers or modifications, this may substantially reduce the amount of cash generated through unit settlements and make it necessary for us to attempt to generate alternative sources of revenue to meet our operating cash flow requirements. To do so, we may have to seek to leverage the judgment award which we obtained against Balfour, attempt to sell our remaining parcels of land, seek to raise additional capital or seek to obtain additional financing to meet our operating cash flow requirements. If, in the absence of cash flow being generated from unit settlements, we were unable to generate additional capital through any of these alternative sources, we could deplete our cash reserves and may be forced to seek protections afforded under the bankruptcy code. There can be no assurance that in the event we were forced to seek bankruptcy protection that we would be able to reorganize and, in such an event, we could be forced to liquidate our assets.

At March 31, 2011, we had $0.7 million in unrestricted cash and $3.1 million in restricted cash. Included in our restricted cash balance, to which we have no access currently, is a $3.0 million deposit with an insurance provider as security for any potential future claims.

Our access to external working capital is very limited and we have few other sources of cash as commercial banks and other unregulated lenders have experienced a liquidity crisis of their own which has made funding for real estate investment extremely difficult to secure. This tightening of the credit markets presents substantial risk to our ability to secure financing for our operations, including any future construction and land development efforts. However, during the first quarter of 2011, the Company has been successful in securing financing to i) refinance the Eclipse on Center Park condominium project and ii) support the new construction of an apartment project in Loudoun County, Virginia (see Note 12). Additionally, the Company successfully raised funds through a private placement to provide additional financial support related to the apartment project in Loudoun County, Virginia (see Note 11).

2. REAL ESTATE HELD FOR DEVELOPMENT AND SALE

Real estate held for development and sale includes land, land development costs, interest and other construction costs. Land held for development is stated at cost, or when circumstances or events indicate that the land is impaired, at estimated fair value. Real estate held for sale is carried at the lower of cost or fair value less costs to sell. Land, land development and indirect land development costs are accumulated by specific project and allocated to various lots or housing units within that project using specific identification and allocation 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, capitalized interest and real estate taxes. Selling costs are expensed as incurred.

For projects where the Company expects to sell the remaining lots in bulk or convey the remaining lots to a lender where the loans have matured, the fair value is determined based on offers received from third parties, comparable sales transactions, and/or cash flow valuation techniques.

If the project meets the GAAP accounting criteria of held for sale, the project is valued at the lower of cost or fair value less estimated selling costs. Currently the Company's Eclipse and Penderbrook projects meet these criteria. If the project sales are expected to extend over a period of time, the Company calculates fair value utilizing a discounted cash flow model as discussed below using a discount rate that reflects a reduced level of risk as these assets are no longer under construction.

For assets held for development, 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. In the normal course of business, dispositions of large land holdings can extend over a number of years. A write-down to estimated fair value is recorded when the net carrying value of the property exceeds its estimated undiscounted future cash flows. These evaluations are made on a property-by-property basis as seen fit by management whenever events or changes in circumstances indicate that the net book value may not be recoverable.

On March 17, 2010 the Company completed the sale of land at its Station View project located in Loudoun County, Virginia for $2.8 million.

As of March 31, 2011, the Company has classified its Eclipse and Penderbrook projects as held for sale as discussed above and accordingly, written the projects down to fair value less costs to sell as determined by discounted cash flow models. Discounted cash flow models are dependent upon several subjective factors, primarily estimated average sales prices, estimated sales pace, and the selection of an appropriate discount rate. While current market conditions make the estimated timeframe for sales in a community challenging, the Company has generally assumed sales prices equal to or less than current prices and the remaining duration of the community sales process were estimated to be one to two years. These assumptions are often interrelated as price reductions can generally be assumed to increase the sales pace. In addition, the Company must select what it believes to be an appropriate discount rate based on current market cost of capital and returns expectations. The Company has used its best judgment in determining an appropriate discount rate based on information it has received from marketing its communities for sale in recent periods, and accordingly has elected to use a rate of 13% in its discounted cash flow model. While the selection of a 13% discount rate was subjective in nature, the Company believes it is an appropriate rate in the current market and appropriately reflects the economics of the market, current return expectations, the cash flow characteristics of the projects and the substantially completed nature of its for sale inventory. The estimates of sales prices, sales pace, and discount rates used by the Company are based on the best information available at the time the estimates were made. In recent months, market conditions affecting the Company's Washington, DC area projects have improved; however, if market conditions deteriorate again, additional adverse changes to these estimates in future periods could result in further material impairment amounts to be recorded.

The Company recorded an impairment charge of $1.5 million during the year ended December 31, 2010, to properly record its for sale projects at fair market value less costs to sell consistent with the provisions of ASC 360. No such charges were incurred during the quarter ended March 31, 2011.

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

	March 31, 2011	December 31, 2010
Land and land development costs	$ 5,621	$ 8,862
Cost of construction (including capitalized interest and real estate taxes)	23,255	25,146
	$ 28,876	$ 34,008

3. CONSTRUCTION IN PROCESS – VARIABLE INTEREST ENTITY

In February 2011, the Company began construction on a 103 unit apartment rental project located in the Cascades master planned community in Loudoun County, Virginia. Accordingly, upon the initiation of construction, the value of the existing land upon which the project is being constructed (approximately $2.6 million) has been reclassified from Real Estate Held for Development and Sale to Construction in Process in the accompanying financial statements. The total construction costs capitalized in addition to the land and land development costs are approximately $1.4 million.

4. GENERAL CONTRACTING REVENUE

The Company periodically undertakes short-term general contracting projects to supplement its core residential homebuilding operations. These contracts are typically no more than 12 months in length. Revenue and earnings on these general contracting contracts are recognized under the percentage of completion method using the ratio of costs incurred to estimated total costs. Total revenue and gross profit recognized for the three months ended March 31, 2011 was $1.1 million and $.2 million, respectively. The revenues associated with these projects is included in Revenue – other and the costs in Cost of sales – other in the accompanying consolidated statement of operations for the quarter ended March 31, 2011.

5. WARRANTY RESERVE

Warranty reserves for houses settled are established to cover potential costs for materials and labor with regard to warranty-type claims expected to arise during the typical one-year warranty period provided by the Company or within the five-year statutorily mandated structural warranty period for condominiums. 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. This reserve is an estimate and actual warranty costs could vary from these estimates. Variables used in the calculation of the reserve, as well as the adequacy of the reserve based on the number of homes still under warranty, are reviewed on a periodic basis. During the year ended December 31, 2010, the Company provided an additional $639 in warranty reserves to cover future potential costs and/or claims made with respect to its remaining projects. 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:

	March 31, 2011	December 31, 2010
Balance at beginning period	$ 1,110	$ 692
Additions	12	721
Releases and/or charges incurred	(41)	(303)
Balance at end of period	$ 1,081	$ 1,110

Table of Contents

6. 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 or the property becomes inactive. A project becomes inactive when development and construction activities have been suspended indefinitely. Interest is capitalized based on the interest rate applicable to specific borrowings or the weighted average of the rates applicable to other borrowings during the period. Interest and real estate taxes capitalized to real estate 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 and interest expensed for units settled:

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
Total interest incurred and capitalized	$ 12	$ —
Interest expensed as a component of cost of sales	$ 484	$ 964

Other than the Cascades Apartment project, the Company's real estate projects were determined to be inactive for accounting purposes as they were either substantially complete or management elected to suspend construction activities indefinitely. When a project becomes inactive, its interest, real estate taxes and indirect production overhead costs are no longer capitalized but rather expensed in the period in which they are incurred. Following is a breakdown of the interest, real estate taxes and indirect costs related to inactive projects reported in real estate held for development and sale:

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
Total interest incurred and expensed for inactive projects	$ 200	$ 700
Total real estate taxes incurred and expensed for inactive projects	112	139
Total production overhead incurred and expensed for inactive projects	57	9
	$ 369	$ 848

7. LOSS PER SHARE

The weighted average shares and share equivalents used to calculate basic and diluted loss per share for the three months ended March 31, 2011 and 2010 are presented on the consolidated statement of operations. As a result of net losses during the three months ended March 31, 2011 and 2010, restricted stock awards, stock options and warrants were excluded from the computation of dilutive earnings per share because their inclusion would have been anti-dilutive.

Comprehensive income

For the three months ended March 31, 2011 and 2010, comprehensive income equaled net income; therefore, a separate statement of comprehensive income is not included in the accompanying consolidated financial statements.

8. INCOME TAX

Income taxes are accounted for under the asset and liability method in accordance with ASC 740, "Accounting for Income Taxes," ("ASC 740"). Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on the deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

The Company is projecting a tax loss for the twelve months ended December 31, 2011. Therefore, an effective tax rate of zero was assumed in calculating the current income tax expense at March 31, 2011. This results in a zero current income tax expense for the three months ended March 31, 2011.

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. At December 31, 2007, the Company recorded valuation allowances for certain tax attributes and other deferred tax assets. At this time, sufficient uncertainty exists regarding the future realization of these deferred tax assets through future taxable income or carry back opportunities. If, in the future, the Company believes that it is more likely than not that these deferred tax benefits will be realized, the valuation allowances will be reversed. With a full valuation allowance, any change in the deferred tax asset or liability is fully offset by a corresponding change in the valuation allowance. This results in a zero deferred tax benefit or expense for the three months ended March 31, 2011.

The Company's ability to use its NOLs (and in certain circumstances, future built-in losses and depreciation deductions) can be negatively affected if there is an "ownership change" as defined under Section 382 of the Internal Revenue Code. In general, an ownership change occurs whenever there is a shift in ownership by more than 50 percentage points by one or more 5% shareholders over a specified time period (generally three years). Given Section 382's broad definition, an ownership change could be the unintended consequence of otherwise normal market trading in the Company's stock that is outside of the Company's control.

The Company currently has approximately $72 million in Federal and State NOLs with a potential value of up to $25 million in tax savings. If unused, these NOLs will begin expiring in 2028. Under Internal Revenue Code Section 382 rules, if a change of ownership is triggered, the Company's NOL asset and possibly certain other deferred tax assets may be impaired. We estimate that as of March 31, 2011, the cumulative shift in the Company's stock would not cause an impairment of our NOL asset. However, if an ownership change were to occur due to the Company's valuation allowance on its net deferred tax assets, a Section 382 limitation is not expected to materially impact the Company's financial position or results of operations as of March 31, 2011. Additionally, if an ownership change were to occur, the application of Section 382 may require the Company to reduce its gross deferred tax assets related to its NOLs and possibly other deferred tax asset balances.

We file U.S. and state income tax returns in jurisdictions with varying statutes of limitations. The 2008 through 2010 tax years generally remain subject to examination by federal and most state tax authorities.

9. COMMITMENTS AND CONTINGENCIES

Litigation

On July 29, 2008 Balfour Beatty Construction, LLC, successor in interest to Centex Construction ("Balfour"), the general contractor for a subsidiary of the Company, filed liens totaling approximately $552,000 at The Eclipse on Center Park Condominium project ("Project") in connection with its claim for amounts allegedly owed under the Project contract documents. In September 2008 the Company's subsidiary filed suit against Balfour to invalidate the liens and for its actual and liquidated damages in the approximate amount of $17.1 million due to construction delays and additional costs incurred by the Company's subsidiary with respect to the Project. In October 2008 Balfour filed counterclaims in the approximate amount of $2.8 million. Subsequent to an expedited hearing filed by the Company's subsidiary to determine the validity of the liens that was ultimately heard in February 2009, we received an order of the court in April 2009 invalidating the liens. On March 19, 2010, the Company's subsidiary received a judgment against Balfour in an amount of $11.96 million. On March 25, 2010, the Company's subsidiary received notice of Balfour's intention to appeal the judgment and post a supersedeas bond in the amount of $12.5 million. The appeal is pending with the United States Court of Appeals for the Fourth Circuit.

On April 25, 2011, the Unit Owners Association of Penderbrook Square, a condominium, served Comstock Penderbrook, L.C. ("CPB") with a lawsuit alleging approximately $1,000,000 in damages resulting from structural defects in the common elements of the Condominium pursuant to the structural warranty statute contained in the Virginia Condominium Act. CPB intends to vigorously defend the claim and believes this will not have a material adverse impact on our financial position, operating results or cash flows.

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

Letters of credit and performance bonds

The Company has commitments as a result of contracts entered into with certain third parties, primarily local governmental authorities, to meet certain performance criteria as outlined in such contracts. The Company is required to issue letters of credit and performance bonds to these third parties as a way of ensuring that such commitments entered into are met by the Company. The letters of credit and performance bonds issued in favor of the Company and/or its subsidiaries mature on a revolving basis, and if called into default, would be deemed material if assessed against the Company and/or its subsidiaries for the full amounts claimed. In some circumstances we have negotiated with our lenders in connection with foreclosure agreements for the lender to assume certain liabilities with respect to the letters of credit and performance bonds. We cannot accurately predict the amount of any liability that could be imposed upon the Company with respect to maturing or defaulted letters of credit or performance bonds and it is anticipated that any such liability would likely have a material adverse effect on our financial position, operating results or cash flows. At March 31, 2011 the Company has issued $528 in letters of credit and $2,526 in performance and payment bonds to these third parties. No amounts have been drawn against these letters of credit or performance bonds.

10. RELATED PARTY TRANSACTIONS

In October 2004, the Company entered into a lease agreement for its corporate headquarters at 11465 Sunset Hills Road, Reston, Virginia with Comstock Asset Management, L.C. (CAM), an entity wholly owned by Christopher Clemente. In October 2007, the lease agreement was amended decreasing the total square footage from approximately 24,000 to 17,000 and extending the term to four years through September 2011. For the twelve months ended December 31, 2009 and 2008, total payments made under this lease agreement were $437 and $565 respectively. Pursuant to the terms of an early termination of the Lease by and between CAM and the Company (the “Lease Termination”), the Company agreed to surrender approximately 15.7 square feet of space to CAM in exchange for (i) CPM’s agreement to enter into the Lease for the reduced space and at a reduced rate; and (ii) the issuance of a warrant to purchase up to 55 shares of the Company’s Class A common stock at a strike price equal to the average of the closing stock price for the twenty days immediately preceding the effective date of the Lease Termination in exchange for the forgiveness of approximately $110 in delinquent rent. The fair value of the 55 warrants was $25 which resulted in a gain of $85 recorded in the first quarter of 2010. Although CAM has no obligation to do so, it has allowed us to accrue portions of our payment obligations from time to time and has reduced the amount due from us under the agreements.

On or about January 15, 2010, Comstock Property Management, L.C. (“CPM”), a subsidiary of Comstock Homebuilding Companies, Inc. (the “Company”), agreed to enter into a new three year lease with CAM, for the use of approximately 8.2 square feet of office space at the Company’s existing headquarters (the “Lease”). During the three months ended March 31, 2011 and 2010 total payments were $103 and $97, respectively.

During the second quarter of 2009, the Company began deferring a portion of the base salary payments to our Chief Executive Officer and our Chief Operating Officer. At March 31, 2011 the balance of the deferred compensation is $807. These deferrals ended on May 1, 2011.

On or about January 15, 2010, Comstock Property Management, L.C. (“CPM”), a subsidiary of Comstock Homebuilding Companies, Inc. (the “Company”), agreed to enter into a new three year lease with CAM, for the use of approximately 8.2 square feet of office space at the Company’s existing headquarters (the “Lease”). Pursuant to the terms of a separate early termination of Lease by and between CAM and the Company (the “Lease Termination”), the Company surrendered approximately 15.7 square feet of space to CAM in exchange for (i) CPM’s agreement to enter into the Lease for the reduced space and at a reduced rate; and (ii) the issuance of a warrant to purchase up to 55 shares of the Company’s Class A common stock at a strike price equal to the average of the closing stock price for the twenty days immediately preceding the effective date of the Lease Termination in exchange for the forgiveness of approximately $110 in delinquent rent. The fair value of the 55 warrants was $25 which resulted in a gain of $85 recorded in the first quarter of 2010. Although CAM has no obligation to do so, it has allowed us to accrue portions of our payment obligations from time to time.

During 2003, the Company entered into agreements with I-Connect, L.C., a company in which Investors Management, LLC, an entity wholly owned by Gregory Benson, the Chief Operating Officer of the Company, holds a 25% interest, for information technology consulting services and the right to use certain customized enterprise software. During the three months ended March 31, 2011 and 2010 total payments made to I-Connect were $36 and $24, respectively. Although I-Connect has no obligation to do so, it has allowed us to accrue portions of our payment obligations from time to time.

Effective January 1, 2010, the Company entered into a new software license agreement with I-Connect for the use of I-Connect’s proprietary Builder’s Co-Pilot software (the “Agreement”). Pursuant to the terms of the Agreement, I-Connect agreed to forgive approximately $12 in delinquent payments in exchange for a warrant to purchase up to 6 shares of the Company’s Class A common stock at a strike price equal to the average of the closing stock price for the twenty days immediately preceding the effective date of the Agreement and the Company agreed to make reduced monthly payments of $6 for the use of the software for a term of 24 months.

In connection with the purchase of the unsecured debt discussed in Note 12, Stonehenge acquired a warrant for the purchase of 1,500,000 shares of the Company's Class A Common Stock at an exercise price of $.70 per share. Thereafter, Stonehenge surrendered a portion of the warrant representing 500,000 shares to the Company. On September 14, 2010, the Company's Chairman and Chief Executive Officer exercised his right to purchase 855,000 shares of the Company's Class A Common Stock for an exercise price of $.70 per share tendering approximately $600 thousand to Comstock. The purchase was accomplished through Stonehenge.

On February 11, 2011, Comstock Services, L.C., a subsidiary of the Company, entered into an Owner-Contractor Agreement with CRS Construction Services, L.C., an entity wholly-owned by Christopher Clemente, the Chairman and Chief Executive Officer of the Company, to perform paving and certain site improvement work to property in Reston, Virginia which is owned by Fairfax County, Virginia. The contract sum was for approximately $1 million and the work was completed in April 2011 (see Note 4).

Pursuant to a Credit Enhancement Agreement by and between Comstock Homebuilding Companies, Inc. and Gregory Benson, the COO and President of the Company, and Christopher Clemente, the Chairman and Chief Executive Officer of the Company (each, a "Guarantor"), the Guarantors have agreed to provide credit enhancement and the personal guarantee of loans with Cardinal Bank and Eagle Bank in exchange for payment by the Company of a Credit Enhancement Fee (see Note 12). As a result of this credit enhancement, the Guarantors, on an aggregate basis are entitled to a credit enhancement fee calculated at a rate of four percent (4%) per annum based on an agreed upon formula more fully discussed in Note 12. One-half of the Credit Enhancement Fee is payable monthly, in arrears, and the remaining half is deferred and payable on an annual basis. During the three months ended March 31, 2011, the Company made guarantee payments under this agreement of approximately $ 37 thousand. Another $37 thousand is accrued in accounts payable to be paid at the end of the year.

11. VARIABLE INTEREST ENTITY

GAAP requires a variable interest entity ("VIE") to be consolidated with a company which is the primary beneficiary. The primary beneficiary of a VIE is the entity that has both of the following characteristics: (a) the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and (b) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. Entities determined to be VIEs, for which we are not the primary beneficiary, are accounted for under the equity method. Comstock's variable interest in VIEs may be in the form of (1) equity ownership, (2) contracts to purchase assets and/or (3) loans provided and or guaranteed to a VIE. We examine specific criteria and use judgment when determining if Comstock is the primary beneficiary of a VIE. Factors considered in determining whether we are the primary beneficiary include risk and reward sharing, experience and financial condition of other partner(s), voting rights, involvement in day-to-day capital and operating decisions and contracts to purchase assets from VIEs.

On January 31, 2011, Comstock Cascades II, L.C., a subsidiary of the Company ("Cascades II") entered into a private placement for the sale of membership interests in Cascades II whereby Cascades II raised working capital in the amount of $2.35 million (the "Private Placement") related to the planned construction of a 103 unit apartment project located in the Cascades master planned community in Loudoun County, Virginia (the "Cascades Apartments"). Of this amount, $2.1 million was received during the year ended December 31, 2010 and these amounts are reflected within Restricted Cash on the balance sheet at December 31, 2010. The balance was received during the first quarter of 2011. Proceeds of the Private Placement were utilized (i) to provide sufficient capital needed to secure project financing for the Cascades Apartments, (ii) to retire a portion of the existing indebtedness owed to M & T Bank ("M&T") in relation to the Cascades Apartments project, and (iii) to reimburse the Company for prior expenditures incurred on behalf of the project. Participants in the Private Placement included unrelated third party investors along with several members of the Company's Board of Directors, as well as the Chief Operating Officer, Chief Financial Officer and General Counsel of the Company.

On February 11, 2011, Comstock closed its loan agreement with Cardinal Bank (see Note 12) which provided the necessary construction financing for the development of the Cascades Apartments and concurrent with that closing, the Company utilized the proceeds of the Private Placement offering as described above. The Company has fully guaranteed the loan and accordingly, Comstock has concluded that Cascades II is a VIE. As part of the Cascades II operating agreement, the Company has majority voting and complete operational control of the subsidiary. The Company concluded that it is the primary beneficiary of the VIE and therefore the financial condition, results of operations and cash flows of Cascades II are consolidated in the accompanying financial statements.

The investors in the Private Placement (the "Priority Members") are entitled to a cumulative, compounded, preferred return, subject to the performance of Cascades II, of 20% per annum, compounded annually on their capital account balances. Comstock has the right to repurchase the interest of the Priority Members provided that i) all of the Priority Members interests are acquired, ii) the purchase is made in cash and iii) the purchase price shall equal the Priority Members capital account plus an amount necessary to cause the preferred return to equal a cumulative cash on cash return equal to 20% per annum. The equity contribution related to the Private Placement is reflected as a Non-Controlling Interest as a component of consolidated shareholders' equity. There was no income or loss attributable to Cascades II for the period ending March 31, 2011.

The Company's investment is subordinate to the Priority Members investment and gains from the operating activity and distributions of cash flow (if any) of Cascades II will be allocated to the Priority Members (in advance of Comstock) up to their capital account plus the required preferred return of 20% as outlined above. The estimated accrued priority return of $132 thousand is reflected in the accompanying statement of operations as net income attributable to non-controlling interests to properly state the capital accounts of the members of the VIE.

12. CREDIT FACILITIES

The Company has outstanding borrowings with various financial institutions and other lenders that have been used to finance the acquisition, development and construction of real estate property. As of March 31, 2011, maturities of all of our borrowings are as follows:

2011	6,162
2012	606
2013	5,008
2014	9,516
2015 and thereafter	5,234
Total	$26,526

The Company is actively engaged with potential investors and lenders to obtain capital to refinance its short-term obligations and to secure new capital to pursue growth opportunities. While the Company believes it has available options to address the remaining 2011 maturities, there can be no assurances that the Company will be successful in these efforts.

Substantially all of the Company's debt is variable rate, based on LIBOR or the prime rate plus a specified number of basis points, typically ranging from 220 to 600 basis points over the LIBOR rate and from 25 to 200 basis points over the prime rate. The obligations to Eagle Bank and Cardinal Bank are however subject to minimum interest floors as discussed below. As a result, we are exposed to market risk in the event of interest rate increases. At March 31, 2011, the one-month LIBOR and prime rates of interest were 0.244% and 3.25%, respectively, and the interest rates in effect under the existing secured revolving development and construction credit facilities ranged from 2.38% to 4.24%.

In the past, the Company has generally financed its development and construction activities on a single or multiple project basis so it is not uncommon for each project or collection of projects the Company develops and builds to have a separate credit facility. Accordingly, the Company typically has had numerous credit facilities and lenders. As described in more detail below, at March 31, 2011 our outstanding debt by lender was as follows:

Bank	Balance as of 03/31/11	Recourse
Eagle Bank	$ 9,516	Secured
Wachovia	206	Unsecured
Guggenheim Capital Partners	6,162	Secured
Cardinal Bank	1,094	Secured
Cornerstone (Haven Trust)	400	Unsecured
Bank of America	3,752	Unsecured
Fifth Third	25	Unsecured
Branch Banking & Trust	263	Secured
Seller – Emerald Farm	100	Secured
	21,518	
Due to affiliates – Stonehenge Funding	5,008	Unsecured
Total	**$ 26,526**	

On February 2, 2011, Comstock Homebuilding Companies, Inc., through a subsidiary called Comstock Potomac Yard, L.C. (the "Borrower"), entered into a new inventory term loan agreement ("Eagle Loan Agreement") with Eagle Bank ("Lender") pursuant to which the Borrower secured an Eleven Million Eight Hundred Fifty Thousand Dollar ($11,850,000) loan with a three year term (the "Eagle Bank Loan") to refinance the Company's Eclipse on Center Park condominium project in Arlington, Virginia (the "Project"). Proceeds from the Eagle Bank Loan were primarily utilized to pay off existing indebtedness owed to KeyBank, N.A. in advance of its March 14, 2011 maturity. Under the terms of the loan agreement, the Eagle Bank Loan provides for an initial interest rate of Prime plus two percent (2%) with an interest rate floor of seven percent (7%). The Borrower is required to make monthly payments of interest only to Lender, to the extent not offset by an interest reserve initially set aside for the benefit of Borrower, and a minimum principal curtailment payment of Five Million Five Hundred Thousand Dollars ($5,500,000) no later than eighteen (18) months following the closing of the Eagle Bank Loan (the "Minimum Principal Curtailment"). The Eagle Bank Loan also has a minimum sales pace requirement requiring the Borrower to sell a minimum of six (6) units every six (6) months, on a cumulative basis. There is no prepayment penalty associated with the Eagle Bank Loan, which is secured by a first deed of trust on the property. The Company, and each of Christopher Clemente, the Chief Executive Officer of the Company and Gregory Benson, the Chief Operating Officer of the Company (the "Officers"), have fully guaranteed the Eagle Bank Loan. The Officer guaranties are reduced to fifty percent (50%) of the outstanding principal amount of the Eagle Bank Loan, from time to time, upon the happening of certain events, including the satisfaction of the Minimum Principal Curtailment. In connection with the Officers' limited guaranty of the Eagle Bank Loan, the Officers and the Company entered into a Credit Enhancement and Indemnification Agreement on February 17, 2011 (the "Indemnification Agreement") providing for full indemnification of the Officers by the Company against future losses incurred as a result of their guaranty of the Cardinal Loan or the Eagle Bank Loan. Pursuant to the Indemnification Agreement, the Officers, on an aggregate basis, are entitled to a credit enhancement fee ("Credit Enhancement Fee") from the Company for the Cardinal Loan and the Eagle Bank Loan calculated at a rate of four percent (4%) per annum based on the lesser of (i) the combined outstanding balance of the Cardinal Loan and the Eagle Bank Loan at the end of each month, or (ii) such Officer's maximum guaranty exposure in connection with the Cardinal Loan and the Eagle Bank Loan. One-half of the Credit Enhancement Fee is payable monthly, in arrears, and the remaining half is deferred and payable on an annual basis.

On February 11, 2011, Comstock Cascades II, L.C. (the "Borrower"), a subsidiary of Comstock Homebuilding Companies, Inc. (the "Company"), entered into a Loan Agreement (the "Cardinal Loan Agreement") with Cardinal Bank ("Lender") pursuant to which the Borrower obtained an Eleven Million Dollar ($11,000,000) multi-family construction loan and mortgage with a five year term (the "Cardinal Loan"). Proceeds from the Cardinal Loan shall (i) fund the construction of a 103 unit apartment project located in the Cascades master planned community in Loudoun County, Virginia (the "Cascades Apartments") and (ii) retire existing indebtedness of the Company owed to M & T Bank ("M&T") having a maturity date of February 14, 2011 and which was secured by a first deed of trust on the real property upon which the Cascades Apartments will be constructed. The Cardinal Loan, secured by a new first deed of trust on the property, has an initial interest rate of Prime plus two percent (2%), with an interest rate floor of six and one-half percent (6.5%), converted after eighteen (18) months to four hundred twenty-five (425) basis points over the five (5) year swap rate with an interest rate floor of five percent (5%) and a ceiling of eight

percent (8%). Under the terms of the Cardinal Loan Agreement, the Cardinal Loan shall be amortized in accordance with a 5.5%, 25-year schedule, with amortization to begin eighteen (18) months after the Cardinal Loan closing and has a two percent (2%) prepayment penalty if paid within the first or second year of the Cardinal Loan and a one percent (1%) prepayment penalty if retired in the third or fourth year of the Cardinal Loan. The Cardinal Loan requires debt service coverage ("DCR") of (i) 1.0 to 1.0 no later than twenty-four (24) months from the date of the Cardinal Loan closing, (ii) 1.15 DCR no later than thirty-six (36) months from the date of Cardinal Loan closing, and (iii) 1.25 DCR no later than forty-eight (48) months from the date of the Cardinal Loan closing. The Company has fully guaranteed the Cardinal Loan. Christopher Clemente, the Chief Executive Officer of the Company and Gregory Benson, the Chief Operating Officer of the Company (each an "Officer"), also provided a limited guaranty in connection with the Cardinal Loan of up to Six Million Eight Hundred Thousand Dollars ($6,800,000), subject to further reduction upon the satisfaction of certain enumerated conditions set forth in the Cardinal Loan Agreement. In connection with the Officer's limited guaranty of the Cardinal Loan, and in connection with the Company's entry into a loan with Eagle Bank more fully discussed in the Company's Form 8-K filed on February 2, 2011 (the "Eagle Bank Loan"), the Officers and the Company entered into a Credit Enhancement and Indemnification Agreement on February 17, 2011 (the "Indemnification Agreement") providing for full indemnification of the Officers by the Company against future losses incurred as a result of their guaranty of the Cardinal Loan or the Eagle Bank Loan. Pursuant to the Indemnification Agreement, the Officers, on an aggregate basis, are entitled to a credit enhancement fee ("Credit Enhancement Fee") from the Company for the Cardinal Loan and the Eagle Bank Loan calculated at a rate of four percent (4%) per annum based on the lesser of (i) the combined outstanding balance of the Cardinal Loan and the Eagle Bank Loan at the end of each month, or (ii) such Officer's maximum guaranty exposure in connection with the Cardinal Loan and the Eagle Bank Loan. One-half of the Credit Enhancement Fee is payable monthly, in arrears, and the remaining half is deferred and payable on an annual basis.

Concurrent with the closing of the Cardinal Loan, $1.5 million of then existing indebtedness to M&T Bank was retired for approximately $1.3 million. Accordingly, the Company recorded a gain of approximately $0.2 million on the extinguishment of the debt.

At March 31, 2011, the Company had approximately $6.2 million outstanding to Guggenheim Corporate Funding ("Guggenheim") relating to the Company's Penderbrook Condominium project. On September 16, 2009, the Company entered into a third amendment to the loan agreement with Guggenheim in which Guggenheim agreed to continue to forbear from exercising its rights related to the defaults and make certain other modifications to the loan agreement. Other than a minimum number of sales per month and sales per quarter requirement, the Guggenheim loan agreement and the three loan amendments contain no significant financial covenants. The key financial terms of the third amendment increase the cash flow available to the Company through reduced principal payments to Guggenheim as units are settled. Specifically, the third amendment will provide the Company with cash equal to 25% of the net sales price provided the Company meets the cumulative minimum sales requirements on a monthly and quarterly basis. If the Company is unable to meet the minimum sales requirements, it will not constitute an event of default but may result in a reversion to the unit release provisions to ten percent (10%) of the net sales price of sold units in accordance with the loan agreement and first two amendments. As of January 1, 2011, the base interest rate is LIBOR plus 200 basis points which is adjusted by a 200 basis point paid in kind interest ("PIK") which accrues on a monthly basis on the loan. Based upon the number of units sold at the Penderbrook project, this note is scheduled to mature in September, 2011, but can be extended further based upon the satisfaction of a certain number of additional units sold 14 days prior to the extended maturity date, but in no event will it extend beyond March 2012. The Company is currently in discussions with its lender on the Penderbrook project with respect to its required settlement quota as the quota was not achieved during the first quarter of 2011. The Company does not believe that a modification of the current cash flow proceed allocations related to this loan would have a material impact on its current cash flow or financial condition in event the Company is unsuccessful in its effort to maintain the existing sales quota arrangement with the lender.

At March 31, 2011, the Company had $3.8 million outstanding to Bank of America ("BOA") in a 10-year unsecured note. In February 2010, the Company reached an agreement in principle with BOA regarding the modification of the note's curtailment terms. In connection therewith, the Company agreed to pay an extension fee of $100 and BOA agreed to delay for one year, until January 2011, the commencement of interest payments. The maturity date remains unchanged at December 28, 2018. On February 25, 2010 the Company entered into a Seventh Loan Modification Agreement with Bank of America ("BOA") regarding the modification of the terms of one certain unsecured loan with an approximate principal balance of $3,700,000 ("Line of Credit"). In connection therewith the Company agreed to pay an extension fee of $100,000 and BOA agreed to delay for one year, until January 2011, the commencement of repayments of all previously unpaid interest accruing since the date of the Company's previously reported modification of the Line of Credit in November 2008. The maturity date remains unchanged at December 28, 2018. On February 1, 2011, the Company entered into the Eighth Loan Modification Agreement with Bank of America ("BOA") (the "Modification Agreement"). The Modification Agreement required payments of past interest and modification fees of approximately $175 thousand on February 1, 2011, which were paid in accordance with the agreement. The maturity date remains December 28, 2018. Comstock is required to make monthly interest payments beginning on February 28, 2011 through loan maturity. Commencing January 28, 2012 and continuing on each and every month through November 28, 2018, Comstock is also required to make monthly principal payments of approximately $37 thousand.

On December 23, 2009, Stonehenge Funding, LC ("Stonehenge"), an entity wholly-owned by Christopher Clemente, the Chairman and Chief Executive Officer of the Company, completed the purchase of the senior unsecured note from JPMV in the current outstanding amount of approximately $9.0 million, plus accrued and unpaid interest. The purchase of the JPMV note also resulted in the transfer to Stonehenge of the warrant previously issued to JPMV for the purchase of 1.5 million shares of the Company's Class A Common Stock with a strike price of $0.07 per share ("JP Morgan Warrant"). In connection with Stonehenge's purchase of the JP Morgan debt from JPMV, Stonehenge and the Company entered into two separate subordination and standstill agreements for the benefit of the Company and its secured lenders, KeyBank and Guggenheim. The subordination agreements allow for Stonehenge and the Company to negotiate permanent modifications to the terms of the JP Morgan Debt and provide KeyBank and Guggenheim with assurances that the Company will not make any cash interest or principal payments to Stonehenge prior to the full repayment of loans to them in connection with the Company's Eclipse and Penderbrook projects. On February 15, 2010 the Company entered into a Modification Agreement to modify the terms of the Company's senior unsecured note with Stonehenge Funding, LC ("Stonehenge"). On December 23, 2009 Stonehenge acquired the senior unsecured note from JP Morgan Ventures ("JPMV") which had a $9,000,000 principal balance as described in the Amended and Restated Indenture between the Company and JPMV dated March 14, 2008 (the "JP Morgan Debt"). Gregory Benson, the Company's Chief Operating Officer and a member of the Company's Board of Directors, subsequently purchased a participation interest in the JP Morgan Debt and the JP Morgan Warrant from Stonehenge.

Under the terms of the Modification Agreement, Stonehenge has agreed to forgive $4,500,000 of the principal balance due from the Company under the JP Morgan Debt; reducing the principal balance by 50% to $4,500,000. Stonehenge also agreed to forgive an additional amount due from the Company of approximately $875,000 representing all past due interest, late fees and penalties accruing through December 31, 2009 (“Interest and Loan Fees”) under the JP Morgan Debt. Stonehenge further agreed to reduce the interest rate, effective January 1, 2010, by fifty percent (50%) to 300 basis points above the one year LIBOR on a floating basis. In addition, to ensure the Company’s ability to comply with certain restrictions placed upon the Company by KeyBank and Guggenheim Corporate Funding (collectively “Secured Lenders”) in connection with previously announced loan modifications enhancing cashflow to the Company, Stonehenge agreed to allow all future interest payments due from the Company under the JP Morgan Debt to accrue until at least 90 days after the Secured Lenders have been fully repaid. In connection therewith, Stonehenge may, on a quarterly basis, elect to accept stock of the Company (or warrants for the purchase thereof) with a cumulative value equal to the value of the scheduled interest payment in lieu of accruing a future quarterly interest payment.

Further, the Modification Agreement provides for the elimination or forbearance upon the enforcement of all financial covenants contained in the JP Morgan Debt and all previously reported covenant violations by the Company. The maturity date of the JP Morgan Debt remains unchanged at March 14, 2013, provided however, the Modification Agreement provides the Company with two optional extension periods of six months each to further assist the Company with its compliance with the restrictions of the Secured Lenders.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

There are three measurement input levels for determining fair value: Level 1, Level 2, and Level 3. Fair values determined by Level 1 inputs utilize quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Fair values determined by Level 2 inputs utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. An asset’s or liability’s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities are reasonable estimates of their fair values based on their short maturities. The carrying amount of floating rate debt approximates fair value.

The fair value of fixed rate debt is based on observable market rates (level 2 inputs). The following table summarizes the fair value of fixed rate debt and the corresponding carrying value of fixed rate debt as of:

	March 31, 2011	December 31, 2010
Carrying amount	$ 5,700	$ 9,600
Fair value	$ 3,900	$ 4,488

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

The Company may also value its real estate held for development and sale at fair value on a nonrecurring basis if it is determined that an impairment has occurred. Such fair value measurements use significant unobservable inputs and are classified as level 3. See Note 2 for a further discussion of the valuation techniques and the inputs used.

Table of Contents

COMSTOCK HOMEBUILDING COMPANIES, INC. AND SUBSIDIARIES

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

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

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

Overview

We are a multi-faceted real estate development and services company. We have substantial experience with building a diverse range of products including single-family homes, townhouses, mid-rise condominiums, high-rise multi-family condominiums and mixed-use (residential and commercial) developments.

We are exclusively focused on the Washington, D.C. market which is the eighth largest metropolitan statistical area in the United States. Our expertise in developing traditional and non-traditional housing products enables us to focus on a wide range of opportunities within our core market. We have built homes and apartment buildings in suburban communities, where we focus on low density products such as single- family detached homes, and in urban areas, where we focus on high density multi-family and mixed-use products. For our homebuilding operations, we develop properties with the intent that they be sold either as fee-simple properties or condominiums to individual unit buyers or as investment properties sold to private or institutional investors. Our apartment buildings are developed as rental properties to be held and operated for our own purposes, converted at some point to for-sale condominium units or sold on a merchant build basis. Currently we operate only in the Washington, D.C. market where we target first-time, early move-up, and secondary move-up buyers with our homebuilding product. We focus on products that we are able to offer for sale in the middle price points within the markets where we operate, avoiding the very low-end and high-end products. We believe our middle market strategy positions our products such that they are affordable to a significant segment of potential home buyers in our market.

We believe that our significant experience over the past 25 years, combined with our ability to navigate through two major housing downturns (early 1990's and late 2000's) have provided us the experience necessary to capitalize on attractive opportunities in our core market of Washington, D.C. and to rebuild shareholder value. We believe that our focus on the Washington, D.C. market, which has historically been characterized by economic conditions less volatile than many other major homebuilding markets, will provide an opportunity to generate attractive returns on investment and for growth.

Recent Developments

Eclipse on Center Park Refinancing

On February 2, 2011, Comstock Potomac Yard, L.C., one of our subsidiaries ("Comstock Potomac"), entered into a new inventory term loan agreement ("Loan Agreement") with Eagle Bank pursuant to which Comstock Potomac secured $11.85 million loan with a three year term (the "New Loan") to refinance our Eclipse at Potomac Yard condominium project in Arlington, Virginia (the "Project"). Proceeds from the New Loan to Comstock Potomac were primarily utilized to pay off existing indebtedness owed to KeyBank, N.A. in advance of its March 14, 2011 maturity. Under the terms of the our Loan Agreement, the New Loan provides for an initial interest rate of Prime plus two percent (2%), with an interest rate floor of seven percent (7%). Comstock Potomac is required to make monthly payments of interest only to Eagle Bank, to the extent not offset by an interest reserve initially set aside for the benefit of Comstock Potomac, and a minimum principal curtailment payment of $5.5 million no later than eighteen (18) months following the closing of the New Loan (the "Minimum Principal Curtailment"). The New Loan also has a minimum sales pace requirement requiring Comstock Potomac to sell a minimum of six (6) units every six (6) months, on a cumulative basis. There is no prepayment penalty associated with the New Loan, which is secured by a first deed of trust on the property. The Company, and each of Christopher Clemente, the Chief Executive Officer of the Company and Gregory Benson, the Chief Operating Officer of the Company, have fully guaranteed the New Loan. The officer guaranties are reduced to fifty percent (50%) of the outstanding principal amount of the New Loan, from time to time, upon the happening of certain events, including the satisfaction of the Minimum Principal Curtailment.

Cascades Apartment Project

On January 31, 2011, Comstock Cascades II, L.C., one of our subsidiaries (“Cascades II”), entered into a private placement for the sale of membership interests in Cascades II whereby Cascades II raised working capital in the amount of $2.35 million (the “Private Placement”) related to the planned construction of a 103 unit apartment project located in the Cascades master planned community in Loudoun County, Virginia (the “Cascades Apartments” or “The Commons on Potomac Square”). Proceeds of the Private Placement, were utilized (i) to provide sufficient capital needed to secure project financing for the Cascades Apartments, (ii) to retire a portion of the existing indebtedness owed to M & T Bank (“M&T”) in relation to the Cascades Apartments project, and (iii) to reimburse the Company for prior expenditures incurred on behalf of the project. Participants in the Private Placement included unrelated third party investors along with several members of the Company’s Board of Directors, as well as the Chief Operating Officer, Chief Financial Officer and General Counsel of the Company.

On February 11, 2011, Cascades II entered into a Loan Agreement (the "Cardinal Loan Agreement") with Cardinal Bank pursuant to which Cascades II obtained an $11million multi-family construction loan and mortgage with a five year term (the "Cardinal Loan"). Proceeds from the Cardinal Loan were used to (i) fund the construction of a 103 unit apartment project located in the Cascades master planned community in Loudoun County, Virginia (the "Cascades Apartments") and (ii) retire existing indebtedness of the Company owed to M and T Bank ("M&T") having a maturity date of February 14, 2011 and which was secured by a first deed of trust on the real property upon which the Cascades Apartments will be constructed. The Cardinal Loan, secured by a new first deed of trust on the property, has an initial interest rate of Prime plus two percent (2%), with an interest rate floor of six and one-half percent (6.5%), converted after eighteen (18) months to four hundred twenty-five (425) basis points over the five (5) year swap rate with an interest rate floor of five percent (5%) and a ceiling of eight percent (8%). Under the terms of the Cardinal Loan Agreement, the Cardinal Loan will be amortized in accordance with a 5.5%, 25-year schedule, with amortization to begin eighteen (18) months after the Cardinal Loan closing and has a two percent (2%) prepayment penalty if paid within the first or second year of the Cardinal Loan and a one percent (1%) prepayment penalty if retired in the third or fourth year of the Cardinal Loan. The Cardinal Loan requires debt service coverage ("DCR") of (i) 1.0 to 1.0 no later than twenty-four (24) months from the date of the Cardinal Loan closing, (ii) 1.15 DCR no later than thirty-six (36) months from the date of Cardinal Loan closing, and (iii) 1.25 DCR no later than forty-eight (48) months from the date of the Cardinal Loan closing. The Company has fully guaranteed the Cardinal Loan. Christopher Clemente, the Chief Executive Officer of the Company and Gregory Benson, the Chief Operating Officer of the Company (each an "Officer"), also provided a limited guaranty in connection with the Cardinal Loan of up to $6.8 million, subject to further reduction upon the satisfaction of certain enumerated conditions set forth in the Cardinal Loan Agreement. In connection with the Officer's limited guaranty of the Cardinal Loan, and in connection with the Company's entry into a loan with Eagle Bank, described above the Officers and the Company entered into a Credit Enhancement and Indemnification Agreement on February 17, 2011 (the "Indemnification Agreement") providing for full indemnification of the Officers by the Company against future losses incurred as a result of their guaranty of the Cardinal Loan or the Eagle Bank Loan. Pursuant to the Indemnification Agreement, the Officers, on an aggregate basis, are entitled to a credit enhancement fee ("Credit Enhancement Fee") from the Company for the Cardinal Loan and the Eagle Bank Loan calculated at a rate of four percent (4%) per annum based on the lesser of (i) the combined outstanding balance of the Cardinal Loan and the Eagle Bank Loan at the end of each month, or (ii) such Officer's maximum guaranty exposure in connection with the Cardinal Loan and the Eagle Bank Loan. One-half of the Credit Enhancement Fee is payable monthly, in arrears, and the remaining half is deferred and payable on an annual basis. There is no obligation that the Officers provide credit support to the Company for its future borrowing needs and as a result, there may be no availability of acquisition, construction and development loans.

We began construction on this project in February 2011 and we expect leasing to begin in the summer of 2011. Construction on the project is expected to be completed by the end of 2011.

Results of Operations

Three months ended March 31, 2011 compared to three months ended March 31, 2010

Orders, cancellations and backlog

Gross new order revenue for the three months ended March 31, 2011 decreased $3.3 million to $3.2 million on 10 homes as compared to $6.5 million on 19 homes for the three months ended March 31, 2010. Net new order revenue for the three months ended March 31, 2011 decreased $3.1 million to $3.0 million on 9 homes as compared to $6.1 million on 18 homes for the three months ended March 31, 2010. Average gross new order revenue per unit for three months ended March 31, 2011 decreased $22,000 to $320,000, as compared to $342,000 for the three months ended March 31, 2010.

We have two Washington, DC condominium projects where we have units available for sale and for rent: Penderbrook Square in Fairfax, VA and the Eclipse at Potomac Yard in Arlington, VA. Therefore, we were only able to generate orders and backlog at the two condominium projects in the first three months of 2011. Because our unit sales are generated from completed inventory we do not need to construct units after a sales contract is executed with a unit purchaser. As a result we are able to quickly execute on a sales contract and deliver the unit to the purchaser. Typically, unit deliveries are made within thirty days of contract execution. As a result, we do not tend to generate significant order backlog. At March 31, 2011, we had 3 units in backlog to generate revenue of $528,000.

Revenue – homebuilding

The number of homes delivered for the three months ended March 31, 2011 decreased to 7 as compared to 16 homes for the three months ended March 31, 2010. Fewer homes available for sale coupled with the expiration of the homebuyers credit in 2010 contributed to the decline in sales. Average revenue per home delivered increased by approximately $75,000 to $431,000 for the three months ended March 31, 2011 as compared to $356,000 for the three months ended March 31, 2010. Revenue from homebuilding decreased by $2.7 million to $3.0 million for the three months ended March 31, 2011 as compared to $5.7 million for the three months ended March 31, 2010 as a result of the decline in the number of homes settled.

Revenue – other

Revenue-other decreased approximately $1.8 million during the three months ended March 31, 2011. Included in the 2010 revenue was $2.8 million related to the sale of land at our Station View project and rental revenue of $0.6 million related to our Penderbrook and Eclipse communities. The 2011 revenue consists primarily of approximately $1.1 million of general contracting revenue. The Company periodically supplements its core homebuilding operation with short-term general contracting projects and recognizes revenue and gross profit on a percentage of completion basis. The balance of the revenue of approximately $0.4 million related to rental operations at our Penderbrook and Eclipse communities. The decline in rental revenue over the periods is attributable to a reduced number of units available for rental as a result of continuing sales at these communities.

Cost of sales – homebuilding

Cost of sales – homebuilding for the three months ended March 31, 2011 decreased by $3.0 million, to $2.7 million as compared to $5.7 million for the three months ended March 31, 2010. The decreased number of homes settled during the quarter accounted for the decline in the aggregate cost of sales figure.

Cost of sales – other

Cost of sales – other decreased approximately $1.6 million during the three months ended March 31, 2011. Substantially all of the costs in 2010 (approximately $2.5 million) related to the sale of land at our Station View project. The balance was attributable to our aforementioned rental operations. In 2011, approximately $1 million of costs related to our aforementioned general contracting projects. The balance of approximately $0.3 related to our rental operations.

Impairments and write-offs

Real estate held for development and sale includes land, land development costs, interest and other construction costs. Land held for development is stated at cost, or when circumstances or events indicate that the land is impaired, at estimated fair value. Real estate held for sale is carried at the lower of cost or fair value less costs to sell. Land, land development and indirect land development costs are accumulated by specific project and allocated to various lots or housing units within that project using specific identification and allocation 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, capitalized interest and real estate taxes. Selling costs are expensed as incurred.

For projects where the Company expects to sell the remaining lots in bulk or convey the remaining lots to a lender where the loans have matured, the fair value is determined based on offers received from third parties, comparable sales transactions, and/or cash flow valuation techniques.

If the project meets the GAAP accounting criteria of held for sale, the project is valued at the lower of cost or fair value less estimated selling costs. Currently the Company's Eclipse and Penderbrook projects meet these criteria. If the project sales are expected to extend over a period of time, the Company calculates fair value utilizing a discounted cash flow model as discussed below, although the Company would select a discount rate to reflect the relative construction and other risks.

For assets held for development, 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. In the normal course of business, dispositions of large land holdings can extend over a number of years. A write-down to estimated fair value is recorded when the net carrying value of the property exceeds its estimated undiscounted future cash flows. These evaluations are made on a property-by-property basis as seen fit by management whenever events or changes in circumstances indicate that the net book value may not be recoverable.

The Company evaluates its projects on a quarterly basis to determine if recorded carrying amounts are recoverable. For projects where the Company expects to continue sales, these impairment evaluations are based on discounted cash flow models as discussed above. Discounted cash flow models are dependent upon several subjective factors, primarily estimated average sales prices, estimated sales pace, and the selection of an appropriate discount rate. While current market conditions make the selection of a timeframe for sales in a community challenging, the Company has generally assumed sales prices equal to or less than current prices and the remaining lives of the communities were estimated to be one to two years. These assumptions are often interrelated as price reductions can generally be assumed to increase the sales pace. In addition, the Company must select what it believes to be an appropriate discount rate based on current market cost of capital and returns expectations. The Company has used its best judgment in determining an appropriate discount rate based on information it has received from marketing its deals for sale in recent months, and accordingly has elected to use a rate of 13% in its discounted cash flow model. While the selection of a 13% discount rate was subjective in nature, the Company believes it is an appropriate rate in the current market and appropriately reflects the economics of the market, current return expectations and the cash flow characteristics of the projects. The estimates of sales prices, sales pace, and discount rates used by the Company are based on the best information available at the time the estimates were made. In recent months, market conditions affecting the Company's Washington, DC area projects have improved; however, if market conditions deteriorate again, additional adverse changes to these estimates in future periods could result in further material impairment amounts to be recorded.

The Company recorded an impairment charge of $1.5 million during the twelve months ended December 31, 2010 to properly record its for sale projects at fair market value less costs to sell consistent with the provisions of ASC 360. No such impairment charges were incurred during the three months ended March 31, 2011.

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

	March 31, 2011	December 31, 2010
Land and land development costs	$ 5,621	$ 8,862
Cost of construction (including capitalized interest and real estate taxes)	23,255	25,146
	$28,876	$ 34,008

Selling, general and administrative

Selling general and administrative expenses for the three months ended March 31, 2011 decreased $0.1 million to $1.4 million, as compared to $1.5 million for the three months ended March 31, 2010. The reduction in expenses over the three month period is attributable to initiatives that have resulted in decreases in office rent, legal, accounting and consulting expenses. Additionally, our general contracting projects and the beginning of construction at our Cascades Apartment project allows for better utilization of our overhead.

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

Interest, real estate taxes and indirect costs related to our inactive projects are expensed as incurred. The decline in interest, real estate taxes and indirect costs related to inactive projects is directly related to the decline in the number of homes remaining in inventory and the overall cost and amounts of the related debt. As our inventory is sold, both real estate tax expense and interest declines. Additionally, our cost of financing declined with the refinancing of the Eclipse project (see Note 12)

Income taxes

Income taxes are accounted for under the asset and liability method in accordance with ASC 740, “Accounting for Income Taxes,” (“ASC 740”). 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 is projecting a tax loss for the twelve months ended December 31, 2011. Therefore, an effective tax rate of zero was assumed in calculating the current income tax expense at March 31, 2011. This results in a zero current income tax expense for the three months ended March 31, 2011.

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. At December 31, 2007, the Company recorded valuation allowances for certain tax attributes and other deferred tax assets. At this time, sufficient uncertainty exists regarding the future realization of these deferred tax assets through future taxable income or carry back opportunities. If, in the future, the Company believes that it is more likely than not that these deferred tax benefits will be realized, the valuation allowances will be reversed. With a full valuation allowance, any change in the deferred tax asset or liability is fully offset by a corresponding change in the valuation allowance. This results in a zero deferred tax benefit or expense for the three months ended March 31, 2011

We file U.S. and state income tax returns in jurisdictions with varying statutes of limitations. The 2008 through 2010 tax years generally remain subject to examination by federal and most state tax authorities.

Liquidity and Capital Resources

We require capital to operate, to post deposits on new deals, to purchase and develop land, to construct homes, to fund related carrying costs and overhead and to fund various advertising and marketing programs to generate sales. These expenditures include payroll, community engineering, entitlement, architecture, advertising, utilities and interest as well as the construction costs of our homes. Our sources of capital include, and will continue to include, funds derived from various secured and unsecured borrowings, cash flow from operations, which includes the sale and delivery of constructed homes and rental apartment projects and finished and raw building lots, and the sale of equity and debt securities.

Our liquidity remains below desired levels and we continue to have limited access to new capital. However, the steps we have taken over the past three years has improved our financial condition. These steps include the successful refinancing of our Eclipse on Center Park condominium project in February, 2011. The new financing has addressed a significant maturity and provided enhanced flexibility to us as we realize cash flow from the sales of the remaining condominium units. We also were successful in securing a 5 year $11.0 million construction/mortgage loan to support the construction of a 103 unit rental apartment project in the Cascades planned community in the Potomac Falls area of Loudoun County, Virginia. Additionally, we successfully raised $2.35 million in funds (of which $2.1 million was received in 2010 with the remaining collected in the first quarter of 2011) through a private placement to provide additional financial support related to the apartment project in Loudoun County, Virginia. (“Cascades Apartment project”). Further, we believe the court decision in the Balfour litigation, if collected, will improve our liquidity assuming the pending appeal of the award by the defendant is concluded in a manner favorable to us.

We continue to engage in discussions with lenders and potential equity investors in an effort to provide additional liquidity to sustain business operations and growth capital to fund various new business opportunities. We are anticipating that through a combination of these ongoing discussions, the additional cash from settlement proceeds and the cash generated from our rental and real estate service operations, that

we will generate sufficient cash to sustain our operations through 2011. However, this outcome is dependent upon our ability to meet the minimum settlement requirements specified by our lenders at the Penderbrook and Eclipse projects. We have met the sales quota requirements for our loan related to the Eclipse project and are in compliance with these settlement requirements at March 31, 2011. The Company is currently in discussions with its lender on the Penderbrook project with respect to its required settlement quota as the quota was not achieved during the first quarter of 2011. The Company does not believe that a modification of the current cash flow proceed allocations related to this loan would have a material impact on its current cash flow or financial condition in event the Company is unsuccessful in its effort to maintain the existing sales quota arrangement with the lender.

However, if we are unable to meet the sales quotas for an extended period of time then substantially all of the cash flow may be retained by the lenders and applied to principal debt curtailments. If we are unable to maintain compliance with the cumulative minimum settlement requirements for an extended period of time, we would need to seek waivers or additional loan modifications from the project lender. If we were unable to secure such waivers or modifications, this may substantially reduce the amount of cash generated through unit settlements and make it necessary for us to attempt to generate alternative sources of revenue to meet our operating cash flow requirements. To do so, we may have to seek to leverage the judgment award which we obtained against Balfour, attempt to sell our remaining parcels of land, seek to raise additional capital or seek to obtain additional financing to meet our operating cash flow requirements. If, in the absence of cash flow being generated from unit settlements, we were unable to generate additional capital through any of these alternative sources, we could deplete our cash reserves and may be forced to seek protections afforded under the bankruptcy code. There can be no assurance that in the event we were forced to seek bankruptcy protection that we would be able to reorganize and, in such an event, we could be forced to liquidate our assets.

Credit Facilities

The Company has outstanding borrowings with various financial institutions and other lenders that have been used to finance the acquisition, development and construction of real estate property. As of March 31, 2011, maturities of all of our borrowings are as follows:

2011	6,162
2012	606
2013	5,008
2014	9,516
2015 and thereafter	5,234
Total	$26,526

The Company is actively engaged with potential investors and lenders to obtain capital to refinance its short-term obligations and to secure new capital to pursue growth opportunities. While the Company believes it has available options to address the remaining 2011 maturities, there can be no assurances that the Company will be successful in these efforts.

Substantially all of the Company's debt is variable rate, based on LIBOR or the prime rate plus a specified number of basis points, typically ranging from 220 to 600 basis points over the LIBOR rate and from 25 to 200 basis points over the prime rate. The obligations to Eagle Bank and Cardinal Bank are however subject to minimum interest floors as discussed below. As a result, we are exposed to market risk in the event of interest rate increases. At March 31, 2011, the one-month LIBOR and prime rates of interest were 0.244% and 3.25%, respectively, and the interest rates in effect under the existing secured revolving development and construction credit facilities ranged from 2.38% to 4.24%.

In the past, the Company has generally financed its development and construction activities on a single or multiple project basis so it is not uncommon for each project or collection of projects the Company develops and builds to have a separate credit facility. Accordingly, the Company typically has had numerous credit facilities and lenders. As described in more detail below, at March 31, 2011 our outstanding debt by lender was as follows:

Bank	Balance as of 03/31/11	Recourse
Eagle Bank	$ 9,516	Secured
Wachovia	206	Unsecured
Guggenheim Capital Partners	6,162	Secured
Cardinal Bank	1,094	Secured
Cornerstone (Haven Trust)	400	Unsecured
Bank of America	3,752	Unsecured
Fifth Third	25	Unsecured
Branch Banking & Trust	263	Secured
Seller – Emerald Farm	100	Secured
	21,518	
Due to affiliates – Stonehenge Funding	5,008	Unsecured
Total	**$ 26,526**	

On February 2, 2011, Comstock Homebuilding Companies, Inc., through a subsidiary called Comstock Potomac Yard, L.C. (the "Borrower"), entered into a new inventory term loan agreement ("Eagle Loan Agreement") with Eagle Bank ("Lender") pursuant to which the Borrower secured an Eleven Million Eight Hundred Fifty Thousand Dollar ($11,850,000) loan with a three year term (the "Eagle Bank Loan")

to refinance the Company's Eclipse on Center Park condominium project in Arlington, Virginia (the "Project"). Proceeds from the Eagle Bank Loan were primarily utilized to pay off existing indebtedness owed to KeyBank, N.A. in advance of its March 14, 2011 maturity. Under the terms of the loan agreement, the Eagle Bank Loan provides for an initial interest rate of Prime plus two percent (2%) with an interest rate floor of seven percent (7%). The Borrower is required to make monthly payments of interest only to Lender, to the extent not offset by an interest reserve initially set aside for the benefit of Borrower, and a minimum principal curtailment payment of Five Million Five Hundred Thousand Dollars ($5,500,000) no later than eighteen (18) months following the closing of the Eagle Bank Loan (the "Minimum Principal Curtailment"). The Eagle Bank Loan also has a minimum sales pace requirement requiring the Borrower to sell a minimum of six (6) units every six (6) months, on a cumulative basis. There is no prepayment penalty associated with the Eagle Bank Loan, which is secured by a first deed of trust on the property. The Company, and each of Christopher Clemente, the Chief Executive Officer of the Company and Gregory Benson, the Chief Operating Officer of the Company (the "Officers"), have fully guaranteed the Eagle Bank Loan. The Officer guaranties are reduced to fifty percent (50%) of the outstanding principal amount of the Eagle Bank Loan, from time to time, upon the happening of certain events, including the satisfaction of the Minimum Principal Curtailment. In connection with the Officers' limited guaranty of the Eagle Bank Loan, the Officers and the Company entered into a Credit Enhancement and Indemnification Agreement on February 17, 2011 (the "Indemnification Agreement") providing for full indemnification of the Officers by the Company against future losses incurred as a result of their guaranty of the Cardinal Loan or the Eagle Bank Loan. Pursuant to the Indemnification Agreement, the Officers, on an aggregate basis, are entitled to a credit enhancement fee ("Credit Enhancement Fee") from the Company for the Cardinal Loan and the Eagle Bank Loan calculated at a rate of four percent (4%) per annum based on the lesser of (i) the combined outstanding balance of the Cardinal Loan and the Eagle Bank Loan at the end of each month, or (ii) such Officer's maximum guaranty exposure in connection with the Cardinal Loan and the Eagle Bank Loan. One-half of the Credit Enhancement Fee is payable monthly, in arrears, and the remaining half is deferred and payable on an annual basis.

On January 31, 2011, Comstock Cascades II, L.C., a subsidiary of the Company ("Cascades II") entered into a private placement for the sale of membership interests in Cascades II whereby Cascades II raised working capital in the amount of Two Million Three Hundred and Fifty Thousand Dollars ($2,350,000) (the "Private Placement") related to the planned construction of a 103 unit apartment project located in the Cascades master planned community in Loudoun County, Virginia (the "Cascades Apartments"). Of this amount $2.1 million was received during the year ended December 31, 2010 and is reflected within Restricted Cash on the balance sheet as of December 31, 2010. Proceeds of the Private Placement, were utilized (i) to provide sufficient capital needed to secure project financing for the Cascades Apartments, (ii) to retire a portion of the existing indebtedness owed to M and T Bank ("M&T") in relation to the Cascades Apartments project, and (iii) to reimburse the Company for prior expenditures incurred on behalf of the project. Participants in the Private Placement included unrelated third party investors along with several members of the Company's Board of Directors, as well as the Chief Operating Officer, Chief Financial Officer and General Counsel of the Company.

On February 11, 2011, Comstock Cascades II, L.C. (the "Borrower"), a subsidiary of Comstock Homebuilding Companies, Inc. (the "Company"), entered into a Loan Agreement (the "Cardinal Loan Agreement") with Cardinal Bank ("Lender") pursuant to which the Borrower obtained an Eleven Million Dollar ($11,000,000) multi-family construction loan and mortgage with a five year term (the "Cardinal Loan"). Proceeds from the Cardinal Loan shall (i) fund the construction of a 103 unit apartment project located in the Cascades master planned community in Loudoun County, Virginia (the "Cascades Apartments") and (ii) retire existing indebtedness of the Company owed to M and T Bank ("M&T") having a maturity date of February 14, 2011 and which was secured by a first deed of trust on the real property upon which the Cascades Apartments will be constructed. The Cardinal Loan, secured by a new first deed of trust on the property, has an initial interest rate of Prime plus two percent (2%), with an interest rate floor of six and one-half percent (6.5%), converted after eighteen (18) months to four hundred twenty-five (425) basis points over the five (5) year swap rate with an interest rate floor of five percent (5%) and a ceiling of eight percent (8%). Under the terms of the Cardinal Loan Agreement, the Cardinal Loan shall be amortized in accordance with a 5.5%, 25-year schedule, with amortization to begin eighteen (18) months after the Cardinal Loan closing and has a two percent (2%) prepayment penalty if paid within the first or second year of the Cardinal Loan and a one percent (1%) prepayment penalty if retired in the third or fourth year of the Cardinal Loan. The Cardinal Loan requires debt service coverage ("DCR") of (i) 1.0 to 1.0 no later than twenty-four (24) months from the date of the Cardinal Loan closing, (ii) 1.15 DCR no later than thirty-six (36) months from the date of Cardinal Loan closing, and (iii) 1.25 DCR no later than forty-eight (48) months from the date of the Cardinal Loan closing. The Company has fully guaranteed the Cardinal Loan. Christopher Clemente, the Chief Executive Officer of the Company and Gregory Benson, the Chief Operating Officer of the Company (each an "Officer"), also provided a limited guaranty in connection with the Cardinal Loan of up to Six Million Eight Hundred Thousand Dollars ($6,800,000), subject to further reduction upon the satisfaction of certain enumerated conditions set forth in the Cardinal Loan Agreement. In connection with the Officer's limited guaranty of the Cardinal Loan, and in connection with the Company's entry into a loan with Eagle Bank more fully discussed in the Company's Form 8-K filed on February 2, 2011 (the "Eagle Bank Loan"), the Officers and the Company entered into a Credit Enhancement and Indemnification Agreement on February 17, 2011 (the "Indemnification Agreement") providing for full indemnification of the Officers by the Company against future losses incurred as a result of their guaranty of the Cardinal Loan or the Eagle Bank Loan. Pursuant to the Indemnification Agreement, the Officers, on an aggregate basis, are entitled to a credit enhancement fee ("Credit Enhancement Fee") from the Company for the Cardinal Loan and the Eagle Bank Loan calculated at a rate of four percent (4%) per annum based on the lesser of (i) the combined outstanding balance of the Cardinal Loan and the Eagle Bank Loan at the end of each month, or (ii) such Officer's maximum guaranty exposure in connection with the Cardinal Loan and the Eagle Bank Loan. One-half of the Credit Enhancement Fee is payable monthly, in arrears, and the remaining half is deferred and payable on an annual basis.

Concurrent with the closing of the Cardinal Loan, $1.5 million of then existing indebtedness to M&T Bank was retired for approximately $1.3 million. Accordingly, the Company recorded a gain of approximately $0.2 million on the extinguishment of the obligations.

At March 31, 2011, the Company had approximately $6.2 million outstanding to Guggenheim Corporate Funding ("Guggenheim") relating to the Company's Penderbrook Condominium project. On September 16, 2009, the Company entered into a third amendment to the loan agreement with Guggenheim in which Guggenheim agreed to continue to forbear from exercising its rights related to the defaults and make certain other modifications to the loan agreement. Other than a minimum number of sales per month and sales per quarter requirement, the Guggenheim loan agreement and the three loan amendments contain no significant financial covenants. The key financial terms of the third amendment increase the cash flow available to the Company through reduced principal payments to Guggenheim as units are settled.

Specifically, the third amendment will provide the Company with cash equal to 25% of the net sales price provided the Company meets the cumulative minimum sales requirements on a monthly and quarterly basis. If the Company is unable to meet the minimum sales requirements, it will not constitute an event of default but may result in a reversion to the unit release provisions to ten percent (10%) of the net sales price of sold units in accordance with the loan agreement and first two amendments. As of January 1, 2011, the base interest rate is LIBOR plus 200 basis points which is adjusted by a 200 basis point paid in kind interest ("PIK") which accrues on a monthly basis on the loan. Based upon the number of units sold at the Penderbrook project, this note is scheduled to mature in September, 2011, but can be extended further based upon the satisfaction of a certain number of additional units sold 14 days prior to the extended maturity date, but in no event will it extend beyond March 2012. The Company is currently in discussions with its lender on the Penderbrook project with respect to its required settlement quota as the quota was not achieved during the first quarter of 2011. The Company does not believe that a modification of the current cash flow proceed allocations related to this loan would have a material impact on its current cash flow or financial condition in event the Company is unsuccessful in its effort to maintain the existing arrangement with the lender.

At March 31, 2011, the Company had $3.8 million outstanding to Bank of America ("BOA") in a 10-year unsecured note. In February 2010, the Company reached an agreement in principle with BOA regarding the modification of the note's curtailment terms. In connection therewith, the Company agreed to pay an extension fee of $100 and BOA agreed to delay for one year, until January 2011, the commencement of interest payments. The maturity date remains unchanged at December 28, 2018. On February 25, 2010 the Company entered into a Seventh Loan Modification Agreement with Bank of America ("BOA") regarding the modification of the terms of one certain unsecured loan with an approximate principal balance of $3,700,000 ("Line of Credit"). In connection therewith the Company agreed to pay an extension fee of $100,000 and BOA agreed to delay for one year, until January 2011, the commencement of repayments of all previously unpaid interest accruing since the date of the Company's previously reported modification of the Line of Credit in November 2008. The maturity date remains unchanged at December 28, 2018. On February 1, 2011, the Company entered into the Eighth Loan Modification Agreement with Bank of America ("BOA") (the "Modification Agreement"). The Modification Agreement required payments of past interest and modification fees of approximately $175 thousand on February 1, 2011, which were paid in accordance with the agreement. The maturity date remains December 28, 2018. Comstock is required to make monthly interest payments beginning on February 28, 2011 through loan maturity. Commencing January 28, 2012 and continuing on each and every month through November 28, 2018, Comstock is also required to make monthly principal payments of approximately $37 thousand.

On December 23, 2009, Stonehenge Funding, LC ("Stonehenge"), an entity wholly-owned by Christopher Clemente, the Chairman and Chief Executive Officer of the Company, completed the purchase of the senior unsecured note from JPMV in the current outstanding amount of approximately $9.0 million, plus accrued and unpaid interest. The purchase of the JPMV note also resulted in the transfer to Stonehenge of the warrant previously issued to JPMV for the purchase of 1.5 million shares of the Company's Class A Common Stock with a strike price of $0.07 per share ("JP Morgan Warrant"). In connection with Stonehenge's purchase of the JP Morgan debt from JPMV, Stonehenge and the Company entered into two separate subordination and standstill agreements for the benefit of the Company and its secured lenders, KeyBank and Guggenheim. The subordination agreements allow for Stonehenge and the Company to negotiate permanent modifications to the terms of the JP Morgan Debt and provide KeyBank and Guggenheim with assurances that the Company will not make any cash interest or principal payments to Stonehenge prior to the full repayment of loans to them in connection with the Company's Eclipse and Penderbrook projects. On February 15, 2010 the Company entered into a Modification Agreement to modify the terms of the Company's senior unsecured note with Stonehenge Funding, LC ("Stonehenge"), an entity wholly-owned by Christopher Clemente, the Chairman and Chief Executive Officer of the Company. On December 23, 2009 Stonehenge acquired the senior unsecured note from JP Morgan Ventures ("JPMV") which had a $9,000,000 principal balance as described in the Amended and Restated Indenture between the Company and JPMV dated March 14, 2008 (the "JP Morgan Debt"). Gregory Benson, the Company's Chief Operating Officer and a member of the Company's Board of Directors, subsequently purchased a participation interest in the JP Morgan Debt and the JP Morgan Warrant from the Subordinate Lender.

Under the terms of the Modification Agreement, Stonehenge has agreed to forgive $4,500,000 of the principal balance due from the Company under the JP Morgan Debt; reducing the principal balance by 50% to $4,500,000. Stonehenge also agreed to forgive an additional amount due from the Company of approximately $875,000 representing all past due interest, late fees and penalties accruing through December 31, 2009 ("Interest and Loan Fees") under the JP Morgan Debt. Stonehenge further agreed to reduce the interest rate, effective January 1, 2010, by fifty percent (50%) to 300 basis points above the one year LIBOR on a floating basis. In addition, to ensure the Company's ability to comply with certain restrictions placed upon the Company by KeyBank and Guggenheim Corporate Funding (collectively "Secured Lenders") in connection with previously announced loan modifications enhancing cashflow to the Company, Stonehenge agreed to allow all future interest payments due from the Company under the JP Morgan Debt to accrue until at least 90 days after the Secured Lenders have been fully repaid. In connection therewith, Stonehenge may, on a quarterly basis, elect to accept stock of the Company (or warrants for the purchase thereof) with a cumulative value equal to the value of the scheduled interest payment in lieu of accruing a future quarterly interest payment.

Further, the Modification Agreement provides for the elimination or forbearance upon the enforcement of all financial covenants contained in the JP Morgan Debt and all previously reported covenant violations by the Company. The maturity date of the JP Morgan Debt remains unchanged at March 14, 2013, provided however, the Modification Agreement provides the Company with two optional extension periods of six months each to further assist the Company with its compliance with the restrictions of the Secured Lenders.

Cash Flow

Net cash provided by operating activities was $1.4 million for the three months ended March 31, 2011 and $6.7 million for the three months ended March 31, 2010. In both years the primary source of cash provided by operating activities was the sale of real estate assets. The decline between periods is largely related to a decline in the number of homes settled during the period – 17 homes were settled during the quarter ended March 31, 2010 (generating $7.9 million in cash) versus 7 for the same period of 2011 (generating $2.7 million in cash). In addition, included in the 2010 cash flows is the sale of land at our Station View project located in Loudoun County, Virginia for $2.8 million.

Net cash used by investing activities was $1.6 million for the three months ended March 31, 2011, which relates to the construction of the Cascades Apartment rental project. There were no material cash flows from investing activities for the three months ended March 31, 2010.

Net cash provided by financing activities was $0.5 million for the three months ended March 31, 2011 and net cash used in financing activities was $6.8 million for the three months ended March 31, 2010. Repayments of indebtedness were the primary use of cash from financing activities in both years. Included in the 2011 financing cash flows is approximately $2.4 million related to the Private Placement for the Cascades Apartments.

Critical Accounting Policies and Estimates

There have been no significant changes to our critical accounting policies and estimates during the three months ended March 31, 2011 compared with those disclosed in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations included in our annual report on Form 10-K for the year ended December 31, 2010.

This report includes forward-looking statements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by the use of words such as "anticipate," "believe," "estimate," "may," "intend," "expect," "will," "should," "seeks" or other similar expressions. Forward-looking statements are based largely on our expectations and involve inherent risks and uncertainties, many of which are beyond our control. You should not place undue reliance on any forward-looking statement, which speaks only as of the date made. Some factors which may affect the accuracy of the forward-looking statements apply generally to the real estate industry, while other factors apply directly to us. Any number of important factors which could cause actual results to differ materially from those in the forward-looking statements include, without limitation: general economic and market conditions, including interest rate levels; our ability to service our 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. Additional information concerning these and other important risk and uncertainties can be found under the heading "Risk Factors" in our Form 10-K filed for the fiscal year ended December 31, 2010. Our actual results could differ materially from these projected or suggested by the forward-looking statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We have evaluated, with the participation of our Chief Executive Officer and our Chief Financial Officer, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of March 31, 2011. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of March 31, 2011.

Limitations on the Effectiveness of Controls

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

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

Changes in Internal Control

No change has occurred in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during our last fiscal quarter ended March 31, 2011, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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 March 31, 2011, 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 March 31, 2011, our internal control over financial reporting is effective.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

There have been no material changes to the legal proceedings discussed under "Item 3. Legal Proceedings" in our Annual Report on Form 10-K for the year ended December 31, 2010.

ITEM 1A. RISK FACTORS

We previously disclosed risk factors under "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2010. There have been no material changes to these risk factors.

ITEM 6. EXHIBITS

10.95	Loan Agreement, dated as of January 27, 2011, by and among Comstock Potomac Yard, LLC and Eagle Bank (incorporated by reference to Exhibit 10.95 to the company's Annual Report on Form 10-K for the year ended December 31, 2010)
10.96	Loan Agreement, dated as of February 11, 2011, by and among Comstock Cascades II, L.C. and Cardinal Bank (incorporated by reference to Exhibit 10.96 to the company's Annual Report on Form 10-K for the year ended December 31, 2010)
10.97*	Credit Enhancement and Indemnification Agreement, dated February 17, 2011, by and between Registrant and Christopher D. Clemente and Gregory V. Benson
10.98*	Form of Non-Employee Board of Director Restricted Stock Agreement
10.99*	Form of Non-Employee Board of Director Amended and Restated Restricted Stock Agreement
31.1*	Certification of Chairman and Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a), promulgated under the Securities Exchange Act of 1934, as amended
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a), promulgated under the Securities Act of 1934, as amended
32.1**	Certification of Chairman and Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Filed herewith.
** Furnished herewith.

SIGNATURES

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

COMSTOCK HOMEBUILDING COMPANIES, INC.

Date: May 13, 2011 By: /s/ CHRISTOPHER CLEMENTE

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

Date: May 13, 2011 By: /s/ JOSEPH M. SQUERI

Joseph M. Squeri
Chief Financial Officer
(Principal Financial Officer)

Exhibit 10.97

CREDIT ENHANCEMENT AND INDEMNIFICATION AGREEMENT

This CREDIT ENHANCEMENT AND INDEMNIFICATION AGREEMENT (the “Agreement”) is entered into as of the __ day of February, 2011, by and between Comstock Homebuilding Companies, Inc., a Delaware corporation (the “Company”), and Christopher D. Clemente (“Clemente”) and Gregory V. Benson (“Benson”) (individually or collectively, an “Indemnitee”).

RECITALS

A. The Company is a publicly traded real estate developer in the business of purchasing, developing, operating and selling real estate projects in the Washington, D.C. metropolitan area;

B. Clemente is the Chief Executive Officer of the Company and member of the Board of Directors of the Company;

C. Benson is the Chief Operating Officer and President of the Company, and a member of the Board of Directors of the Company;

D. The Company has multiple subsidiaries for which the Company is the manager and sole member of the subsidiaries;

E. The Company and its subsidiaries, from the time, desire to enter into commercial acquisition, development and construction loans for projects determined by the Company to be beneficial to the Company;

F. The Company and Indemnitee recognize the difficulty in obtaining commercial financing for the Company and its subsidiaries on reasonable terms due to (i) the Company’s current financial position, (ii) current general macro-economic conditions affecting real estate, and (iii) the current lending environment for financial institutions.

G. The Company has sought to obtain commercial financing for the Company and its subsidiaries for certain of its existing projects and has been unable to obtain commitments for financing at commercially reasonable rates and terms without additional credit support from the Indemnitee in the form of personal guarantees of payment and/or performance in order to secure the financing sought by the Company.

H. In order to assist the Company with its efforts to secure financing , Indemnitee, will consider providing the credit enhancement required by the Company’s lenders and may execute personal guarantees for future indebtedness of the Company on a case-by-case basis, as determined in the sole and absolute discretion of each individual Indemnitee, strictly conditioned upon the Company providing the Indemnitee (i) an irrevocable and unequivocal indemnification and (ii) payment of credit enhancement fees to the Indemnitee in exchange for the provision of the guaranty required by the Company’s lenders.

I. The Company acknowledges and agrees that the financial condition of an Indemnitee may deteriorate from time to time during the period of time in which the Indemnitee has offered credit support to the Company and any credit support provided by an Indemnitee shall not operate to limit or restrict the private financial transactions of an Indemnitee; including but not limited to its ability to incur additional debts or contingent liabilities nor shall it form a basis from which the Company may deny indemnification hereunder.

J. In view of the considerations set forth above, the Company desires to enter into this Credit Enhancement and Indemnification Agreement to induce Indemnitee to provide the credit enhancement required by the Company's lenders with the understanding that the Indemnitee shall be fully and completely indemnified, defended, protected and compensated by the Company as set forth herein.

NOW, THEREFORE, the Company and Indemnitee hereby agree as follows:

1. Recitals. All of the above recitals are incorporated herein by reference as if fully set forth below and all defined terms in this Agreement shall have the meanings ascribed to them as set forth in Section 11 hereto.

2. Credit Enhancement Fees and Terms.

(a) Transaction Fee Defined. The Company and Indemnitee acknowledge and agree that Indemnitee shall not be obligated to enter into any Guaranty on behalf of the Company and may refuse to offer credit support or enhancement to the Company for any reason, or for no reason whatsoever, in their sole and absolute discretion. Provided however, in the event the Indemnitee should determine to offer the Company credit support or enhancement from time to time, a Guaranty executed by Indemnitee and subject to this Agreement and any credit enhancement fee (the "Transaction Fee") paid to Indemnittee by, or on behalf of the Company, shall be negotiated on an individual, case-by-case basis, due to among other things, the inherent risks associated with each project loan secured by the Company which is subject to a Guaranty.

(b) Transaction Fees as an Addendum to Agreement. Any Transaction Fee paid and Guaranty executed by Indemnitee subject to this Agreement shall be particularly identified and summarized on Schedule A hereto, which Schedule A will be updated and supplemented from time to time (each such summary identified on Schedule A hereafter being a Transaction Fee Summary). Each Transaction Fee Summary shall contain at a minimum the following information: i) Lender, ii) Borrower, iii) Project, iv) Loan amount, v) Transaction Fee amount, vi) and Payment Terms. As of the Effective Date of this Agreement, the Company, through its subsidiaries, intends to enter into Loans with Cardinal Bank and Eagle Bank, each of which require a Guaranty by Indemnitee and for which the Indemnitee has agreed to offer the required Guaranty and the Company has agreed to abide by the terms contained on Schedule A. A Transaction Fee shall be due and payable to an Indemnitee, it heirs, estate, designee, successors, and or assigns until such time as the Loans have been repaid in full or an Indemmitee has been fully and unequivocally released from its obligations under a Guaranty.

(c) Default Rate. In the event an Indemnitee is required to incur and pay an Expense as a result of a Lender seeking to enforce a Guaranty, the Company shall be charged a Default Rate on the amount of the Expense until all outstanding Expenses have been reimbursed to an Indemnitee.

3. Indemnification, Contribution and Release.

(a) Indemnification of Indemnitee by the Company. The Company shall fully indemnify Indemnitee from and against any and all liability and Expenses (hereafter defined) arising in any way whatsoever from enforcement of the Guaranty by a Lender regardless of the nature or the amount of such liabilities, costs, expenses or damages, including but not limited to all legal fees, court costs and related expenses associated with defending any claims brought against Indemnitee in connection with the Guaranty or arising from enforcement of this Agreement.

(b) Contribution to Indemnitee by the Company or Contribution between Indemnitees. If the indemnification obligations of the Company under Section 3(a) hereof shall be unavailable to Indemnitee as determined by a court of competent jurisdiction for any reason other than that set forth in Section 6 hereof with respect to any Expense, then the Company, in lieu of indemnifying Indemnitee thereunder, shall contribute to the amount paid or payable by an Indemnitee as a result of such liability or expense up to the full amount of all expenses paid or payable by each Indemnitee. Should the Company be unable to indemnify or contribute to an Indemnitee for any reason whatsoever, then each Indemnitee shall be required to indemnify and or contribute to the other an amount equal to 50% of the amount of all Expenses related to a Guaranty or Loan incurred by another Indemnitee, including but not limited to all legal fees, court costs and related expenses associated with defending any claims brought against Indemnitee in connection with the Guaranty by a Lender and any and all legal fees, court costs and related expenses associated with enforcement of the indemnification and contribution obligations set forth in this Agreement by one Indemnitee against another Indemnitee.

(c) General Release of Indemnitee. The Company represents and warrants that, on a periodic basis, it shall make commercially reasonable efforts to obtain a release of the Indemnitee from any Guaranty of a Loan obtained by the Company subject to a Guarantee either through negotiations with a current Lender or pursuant to refinancings of existing indebtedness subject to a Guaranty pursuant to commercially reasonable terms, as determined by the Company in its reasonable discretion. In furtherance of this purpose, the Company represents and warrants that it will also make commercially reasonable efforts to obtain a release of the Indemnitee from any Guaranty of a Loan obtained by the Company subject to a Guarantee as part if its efforts to raise additional capital for the Company.

(d) Condition Precedent Release. Notwithstanding the requirement set forth in Section 3(c) hereof, the Company shall be required to obtain the full release of an Indemnitee, at no cost to the affected Indemnitee from all obligations under a Loan and Guaranty, as a condition precedent to the occurrence of any of the following events:

(i) A Change in Control of the Company;

(ii) the termination for convenience or cause of an Indemnitee pursuant to their employment arrangement;

(iii) the sale of a subsidiary of the Company unless any Loan and Guaranty enforceable against an Indemnitee is paid in full as a result of the sale;

(iv) the filing of a petition for voluntary or involuntary bankruptcy by or against the Company or any of its subsidiaries or an admission in writing by the Company or any of its subsidiaries of their inability to pay their debts when due, related to a Loan and Guaranty enforceable against an Indemnitee;

(e) Condition Subsequent Release. Notwithstanding anything set forth in Section 3(c) hereof, the Company shall be required to obtain the full release of an Indemnitee, at no cost to the affected Indemnitee from all obligations under a Loan and Guaranty, within the earlier of: (i) sixty (60) days from the occurrence of any of the following events, or (ii) within three (3) days after the receipt by an Indemnitee of a notice of a default pursuant to a Guaranty and Loan:

(i) the death of an Indemnitee or the disability of an Indemnitee that results in an Indemnitee taking a leave of absence from his employment;

(ii) receipt by the Company or an Indemnitee of a notice from a Lender of a material adverse change in the financial condition of the Company or a subsidiary of the Company that the Lender asserts constitutes, or by the passage of time may constitute, an event of default under a Loan,

(iii) a Change in Control of the Lender for which an Indemnitee has provided a Guaranty pursuant to a Loan;

(iv) a participation of all or any portion of an interest in a Loan by a Lender to another lender unless the Lender has retained the full authority to negotiate the terms of the Loan with the Company, or its subsidiary;

4. Expenses; Indemnification Procedure.

(a) Reimbursement of Expenses. To the extent not prohibited by a court order from a court of competent jurisdiction, the Company shall reimburse Expenses incurred by Indemnitee within ten (10) days after written demand by Indemnitee therefor to the Company and presentation of any invoices received by an Indemnitee. The Company shall reimburse Expenses incurred by Indemnitee to defend any Proceeding against the Indemnitee brought by a Lender or to enforce a Guaranty, or a Proceeding by one Indemnitee against the other, by payment of its legal Expenses as incurred, and in no event later event later than thirty (30) days after written demand by Indemnitee therefor to the Company.

(b) Notice; Cooperation by Indemnitee. Indemnitee shall, as a condition precedent to Indemnitee’s right to be indemnified under this Agreement, (i) give the Company notice in writing as soon as practicable of any Proceeding for which indemnification could be sought under this Agreement and (ii) shall not occur Expenses prohibited by the Loan Documents, including but not limited to the enforcement of a Proceeding against another Indemnitee in contravention of a Guaranty of Lender.

(c) No Presumptions; Burden of Proof.

In connection with any determination as to whether Indemnitee is entitled to be indemnified hereunder, the burden of proof shall be on the Company to establish that Indemnitee is not so entitled.

(d) Notice to Insurers. If, at the time of the receipt by the Company of a notice of a Proceeding, the Company has liability insurance in effect which may cover such Proceeding, the Company shall give prompt notice of the commencement of such Proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all commercially reasonable action to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a result of such action, suit, proceeding, inquiry or investigation in accordance with the terms of such policies, subject to Indemnitee's rights set forth in Section 4(e) below, provided however, Indemnitee's right to selection of counsel is limited to the panel list of counsel set forth in the applicable policy.

(e) Selection of Counsel. In the event the Company shall be obligated hereunder to pay the expenses of a Proceeding, the Company shall be entitled to assume the defense of such Proceeding with counsel selected by the Company but approved by the Indemnitee in its sole discretion, upon the delivery to the Indemnitee of written notice of its election to do so. In the event the Company does not assume the defense of such Proceeding, the Indemnitee shall be entitled to assume the defense of such Proceeding and select its own counsel and the Indemnitee shall be entitled to settle a claim against the Indemnitee without the prior consultation and approval of the Company. If such defense is conducted by the Indemnitee, the Company will be liable for payment of the Indemnitee's expenses in accordance with 4(a) above. If such defense is assumed by the Company, the Company shall have the right to employ Indemnitee's counsel in any such Proceeding in which it is a party if Indemnitee and its counsel shall not have reasonably concluded that there is a conflict of interest between the Company and Indemnitee in the conduct of any such defense.

5. Life Insurance. Many standard provisions of a Guaranty provide that the death of an individual guarantor creates an event of default under the Loan or Loan Documents unless the estate of an individual guarantor affirms the obligation, entitling the Lender to accelerate repayment of the Loan. As a material inducement for the Indemnitees to enter into this Agreement, the Company has agreed to reimburse each Indemnitee for the cost of annual premiums associated with the purchase of additional life insurance policies pursuant to the following terms and conditions:

(i) the reimbursement shall be at the written request of an Indemnitee, submitted with proof of payment and evidence of life insurance coverage;

(ii) the reimbursement of an annual premium to be paid for each policy shall not exceed $15,000 per Indemnitee (the "Covered "Premium");

(iii) the Company acknowledges and agrees the Indemnitee shall be the named beneficiary under the policy or policies and that the estate of an Indemnitee, or other named beneficiary, shall not have a requirement to retire Loans for which a Guaranty was entered into by an Indemnitee or to otherwise negotiate the full release of all Guarantys entered into by an Indemnitee through the payment of any portion of the proceeds of a policy;

6. Exceptions. Notwithstanding anything to the contrary herein, the Company shall not be obligated pursuant to the terms of this Agreement to indemnify Indemnitee for any Expenses incurred by Indemnitee with respect to any Proceeding instituted by Indemnitee to enforce or interpret this Agreement, if a court of competent jurisdiction renders a judgment, order, ruling or decree in favor of the Company, and the ruling makes a factual determination that each an every material claim and assertion made by Indemnitee in such Proceeding was frivolous.

7. Scope; Nonexclusivity.

(a) Scope. It is understood that the parties to this Agreement intend for this Agreement to be interpreted and enforced so as to provide indemnification of Expenses to Indemnitee to the fullest extent now or hereafter permitted by law, subject only to the express exceptions and limitations otherwise set forth in this Agreement. In the event of any change after the date of this Agreement in any applicable law, statute or rule which expands the right of the Company to indemnify an Indemnitee, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits afforded by such change. In the event of any change in any applicable law, statute or rule which narrows the right of the Company to indemnify an Indemnitee, such change, to the extent not otherwise required by such law, statute or rule to be applied to this Agreement, shall have no effect on this Agreement or the parties' rights and obligations hereunder.

(b) Nonexclusivity. The indemnification of Expenses provided by this Agreement shall be in addition to any rights to which Indemnitee may be entitled under the charter documents of the Company or any Subsidiary, any indemnification or other agreements entered into by and between the Company and an Indemnitee, any vote of stockholders or disinterested directors, the General Corporation Law of the Commonwealth of Virginia, or otherwise.

8. Consents Required. The Company must seek the prior, written consent of Indemnitee for the following actions of the Company or of its subsidiaries:

(i) Amendment of the Guaranty;

(ii) Amendment of the Loan Documents which consent shall not be unreasonably witheld; or

(iii) A Transfer or sale of the collateral secured by the Loans unless the Loan is fully repaid as part of the Transfer or sale; except for partial releases of collateral pursuant to unit release provisions set forth in the Loan Documents which is permitted.

(iv) A sale of a subsidiary for which a Guaranty of Indemnitee remains issued and outstanding, in whole or in part,

(v) A Change in Control of the Company

9. Partial Indemnification. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of Expenses incurred in connection with any Proceeding, but not for all of the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion of such Expenses to which Indemnitee is entitled.

10. Mutual Acknowledgement. Both the Company and Indemnitee acknowledge that in certain instances, Federal law, applicable public policy may prohibit the Company from indemnifying the Indemnitees under this Agreement or otherwise.

11. Construction of Certain Terms and Phrases. As used in this Agreement, the following terms and phrases shall have the meanings set forth below:

(a) "Change in Control" shall mean: (i) the acquisition by any "person" or "group" (as defined in or pursuant to Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (other than (A) the Company or any subsidiary thereof or (B) any employee benefit plan of the Employer or any subsidiary thereof, directly or indirectly, as "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of securities of the Company representing more than fifty percent (50%) of either the then outstanding shares or the combined voting power of the then outstanding securities of the Company; or (ii) (A) a merger, consolidation or other business combination of the Company with any other "person" or "group" (as defined in or pursuant to Sections 13(d) and 14(d) of the Exchange Act) or affiliate thereof, other than a merger or consolidation that results in the outstanding common stock of the Company immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into common stock of the surviving entity or a parent or affiliate thereof) more than fifty percent (50%) of the outstanding common stock of the Company or such surviving entity or a parent or affiliate thereof outstanding immediately after such merger, consolidation or other business combination, (B) adoption by the stockholders of a plan of complete liquidation of the Company (C) the sale or disposition by the Company of all or substantially all of it's assets (including if accomplished pursuant to the sale of shares of equity securities (including by any consolidation, merger or reorganization) of one or more subsidiaries of the Company which collectively constitute all or substantially all of its assets), or (iii) the change in the Company's Board of Directors representing a shift in more than fifty percent (50%) of the existing directors during the term of this Agreement.

(b) "Default Rate" shall mean interest on the outstanding principal balance of Expenses incurred and paid by an Indemnitee at a rate equal to the greater of (i) the interest rate being charged pursuant to the terms of the Loan, including any default interest rate under the Loan, from which the Expense is incurred, plus twelve percent (12%) per annum or (ii) in the event the interest rate under the Loan is not capable of being calculated, then a flat interest rate of eighteen percent (18%) per annum.

(c) "Expense" shall include principal, interest, default interest, late fees, penalties, extension fees, closing costs, administrative costs, legal costs, and any and all other costs and expenses charged by a Lender pursuant to a Loan Guaranty and the Loan Documents, incurred by Indemnitee pursuant to such Loan along with all additional liability and expense incurred by an Indemnitee in satisfaction or defense of a Loan (including Indemnitee's reasonable attorneys' fees, whose selection of counsel shall be at Indemnitees sole discretion, and all other reasonable costs, expenses and obligations incurred in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to defend, be a witness in or participate in, a Proceeding), judgments, fines, penalties and any and amounts paid in settlement of a Proceeding.

(d) "Guaranty" shall refer to any environmental indemnity agreements, personal guarantees for repayment of indebtedness or satisfaction of other performance obligations entered into by and between a Lender and an Indemnitee related to a Loan or any obligations set forth in Loan Documents for which an Indemnitee otherwise incurs an Expense.

(e) "Lender" shall be any identified lender, or its successors and assigns, granting a Loan, or any other beneficiary under any Loan Document.

(f) "Loan" shall refer to any loan between the Lender and a Company subsidiary, now or hereafter particularly identified on Schedule A, as modified and supplemented from time to time.

(g) "Loan Documents" shall refer to any and all documents executed by the Company or its subsidiaries in favor of Lender, as well as any Guaranty entered into to secure a Loan.

(h) "Proceeding" shall mean any threatened, pending or completed action, suit, proceeding or alternative dispute resolution mechanism, or any hearing, inquiry or investigation that Indemnitee in good faith believes might lead to the institution of any such action, suit, proceeding or alternative dispute resolution mechanism, whether brought by or in the right of any Lender, an Indemnitee, the Company or any Subsidiary or otherwise, and whether civil, criminal, administrative, investigative or other, in which Indemnitee was or is or becomes a party to or witness or other participant in, or is threatened to be made a party to or witness or other participant by reason of (or arising in part out of) any event or occurrence related to the Guaranty or this Agreement.

(i) "Subsidiary" shall mean any of the borrowers listed in Schedule A to this Agreement, as modified and supplemented from time to time.

12. Successors and Assigns. This Agreement shall inure to the benefit of any of the Indemnitee's, heirs, successors or assigns and shall be fully binding upon the Company, its Subsidiaries, and their successors and assigns.

13. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall constitute an original.

14. Notice. All notices and other communications required or permitted hereunder shall be in writing, shall be effective when received, and shall in any event be deemed to be received (a) five (5) days after deposit with the U.S. Postal Service or other applicable postal service, if delivered by certified or registered mail, postage prepaid, (b) upon delivery, if delivered by hand, or (c) one business day after the business day of deposit with Federal Express or similar overnight courier, freight prepaid, and shall be addressed if to Indemnitee, at Indemnitee's address as set forth beneath Indemnitee's signature to this Agreement and if to the Company at the address of its principal corporate offices (attention: General Counsel) or at such other address as a party may designate by ten days' advance written notice to the other party hereto. The Company shall provide to Indemnitee any notices it receives from Lender pertaining to a potential Proceeding within 3 days of receipt of such notice.

15. Headings. The headings used in this Agreement have been inserted for convenience of reference only and do not define or limit the provisions hereof.

16. Severability. The provisions of this Agreement shall be severable in the event that any of the provisions hereof (including any provision within a single section, paragraph or sentence) are held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable, and the remaining provisions shall remain enforceable to the fullest extent permitted by law. Furthermore, to the fullest extent possible, the provisions of this Agreement (including, without limitations, each portion of this Agreement containing any provision held to be invalid, void or otherwise unenforceable, that is not itself invalid, void or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

17. Choice of Law. This Agreement shall be governed by and its provisions construed and enforced in accordance with the laws of the Commonwealth of Virginia, without regard to the conflict of laws principles thereof.

18. Survival. All of Company's representations, warranties, covenants and indemnities expressed herein shall survive the repayment of the Loans and the release of the Indemnitees under the Loans or their Guaranty in perpetuity unless otherwise waived in writing by an Indemnitee and all of the Company's representations, warranties, covenants and indemnities expressed herein are unconditional and are not subject to offset for any amounts due from the indemnified parties to the Company. Moreover, and by way of example and not limitation, the Change in Control of the Company or its Subsidiaries and the change in status of an Indemnitee as an employee of the Company shall not limit in any way Company's obligations hereunder or under a Loan, Loan Document or Guaranty.

19. Conflicts. Nothing contained in any other writing, including Loan Documents or a Guaranty, shall diminish or in any way alter the liability of the Company as set forth in this Agreement.

20. Amendment and Termination. No amendment, modification, termination or cancellation of this Agreement shall be effective unless it is in writing signed by both the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

21. Integration and Entire Agreement. This Agreement sets forth the entire understanding between the parties hereto and supersedes and merges all previous written and oral negotiations, commitments, understandings and agreements relating to the subject matter hereof between the parties hereto.

22. No Construction as Employment Agreement. Nothing contained in this Agreement shall be construed as giving Indemnitee any right to be retained in the employ of the Company or any of its Subsidiaries.

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

COMSTOCK HOMEBUILDING
COMPANIES, INC.

By: ____________________
Name: ____________________
Title: ____________________

AGREED TO AND ACCEPTED BY:

Signature: ____________________
Name: Christopher Clemente
Address: ____________________

Signature: ____________________
Name: Gregory Benson
Address: ____________________

Schedule A

ITEM A-1

Lender:	Cardinal Bank
Borrower:	Comstock Cascades II, L.C.
Project:	Cascades Apartments
Corporate Guarantor:	CHCI
Personal Guarantor:	Christopher Clemente, Gregory Benson
Loan Amount:	Up to $11,000,000
Maximum of Personal Guarantor Exposure:	$6,800,000
Transaction Fee:	4% Transaction Fee per annum and in the aggregate, calculated on the lesser of (i) the outstanding loan balance at the end of each calendar month, (the "Measuring Date"); or (ii) the maximum amount of the loan guaranteed by Indemnitee existing on a given Measuring Date.
Payment Terms:	Fifty percent (50%) of the Transaction Fee shall be paid current (payable monthly) on the 10th day of each calendar month, commencing on the 10th day of the calendar month immediately following the month during which the loan closing occurs. The remaining Fifty percent (50%) of the Transaction Fee shall accrue, on an annual basis, and be paid annually (non-compounding), commencing on the 10th day of the calendar month immediately following each anniversary of the loan closing. The Transaction Fee payments shall be paid 50% to each of Clemente and Benson.

Borrower has executed this Schedule to acknowledge it is jointly and severally liable with the Company to the Indemnitee, for payment of the Transaction Fee for the Cardinal Bank loan and all other indemnification requirements set forth in the Agreement related to the Cardinal Bank loan.

Borrower:

Comstock Cascades II, L.C.

By: Comstock Homebuilding Companies, Inc.,
Its Manager

____

Name: Joseph M. Squeri
Title: Chief Financial Officer
Date: __/__/__

Schedule A

ITEM A-2

Lender:	Eagle Bank
Borrower:	Comstock Potomac Yard, L.C.
Project:	Eclipse on Center Park Condominium
Corporate Guarantor:	CHCI
Personal Guarantor:	Christopher Clemente, Gregory Benson
Loan Amount:	Up to $11,850,000
Maximum of Personal Guarantor Exposure:	Up to $11,850,000
Transaction Fee:	4% Transaction Fee per annum and in the aggregate, calculated on the lesser of (i) the outstanding loan balance at the end of each calendar month, (the "Measuring Date"); or (ii) the maximum amount of the loan guaranteed by Indemnitee existing on a given Measuring Date.
Payment Terms:	Fifty percent (50%) of the Transaction Fee shall be paid current (payable monthly) on the 10th day of each calendar month, commencing on the 10th day of the calendar month immediately following the month during which the loan closing occurs. The remaining Fifty percent (50%) of the Transaction Fee shall accrue, on an annual basis, and be paid annually (non-compounding), commencing on the 10th day of the calendar month immediately following each anniversary of the loan closing. The Transaction Fee payments shall be paid 50% to each of Clemente and Benson.

Borrower has executed this Schedule to acknowledge it is jointly and severally liable with the Company to the Indemnitee, for payment of the Transaction Fee for the Eagle Bank loan and all other indemnification requirements set forth in the Agreement related to the Eagle Bank loan.

Borrower:

Comstock Potomac Yard, L.C.

By: Comstock Homebuilding Companies, Inc.,
Its Manager

____

Name: Joeseph M. Squeri
Title: Chief Financial Officer
Date: __/__/__

Exhibit 10.98

COMSTOCK HOMEBUILDING COMPANIES, INC.

RESTRICTED STOCK AGREEMENT

FOR

[ ]

This RESTRICTED STOCK AGREEMENT (the “**Agreement**”) is made and entered into effective as of __________, 2011 by and between COMSTOCK HOMEBUILDING COMPANIES, INC. a Delaware corporation (the “**Company**”), and [ ] (the “**Recipient**”).

RECITALS

The Committee has determined that it is in the best interests of the Company to recognize the Recipient’s performance and to provide incentive to the Recipient to continue to provide services as a director of the Company by affording Recipient the right to elect to receive all or a portion of the compensation payable in respect of such service in restricted shares of Class A Common Stock, par value $.01 per share, of the Company (“**Common Stock**”); and

This award is granted pursuant to the Company’s 2004 Long-Term Incentive Compensation Plan (the “**Plan**”) which is incorporated herein for all purposes. The Recipient hereby acknowledges receipt of a copy of the Plan. Unless otherwise provided herein, capitalized terms used herein that are defined in the Plan and not defined herein shall have the meanings attributable thereto in the Plan.

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

1. Award of Restricted Stock. Recipient has elected to receive $[ ] (the “**Compensation Amount**”) in director compensation, otherwise payable to Recipient in cash, in shares of restricted Common Stock (collectively the “**Restricted Stock**”) valued at the closing price (the “**Issuance Price**”) on [ ] (the “**Issuance Date**”). The shares of Restricted Stock shall be issued on the Issuance Date and shall vest in accordance with Section 2 of this Agreement.

The Restricted Stock shall be subject to the terms, provisions and restrictions set forth in this Agreement and in the Plan. As a condition to entering into this Agreement, and as a condition to the issuance of any shares of Restricted Stock (or any other securities of the Company), the Recipient agrees to be bound by all of the terms and conditions herein and in the Plan.

2. Vesting of Restricted Stock.

(a) Except as otherwise provided in Sections 2 and 4 and Schedule A hereof, the shares of Restricted Stock shall become vested in the following amounts, at the following times and upon the following conditions, provided that the Continuous Service of the Recipient continues through and on the applicable Vesting Date:

Number of Shares of Restricted Stock	Vesting Date
[ ]	[ ]
[ ]	[ ]
[ ]	[ ]
[ ]	[ ]

There shall be no proportionate or partial vesting of shares of Restricted Stock in or during the months, days or periods prior to each Vesting Date, and all vesting of shares of Restricted Stock shall occur only on the applicable Vesting Date. Upon the termination or cessation of Recipient's Continuous Service, for any reason whatsoever, any portion of the Restricted Stock which is not yet then vested, and which does not then become vested pursuant to this Section 2, shall automatically and without notice terminate, be forfeited and be and become null and void.

(b) Notwithstanding any other term or provision of this Agreement, in the event of any merger, consolidation or other reorganization in which the Company does not survive, or in the event of any Change in Control, as defined in Section 9(b) of the Plan, the Restricted Stock may be dealt with in accordance with any of the following approaches, as determined by the agreement effectuating the transaction or, if and to the extent not so determined, as determined by the Committee: (a) the continuation of the grant of the Restricted Stock by the Company, if the Company is a surviving corporation, subject to the terms and conditions set forth herein, (b) the assumption or substitution for, as those terms are defined in Section 9(b)(iv) of the Plan, the Restricted Stock by the surviving corporation or its parent or subsidiary, (c) full vesting of the Restricted Stock, or (d) settlement of the value of the Restricted Stock in cash or cash equivalents or other property followed by cancellation of the Restricted Stock.

(c) Notwithstanding the foregoing, if, prior to the Vesting Date and within twelve months after a Change in Control of the Company, the Recipient's Continuous Service is terminated (i) by the Company or a Related Entity without Cause, or (ii) by the Recipient for Good Reason then, the shares of Restricted Stock subject to this Agreement shall become immediately vested as of the date of the termination of Recipient's Continuous Service.

(d) For purposes of this Agreement, the following terms shall have the meanings indicated:

(i) **"Non-Vested Shares"** means any portion of the Restricted Stock subject to this Agreement that has not become vested pursuant to this Section 2.

(ii) **"Vested Shares"** means any portion of the Restricted Stock subject to this Agreement that is and has become vested pursuant to this Section 2.

3. Delivery of Restricted Stock.

(a) One or more stock certificates evidencing the Restricted Stock shall be issued in the name of the Recipient but shall be held and retained by the Records Administrator of the Company until the Vesting Date. All such stock certificates shall bear the following legends, along with such other legends that the Board or the Committee shall deem necessary and appropriate or which are otherwise required or indicated pursuant to any applicable stockholders agreement:

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO SUBSTANTIAL VESTING AND OTHER RESTRICTIONS AS SET FORTH IN THE RESTRICTED STOCK AGREEMENT BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF THE SHARES, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE ISSUER. SUCH RESTRICTIONS ARE BINDING ON TRANSFEREES OF THESE SHARES, AND INCLUDE VESTING CONDITIONS WHICH MAY RESULT IN THE COMPLETE FORFEITURE OF THE SHARES.

(b) The Recipient shall deposit with the Company stock powers or other instruments of transfer or assignment, duly endorsed in blank with signature(s) guaranteed, corresponding to each certificate representing shares of Restricted Stock until such shares become Vested Shares. If the Recipient shall fail to provide the Company with any such stock power or other instrument of transfer or assignment, the Recipient hereby irrevocably appoints the Secretary of the Company as his attorney-in-fact, with full power of appointment and substitution, to execute and deliver any such power or other instrument which may be necessary to effectuate the transfer of the Restricted Stock (or assignment of distributions thereon) on the books and records of the Company.

(c) On or after the Vesting Date, upon written request to the Company by the Recipient, the Company shall promptly cause a new certificate or certificates to be issued for and with respect to all shares that become Vested Shares on the Vesting Date, which certificate(s) shall be delivered to the Recipient within fifteen (15) business days of the date of receipt by the Company of the Recipient's written request. The new certificate or certificates shall continue to bear those legends and endorsements that the Company shall deem necessary or appropriate (including those relating to restrictions on transferability and/or obligations and restrictions under the applicable securities laws).

4. Termination of Continuous Service. Except as otherwise provided in Section 2, if the Recipient's Continuous Service with the Company is terminated, any Non-Vested Shares shall be forfeited immediately upon such termination of Continuous Service and revert back to the Company without any payment to the Recipient. The Committee shall have the power and authority to enforce on behalf of the Company any rights of the Company under this Agreement in the event of the Recipient's forfeiture of Non-Vested Shares pursuant to this Section 4.

5. Rights with Respect to Restricted Stock.

(a) Except as otherwise provided in this Agreement, the Recipient shall have, with respect to all of the shares of Restricted Stock, whether Vested Shares or Non-Vested Shares, all of the rights of a holder of shares of common stock of the Company, including without limitation (i) the right to vote such Restricted Stock, (ii) the right to receive dividends, if any, as may be declared on the Restricted Stock from time to time, and (iii) the rights available to all holders of shares of common stock of the Company upon any merger, consolidation, reorganization, liquidation or dissolution, stock split-up, stock dividend or recapitalization undertaken by the Company; provided, however, that all of such rights shall be subject to the terms, provisions, conditions and restrictions set forth in this Agreement (including without limitation conditions under which all such rights shall be forfeited). Any Shares issued to the Recipient as a dividend with respect to shares of Restricted Stock shall have the same status and bear the same legend as the shares of Restricted Stock and shall be held by the Company, if the shares of Restricted Stock that such dividend is attributed to is being so held, unless otherwise determined by the Committee. In addition, notwithstanding any provision to the contrary herein, any cash dividends declared with respect to shares of Restricted Stock subject to this Agreement shall be held in escrow by the Committee until such time as the shares of Restricted Stock that such cash dividends are attributed to shall become Vested Shares, and in the event that such shares of Restricted Stock are subsequently forfeited, the cash dividends attributable to such portion shall be forfeited as well.

(b) If at any time while this Agreement is in effect (or shares granted hereunder shall be or remain unvested while Recipient's Continuous Service continues and has not yet terminated or ceased for any reason), there shall be any increase or decrease in the number of issued and outstanding Shares of the Company through the declaration of a stock dividend or through any recapitalization resulting in a stock split-up, combination or exchange of such shares, then and in that event, the Board or the Committee shall make any adjustments it deems fair and appropriate, in view of such change, in the number of shares of Restricted Stock then subject to this Agreement. If any such adjustment shall result in a fractional share, such fraction shall be disregarded.

(c) Notwithstanding any term or provision of this Agreement to the contrary, the existence of this Agreement, or of any outstanding Restricted Stock awarded hereunder, shall not affect in any manner the right, power or authority of the Company to make, authorize or consummate: (i) any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business; (ii) any merger, consolidation or similar transaction by or of the Company; (iii) any offer, issue or sale by the Company of any capital stock of the Company, including any equity or debt securities, or preferred or preference stock that would rank prior to or on parity with the Restricted Stock and/or that would include, have or possess other rights, benefits and/or preferences superior to those that the Restricted Stock includes, has or possesses, or any warrants, options or rights with respect to any of the foregoing; (iv) the dissolution or liquidation of the Company; (v) any sale, transfer or assignment of all or any part of the stock, assets or business of the Company; or (vi) any other corporate transaction, act or proceeding (whether of a similar character or otherwise).

6. Transferability. The shares of Restricted Stock are not transferable until and unless they become Vested Shares in accordance with this Agreement. The terms of this Agreement shall be binding upon the executors, administrators, heirs, successors and assigns of the Recipient. Any attempt to affect a Transfer of any shares of Restricted Stock prior to the date on which the shares become Vested Shares shall be void ab initio. For purposes of this Agreement, "Transfer" shall mean any sale, transfer, encumbrance, gift, donation, assignment, pledge, hypothecation, or other disposition, whether similar or dissimilar to those previously enumerated, whether voluntary or involuntary, and including, but not limited to, any disposition by operation of law, by court order, by judicial process, or by foreclosure, levy or attachment.

7. Tax Matters. Tax consequences on the Recipient (including without limitation federal, state, local and foreign income tax consequences) with respect to the Restricted Stock (including without limitation the grant, vesting and/or forfeiture thereof) are the sole responsibility of the Recipient. The Recipient shall consult with his or her own personal accountant(s) and/or tax advisor(s) regarding these matters, as well as the advisability of making of an election under Section 83(b) of the Internal Revenue Code of 1986, as amended, with respect to all or any portion of the Restricted Stock, and the Company shall have no obligation or liability with respect thereto.

8. Amendment & Modification. This Agreement may only be modified or amended in a writing signed by the parties hereto. No promises, assurances, commitments, agreements, undertakings or representations, whether oral, written, electronic or otherwise, and whether express or implied, with respect to the subject matter hereof, have been made by either party which are not set forth expressly in this Agreement.

9. Complete Agreement. This Agreement (together with those agreements and documents expressly referred to herein, for the purposes referred to herein) embody the complete and entire agreement and understanding between the parties with respect to the subject matter hereof, and

supersede any and all prior promises, assurances, commitments, agreements, undertakings or representations, whether oral, written, electronic or otherwise, and whether express or implied, which may relate to the subject matter hereof in any way.

10. Miscellaneous.

(a) No Right to (Continued) Employment or Service. This Agreement and the grant of Restricted Stock hereunder shall not confer, or be construed to confer, upon the Recipient any right to employment or service, or continued employment or service, with the Company or any Related Entity.

(b) No Limit on Other Compensation Arrangements. Nothing contained in this Agreement shall preclude the Company or any related Entity from adopting or continuing in effect other or additional compensation plans, agreements or arrangements, and any such plans, agreements and arrangements may be either generally applicable or applicable only in specific cases or to specific persons.

(c) Severability. If any term or provision of this Agreement is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or under any applicable law, rule or regulation, then such provision shall be construed or deemed amended to conform to applicable law (or if such provision cannot be so construed or deemed amended without materially altering the purpose or intent of this Agreement and the grant of Restricted Stock hereunder, such provision shall be stricken as to such jurisdiction and the remainder of this Agreement and the award hereunder shall remain in full force and effect).

(d) No Trust or Fund Created. Neither this Agreement nor the grant of Restricted Stock hereunder shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company and the Recipient or any other person. To the extent that the Recipient or any other person acquires a right to receive payments from the Company pursuant to this Agreement, such right shall be no greater than the right of any unsecured general creditor of the Company.

(e) Law Governing. This Agreement shall be governed by and construed and enforced in accordance with the internal laws of the State of Delaware (without reference to the conflict of laws rules or principles thereof).

(f) Interpretation. The Recipient accepts the Restricted Stock subject to all of the terms, provisions and restrictions of this Agreement and the Plan. The undersigned Recipient hereby accepts as binding, conclusive and final all decisions or interpretations of the Board or the Committee upon any questions arising under this Agreement.

(g) Headings. Section, paragraph and other headings and captions are provided solely as a convenience to facilitate reference. Such headings and captions shall not be deemed in any way material or relevant to the construction, meaning or interpretation of this Agreement or any term or provision hereof.

(h) Notices. Any notice under this Agreement shall be in writing and shall be deemed to have been duly given when delivered personally or when deposited in the United States mail, registered, postage prepaid, and addressed, in the case of the Company, to the Company’s President at its principal office and, in the case of the Recipient, to the Recipient’s last permanent address as shown on the Company’s records, subject to the right of either party to designate some other address at any time hereafter in a notice satisfying the requirements of this Section.

(i) Non-Waiver of Breach. The waiver by any party hereto of the other party's prompt and complete performance, or breach or violation, of any term or provision of this Agreement shall be effected solely in a writing signed by such party, and shall not operate nor be construed as a waiver of any subsequent breach or violation, and the waiver by any party hereto to exercise any right or remedy which he or it may possess shall not operate nor be construed as the waiver of such right or remedy by such party, or as a bar to the exercise of such right or remedy by such party, upon the occurrence of any subsequent breach or violation.

(j) Counterparts. This Agreement may be executed in two or more separate counterparts, each of which shall be an original, and all of which together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound, have executed this Agreement as of the date first written above.

COMSTOCK HOMEBUILDING COMPANIES, INC., a Delaware Corporation

By: ______________________________

Name: Christopher Clemente
Title: Chief Executive Officer

Agreed and Accepted:

RECIPIENT:

By: ______________________________
[   ]

Schedule A
Additional Conditions of Vesting

No additional conditions exist.

Exhibit 10.99

COMSTOCK HOMEBUILDING COMPANIES, INC.

AMENDED AND RESTATED
RESTRICTED STOCK AGREEMENT

FOR

[ ]

This RESTRICTED STOCK AGREEMENT (the "**Agreement**") is made and entered into effective as __________, by and between COMSTOCK HOMEBUILDING COMPANIES, INC. a Delaware corporation (the "**Company**"), and [ ] (the "**Recipient**") and fully supersedes and replaces that certain Restricted Stock Agreement dated [ ] for the issuance of [ ] shares.

RECITALS

The Committee has determined that it is in the best interests of the Company to recognize the Recipient's performance and to provide incentive to the Recipient to continue to provide services as a director of the Company by affording Recipient the right to elect to receive all or a portion of the compensation payable in respect of such service in restricted shares of Class A Common Stock, par value $.01 per share, of the Company ("**Common Stock**"); and

This award is granted pursuant to the Company's 2004 Long-Term Incentive Compensation Plan (the "**Plan**") which is incorporated herein for all purposes. The Recipient hereby acknowledges receipt of a copy of the Plan. Unless otherwise provided herein, capitalized terms used herein that are defined in the Plan and not defined herein shall have the meanings attributable thereto in the Plan.

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

1. Award of Restricted Stock. Recipient has elected to receive $[ ] (the "**Compensation Amount**") in director compensation, otherwise payable to Recipient in cash, in shares of restricted Common Stock (collectively the "**Restricted Stock**") valued at the closing price (the "**Issuance Price**") on the Issuance Dates set forth in the table below (the "**Issuance Date**"). The shares of Restricted Stock shall be issued on the applicable Issuance Dates and shall vest in accordance with Section 2 of this Agreement.

Percentage of Compensation Amount	Issuance Date	Issuance Price
25%	last trading day of the first fiscal quarter of 2010	closing price on the Issuance Date
25%	last trading day of the second fiscal quarter of 2010	closing price on the Issuance Date
25%	last trading day of the third fiscal quarter of 2010	closing price on the Issuance Date
25%	last trading day of the fourth fiscal quarter of 2010	closing price on the Issuance Date

The Restricted Stock shall be subject to the terms, provisions and restrictions set forth in this Agreement and in the Plan. As a condition to entering into this Agreement, and as a condition to the issuance of any shares of Restricted Stock (or any other securities of the Company), the Recipient agrees to be bound by all of the terms and conditions herein and in the Plan.

2. Vesting of Restricted Stock.

(a) Except as otherwise provided in Sections 2 and 4 and Schedule A hereof, 100% of the shares of Restricted Stock shall become vested provided that the Continuous Service of the Recipient continues through and including January 5, 2011 (the "**Vesting Date**").

There shall be no proportionate or partial vesting of shares of Restricted Stock in or during the months, days or periods prior to each Vesting Date, and all vesting of shares of Restricted Stock shall occur only on the applicable Vesting Date. Upon the termination or cessation of Recipient's Continuous Service, for any reason whatsoever, any portion of the Restricted Stock which is not yet then vested, and which does not then become vested pursuant to this Section 2, shall automatically and without notice terminate, be forfeited and be and become null and void.

(b) Notwithstanding any other term or provision of this Agreement, in the event of any merger, consolidation or other reorganization in which the Company does not survive, or in the event of any Change in Control, as defined in Section 9(b) of the Plan, the Restricted Stock may be dealt with in accordance with any of the following approaches, as determined by the agreement effectuating the transaction or, if and to the extent not so determined, as determined by the Committee: (a) the continuation of the grant of the Restricted Stock by the Company, if the Company is a surviving corporation, subject to the terms and conditions set forth herein, (b) the assumption or substitution for, as those terms are defined in Section 9(b)(iv) of the Plan, the Restricted Stock by the surviving corporation or its parent or subsidiary, (c) full vesting of the Restricted Stock, or (d) settlement of the value of the Restricted Stock in cash or cash equivalents or other property followed by cancellation of the Restricted Stock.

(c) Notwithstanding the foregoing, if, prior to the Vesting Date and within twelve months after a Change in Control of the Company, the Recipient's Continuous Service is terminated (i) by the Company or a Related Entity without Cause, or (ii) by the Recipient for Good Reason then, the shares of Restricted Stock subject to this Agreement shall become immediately vested as of the date of the termination of Recipient's Continuous Service.

(d) For purposes of this Agreement, the following terms shall have the meanings indicated:

(i) **"Non-Vested Shares"** means any portion of the Restricted Stock subject to this Agreement that has not become vested pursuant to this Section 2.

(ii) **"Vested Shares"** means any portion of the Restricted Stock subject to this Agreement that is and has become vested pursuant to this Section 2.

3. Delivery of Restricted Stock.

(a) One or more stock certificates evidencing the Restricted Stock shall be issued in the name of the Recipient but shall be held and retained by the Records Administrator of the Company until the Vesting Date. All such stock certificates shall bear the following legends, along with such other legends that the Board or the Committee shall deem necessary and appropriate or which are otherwise required or indicated pursuant to any applicable stockholders agreement:

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO SUBSTANTIAL VESTING AND OTHER RESTRICTIONS AS SET FORTH IN THE RESTRICTED STOCK AGREEMENT BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF THE SHARES, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE ISSUER. SUCH RESTRICTIONS ARE BINDING ON TRANSFEREES OF THESE SHARES, AND INCLUDE VESTING CONDITIONS WHICH MAY RESULT IN THE COMPLETE FORFEITURE OF THE SHARES.

(b) The Recipient shall deposit with the Company stock powers or other instruments of transfer or assignment, duly endorsed in blank with signature(s) guaranteed, corresponding to each certificate representing shares of Restricted Stock until such shares become Vested Shares. If the Recipient shall fail to provide the Company with any such stock power or other instrument of transfer or assignment, the Recipient hereby irrevocably appoints the Secretary of the Company as his attorney-in-fact, with full power of appointment and substitution, to execute and deliver any such power or other instrument which may be necessary to effectuate the transfer of the Restricted Stock (or assignment of distributions thereon) on the books and records of the Company.

(c) On or after the Vesting Date, upon written request to the Company by the Recipient, the Company shall promptly cause a new certificate or certificates to be issued for and with respect to all shares that become Vested Shares on the Vesting Date, which certificate(s) shall be delivered to the Recipient within fifteen (15) business days of the date of receipt by the Company of the Recipient's written request. The new certificate or certificates shall continue to bear those legends and endorsements that the Company shall deem necessary or appropriate (including those relating to restrictions on transferability and/or obligations and restrictions under the applicable securities laws).

4. Termination of Continuous Service. Except as otherwise provided in Section 2, if the Recipient's Continuous Service with the Company is terminated, any Non-Vested Shares shall be forfeited immediately upon such termination of Continuous Service and revert back to the Company without any payment to the Recipient. The Committee shall have the power and authority to enforce on behalf of the Company any rights of the Company under this Agreement in the event of the Recipient's forfeiture of Non-Vested Shares pursuant to this Section 4.

5. Rights with Respect to Restricted Stock.

(a) Except as otherwise provided in this Agreement, the Recipient shall have, with respect to all of the shares of Restricted Stock, whether Vested Shares or Non-Vested Shares, all of the rights of a holder of shares of common stock of the Company, including without limitation (i) the right to vote such Restricted Stock, (ii) the right to receive dividends, if any, as may be declared on the Restricted Stock from time to time, and (iii) the rights available to all holders of shares of common stock of the Company upon any merger, consolidation, reorganization, liquidation or dissolution, stock split-up, stock dividend or recapitalization undertaken by the Company; provided, however, that all of such rights shall be subject to the terms, provisions, conditions and restrictions set forth in this Agreement (including without limitation conditions under which all such rights shall be forfeited). Any Shares issued to the Recipient as a dividend with respect to shares of Restricted Stock shall have

the same status and bear the same legend as the shares of Restricted Stock and shall be held by the Company, if the shares of Restricted Stock that such dividend is attributed to is being so held, unless otherwise determined by the Committee. In addition, notwithstanding any provision to the contrary herein, any cash dividends declared with respect to shares of Restricted Stock subject to this Agreement shall be held in escrow by the Committee until such time as the shares of Restricted Stock that such cash dividends are attributed to shall become Vested Shares, and in the event that such shares of Restricted Stock are subsequently forfeited, the cash dividends attributable to such portion shall be forfeited as well.

(b) If at any time while this Agreement is in effect (or shares granted hereunder shall be or remain unvested while Recipient's Continuous Service continues and has not yet terminated or ceased for any reason), there shall be any increase or decrease in the number of issued and outstanding Shares of the Company through the declaration of a stock dividend or through any recapitalization resulting in a stock split-up, combination or exchange of such shares, then and in that event, the Board or the Committee shall make any adjustments it deems fair and appropriate, in view of such change, in the number of shares of Restricted Stock then subject to this Agreement. If any such adjustment shall result in a fractional share, such fraction shall be disregarded.

(c) Notwithstanding any term or provision of this Agreement to the contrary, the existence of this Agreement, or of any outstanding Restricted Stock awarded hereunder, shall not affect in any manner the right, power or authority of the Company to make, authorize or consummate: (i) any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business; (ii) any merger, consolidation or similar transaction by or of the Company; (iii) any offer, issue or sale by the Company of any capital stock of the Company, including any equity or debt securities, or preferred or preference stock that would rank prior to or on parity with the Restricted Stock and/or that would include, have or possess other rights, benefits and/or preferences superior to those that the Restricted Stock includes, has or possesses, or any warrants, options or rights with respect to any of the foregoing; (iv) the dissolution or liquidation of the Company; (v) any sale, transfer or assignment of all or any part of the stock, assets or business of the Company; or (vi) any other corporate transaction, act or proceeding (whether of a similar character or otherwise).

6. Transferability. The shares of Restricted Stock are not transferable until and unless they become Vested Shares in accordance with this Agreement. The terms of this Agreement shall be binding upon the executors, administrators, heirs, successors and assigns of the Recipient. Any attempt to affect a Transfer of any shares of Restricted Stock prior to the date on which the shares become Vested Shares shall be void ab initio. For purposes of this Agreement, "Transfer" shall mean any sale, transfer, encumbrance, gift, donation, assignment, pledge, hypothecation, or other disposition, whether similar or dissimilar to those previously enumerated, whether voluntary or involuntary, and including, but not limited to, any disposition by operation of law, by court order, by judicial process, or by foreclosure, levy or attachment.

7. Tax Matters. Tax consequences on the Recipient (including without limitation federal, state, local and foreign income tax consequences) with respect to the Restricted Stock (including without limitation the grant, vesting and/or forfeiture thereof) are the sole responsibility of the Recipient. The Recipient shall consult with his or her own personal accountant(s) and/or tax advisor(s) regarding these matters, as well as the advisability of making of an election under Section 83(b) of the Internal Revenue Code of 1986, as amended, with respect to all or any portion of the Restricted Stock, and the Company shall have no obligation or liability with respect thereto.

8. Amendment & Modification. This Agreement may only be modified or amended in a writing signed by the parties hereto. No promises, assurances, commitments, agreements, undertakings or representations, whether oral, written, electronic or otherwise, and whether express or implied, with respect to the subject matter hereof, have been made by either party which are not set forth expressly in this Agreement.

9. Complete Agreement. This Agreement (together with those agreements and documents expressly referred to herein, for the purposes referred to herein) embody the complete and entire agreement and understanding between the parties with respect to the subject matter hereof, and supersede any and all prior promises, assurances, commitments, agreements, undertakings or representations, whether oral, written, electronic or otherwise, and whether express or implied, which may relate to the subject matter hereof in any way.

10. Miscellaneous.

(a) No Right to (Continued) Employment or Service. This Agreement and the grant of Restricted Stock hereunder shall not confer, or be construed to confer, upon the Recipient any right to employment or service, or continued employment or service, with the Company or any Related Entity.

(b) No Limit on Other Compensation Arrangements. Nothing contained in this Agreement shall preclude the Company or any related Entity from adopting or continuing in effect other or additional compensation plans, agreements or arrangements, and any such plans, agreements and arrangements may be either generally applicable or applicable only in specific cases or to specific persons.

(c) Severability. If any term or provision of this Agreement is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or under any applicable law, rule or regulation, then such provision shall be construed or deemed amended to conform to applicable law (or if such provision cannot be so construed or deemed amended without materially altering the purpose or intent of this Agreement and the grant of Restricted Stock hereunder, such provision shall be stricken as to such jurisdiction and the remainder of this Agreement and the award hereunder shall remain in full force and effect).

(d) No Trust or Fund Created. Neither this Agreement nor the grant of Restricted Stock hereunder shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company and the Recipient or any other person. To the extent that the Recipient or any other person acquires a right to receive payments from the Company pursuant to this Agreement, such right shall be no greater than the right of any unsecured general creditor of the Company.

(e) Law Governing. This Agreement shall be governed by and construed and enforced in accordance with the internal laws of the State of Delaware (without reference to the conflict of laws rules or principles thereof).

(f) Interpretation. The Recipient accepts the Restricted Stock subject to all of the terms, provisions and restrictions of this Agreement and the Plan. The undersigned Recipient hereby accepts as binding, conclusive and final all decisions or interpretations of the Board or the Committee upon any questions arising under this Agreement.

(g) Headings. Section, paragraph and other headings and captions are provided solely as a convenience to facilitate reference. Such headings and captions shall not be deemed in any way material or relevant to the construction, meaning or interpretation of this Agreement or any term or provision hereof.

(h) Notices. Any notice under this Agreement shall be in writing and shall be deemed to have been duly given when delivered personally or when deposited in the United States mail, registered, postage prepaid, and addressed, in the case of the Company, to the Company's President at its principal office and, in the case of the Recipient, to the Recipient's last permanent address as shown on the Company's records, subject to the right of either party to designate some other address at any time hereafter in a notice satisfying the requirements of this Section.

(i) Non-Waiver of Breach. The waiver by any party hereto of the other party's prompt and complete performance, or breach or violation, of any term or provision of this Agreement shall be effected solely in a writing signed by such party, and shall not operate nor be construed as a waiver of any subsequent breach or violation, and the waiver by any party hereto to exercise any right or remedy which he or it may possess shall not operate nor be construed as the waiver of such right or remedy by such party, or as a bar to the exercise of such right or remedy by such party, upon the occurrence of any subsequent breach or violation.

(j) Counterparts. This Agreement may be executed in two or more separate counterparts, each of which shall be an original, and all of which together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound, have executed this Agreement as of the date first written above.

COMSTOCK HOMEBUILDING COMPANIES, INC., a Delaware Corporation

By: ______________________________

Name: Christopher Clemente
Title: Chief Executive Officer

Agreed and Accepted:

RECIPIENT:

By: ______________________________
[ ]

Schedule A
Additional Conditions of Vesting

No additional conditions exist.

Exhibit 31.1

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

I, Christopher Clemente, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Comstock 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 period 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 we have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 13, 2011

/s/ Christopher Clemente

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

Exhibit 31.2

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

I, Joseph M. Squeri, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Comstock 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 period 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 we have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 13, 2011

/s/ Joseph M. Squeri
Joseph M. Squeri
Chief Financial Officer
(Principal financial officer)

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of Comstock Homebuilding Companies, Inc. (the “Company”) for the quarter ended March 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of Christopher Clemente, Chairman and Chief Executive Officer of the Company and Joseph M. Squeri, Chief Financial Officer of the Company, certify, to our best knowledge and belief, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended and

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

Date: May 13, 2011

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

Date: May 13, 2011

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

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