
**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 September 30, 2015

or

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

For the transition period from _____ to _____

Commission File Number 1-32375

Comstock Holding Companies, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

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

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

As of November 16, 2015, 2,981,000 shares of Class A common stock, par value \$0.01 per share, and 390,500 shares of Class B common stock, par value \$0.01 per share, of the registrant were outstanding.

COMSTOCK HOLDING COMPANIES, INC. AND SUBSIDIARIES

FORM 10-Q
INDEX

	<u>Page</u>
	<u>PART I – FINANCIAL INFORMATION</u>
ITEM 1.	3
FINANCIAL STATEMENTS:	3
Consolidated Balance Sheets (unaudited) – September 30, 2015 and December 31, 2014	3
Consolidated Statements of Operations (unaudited) – Three and Nine Months Ended September 30, 2015 and 2014	4
Consolidated Statements of Changes in Stockholders’ Equity (unaudited) – Nine Months Ended September 30, 2015 and 2014	5
Consolidated Statements of Cash Flows (unaudited) – Nine Months Ended September 30, 2015 and 2014	6
Notes to Consolidated Financial Statements	7
ITEM 2.	20
MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	20
ITEM 3.	25
QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	25
ITEM 4.	25
CONTROLS AND PROCEDURES	25
	<u>PART II – OTHER INFORMATION</u>
ITEM 1A.	26
RISK FACTORS	26
ITEM 6.	26
EXHIBITS	26
SIGNATURES	27

PART 1 – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	September 30, 2015	December 31, 2014
ASSETS		
Cash and cash equivalents	\$ 1,761	\$ 7,498
Restricted cash	2,488	1,779
Trade receivables	519	110
Real estate inventories	49,145	40,889
Property, plant and equipment, net	454	395
Other assets, net	5,185	5,696
TOTAL ASSETS	<u>\$ 59,552</u>	<u>\$ 56,367</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued liabilities	\$ 10,107	\$ 8,538
Notes payable - secured by real estate inventories	27,243	28,379
Notes payable - due to affiliates, unsecured, net of discount	17,959	15,488
Notes payable - unsecured	1,724	2,064
Income taxes payable	—	43
TOTAL LIABILITIES	<u>57,033</u>	<u>54,512</u>
Commitments and contingencies (Note 8)	—	—
STOCKHOLDERS' EQUITY (DEFICIT)		
Class A common stock, \$0.01 par value, 11,038,071 shares authorized, 2,981,000 and 2,696,014 issued and outstanding, respectively	30	27
Class B common stock, \$0.01 par value, 390,500 shares authorized, issued and outstanding	4	4
Additional paid-in capital	173,044	171,639
Treasury stock, at cost (85,570 and 60,947 shares Class A common stock, respectively)	(2,662)	(2,583)
Accumulated deficit	(174,060)	(171,218)
TOTAL COMSTOCK HOLDING COMPANIES, INC. DEFICIT	<u>(3,644)</u>	<u>(2,131)</u>
Non-controlling interests	6,163	3,986
TOTAL EQUITY	<u>2,519</u>	<u>1,855</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 59,552</u>	<u>\$ 56,367</u>

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

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

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues				
Revenue—homebuilding	\$ 12,043	\$ 18,225	\$ 34,168	\$ 37,713
Revenue—other	245	142	1,001	408
Total revenue	<u>12,288</u>	<u>18,367</u>	<u>35,169</u>	<u>38,121</u>
Expenses				
Cost of sales—homebuilding	10,749	15,021	29,933	30,736
Cost of sales—other	103	80	456	258
Sales and marketing	498	600	1,412	1,697
General and administrative	1,853	1,626	5,686	5,833
Interest and real estate tax expense	100	18	426	23
Operating (loss) income	<u>(1,015)</u>	<u>1,022</u>	<u>(2,744)</u>	<u>(426)</u>
Other income, net	28	106	802	173
(Loss) income before income tax expense	<u>(987)</u>	<u>1,128</u>	<u>(1,942)</u>	<u>(253)</u>
Income tax expense	<u>(36)</u>	<u>(137)</u>	<u>(23)</u>	<u>(268)</u>
Net (loss) income	<u>(1,023)</u>	<u>991</u>	<u>(1,965)</u>	<u>(521)</u>
Net income attributable to non-controlling interests	68	1,150	877	2,881
Net loss attributable to Comstock Holding Companies, Inc.	<u>\$ 1,091</u>	<u>\$ (159)</u>	<u>\$ 2,842</u>	<u>\$ (3,402)</u>
Basic net loss per share	<u>\$ (0.33)</u>	<u>\$ (0.05)</u>	<u>\$ (0.90)</u>	<u>\$ (1.13)</u>
Diluted net loss per share	<u>\$ (0.33)</u>	<u>\$ (0.05)</u>	<u>\$ (0.90)</u>	<u>\$ (1.13)</u>
Basic weighted average shares outstanding	3,284	3,021	3,166	3,008
Diluted weighted average shares outstanding	3,284	3,021	3,166	3,008

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

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

	Class A		Class B		Additional paid-in capital	Treasury stock	Retained earnings (deficit)	Non-controlling interest	Total
	Shares	Amount	Shares	Amount					
Balance at December 31, 2013	2,661	\$ 27	390	\$ 4	\$170,993	\$(2,480)	\$(164,379)	\$ 14,894	\$19,059
Stock compensation and issuances	38	—	—	—	434	—	—	—	434
Shares withheld related to net share settlement of restricted stock awards	(5)	—	—	—	(62)	—	—	—	(62)
Non-controlling interest distributions	—	—	—	—	—	—	—	(8,290)	(8,290)
Net (loss) income	—	—	—	—	—	—	(3,402)	2,881	(521)
Balance at September 30, 2014	<u>2,694</u>	<u>\$ 27</u>	<u>390</u>	<u>\$ 4</u>	<u>\$171,365</u>	<u>\$(2,480)</u>	<u>\$(167,781)</u>	<u>\$ 9,485</u>	<u>\$10,620</u>
Balance at December 31, 2014	2,726	\$ 27	390	\$ 4	\$171,639	\$(2,583)	\$(171,218)	\$ 3,986	\$ 1,855
Stock compensation and issuances	255	3	—	—	1,195	—	—	—	1,198
Warrants	12	—	—	—	242	—	—	—	242
Shares withheld related to net share settlement of restricted stock awards	(12)	—	—	—	(32)	—	—	—	(32)
Stock repurchases	—	—	—	—	—	(79)	—	—	(79)
Non-controlling interest contributions	—	—	—	—	—	—	—	2,450	2,450
Non-controlling interest distributions	—	—	—	—	—	—	—	(1,150)	(1,150)
Net (loss) income	—	—	—	—	—	—	(2,842)	877	(1,965)
Balance at September 30, 2015	<u>2,981</u>	<u>\$ 30</u>	<u>390</u>	<u>\$ 4</u>	<u>\$173,044</u>	<u>\$(2,662)</u>	<u>\$ 174,060</u>	<u>\$ 6,163</u>	<u>\$ 2,519</u>

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

[Table of Contents](#)

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

	<u>Nine Months Ended September 30,</u>	
	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Net loss	\$ (1,965)	\$ (521)
Adjustment to reconcile net loss to net cash used in operating activities		
Amortization of loan discount and deferred financing fees	240	234
Deferred income tax benefit	(79)	—
Depreciation expense	109	73
Provision for bad debt	—	20
Gain on derivative	(696)	—
Earnings from unconsolidated joint venture, net of distributions	(9)	(34)
Amortization of stock compensation	193	195
Changes in operating assets and liabilities:		
Restricted cash	(259)	(39)
Trade receivables	(409)	(9)
Real estate inventories	(8,231)	(1,711)
Other assets	401	(2,254)
Accrued interest	694	660
Accounts payable and accrued liabilities	2,702	4,411
Income taxes payable	(43)	(273)
Net cash (used in) provided by operating activities	<u>(7,352)</u>	<u>752</u>
Cash flows from investing activities:		
Purchase of property, plant and equipment	(168)	(90)
Note receivable	27	(181)
Restricted cash	(450)	(331)
Net cash used in investing activities	<u>(591)</u>	<u>(602)</u>
Cash flows from financing activities:		
Proceeds from notes payable	27,367	23,528
Payments on notes payable	(26,258)	(22,154)
Loan financing costs	(92)	(166)
Distributions to non-controlling interests	(1,150)	(8,290)
Contributions from non-controlling interests	2,450	—
Proceeds from exercise of stock options	—	26
Taxes paid related to net share settlement of equity awards	(32)	(62)
Repurchase of stock	(79)	—
Net cash provided by (used in) financing activities	<u>2,206</u>	<u>(7,118)</u>
Net decrease in cash and cash equivalents	(5,737)	(6,968)
Cash and cash equivalents, beginning of period	7,498	11,895
Cash and cash equivalents, end of period	<u>\$ 1,761</u>	<u>\$ 4,927</u>
Supplemental cash flow information:		
Interest paid, net of interest capitalized	\$ (245)	\$ (660)
Income taxes paid	\$ 319	\$ —
Supplemental disclosure for non-cash activity:		
Increase in class A common stock par value in connection with vesting and issuance of stock compensation	\$ 1	\$ —
Increase in class A common stock par value in connection with CGF Private Placement	\$ 2	\$ —
Increase in additional paid-in capital in connection with issuance of class A common stock under the CGF Private Placement	\$ 903	\$ —
Discount on notes payable	\$ (543)	\$ —
Accrued liability settled through issuance of stock	\$ 75	\$ 194

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

COMSTOCK HOLDING COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. ORGANIZATION AND BASIS OF PRESENTATION

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

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

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

For the three and nine months ended September 30, 2015 and 2014, comprehensive loss equaled net loss; therefore, a separate statement of comprehensive loss is not included in the accompanying consolidated financial statements.

Recent Developments

On April 20, 2015, the Company received a deficiency letter from The Nasdaq Stock Market LLC (“Nasdaq”) notifying the Company that the minimum bid price per share for its common stock was below \$1.00 for a period of 30 consecutive business days and, accordingly, that the Company did not comply with the minimum bid price requirement of \$1.00 per share, as required by Listing Rule 5550(a)(2). On September 25, 2015, to regain compliance with the NASDAQ listing requirement, the Company effected a 1-for-7 reverse stock split of its issued and outstanding shares of Class A common stock and Class B common stock and proportionately decreased the number of authorized shares of Common Stock. The reverse stock split was authorized by our Board of Directors and approved by our stockholders at the annual meeting of stockholders that was held on June 17, 2015. Every seven shares of issued and outstanding Class A common stock, including treasury shares, were exchanged into one share of the Company’s common stock. As a result of the reverse stock split, the number of authorized shares of Class A common stock was reduced from 77,266,500 shares to 11,038,071 shares and the number of authorized shares of Class B common stock was reduced from 2,733,500 shares to 390,500 shares. No fractional shares were issued in connection with the reverse stock split; instead, stockholders who otherwise would have received fractional shares received, in lieu of such fractional shares, an amount of cash based on the closing price of the Company’s common stock on the date of the reverse stock split.

All shares related and per share information has been adjusted to give the effect to the reverse stock split from the beginning of the earliest period presented. The par value per share was not adjusted as a result of the reverse stock split.

On October 7, 2015, the Company received a letter from Nasdaq indicating that the Company had regained compliance with the stockholders’ equity requirement in Listing Rule 5550(b)(1) and that this matter is now closed. On October 12, 2015, the Company received a letter from Nasdaq indicating that the Company had regained compliance with the minimum bid price requirement of \$1.00 per share, as required by Listing Rule 5550(a)(2) and that this matter is now closed. The Company is now compliant with all required Nasdaq listing requirements.

Liquidity and Capital Resources

The Company is involved in ongoing discussions with lenders and equity sources in an effort to provide additional growth capital to fund various new business opportunities. We require capital to operate, to post deposits on new deals, to purchase and develop land, to construct homes, to fund related carrying costs and overhead and to fund various advertising and marketing programs to generate sales. These expenditures include payroll, community engineering, entitlement, architecture, advertising, utilities and interest as well as the construction costs of our homes. Our sources of capital include, and should continue to include, private equity and debt placements (which has included significant participation from Company insiders), funds derived from various secured and unsecured borrowings to finance acquisition, development and construction on acquired land, cash flow from operations, which includes the sale and delivery of constructed homes, finished and raw building lots and the potential sale of public debt and equity securities.

[Table of Contents](#)

We have outstanding borrowings with various financial institutions and other lenders that have been used to finance the acquisition, development and construction of real estate projects. The Company has generally financed its development and construction activities on a single or multiple project basis so it is not uncommon for each of our projects or collection of our projects to have a separate credit facility. Accordingly, the Company typically has had numerous credit facilities and lenders. As of September 30, 2015, the Company had \$9.7 million of its credit facilities and project related loans scheduled to mature during the remainder of 2015. On October 15, 2015, subsequent to quarter end, the Company paid off the mezzanine note obtained to acquire the land for the development of the NHA Project (defined below), which had an outstanding balance of \$0.3 million.

Due to the fact that certain of our credit facilities mature during the fourth quarter of 2015 and during various periods in 2016, we are in active discussions with our lenders and are seeking long term extensions and modifications to the loans. We are anticipating that with successful resolution of those discussions with our lenders, expected proceeds from future private placements, current available cash on hand and additional cash from settlement proceeds at existing and under development communities, the Company should have sufficient financial resources to sustain its operations through the next twelve months, though no assurances can be made that the Company will be successful in its efforts. The Company will also focus on its cost structure in an effort to conserve cash and manage expenses. Such actions may include cost reductions and/or deferral arrangements with respect to current operating expenses.

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

Use of Estimates

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

Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers (“ASU 2014-09”). ASU 2014-09 provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU No. 2014-09 will require an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14, which deferred the effective date of ASU 2014-09 for one year, which would make the guidance effective for the Company’s first fiscal year beginning after December 15, 2017. Additionally, the FASB has also decided to permit entities to early adopt the standard, which allows for either full retrospective or modified retrospective methods of adoption, for reporting periods beginning after December 15, 2016. We are currently evaluating the impact of ASU 2014-09 on our consolidated financial statements.

We assessed other accounting pronouncements issued or effective during the three months ended September 30, 2015 and deemed they were not applicable to us and are not anticipated to have a material effect on our financial statements.

2. REAL ESTATE INVENTORIES

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

	September 30, 2015	December 31, 2014
Land and land development costs	\$ 27,020	\$ 22,487
Cost of construction (including capitalized interest and real estate taxes)	22,125	18,402
	<u>\$ 49,145</u>	<u>\$ 40,889</u>

3. WARRANTY RESERVE

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Balance at beginning of period	\$ 294	\$ 722	\$ 492	\$ 510
Additions	48	70	140	414
Releases and/or charges incurred	(80)	(275)	(370)	(407)
Balance at end of period	<u>\$ 262</u>	<u>\$ 517</u>	<u>\$ 262</u>	<u>\$ 517</u>

4. CAPITALIZED INTEREST AND REAL ESTATE TAXES

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Total interest incurred and capitalized	\$ 887	\$ 619	\$2,514	\$ 1,699
Total real estate taxes incurred and capitalized	125	69	314	173
Total interest and real estate taxes incurred and capitalized	<u>\$ 1,012</u>	<u>\$ 688</u>	<u>\$2,828</u>	<u>\$ 1,872</u>
Interest expensed as a component of cost of sales	\$ 471	\$ 325	\$1,227	\$ 466
Real estate taxes expensed as a component of cost of sales	64	70	156	126
Interest and real estate taxes expensed as a component of cost of sales	<u>\$ 535</u>	<u>\$ 395</u>	<u>\$1,383</u>	<u>\$ 592</u>

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Interest incurred and expensed from entity level borrowings	\$ 97	\$ —	\$ 414	\$ —
Interest incurred and expensed for inactive projects	—	—	4	—
Real estate taxes incurred and expensed for inactive projects	3	18	8	23
	<u>\$ 100</u>	<u>\$ 18</u>	<u>\$ 426</u>	<u>\$ 23</u>

5. LOSS PER SHARE

The weighted average shares and share equivalents used to calculate basic and diluted income per share for the three and nine months ended September 30, 2015 and 2014, respectively, are presented in the accompanying consolidated statements of operations. Restricted stock awards, stock options and warrants for the three and nine months ended September 30, 2015 and 2014 are included in the diluted earnings per share calculation using the treasury stock method and average market prices during the periods, unless the restricted stock awards, stock options and warrants would be anti-dilutive.

As a result of net losses for the three and nine months ended September 30, 2015 and 2014, respectively, the following shares have been excluded from the diluted share computation as their inclusion would be anti-dilutive:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Restricted stock awards	5	40	7	42
Stock options	—	23	7	30
Warrants	—	39	1	67
	<u>5</u>	<u>102</u>	<u>15</u>	<u>139</u>

6. SEGMENT DISCLOSURES

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

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

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

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

[Table of Contents](#)

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

	<u>Homebuilding</u>	<u>Multi-family</u>	<u>Real Estate Services</u>	<u>Total</u>
Three Months Ended September 30, 2015				
Gross revenue	\$ 12,043	\$ —	\$ 245	\$12,288
Gross profit	1,294	—	142	1,436
Net (loss) income	(1,165)	—	142	(1,023)
Depreciation and amortization	122	—	—	122
Interest expense	97	—	—	97
Total assets	59,251	—	301	59,552
Three Months Ended September 30, 2014				
Gross revenue	\$ 18,225	\$ —	\$ 142	\$18,367
Gross profit	3,204	—	62	3,266
Net (loss) income	950	—	41	991
Depreciation and amortization	25	—	—	25
Interest expense	—	—	—	—
Total assets	54,103	—	315	54,418
Nine Months Ended September 30, 2015				
Gross revenue	\$ 34,168	\$ —	\$1,001	\$35,169
Gross profit	4,235	—	545	4,780
Net (loss) income	(2,510)	—	545	(1,965)
Depreciation and amortization	327	—	—	327
Interest expense	418	—	—	418
Total assets	59,251	—	301	59,552
Nine Months Ended September 30, 2014				
Gross revenue	\$ 37,713	\$ —	\$ 408	\$38,121
Gross profit	6,977	—	150	7,127
Net (loss) income	(650)	—	129	(521)
Depreciation and amortization	73	—	—	73
Interest expense	—	—	—	—
Total assets	54,103	—	315	54,418

The Company allocates sales, marketing and general and administrative expenses to the individual segments based upon specifically allocable costs.

7. INCOME TAX

During the three months ended September 30, 2015, the Company recognized income tax expense of \$36. During the nine months ended September 30, 2015, the Company recorded an out of period adjustment to reverse the valuation allowance, resulting in the recognition of a deferred tax benefit of \$121, offset by year-to-date income tax expense of \$144, both related to the NHA project in Washington, DC. Because this error was not material to any previously filed consolidated financial statements and the impact of correcting this error in the current fiscal year is not material, the Company recorded the correction in the first quarter of 2015. The effective tax rate for the three and nine month periods ended September 30, 2015 was 3% and 1%, respectively.

The Company currently has approximately \$128 million in federal and state net operating losses (NOLs), which, based on current statutory tax rates, represents approximately \$50 million in tax savings. If unused, these NOLs will begin expiring in 2028. Under Internal Revenue Code Section 382 ("Section 382"), if an "ownership change" is triggered, the Company's ability to use its NOLs (and in certain circumstances, future built-in losses and depreciation deductions) can be negatively affected and possibly certain other deferred tax assets may be impaired. In general, an ownership change occurs whenever there is a shift in ownership by more than 50 percentage points by one or more 5% stockholders over a specified time period (generally three years). Given Section 382's broad definition, an ownership change could be the unintended consequence of otherwise normal market trading in the Company's stock that is outside of the Company's control. In an effort to preserve the availability of these NOLs, Comstock initially adopted a Section 382 stockholder rights plan in May 2011 that expired in May 2014. On March 27, 2015, Comstock's board of directors adopted a new Section 382 stockholder rights plan (the "Rights Plan") and it was approved by the Company's stockholders at the annual meeting of stockholders that was held on June 17, 2015. The Rights Plan was adopted to reduce the likelihood of such an unintended "ownership change" and thus assist in preserving the value of these potential tax benefits. We estimate that as of September 30, 2015, the cumulative shift in ownership of the Company's stock would not cause an impairment of our NOL asset. However, if an ownership change were to occur, the Section 382 limitation would not be expected to materially impact the Company's financial position or results of operations as of September 30, 2015, because of the Company's full valuation allowance on its net deferred tax assets, excluding the NHA Project deferred tax asset described above.

[Table of Contents](#)

The Company has not recorded any accruals for tax uncertainties as of September 30, 2015 and 2014. We file U.S. and state and local income tax returns in jurisdictions with varying statutes of limitations. The 2012 through 2014 tax years remain subject to examination by federal and state tax authorities.

8. COMMITMENTS AND CONTINGENCIES

Litigation

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

Letters of credit, performance bonds and compensating balances

The Company has commitments as a result of contracts with certain third parties, primarily local governmental authorities, to meet certain performance criteria outlined in such contracts. The Company is required to issue letters of credit and performance bonds to these third parties as a way of ensuring that the commitments entered into are met. These letters of credit and performance bonds issued in favor of the Company and/or its subsidiaries mature on a revolving basis, and if called into default, would be deemed material if assessed against the Company and/or its subsidiaries for the full amounts claimed. In some circumstances, we have negotiated with our lenders in connection with foreclosure agreements for the lender to assume certain liabilities with respect to the letters of credit and performance bonds. We cannot accurately predict the amount of any liability that could be imposed upon the Company with respect to maturing or defaulted letters of credit or performance bonds. At September 30, 2015 and 2014, the Company had \$3.5 million and \$4.8 million in letters of credit, respectively. At September 30, 2015 and 2014, the Company had \$5.0 million and \$4.3 million in outstanding performance and payment bonds, respectively. No amounts have been drawn against the outstanding letters of credit or performance bonds.

We are required to maintain compensating balances in escrow accounts as collateral for certain letters of credit, which are funded upon settlement and release of units. The cash contained within these escrow accounts is subject to withdrawal and usage restrictions. As of September 30, 2015 and December 31, 2014, we had approximately \$0.8 million and \$0.4 million, respectively, in these escrow accounts, which are included in 'Restricted cash' in the consolidated balance sheets.

9. RELATED PARTY TRANSACTIONS

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

2015	\$ 81
2016	329
2017	<u>167</u>
Total	<u>\$577</u>

For the three months ended September 30, 2015 and 2014, total payments made under this lease agreement were \$81 and \$80, respectively. For the nine months ended September 30, 2015 and 2014, total payments under this lease agreement were \$239 and \$232, respectively. As of September 30, 2015 and December 31, 2014, the Company recorded a straight-line rent payable of \$26, which is included in 'Accounts payable and accrued liabilities' in the accompanying consolidated balance sheets.

On February 23, 2009, Comstock Homes of Washington, L.C., a wholly-owned subsidiary of the Company, entered into a Services Agreement with Comstock Asset Management, L.C., an entity wholly-owned by our Chief Executive Officer, to provide services related to real estate development and improvements, including legal, accounting, marketing, information technology and other additional support services. For the three months ended September 30, 2015 and 2014, the Company billed Comstock Asset Management, L.C. \$244 and \$142, respectively, for services and out-of-pocket expenses. For the nine months ended September 30, 2015 and 2014, Comstock Asset Management, L.C. was billed \$617 and \$375, respectively, for services and out-of-pocket expenses incurred. Revenues from this arrangement are included within 'Revenue – other' in the accompanying consolidated statements of operations. As of September 30, 2015 and December 31, 2014, the Company was owed \$293 and \$38, respectively, under this contract, which is included in 'Trade receivables' in the accompanying consolidated balance sheets.

[Table of Contents](#)

On March 14, 2013, Stonehenge Funding, LC (“Stonehenge”), an entity wholly-owned by our Chief Executive Officer, entered into an Extension Agreement of the Amended and Restated Senior Note with the Company to extend the maturity date of the financing arrangement to January 1, 2016. Under the terms of the Extension Agreement, the Company is required to pay \$50 a month to Stonehenge, to be allocated first to accrued and unpaid interest and then to outstanding principal. For the three and nine months ended September 30, 2015 and 2014, the Company made payments of \$150 and \$450, respectively, under this Note.

On October 17, 2014, Comstock Growth Fund (“CGF”), an administrative entity managed by the Company, entered into a subscription agreement with Comstock Development Services, LC (“CDS”), an entity wholly-owned by our Chief Executive Officer, pursuant to which CDS purchased membership interests in CGF for a principal amount of \$10 million (the “CGF Private Placement”). Other Purchasers who purchased interest in the CGF Private Placement included members of the Company’s management, board of directors and third party accredited investors for an additional principal amount of \$6.2 million.

Simultaneously, on October 17, 2014, the Company entered into an unsecured promissory note with CGF whereby CGF made a loan to the Company in the initial principal amount of \$10 million and a maximum capacity of up to \$20 million. On December 18, 2014, the loan agreement was amended and restated to provide for a maximum capacity of \$25 million. All of the other terms of the unsecured promissory note remained the same. The Company borrowed additional principal loan amount of \$6.2 million under the Amended and Restated CGF promissory note bringing the total aggregate principal amount borrowed to \$16.2 million. The CGF loan has a three year term carrying a floating interest rate of LIBOR plus 9.75% with a 10% floor. The loan requires an annual principal repayment in the amount of 10% of the average outstanding balance and a monthly interest payment that will be made in arrears. As of September 30, 2015, \$14.1 million was outstanding in principal and accrued interest, net of discounts. For the three and nine months ended September 30, 2015, the Company made interest payments of \$0.3 million and \$1.1 million, respectively.

Additionally, on December 18, 2014, CGF entered into amended and restated subscription agreements with CDS, members of the Company’s management, board of directors and third party accredited investors who participated in the CGF Private Placement (the “Amended CGF Private Placement”). Under the Amended CGF Private Placement, in addition to the warrants described under Note 13 to the accompanying consolidated financial statements, the Company entered into a commitment to grant 226,857 shares of the Company’s Class A common stock to purchasers of membership interest of CGF in the Amended CGF Private Placement. On May 12, 2015, the Company issued the 226,857 un-registered shares of its Class A common stock to the purchasers in the Amended CGF Private Placement. The Amended CGF Private Placement was closed for additional investments on May 15, 2015.

During the second quarter of 2014, the Company entered into a Separation Agreement in connection with the departure of Gregory V. Benson, our former Chief Operating Officer and former member of our board. See Note 16 to the consolidated financial statements for a summary of the Separation Agreement.

See Note 11 to the consolidated financial statements for a description of the Comstock VII and Comstock VIII Private Placements and Note 13 to the consolidated financial statements for a description of the CGF Private Placement and the Amended CGF Private Placement.

10. NOTE RECEIVABLE

The Company originated a note receivable to a third party in the amount of \$180 in September 2014. This note has a maturity date of September 2, 2019 and is payable in monthly installments of principal and interest. This note bears a fixed interest rate of 6% per annum. As of September 30, 2015 and December 31, 2014, the outstanding balance of the note was \$145 and \$173, respectively, and is included within ‘Other assets’ in the accompanying consolidated balance sheets. The interest income of \$2 and \$7 for the three and nine months ended September 30, 2015, respectively, is included in ‘Other income, net’ in the consolidated statements of operations. Interest income of \$1 was recorded for the three and nine months ended September 30, 2014.

11. VARIABLE INTEREST ENTITY

Included within the Company’s real estate inventories at September 30, 2015 and December 31, 2014 are several projects that are determined to be VIEs. These entities have been established to own and operate real estate property and were deemed VIEs primarily based on the fact that the equity investment at risk is not sufficient to permit the entities to finance their activities without additional financial support. The Company determined that it was the primary beneficiary of these VIEs as a result of its majority voting and complete operational control of the entities.

[Table of Contents](#)

On August 23, 2012, the Company formed New Hampshire Ave. Ventures, LLC, a joint venture of its subsidiary, Comstock Ventures XVI, L.C., and 6000 New Hampshire Avenue, LLC, for the purpose of acquiring, developing and constructing a 111-unit project (the “NHA Project”) in Washington, D.C. The Company evaluated the joint venture and determined that the equity investment at risk is not sufficient to permit the entity to finance its activities without additional financial support. The Company determined that it was the primary beneficiary of the VIE as a result of its complete operational control of the activities that most significantly impact the economic performance and obligation to absorb losses, or receive benefits. The Company contributed its ownership interest in Comstock Ventures XVI, L.C. to Comstock Investors VII, L.C. (“Comstock VII”) on March 13, 2013. During the nine months ended September 30, 2015 and 2014, New Hampshire Ave. Ventures, LLC distributed \$1.1 million and \$3.1 million, respectively to its non-controlling interest member, 6000 New Hampshire Avenue, LLC.

On September 27, 2012, the Company formed Comstock Eastgate, L.C., a joint venture of the Company and BridgeCom Development II, LLC, for the purpose of acquiring, developing and constructing 66 condominium units in Loudoun County, Virginia. The Company evaluated the joint venture and determined that the equity investment at risk is not sufficient to permit the entity to finance its activities without additional financial support. The Company determined that it was the primary beneficiary as a result of its complete operational control of the activities that most significantly impact the economic performance and obligation to absorb losses, or receive benefits. During the nine months ended September 30, 2015 and 2014, Comstock Eastgate, L.C. distributed \$50 and \$1.9 million, respectively to its non-controlling interest member, BridgeCom Development II, LLC. The Company exited the Eastgate project in the second quarter of 2014 after closing on all 66 units.

On March 14, 2013, Comstock VII entered into subscription agreements with certain accredited investors (“Comstock VII Class B Members”), pursuant to which the Comstock VII Class B Members purchased membership interests in Comstock VII for an aggregate amount of \$7.3 million (the “Comstock VII Private Placement”). The Comstock VII Private Placement was exempt from registration under Section 4(a)(2) of the Securities Act of 1933, as amended (the “Securities Act”) and Rule 506 of Regulation D promulgated under the Securities Act. In connection with the Comstock VII Private Placement, the Company issued 112 warrants for the purchase of shares of the Company’s Class A common stock to the non-affiliated accredited investors, having an aggregate fair value of \$146. Comstock VII Class B Members included unrelated third-party accredited investors along with members of the Company’s board of directors and the Chief Financial Officer, the General Counsel and the former Chief Operating Officer, of the Company. The Subscription Agreement provides that the Comstock VII Class B Members are entitled to a cumulative, preferred return of 20% per annum, compounded annually on their capital account balances. After six months from the issuance date, the Company has the right to repurchase the interests of the Comstock VII Class B Members, provided that (i) all of the Comstock VII Class B Members’ interests are acquired, (ii) the purchase is made in cash and (iii) the purchase price equals the Comstock VII Class B Members’ capital account plus an amount necessary to cause the preferred return to equal a cumulative cash on cash return equal to 20% per annum. The Comstock VII Private Placement provided capital related to the current and planned construction of the Company’s following projects: Townes at Shady Grove Metro in Rockville, Maryland consisting of 36 townhomes, Momentum | Shady Grove consisting of 117 condominium units, City Homes at the Hampshires in Washington D.C. consisting of 38 single family residences, Townes at the Hampshires in Washington, D.C. consisting of 73 townhomes, Single Family Homes at the Falls Grove project in Prince William County, Virginia consisting of 19 single family homes and Townes at the Falls Grove project in Prince William County, Virginia consisting of 110 townhomes (collectively, the “Projects”). Proceeds of the Comstock VII Private Placement were utilized (A) to provide capital needed to complete the Projects in conjunction with project financing for the Projects, (B) to reimburse the Company for prior expenditures incurred on behalf of the Projects, and (C) for general corporate purposes of the Company. The Company evaluated Comstock VII and determined that the equity investment at risk is not sufficient to permit the entity to finance its activities without additional financial support and the Company was the primary beneficiary as a result of its complete operational control of the activities that most significantly impact the economic performance and its obligation to absorb losses, or receive benefits. Accordingly, the Company consolidates this entity. During the nine months ended September 30, 2014, the Company paid distributions in the amount of \$3.2 million, to its non-controlling interest member, Comstock VII Class B Members. In October 2014, the Company fully redeemed the equity interest of the Comstock VII Class B Members.

In December 2013, Comstock Investors VIII, L.C. (“Comstock VIII”) entered into subscription agreements with certain accredited investors (“Comstock VIII Class B Members”), pursuant to which Comstock VIII Class B Members purchased membership interests in Comstock VIII for an aggregate amount of \$4.0 million (the “Comstock VIII Private Placement”). The Comstock VIII Private Placement was exempt from registration under Section 4(a)(2) of the Securities Act and Rule 506 of Regulation D promulgated under the Securities Act. In connection with the Comstock VIII Private Placement, the Company issued 102 warrants for the purchase of shares of the Company’s Class A common stock to the non-affiliated accredited investors, having an aggregate fair value of \$131. Comstock VIII Class B Members included unrelated third-party accredited investors along with members of the Company’s board of directors and the Company’s Chief Financial Officer and the Company’s former Chief Operating Officer. The Comstock VIII Class B Members are entitled to a cumulative, preferred return of 20% per annum, compounded annually on their capital account balances. The Company has the right to repurchase the interests of the Comstock VIII Class B Members at any time, provided that (i) all of the Comstock VIII Class B Members’ interests are acquired, (ii) the purchase is made in cash and (iii) the purchase price equals the Comstock VIII Class B Members’ capital accounts plus an amount necessary to cause the preferred return to equal a cumulative cash on cash return equal to 20% per annum. The proceeds from the Comstock VIII Private Placement are being used for the current and planned construction of the following projects: The Townes at HallCrest in Sterling, Virginia consisting of 42 townhome units, and Townes at Maxwell Square Condominium in Frederick, Maryland consisting of 45 townhome condominium units (collectively, the “Investor VIII Projects”). Proceeds of the Comstock VIII Private Placement are being utilized (A) to provide capital needed to complete the Investor VIII Projects in conjunction with project financing for the Investor VIII Projects, (B) to reimburse the Company for prior expenditures incurred on behalf of the Investor VIII Projects, and (C) for general corporate purposes of the Company. The Company evaluated Comstock VIII and determined that the equity investment at risk is not sufficient to permit the entity to finance its activities without additional financial support and the Company was the primary beneficiary as a result of its complete operational control of the activities that most significantly impact the economic performance and its obligation to absorb losses, or receive benefits. Accordingly, the Company consolidates this entity. No distributions were paid to the Comstock VIII Class B Members during the nine months ended September 30, 2015 and 2014.

[Table of Contents](#)

In June 2015, Comstock Investors IX, L.C. (“Comstock IX”) entered into subscription agreements with third-party accredited investors (“Comstock IX Class B Members”), pursuant to which Comstock IX Class B Members purchased membership interests in Comstock IX for an aggregate amount of \$2.5 million (the “Comstock IX Private Placement”). The Comstock IX Private Placement was exempt from registration under Section 4(a)(2) of the Securities Act and Rule 506 of Regulation D promulgated under the Securities Act. The Comstock IX Class B Members are entitled to a cumulative, preferred return of 20% per annum, compounded annually on their capital account balances. The Company has the right to repurchase the interests of the Comstock IX Class B Members at any time, provided that (i) all of the Comstock IX Class B Members’ interests are acquired, (ii) the purchase is made in cash and (iii) the purchase price equals the Comstock IX Class B Members’ capital accounts plus any amount necessary to cause the preferred return to equal a cumulative cash on cash return equal to 20% per annum. The proceeds from the Comstock IX Private Placement are being utilized (A) for the current and planned construction of the Stone Ridge project of 35 single family homes in Loudoun County Virginia; (B) to reimburse the Company for prior expenditures incurred on behalf of the Stone Ridge project; and (C) for general corporate purposes of the Company. The Company evaluated Comstock IX and determined that the equity investment at risk is not sufficient to permit the entity to finance its activities without additional financial support and the Company was the primary beneficiary as a result of its complete operational control of the activities that most significantly impact the economic performance and its obligation to absorb losses or receive benefits. Accordingly, the Company consolidates this entity. No distributions have been paid to the Comstock IX Class B Members through September 30, 2015.

The distributions to and contributions from the VIEs discussed above are included within the ‘non-controlling interest’ in the consolidated statement of changes in stockholder’s equity for the periods presented.

At September 30, 2015 and December 31, 2014 total assets of these VIEs were approximately \$24.5 million and \$19.5 million, respectively, and total liabilities were approximately \$16.1 million and \$13.5 million, respectively. The classification of these assets is primarily within ‘Real estate inventories’ and the classification of liabilities are primarily within ‘Accounts payable and accrued liabilities’ and ‘Notes payable – secured by real estate inventories’ in the accompanying consolidated balance sheets.

12. UNCONSOLIDATED JOINT VENTURE

The Company accounts for its interest in its title insurance joint venture using the equity method of accounting and periodically adjusts the carrying value for its proportionate share of earnings, losses and distributions. The carrying value of the investment is included within ‘Other assets’ in the accompanying consolidated balance sheets and our proportionate share of the earnings from the investment are included in ‘Other income, net’ in the accompanying consolidated statement of operations for the period presented. Our share of the earnings for the three and nine months ended September 30, 2015, are \$23 and \$77, respectively. During the nine months ended September 30, 2015, the Company collected total distributions of \$67 as a return on investment. During the three and nine months ended September 30, 2014, our share of the earnings from this joint venture was \$89 and \$126, respectively. During the nine months ended September 30, 2014, the Company collected total distributions of \$91 as a return on investment.

[Table of Contents](#)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Statement of Operations:				
Total net revenue	\$ 76	\$ 206	\$ 248	\$ 338
Total expenses	30	28	95	87
Net income	\$ 46	\$ 178	\$ 153	\$ 251
Comstock Holding Companies, Inc. share of net income	\$ 23	\$ 89	\$ 77	\$ 126

13. CREDIT FACILITIES

Notes payable consisted of the following:

	September 30, 2015	December 31, 2014
Construction revolvers	\$ 8,272	\$ 6,505
Development and acquisition notes	14,077	13,748
Mezzanine notes	1,829	5,770
Line of credit	3,065	2,356
Total secured notes	27,243	28,379
Unsecured note	1,724	2,064
Notes payable, unsecured, net of \$2.2 million and \$1.4 million discount, respectively	17,959	15,488
Total notes payable	\$ 46,926	\$ 45,931

As of September 30, 2015, maturities and/or curtailment obligations of all borrowings are as follows:

2015	\$ 9,707
2016	19,683
2017	14,128
2018	3,408
Total	<u>\$46,926</u>

As of September 30, 2015, the Company had \$9.7 million of its credit facilities and project related loans scheduled to mature during the remainder of 2015. On October 15, 2015, subsequent to quarter end, the Company paid off the mezzanine note obtained to acquire the land for the development of the NHA Project, which had an outstanding balance of \$0.3 million. Due to the fact that certain of our credit facilities mature at the end of the current fiscal year and various periods in 2016, we are in active discussions with our lenders and are seeking long term extensions and modifications to the loans. No assurances can be made that we will be successful in these efforts.

Construction, development and mezzanine debt – secured

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

[Table of Contents](#)

As of September 30, 2015 and December 31, 2014, the Company had secured construction revolving credit facilities with a maximum loan commitment of \$39.7 million and \$33.4 million, respectively. The Company may borrow under these facilities to fund its home building activities. The amount the Company may borrow is subject to applicable borrowing base provisions and the number of units under construction, which may also limit the amount available or outstanding under the facilities. The facilities are secured by deeds of trust on the real property and improvements thereon, and the borrowings are repaid with the net proceeds from the closings of homes sold, subject to a minimum release price. As of September 30, 2015 and December 31, 2014, the Company had approximately \$31.5 million and \$26.9 million, respectively, of unused loan commitments. Interest rates charged under these facilities include the London Interbank Offered Rate (“LIBOR”) and prime rate pricing options, subject to minimum interest rate floors. At September 30, 2015 and December 31, 2014, the weighted average interest rate on the Company’s outstanding construction revolving facility was 5.0% and 5.1% per annum, respectively. The Company had \$8.3 million and \$6.5 million of outstanding construction borrowings as of September 30, 2015 and December 31, 2014, respectively. The construction credit facilities have maturity dates ranging from December 2015 to March 2018, including extensions subject to the Company meeting certain conditions.

As of September 30, 2015 and December 31, 2014, the Company had approximately \$37.8 million and \$28.0 million, respectively, of aggregate acquisition and development maximum loan commitments of which \$14.1 million and \$13.7 million, respectively, were outstanding. These loans have maturity dates ranging from December 2015 to March 2018, including extensions subject to the Company meeting certain conditions, and bear interest at a rate based on LIBOR and prime rate pricing options, with interest rate floors ranging from 4.25% to 5.75% per annum. As of September 30, 2015 and December 31, 2014, the weighted average interest rates were 4.7% and 4.8% per annum, respectively.

The Company has three secured mezzanine loans. The first mezzanine loan has an outstanding balance of \$0.3 million and \$3.0 million at September 30, 2015 and December 31, 2014, respectively. This mezzanine financing was utilized to acquire land for the development of the City Homes at the Hampshires and the Townes at the Hampshires projects and is secured by the second deed of trust. This first mezzanine loan bears a fixed interest rate of 13.5% per annum paid on a monthly basis. On October 15, 2015, subsequent to the quarter end, the Company paid off the first mezzanine note.

The second and third mezzanine loans are being used to finance the development of the Townes at Shady Grove Metro and Momentum | Shady Grove projects. The maximum principal commitment amount of these loans was \$3.2 million at September 30, 2015 and December 31, 2014, of which \$1.5 million and \$2.8 million of principal and accrued interest was outstanding as of September 30, 2015 and December 31, 2014, respectively. These financings carry an annual interest rate of 12% of which 6% is paid on a monthly basis with the remaining 6% being accrued and paid at maturity. These financings have a maturity date of December 31, 2015 and are guaranteed by the Company and our Chief Executive Officer.

Line of credit – secured

The Company has a secured revolving line of credit with a maximum capacity of \$4.0 million. This line of credit is secured by the first priority security interest in the Company’s wholly owned subsidiaries’ in the Washington D.C., metropolitan area and guaranteed by our Chief Executive Officer. The Company uses this line to finance the predevelopment related expenses and deposits for current and future projects and bears a variable interest rate tied to a one-month LIBOR plus 3.25% per annum, with an interest rate floor of 5.0%. This line of credit calls for the Company to adhere to financial covenants, as defined in the loan agreement such as, minimum net worth and minimum liquidity, measured quarterly and minimum EBITDA measured on a twelve month basis and matures on January 31, 2016. The Company did not meet the minimum liquidity covenant for the three months ended September 30, 2015. Therefore, on October 27, 2015, subsequent to the quarter end, we obtained a waiver from the financial institution. The Company was in compliance with the minimum net worth covenant as dictated by the line of credit agreement for the three months ended September 30, 2015. As of September 30, 2015 and December 31, 2014, \$3.1 million and \$2.2 million was outstanding under the line of credit.

Unsecured note

As of September 30, 2015 and December 31, 2014, the Company had balances of \$1.7 million and \$2.1 million, respectively, outstanding to a bank under a 10-year unsecured note. Interest is charged on this financing on an annual basis at LIBOR plus 2.2%. As of September 30, 2015 and December 31, 2014, the interest rate was 2.4% per annum. The maturity date of this financing is December 28, 2018. The Company is required to make monthly principal and interest payments through maturity.

Notes payable to affiliate – unsecured

On March 14, 2013, the Company and Stonehenge entered into an agreement to extend the maturity date of the loan from July 20, 2013 to January 1, 2016. Under the terms of the Extension Agreement, the Company is required to pay \$50 monthly to Stonehenge, to be allocated first to accrued and unpaid interest and then to outstanding principal. Interest is charged to the loan based on LIBOR plus 3% per annum. As of September 30, 2015 and December 31, 2014, the interest rate was 3.7% and 3.6% per annum, respectively. The Company had approximately \$3.9 million and \$4.2 million of outstanding borrowings as of September 30, 2015 and December 31, 2014, respectively.

[Table of Contents](#)

On October 17, 2014, CGF entered into a subscription agreement with Comstock Development Services, LC (“CDS”), an entity wholly-owned by our Chief Executive Officer, pursuant to which CDS purchased membership interests in CGF for a principal amount of \$10 million (the “CGF Private Placement”). Other purchasers who purchased interest in the CGF Private Placement include members of the Company’s management and board of directors and third party accredited investors for an additional principal amount of \$6.2 million. Purchasers other than CDS who purchased a certain amount of interests received warrants that represent the right to purchase an aggregate amount of shares of the Company’s Class A common stock, depending upon the investment amount. As of September 30, 2015, we issued 76,285 warrants representing the right to purchase shares of the Company’s Class A common stock to CGF having an aggregate fair value of \$433 that was treated as a debt discount. In calculating the fair value of the warrants, the Company used the Black-Scholes pricing model based upon the date the funds were contributed to CGF. The Company amortizes the debt discount over the three year term of the loan to interest expense.

Simultaneously, on October 17, 2014, the Company entered into an unsecured promissory note with CGF whereby CGF made a loan to the Company in the initial principal amount of \$10 million and a maximum amount available for borrowing of up to \$20 million. On December 18, 2014, the Company entered into an amended and restated unsecured promissory note pursuant to which the maximum amount for borrowing was increased from \$20 million to \$25 million. All other terms of the unsecured promissory note remained the same. The Company borrowed additional principal loan amount of \$6.2 million under the amended and restated CGF promissory note bringing the total aggregate principal amount borrowed to \$16.2 million. The CGF loan has a three year term carrying a floating interest rate of LIBOR plus 9.75% with a 10% floor. The loan requires an annual principal repayment in the amount of 10% of the average outstanding balance and a monthly interest payment that will be made in arrears. The loan will be used by the Company (i) to finance the Company’s current and future development pipeline, (ii) to repay all or a portion of the Company’s prior private placements, (iii) to repay all or a portion of the Company’s project mezzanine loans, and (iv) for general corporate purposes. The Company is the administrative manager of CGF but does not own any membership interests in CGF. The Company had approximately \$14.1 million and \$11.3 million of outstanding borrowings under the CGF loan, net of discounts, as of September 30, 2015 and December 31, 2014, respectively. For the three and nine months ended September 30, 2015, the Company made interest payments under the CGF loan of \$0.3 million and \$1.1 million, respectively. As of September 30, 2015 and December 31, 2014, the interest rate of the CGF loan was 10.0% per annum.

Additionally, on December 18, 2014, CGF entered into amended and restated subscription agreements with CDS, members of the Company’s management and board of directors and third party accredited investors who participated in the CGF Private Placement (the “Amended CGF Private Placement”). Under the Amended CGF Private Placement, in addition to the warrants described above, the Company entered into a commitment to issue 226,857 shares of the Company’s Class A common stock to purchasers of membership interests of CGF in the Amended CGF Private Placement.

On May 12, 2015, the Company issued an aggregate 226,857 un-registered shares of its Class A common stock to the purchasers in the Amended CGF Private Placement. Upon issuance of these shares, the derivative liability was satisfied, and was no longer an obligation, and therefore the value of the shares were recorded within ‘Stockholders’ equity’ as an increase to Class A common stock and ‘Additional paid-in capital’ within the consolidated balance sheets based on the fair value the stock on the date of issuance. The resulting change in fair value was recorded as a gain on derivative and is included within ‘Other income’ on the consolidated statement of operations. The shares of Class A common stock were issued pursuant to exemptions from the registration requirements of the Securities Act provided by Section 4(a)(2) thereof and Rule 506 promulgated thereunder.

14. FAIR VALUE DISCLOSURES

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities are reasonable estimates of their fair values based on their short maturities. Non-financial assets and liabilities include items such as real estate inventories and long lived assets that are measured at fair value when acquired and on a non-recurring basis thereafter. Such fair value measurements use significant unobservable inputs and are classified as Level 3. The fair value of fixed and floating rate debt is based on unobservable market rates (Level 3 inputs). The following table summarizes the carrying amount and the corresponding fair value of fixed and floating rate debt:

	September 30, 2015	December 31, 2014
Carrying amount	\$ 46,926	\$ 45,931
Fair value	\$ 47,057	\$ 44,854

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

In 2014, we wrote-off \$2.7 million in land and land development costs related to the Momentum | Shady Grove project. The write-off occurred in December 2014 due to a revision in our previous disposition strategy. The impairment charge was calculated using a discounted cash flow analysis model, which is dependent upon several subjective factors, including the selection of an appropriate discount rate, estimated average sales price and estimated sales rates. In performing our impairment modeling, we must select what we believe is an appropriate discount rate based on current market cost of capital and return expectations.

15. RESTRICTED STOCK, STOCK OPTIONS AND OTHER STOCK PLANS

During the nine months ended September 30, 2015 and 2014, the Company did not issue any stock options or restricted stock awards.

Stock-based compensation cost associated with restricted stock and stock options was recognized based on the fair value of the instruments over the instruments' vesting period. The following table reflects the consolidated balance sheets and statements of operations line items for stock-based compensation cost for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Real estate inventories - Assets	\$ 8	\$ 3	\$ 25	\$ 19
General and administrative - Expenses	58	99	193	195
	<u>\$ 66</u>	<u>\$ 102</u>	<u>\$ 218</u>	<u>\$ 214</u>

Under net settlement procedures currently applicable to our outstanding restricted stock awards for employees, upon each settlement date and election by the employees, restricted stock awards are withheld to cover the required withholding tax, which is based on the value of the restricted stock award on the settlement date as determined by the closing price of our Class A common stock on the trading day immediately preceding the applicable settlement date. The remaining amounts are delivered to the recipient as shares of our Class A common stock.

As of September 30, 2015, the weighted-average remaining contractual term of unexercised stock options was 6.2 years. As of September 30, 2015 and December 31, 2014, there was \$0.3 million and \$0.5 million, respectively, of unrecognized compensation cost related to stock grants.

16. SEVERANCE AND RESTRUCTURING

In connection with the departure of Gregory V. Benson, our former Chief Operating Officer in May 2014, the Company entered into a Separation Agreement with Mr. Benson on June 24, 2014. Mr. Benson served on our board until his term expired at our 2015 annual meeting of stockholders. The Separation Agreement provides for cash severance payment and incremental healthcare insurance through COBRA. In the second quarter of 2014, the Company recorded severance cost of \$597, to be paid in 36 semi-monthly installments and healthcare cost of \$14 to be paid over 12 months effective May 1, 2014 offset by \$131 in forfeitures of stock options and restricted stock awards. The severance charge in 2014 was included in 'General and administrative' expenses in the consolidated statements of operations. There were no severance or restructuring charges in 2015. The remaining balance of \$33 as of September 30, 2015 is included in the 'Accounts payable and accrued liabilities' in the accompanying consolidated balance sheets.

In addition, per the Separation Agreement, the Company had a call option, but not an obligation, to purchase all or a portion of Mr. Benson's shares of Class A and Class B common stock of the Company at \$1.09 per share by June 30, 2015. The Agreement expired on June 30, 2015 and neither the Company nor any of its designees exercised any portion of the option under the Separation Agreement.

17. SUBSEQUENT EVENTS

On October 7, 2015, the Company received a letter from Nasdaq indicating that the Company had regained compliance with the stockholders' equity requirement in Listing Rule 5550(b)(1) and that this matter is now closed. On October 12, 2015, the Company received a letter from Nasdaq indicating that the Company had regained compliance with the minimum bid price requirement of \$1.00 per share, as required by Listing Rule 5550(a)(2) and that this matter is now closed. The Company is now compliant with all required Nasdaq listing requirements.

On October 15, 2015, the Company paid off the mezzanine note related to the NHA Project of \$0.3 million that was outstanding as of September 30, 2015.

On October 23, 2015, the Company announced that Mr. Joseph M. Squeri, Chief Financial Officer, was elected to serve on our Board of Directors for a term effective October 23, 2015 until the 2016 annual meeting of the stockholders. Additionally, Mr. Squeri will be resigning from his current role as Chief Financial Officer, effective November 25, 2015. Consequently, Mr. Christopher L. Conover, the Company's Senior Vice President, Accounting and Finance, has been appointed as the interim Chief Financial Officer and principal financial officer of the Company effective as of November 25, 2015.

COMSTOCK HOLDING COMPANIES, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

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

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

Cautionary Notes Regarding Forward-looking Statements

This report includes forward-looking statements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by the use of words such as "anticipate," "believe," "estimate," "may," "likely," "intend," "expect," "will," "should," "seeks" or other similar expressions. Forward-looking statements are based largely on our expectations and involve inherent risks and uncertainties, many of which are beyond our control. You should not place undue reliance on any forward-looking statement, which speaks only as of the date made. Some factors which may affect the accuracy of the forward-looking statements apply generally to the real estate industry, while other factors apply directly to us. Any number of important factors could cause actual results to differ materially from those in the forward-looking statements including, without limitation: general economic and market conditions, including interest rate levels; our ability to service our debt; inherent risks in investment in real estate; our ability to compete in the markets in which we operate; economic risks in the markets in which we operate, including actions related to government spending; delays in governmental approvals and/or land development activity at our projects; regulatory actions; our ability to maintain compliance with stock market listing rules and standards; fluctuations in operating results; our anticipated growth strategies; shortages and increased costs of labor or building materials; the availability and cost of land in desirable areas; natural disasters; our ability to raise debt and equity capital and grow our operations on a profitable basis; and our continuing relationships with affiliates. Additional information concerning these and other important risk and uncertainties can be found under the heading "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014. Our actual results could differ materially from these projected or suggested by the forward-looking statements. The Company undertakes no obligation to update publicly or revise any forward-looking statements in light of new information or future events, except as required by law.

Overview

We are a multi-faceted real estate development and services company. We have substantial experience with building a diverse range of products including multi-family homes, single-family homes, townhouses, mid-rise condominiums, high-rise multi-family condominiums and mixed-use (residential and commercial) developments. We operate our business through three segments: Homebuilding, Multi-family and Real Estate Services as further discussed in Note 6 to the consolidated financial statements. We are currently focused in the Washington, D.C. metropolitan area, which is the seventh largest metropolitan statistical area in the United States.

[Table of Contents](#)

We are currently operating, or developing in multiple counties throughout the Washington, D.C. area market. The following table summarizes certain information for our owned or controlled communities as of September 30, 2015:

Pipeline Report as of September 30, 2015									
Project	State	Product Type (1)	Estimated Units at Completion	Units Settled	Backlog (7)	Units Owned Unsold	Units Under Control (2)	Total Units Owned, Unsettled and Under Control	Average New Order Revenue Per Unit to Date
City Homes at the Hampshires	DC	SF	38	35	2	1	—	3	\$ 746
Townes at the Hampshires (3)	DC	TH	73	49	17	7	—	24	\$ 558
Estates at Falls Grove	VA	SF	19	7	4	8	—	12	\$ 537
Townes at Falls Grove	VA	TH	110	50	5	55	—	60	\$ 301
Townes at Shady Grove Metro	MD	TH	36	23	4	9	—	13	\$ 593
Townes at Shady Grove Metro (4)	MD	SF	3	—	—	3	—	3	\$ —
Momentum Shady Grove Metro (5)	MD	Condo	117	—	—	117	—	117	\$ —
Estates at Emerald Farms	MD	SF	84	78	—	6	—	6	\$ —
Townes at Maxwell Square	MD	TH	45	24	12	9	—	21	\$ 420
Townes at Hallcrest	VA	TH	42	4	2	36	—	38	\$ 477
Estates at Leeland	VA	SF	24	—	—	24	—	24	\$ —
Villas Preserve at Two Rivers 28'	MD	TH	66	—	3	4	59	66	\$ 457
Villas Preserve at Two Rivers 32'	MD	TH	54	—	10	4	40	54	\$ 505
Villas at New Design Road	MD	TH	78	—	—	—	78	78	\$ —
Estates at Popkins Lane	VA	SF	12	—	—	—	12	12	\$ —
Townes at Richmond Station	VA	TH	70	—	—	—	70	70	\$ —
Richmond Station Multi-family	VA	MF	103	—	—	—	103	103	\$ —
Townes at Totten Mews	VA	TH	37	—	—	—	37	37	\$ —
The Estates at Stone Ridge (6)	VA	SF	35	—	—	—	35	35	\$ —
River Creek Village	VA	SF	100	—	—	—	100	100	\$ —
Total			1,146	270	59	283	534	876	

- (1) "SF" means single family home, "TH" means townhouse, "Condo" means condominium, "MF" means multi-family.
- (2) Under land option purchase contract, not owned.
- (3) 3 of these units are subject to statutory affordable dwelling unit program.
- (4) Units are subject to statutory moderately priced dwelling unit program; not considered a separate community.
- (5) 18 of these units are subject to statutory moderately priced dwelling unit program.
- (6) 1 of these units is subject to statutory affordable dwelling unit program.
- (7) "Backlog" means we have an executed order with a buyer but the settlement did not occur prior to report date.

Results of Operations**Three and nine months ended September 30, 2015 compared to three and nine months ended September 30, 2014***Orders, cancellations and backlog*

The following table summarizes certain information related to new orders, settlements and backlog for the three and nine month periods ended September 30, 2015 and 2014:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Gross new orders	43	22	114	100
Cancellations	3	4	9	15
Net new orders	40	18	105	85
Gross new order revenue	\$ 20,298	\$ 11,185	\$ 55,333	\$ 47,779
Cancellation revenue	\$ 1,414	\$ 1,954	\$ 4,505	\$ 6,518
Net new order revenue	\$ 18,884	\$ 9,231	\$ 50,828	\$ 41,261
Average gross new order price	\$ 472	\$ 508	\$ 485	\$ 478
Settlements	24	35	70	82
Revenue - homebuilding	\$ 12,043	\$ 18,225	\$ 34,168	\$ 37,713
Average settlement price	\$ 502	\$ 521	\$ 488	\$ 460
Backlog units	59	31	59	31
Backlog revenue	\$ 29,171	\$ 15,896	\$ 29,171	\$ 15,896
Average backlog price	\$ 494	\$ 513	\$ 494	\$ 513

Revenue – homebuilding

At September 30, 2015, we had a total of 59 units in backlog to generate future revenue of \$29.2 million as compared to \$15.9 million from 31 units at September 30, 2014. Gross new order revenue, consisting of revenue from all units sold, for the three months ended September 30, 2015 was \$20.3 million on 43 units as compared to \$11.2 million on 22 units for the three months ended September 30, 2014. Gross new order revenue for the nine months ended September 30, 2015 was \$55.3 million on 114 units as compared to \$47.8 million on 100 units for the nine months ended September 30, 2014. Net new order revenue, representing revenue for all units sold less revenue from cancellations, for the three months ended September 30, 2015 was \$18.9 million on 40 units as compared to \$9.2 million on 18 units for the three months ended September 30, 2014. Net new order revenue for the nine months ended September 30, 2015 was \$50.8 million on 105 units as compared to \$41.3 million on 85 units for the nine months ended September 30, 2014.

Revenue from homebuilding decreased by \$3.5 million to \$34.2 million for the nine months ended September 30, 2015 as compared to \$37.7 million for the nine months ended September 30, 2014. Average revenue per home settled increased by approximately \$28 to \$488 for the nine months ended September 30, 2015 as compared to \$460 for the nine months ended September 30, 2014. For the nine months ended September 30, 2015, the Company settled 70 units (14 units at The Hampshires, 22 units at Falls Grove, 16 units at Maxwell Square, 14 units at Shady Grove and 4 units at Hallcrest), as compared to 82 units (13 units at Eastgate, 29 units at The Hampshires, 29 units at Falls Grove, 2 units at Maxwell Square and 9 units at Shady Grove) for the nine months ended September 30, 2014. Revenue from homebuilding decreased by \$6.2 million to \$12.0 million for the three months ended September 30, 2015 as compared to \$18.2 million for the same period in the prior year. The decreases noted in homebuilding revenue resulted from the number and mix of units settled during the quarter. Average revenue per home settled decreased by approximately \$19 to \$502 for the three months ended September 30, 2015 as compared to \$521 for the three months ended September 30, 2014. For the three months ended September 30, 2015, the Company settled 24 units (4 units at The Hampshires, 6 units at Falls Grove, 7 units at Maxwell Square, 4 units at Shady Grove, and 3 units at Hallcrest), as compared to 35 units (14 units at The Hampshires, 10 units at Falls Grove, 2 units at Maxwell Square and 9 units at Shady Grove) for the three months ended September 30, 2014. Our homebuilding gross margin percentage for the three months ended September 30, 2015 decreased by 7% to 11%, as compared to 18% for the three months ended September 30, 2014. Our homebuilding gross margin percentage for the nine months ended September 30, 2015 decreased by 7% to 12%, as compared to the 19% for the nine months ended September 30, 2014. The decrease noted in margins was mainly a result of the number and mix of units settled and two new projects that started settling in the prior quarter.

Table of Contents

Revenue – other

Revenue – other increased approximately \$0.1 million to \$0.2 million during the three months ended September 30, 2015, as compared to \$0.1 million for the three months ended September 30, 2014. Revenue – other increased approximately \$0.6 million to \$1.0 million during the nine months ended September 30, 2015, as compared to \$0.4 million for the nine months ended September 30, 2014. The increase primarily relates to revenue from real estate services as the Company continues to gain traction in the market for advisory and other real estate related service.

Cost of sales – homebuilding

Cost of sales – homebuilding for the three months ended September 30, 2015 decreased by \$4.3 million to \$10.7 million, as compared to \$15.0 million for the three months ended September 30, 2014. Cost of sales – homebuilding for the nine months ended September 30, 2015 decreased by \$0.8 million to \$29.9 million, as compared to \$30.7 million for the nine months ended September 30, 2014. The unit mix and number of units settled during the periods presented accounted for the decrease in the aggregate cost of sales.

Cost of sales – other

Cost of sales – other increased by \$0.2 million to \$0.5 million during the nine months ended September 30, 2015, as compared to \$0.3 million for the nine months ended September 30, 2014. The increase primarily relates to our real estate services activities and is in line with the increase in Revenue - other.

Sales and marketing

Sales and marketing expenses for the three months ended September 30, 2015 decreased by \$0.1 million to \$0.5 million, as compared to \$0.6 million for the three months ended September 30, 2014. Sales and marketing expenses for the nine months ended September 30, 2015 decreased by \$0.3 million to \$1.4 million, as compared to \$1.7 million for the nine months ended September 30, 2014. The decrease in sales and marketing expenses over the same period in the prior year is directly attributable to the Company's more focused sales and marketing efforts in active real estate developments.

General and administrative

General and administrative expenses for the three months ended September 30, 2015 increased by \$0.3 million to \$1.9 million, as compared to \$1.6 million for the three months ended September 30, 2014. General and administrative expenses for the nine months ended September 30, 2015 decreased by \$0.1 million to \$5.7 million, as compared to \$5.8 million for the nine months ended September 30, 2014. The increase for the three months ended September 30, 2015 is attributable to various general and administrative line items including stock related fees for the reverse stock split and payroll related costs due to an increase in employee head count.

Income taxes

During the three months ended September 30, 2015, the Company recognized income tax expense of \$36. During the nine months ended September 30, 2015, the Company recorded an out of period adjustment to reverse the valuation allowance, resulting in the recognition of a deferred tax benefit of \$121, offset by income tax expense of \$144, both related to the New Hampshire Avenue project in Washington, D.C. The effective tax rate for the three and nine month periods ended September 30, 2015 was 3% and 1%, respectively.

Recent Developments

See the "Recent developments" section in Note 1 to the accompanying consolidated financial statements included in this Quarterly Report on Form 10-Q.

Liquidity and Capital Resources

The Company is involved in ongoing discussions with lenders and equity sources in an effort to provide additional growth capital to fund various new business opportunities. We require capital to operate, to post deposits on new deals, to purchase and develop land, to construct homes, to fund related carrying costs and overhead and to fund various advertising and marketing programs to generate sales. These expenditures include payroll, community engineering, entitlement, architecture, advertising, utilities and interest as well as the construction costs of our homes. Our sources of capital include, and should continue to include, private equity and debt placements (which has included significant participation from Company insiders), funds derived from various secured and unsecured borrowings to finance acquisition, development and construction on acquired land, cash flow from operations, which includes the sale and delivery of constructed homes, finished and raw building lots and the potential sale of public debt and equity securities.

[Table of Contents](#)

We have outstanding borrowings with various financial institutions and other lenders that have been used to finance the acquisition, development and construction of real estate projects. The Company has generally financed its development and construction activities on a single or multiple project basis so it is not uncommon for each project or collection of projects the Company develops and builds to have a separate credit facility. Accordingly, the Company typically has had numerous credit facilities and lenders. As of September 30, 2015, the Company had \$9.7 million of its credit facilities and project related loans scheduled to mature during the remainder of 2015. On October 15, 2015, subsequent to quarter end, the Company paid off the mezzanine note obtained to acquire the land for the development of the New Hampshire Avenue project, which had an outstanding balance of \$0.3 million at September 30, 2015. In addition, certain of the Company's credit facilities and project related loans are guaranteed by our Chief Executive Officer.

We are in active discussions with our lenders and are seeking long term extensions and modifications to the loans. Based on the current performance of the projects and our early discussions with our lenders we believe that we will likely be successful in extending or modifying these loans, though no assurances can be made that we will be successful in these efforts. We are anticipating that with successful resolution of those discussions with our lenders, the expected proceeds from the aforementioned private placements, current available cash on hand and additional cash from settlement proceeds at existing and under development communities, the Company should have sufficient financial resources to sustain its operations through the next twelve months, though no assurances can be made that the Company will be successful in its efforts. The Company will also focus on its cost structure in an effort to conserve cash and manage expenses. Such actions may include cost reductions and/or deferral arrangements with respect to current operating expenses. At the scheduled maturity of our credit facilities or in the event of an acceleration of a debt facility following an event of default, the entire outstanding principal amount of the indebtedness under the facility, together with all other amounts payable thereunder from time to time, will become due and payable. It is possible that we may not have sufficient funds to pay such obligations in full at maturity or upon such acceleration. If we default and are not able to pay any such obligations when they become due, our lenders have liens on substantially all of our assets and could foreclose on our assets in order to satisfy our obligations.

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

Cash Flow

Net cash used in operating activities was \$7.4 million for the nine months ended September 30, 2015 compared to the net cash provided from operating activities of \$0.8 million for the nine months ended September 30, 2014. The change is primarily attributable to the significant cash out flow for real estate inventories as the Company positions itself for growth in the current year and beyond by investing in new projects, including the \$6.0 million investment in the Estates at Stone Ridge, a 35 unit single family development in Loudoun County, Virginia and increasing its developmental activities in existing projects.

Net cash provided by financing activities was \$2.2 million for the nine months ended September 30, 2015. This was primarily attributable to the \$2.5 million in proceeds received by the Company from the sale of membership interests in Comstock Investors IX. Net cash used in financing activities was \$7.1 million for the nine months ended September 30, 2014, primarily attributable to the distributions made to non-controlling interest members including preferred returns.

Seasonality

Historically, the homebuilding industry experiences seasonal fluctuations in quarterly operating results and capital requirements. We typically experience the highest new home order activity in the Spring and Summer, although this activity is also highly dependent on the number of active selling communities, the timing of new community openings and other market factors. Because it typically takes four to six months to construct a new home, we deliver more homes in the second half of the year as Spring and Summer home orders convert to home deliveries. Because of this seasonality, home starts, construction costs and related cash outflows have historically been highest in the second and third quarters, and the majority of cash receipts from home deliveries occur during the second half of the year. We expect this seasonal pattern to continue over the long-term, although it may be affected by volatility in the homebuilding industry and the general economy.

Recently Issued Accounting Standards

See Note 1 to the accompanying consolidated financial statements included in this Quarterly Report on Form 10-Q.

[Table of Contents](#)

Critical Accounting Policies and Estimates

There have been no significant changes to our critical accounting policies and estimates during the nine months ended September 30, 2015 compared with those disclosed in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2014.

Off Balance Sheet Arrangements

None.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We have evaluated, with the participation of our Chief Executive Officer and our Chief Financial Officer, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of September 30, 2015. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of September 30, 2015.

Limitations on the Effectiveness of Controls

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

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

Changes in Internal Control

No changes have occurred in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the quarter ended September 30, 2015, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

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, 2014. There have been no material changes to these risk factors.

ITEM 6. EXHIBITS

- 3.1* Amended and Restated Certificate of Incorporation
- 3.2 Amended and Restated Bylaws (incorporated by reference to an Exhibit 3.2 to the Registrant’s Annual Report on Form 10-K filed with the Commission on March 31, 2005).
- 3.3 Certificate of Designation of Series A Junior Participating Preferred Stock filed with the Secretary of State of the State of Delaware on March 27, 2015 (incorporated by reference to Exhibit 3.2 to the current report on Form 8-K filed with the Commission on March 27, 2015).
- 4.1 Specimen Stock Certificate (incorporated by reference to Exhibit 4.1 to the Company’s Registration Statement on Form S-1, as amended, initially filed with the Commission on August 13, 2004 (File No. 333-118193)).
- 31.1* Certification of Chief Executive Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002
- 31.2* Certification of Chief Financial Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002
- 32.1* Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of Sarbanes-Oxley Act of 2002
- 101 The following materials from the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2015, formatted in eXtensible Business Reporting Language (XBRL): (i) the Consolidated Balance Sheet, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Changes in Stockholder’s Equity, (iv) the Consolidated Statements of Cash Flows and (v) the Notes to the Consolidated Financial Statements.

* Filed herewith.

**CERTIFICATE OF AMENDMENT
OF
AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
OF
COMSTOCK HOLDING COMPANIES, INC.**

Comstock Holding Companies, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware, does hereby certify:

1. The name of the corporation is Comstock Holding Companies, Inc. The original Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on May 24, 2004 and the Amended and Restated Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on December 17, 2004, as amended by that Certificate of Amendment of Amended and Restated Certificate of Incorporation of the Corporation filed with the Secretary of State of the State of Delaware on June 28, 2011, as amended by that Certificate of Amendment of Amended and Restated Certificate of Incorporation of the Corporation filed with the Secretary of State of the State of Delaware on June 22, 2012 (as amended, the "Amended and Restated Certificate of Incorporation").

2. The Board of Directors of the Corporation, at a meeting duly convened on March 18, 2015, adopted resolutions proposing and declaring advisable that Article IV(A)(2)(b) of the Amended and Restated Certificate of Incorporation be amended in its entirety to read as follows:

Each share of Class B Common Stock shall entitle the holder thereof to the Applicable Class B Per Share Vote in person or by proxy on all matters submitted to a vote of the stockholders of the Corporation, except with respect to any Going Private Transaction (as hereinafter defined), which shall be governed by Paragraph (A)(10) of this Article IV. As used herein, "Applicable Class B Per Share Vote" means fifteen (15) votes, provided that (i) in the event the Rights (such term and other capitalized terms used in this Article (IV)(A)(2)(b) and not otherwise defined in this Amended and Restated Certificate of Incorporation having the meanings assigned to such terms in the Section 382 Rights Agreement dated as of March 27, 2015 between the Corporation and American Stock Transfer & Trust Company, LLC, as the same may be amended from time to time (the "Rights Plan")) become exercisable for Class A Common Stock and/or other voting securities in accordance with Section 11 of the Rights Plan, "Applicable Class B Per Share Vote" shall mean the number of votes per share of Class B Common Stock that result in the aggregate voting power of the outstanding Class B Common Stock as a percentage of the total voting power of the outstanding voting securities of the Company immediately following time at which the Rights become so exercisable, when taken together with the aggregate voting power of all such Class A Common Stock and/or other voting securities issuable upon exercise of Rights distributed with respect to the Class B Common Stock, being equal to the aggregate voting power of the outstanding Class B Common Stock as a percentage of the total voting power of the outstanding voting securities of the Company immediately prior to the time at which the Rights become so exercisable, assuming the exercise of all Rights (taking into account from time to time each adjustment to the number of shares of Class A Common Stock or other voting securities so issuable, each adjustment to the Purchase Price and each adjustment to the number of outstanding Rights that is given effect in accordance with the terms of the Rights Plan), and (ii) in the event the Board of Directors of the Company takes an action to exchange all or any portion of the Rights for shares of Class A Common Stock and/or other voting securities in accordance with Section 27 of the Rights Plan, from and after the date of such action, the calculation of the Applicable Class B Per Share Vote to be made pursuant to clause (i) of this proviso shall be made by substituting for the number of shares of Class A Common Stock and other voting securities issuable upon exercise of the Rights to be so exchanged the number of shares of Class A Common Stock and other voting securities to be issued in exchange for such Rights.

3. This Certificate of Amendment was duly adopted by the stockholders of the Corporation in accordance with Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, Comstock Holding Companies, Inc. has caused this Certificate of Amendment to be executed as of this 17th day of June, 2015.

COMSTOCK HOLDING COMPANIES, INC.

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

**CERTIFICATE OF AMENDMENT
OF
AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
OF
COMSTOCK HOLDING COMPANIES, INC.**

Comstock Holding Companies, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware, does hereby certify:

1. The name of the corporation is Comstock Holding Companies, Inc. (the "Corporation"). The original Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on May 24, 2004 and the Amended and Restated Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on December 17, 2004, as amended by that Certificate of Amendment of Amended and Restated Certificate of Incorporation of the Corporation filed with the Secretary of State of the State of Delaware on June 28, 2011, as amended by that Certificate of Amendment of Amended and Restated Certificate of Incorporation of the Corporation filed with the Secretary of State of the State of Delaware on June 22, 2012, as amended by that Certificate of Amendment of Amended and Restated Certificate of Incorporation of the Corporation filed with the Secretary of State of the State of Delaware on June 17, 2015 (as amended, the "Amended and Restated Certificate of Incorporation").

2. The Amended and Restated Certificate of Incorporation is hereby amended by deleting the first part of Article IV that appears prior to section (A) of Article IV and inserting the following in lieu thereof:

"The total number of shares of all classes of capital stock which the Corporation shall have authority to issue is Thirty One Million Four Hundred Twenty Eight Thousand and Five Hundred Seventy One (31,428,571) shares, of which:

Eleven Million Thirty Eight Thousand and Seventy One (11,038,071) shares, par value \$0.01 per share, shall be shares of Class A common stock (the "Class A Common Stock");

Three Hundred Ninety Thousand and Five Hundred (390,500) shares, par value \$0.01 per share, shall be shares of Class B common stock (the "Class B Common Stock" and together with the Class A Common Stock, the "Common Stock"); and

Twenty Million (20,000,000) shares, par value \$0.01 per share, shall be shares of preferred stock (the "Preferred Stock")."

"Upon the filing and effectiveness (the "Effective Time") pursuant to the Delaware General Corporation Law of this Certificate of Amendment to the Amended and Restated Certificate of Incorporation, each seven shares of the Corporation's Class A Common Stock, par value \$0.01 per share, and each seven shares of the Corporation's Class B Common Stock, par value \$0.01 per share, issued and outstanding or held by the Corporation as treasury stock immediately prior to the Effective Time shall, automatically and without any action on the part of the respective holders thereof, be combined and converted into one share of Class A Common Stock, par value \$0.01 per share, of the Corporation and one share of Class B Common Stock, par value \$0.01 per share, of the Corporation, respectively (the "Reverse Stock Split"). The Reverse Stock Split shall also apply to any outstanding securities or rights convertible into, or exchangeable or exercisable for, Common Stock of the Company. No fractional shares shall be issued in connection with the Reverse Stock Split. Stockholders who otherwise would be entitled to receive fractional shares of Common Stock shall receive cash from the Company in lieu of such fractional interest. With respect to shares of Class A Common Stock, the transfer agent will aggregate all fractional shares and sell them as soon as practicable at the then prevailing prices on the open market and stockholders will receive a cash payment from the transfer agent in an amount equal to their respective pro rata share of the total net proceeds of such sales. With respect to shares of Class B Common Stock, the stockholders will receive the fair market value of their fractional shares, as determined in good faith by the Board."

3. This Certificate of Amendment was effected pursuant to a resolution of the Board of Directors of the Corporation.

4. This Certificate of Amendment was duly adopted by the stockholders of the Corporation in accordance with Section 242 of the General Corporation Law of the State of Delaware.

5. This Certificate of Amendment shall be effective at 5:00 p.m. Eastern Time on September 25, 2015.

IN WITNESS WHEREOF, Comstock Holding Companies, Inc. has caused this Certificate of Amendment to be executed as of this 23rd day of September, 2015.

COMSTOCK HOLDING COMPANIES, INC.

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

**CERTIFICATE OF AMENDMENT
OF
AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
OF
COMSTOCK HOMEBUILDING COMPANIES, INC.**

Comstock Homebuilding Companies, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware, does hereby certify:

1. The name of the corporation is Comstock Homebuilding Companies, Inc. The original Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on May 24, 2004 and the Amended and Restated Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on December 17, 2004.

2. The Board of Directors of the Corporation, at a meeting duly convened on May 6, 2011, adopted resolutions proposing and declaring advisable that Article IV(A)(2)(b) of the Amended and Restated Certificate of Incorporation of the Corporation be amended in its entirety to read as follows:

Each share of Class B Common Stock shall entitle the holder thereof to the Applicable Class B Per Share Vote in person or by proxy on all matters submitted to a vote of the stockholders of the Corporation, except with respect to any Going Private Transaction (as hereinafter defined), which shall be governed by Paragraph (A)(10) of this Article IV. As used herein, "Applicable Class B Per Share Vote" means fifteen (15) votes, provided that (i) in the event the Rights (such term and other capitalized terms used in this Article (IV)(A)(2)(b) and not otherwise defined in this Amended and Restated Certificate of Incorporation having the meanings assigned to such terms in the Section 382 Rights Agreement dated as of May 6, 2011 between the Corporation and American Stock Transfer & Trust Company, LLC, s the same may be amended from time to time (the "Rights Plan")) become exercisable for Class A Common Stock and/or other voting securities in accordance with Section 11 of the Rights Plan, "Applicable Class B Per Share Vote" shall mean the number of votes per share of Class B Common Stock that result in the aggregate voting power of the outstanding Class B Common Stock as a percentage of the total voting power of the outstanding voting securities of the Company immediately following time at which the Rights become so exercisable, when taken together with the aggregate voting power of all such Class A Common Stock and/or other voting securities issuable upon exercise of Rights distributed with respect to the Class B Common Stock, being equal to the aggregate voting power of the outstanding Class B Common Stock as a percentage of the total voting power of the outstanding voting securities of the Company immediately prior to the time at which the Rights become so exercisable, assuming the exercise of all Rights (taking into account from time to time each adjustment to the number of shares of Class A Common Stock or other voting securities so issuable, each adjustment to the Purchase Price and each adjustment to the number of outstanding Rights that is given effect in accordance with the terms of the Rights Plan), and (ii) in the event the Board of Directors of the Company takes an action to exchange all or any portion of the Rights for shares of Class A Common Stock and/or other voting securities in accordance with Section 27 of the Rights Plan, from and after the date of such action, the calculation of the Applicable Class B Per Share Vote to be made pursuant to clause (i) of this proviso shall be made by substituting for the number of shares of Class A Common Stock and other voting securities issuable upon exercise of the Rights to be so exchanged the number of shares of Class A Common Stock and other voting securities to be issued in exchange for such Rights.

3. This Certificate of Amendment was duly adopted by the stockholders of the Corporation in accordance with Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, Comstock Homebuilding Companies, Inc. has caused this Certificate of Amendment to be executed as of this 17th day of June, 2011.

COMSTOCK HOMEBUILDING COMPANIES, INC.

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

COMSTOCK HOMEBUILDING COMPANIES, INC.

CERTIFICATE OF AMENDMENT

Comstock Homebuilding Companies, Inc., a Delaware corporation (the "Corporation"), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware does hereby certify:

FIRST: That at a meeting of the Corporation resolutions were duly adopted setting forth a proposed amendment of the Amended and Restated Certificate of Incorporation of the Corporation, declaring said amendment to be advisable and directing that this Certificate of Amendment be considered at the next annual meeting of stockholders of the Corporation. The resolution setting forth the proposed amendment is as follows:

RESOLVED, that the Board hereby approves and adopts a certificate of amendment to the Charter, a copy of which is attached hereto as Exhibit A (the "Certificate of Amendment"), so that, as amended, Article I of the Charter shall be and read as, "The name of the Corporation is Comstock Holding Companies, Inc.", declares the Certificate of Amendment to be advisable and directs that the Certificate of Amendment proposed be considered at the next annual meeting of stockholders of the Corporation (the "2012 Annual Meeting");

SECOND: That thereafter, pursuant to resolution of its Board of Directors, an annual meeting of the stockholders of the Corporation was duly called and held upon notice in accordance with Section 222 of the General Corporation Law of the State of Delaware at which meeting the necessary number of shares as required by statute were voted in favor of the amendment.

THIRD: That said amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

FOURTH: The undersigned acknowledges this Certificate of Amendment to be the corporate act of the Corporation and as to all matters or facts required to be verified under oath, the undersigned acknowledges that to the best of his knowledge, information and belief, these matters and facts are true in all material respects and that this statement is made under the penalties of perjury.

FIFTH: Except as amended hereby, the rest and remainder of the Corporation's charter shall be and remain in full force and effect.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to the Amended and Restated Certificate of Incorporation to be signed in its name and on its behalf by its Chairman and Chief Executive Officer and attested to by its General Counsel and Secretary as of the ___ day of _____, 2012.

COMSTOCK HOMEBUILDING COMPANIES, INC.

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

ATTEST

By: /s/ Jubal R. Thompson
Jubal R. Thompson
General Counsel and Secretary

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE RESTATED CERTIFICATE OF "COMSTOCK HOMEBUILDING COMPANIES, INC.", FILED IN THIS OFFICE ON THE SEVENTEENTH DAY OF DECEMBER, A.D. 2004, AT 9:01 O'CLOCK A.M.



A handwritten signature in black ink, appearing to read "JBullock", is written above a horizontal line.

Jeffrey W. Bullock, Secretary of State

AUTHENTICATION: 1301413

DATE: 04-17-14

3782748 8100

140483912

you may verify this certificate online
at corp.delaware.gov/authver.shtml

**AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION OF
COMSTOCK HOMEBUILDING COMPANIES, INC.**

Comstock Homebuilding Companies, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware, hereby certifies as follows:

1. The corporation was incorporated on May 24, 2004, under the name Comstock Companies, Inc., pursuant to the General Corporation Law of the State of Delaware. The Certificate of Incorporation was amended on July 2, 2004.
2. Pursuant to Sections 242 and 245 of the General Corporation Law of the State of Delaware, this Amended and Restated Certificate of Incorporation restates and integrates and further amends the provisions of the Certificate of Incorporation of the corporation.
3. The text of the Certificate of Incorporation is hereby amended and restated in its entirety as follows:

**“ARTICLE I
NAME**

The name of the Corporation is Comstock Homebuilding Companies, Inc. (the “Corporation”).

**ARTICLE II
REGISTERED OFFICE AND AGENT**

The address of the Corporation’s registered office in the State of Delaware is 2711 Centerville Road, Suite 400, City of Wilmington, County of New Castle. The name of its registered agent at such address is Corporation Service Company.

**ARTICLE III
PURPOSE**

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware (the “DGCL”).

**ARTICLE IV
CAPITAL STOCK**

The total number of shares of all classes of capital stock which the Corporation shall have authority to issue is One Hundred Million (100,000,000) shares, of which:

Seventy Seven Million Two Hundred Sixty Six Thousand and Five Hundred (77,266,500) shares, par value \$0.01 per share, shall be shares of Class A common stock (the “Class A Common Stock”);

Two Million Seven Hundred Thirty Three and Five Hundred (2,733,500) shares, par value \$0.01 per share, shall be shares of Class B common stock (the "Class B Common Stock" and, together with the Class A Common Stock, the "Common Stock"); and

Twenty Million (20,000,000) shares, par value \$0.01 per share, shall be shares of preferred stock (the "Preferred Stock").

(A) Common Stock. Except as (i) otherwise required by law or (ii) expressly provided in this Amended and Restated Certificate of Incorporation (as amended from time to time), each share of Common Stock shall have the same powers, rights and privileges and shall rank equally, share ratably and be identical in all respects as to all matters.

(1) Dividends. Subject to the rights of the holders of Preferred Stock, and to the other provisions of this Amended and Restated Certificate of Incorporation (as amended from time to time), holders of Common Stock shall be entitled to receive equally, on a per share basis, such dividends and other distributions in cash, securities or other property of the Corporation as may be declared thereon by the Board of Directors from time to time out of assets or funds of the Corporation legally available therefor; provided, however, that any dividends payable in shares of Common Stock (or payable in rights to subscribe for or purchase shares of Common Stock or securities or indebtedness convertible into or exchangeable for shares of Common Stock) shall be declared and paid at the same rate on each class of Common Stock and only in shares of Class A Common Stock (or rights to subscribe for or to purchase shares of Class A Common Stock or securities or indebtedness convertible into or exchangeable for shares of Class A Common Stock) to holders of Class A Common Stock and in shares of Class B Common Stock (or rights to subscribe for or to purchase shares of Class B Common Stock or securities or indebtedness convertible into or exchangeable for shares of Class B Common Stock) to holders of Class B Common Stock.

(2) Voting Rights. Except as otherwise provided in this Amended and Restated Certificate of Incorporation, the holders of Class A Common Stock and Class B Common Stock shall vote together as a single class with respect to all matters submitted to a vote of holders of shares of Common Stock, subject to any voting rights which may be granted to holders of any Preferred Stock. The holders of shares of Common Stock shall have the following voting rights:

(a) Each share of Class A Common Stock shall entitle the holder thereof to one (1) vote in person or by proxy on all matters submitted to a vote of the stockholders of the Corporation; and

(b) Each share of Class B Common Stock shall entitle the holder thereof to fifteen (15) votes in person or by proxy on all matters submitted to a vote of the stockholders of the Corporation, except with respect to any Going Private Transaction (as hereinafter defined), which shall be governed by Paragraph (A)(10) of this Article IV.

(3) Liquidation Rights. In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, after payment or provision for payment of the Corporation's debts and amounts payable upon shares of Preferred Stock entitled to a preference, if any, over holders of Common Stock upon such dissolution, liquidation or winding up, the remaining net assets of the Corporation shall be distributed among holders of shares of Common Stock equally on a per share basis. A merger or consolidation of the Corporation with or into any other corporation or other entity, or a sale or conveyance of all or any part of the assets of the Corporation (which shall not in fact result in the liquidation of the Corporation and the distribution of assets to its stockholders) shall not be deemed to be a voluntary or involuntary liquidation or dissolution or winding up of the Corporation within the meaning of this Paragraph (A)(3).

(4) Voluntary Conversion of Class B Common Stock.

(a) The holder of each share of Class B Common Stock shall have the right at any time, or from time to time, at such holder's option, to convert such share into one fully paid and nonassessable share of Class A Common Stock on and subject to the terms and conditions hereinafter set forth.

(b) In order to exercise the conversion privilege, the holder of any shares of Class B Common Stock to be converted shall present and surrender the certificate or certificates representing such shares during usual business hours at any office or agency of the Corporation maintained for the transfer of Class B Common Stock and shall deliver a written notice of the election of the holder to convert the shares represented by such certificate or any portion thereof specified in such notice. Such notice shall also state the name or names (with address) in which the certificate or certificates for shares of Class A Common Stock issuable on such conversion shall be registered. If required by the Corporation, any certificate for shares surrendered for conversion shall be accompanied by instruments of transfer, in form satisfactory to the Corporation, duly executed by the holder of such shares or his duly authorized representative. Each conversion of shares of Class B Common Stock shall be deemed to have been effected on the date (the "Conversion Date") on which the certificate or certificates representing such shares shall have been surrendered and such notice and any required instruments of transfer shall have been received as aforesaid, and the person or persons in whose name or names any certificate or certificates for shares of Class A Common Stock shall be issuable on such conversion shall be, for the purpose of receiving dividends and for all other corporate purposes whatsoever, deemed to have become the holder or holders of record of the shares of Class A Common Stock represented thereby on the Conversion Date.

(c) As promptly as practicable after the presentation and surrender for conversion, as herein provided, of any certificate for shares of Class B Common Stock, the Corporation shall issue and deliver at such office or agency, to or upon the written order of the holder thereof, certificates for the number of shares of Class A Common Stock issuable upon such conversion. Subject to the provisions of Paragraph (A)(5) of this Article IV, in case any certificate for shares of Class B Common Stock shall be surrendered for conversion of only a part of the shares represented thereby, the Corporation shall deliver at such office or agency, to or upon the written order of the holder thereof, a certificate or certificates for the number of shares of Class B Common Stock represented by such surrendered certificate that are not being converted.

(5) Automatic Conversion of Class B Common Stock Upon Certain Events.

(a) As used in this Paragraph A(5), the following terms have the following meanings:

(i) "Initial Holder" shall mean each of Christopher Clemente and Gregory V. Benson, individually.

(ii) "IPO Date" shall mean the closing date of any initial public offering of the Class A Common Stock in a firm commitment underwritten offering that is registered with the U.S. Securities and Exchange Commission.

(iii) "Permitted Transferee" shall mean:

(AA) In the case of a holder of record of the Class B Common Stock (the "Class B Holder") who is a natural person and the beneficial owner of the shares of Class B Common Stock to be transferred, Permitted Transferees shall include only the following:

(I) the spouse of such Class B Holder, any lineal descendant of a grandparent of such Class B Holder, or any spouse of such lineal descendant (herein collectively referred to as such Class B Holder's "Family Members");

(II) the trustee or trustees of a trust (including a voting trust) for the sole benefit of such Class B Holder and/or one or more of such Class B Holder's Permitted Transferees, except that such trust may also grant a general or special power of appointment to one or more of such Class B Holder's Family Members and may permit trust assets to be used to pay taxes, legacies, and other obligations of the Trust or the estates of one or more of such Class B Holder's Family Members payable by reason of the death of any of such Family Members; provided, however, if at any time such trust ceases to meet the requirements of this subparagraph (II), all shares of Class B Common Stock then held by such trustee or trustees shall immediately and automatically, without further act or deed on the part of the Corporation or any person, be converted into Class A Common Stock on a share-for-share basis, and stock certificates formerly representing such shares of Class B Common Stock shall thereupon and thereafter be deemed to represent a like number of shares of Class A Common Stock;

(III) a corporation or similar entity wholly owned by such Class B Holder and/or such Class B Holder's Permitted Transferees or a partnership or similar entity in which all of the general partners are, and all of the general partnership interests are owned by, such Class B Holder and/or such Class B Holder's Permitted Transferees; provided that if by reason of any change in the ownership of such stock or general partners or general partnership interests, such corporation or partnership would no longer qualify as a Permitted Transferee of such Class B Holder, all shares of Class B Common Stock then held by such corporation or partnership shall immediately and automatically, without further act or deed on the part of the corporation or any other person, be converted into shares of Class A Common Stock on a share-for-share basis, and stock certificates formerly representing such shares of Class B Common Stock shall thereupon and thereafter be deemed to represent a like number of shares of Class A Common Stock;

(IV) an organization established by the Class B Holder and/or such Class B Holder's Permitted Transferees, contributions to which are deductible for federal income, estate, or gift tax purposes (a "Charitable Organization") and a majority of whose governing board at all times consists of the Class B Holder and/or one or more of the Permitted Transferees of such Class B Holder, or any successor to such Charitable Organization meeting such definition; provided that if by reason of any change in the composition of the governing board of such Charitable Organization, such Charitable Organization shall no longer qualify as a Permitted Transferee of such Class B Holder, all shares of Class B Common Stock then held by such Charitable Organization shall immediately and automatically, without farther act or deed on the part of the Corporation or any other person, be converted into shares of Class A Common Stock on a share-for-share basis, and stock certificates formerly representing such shares of Class B Common Stock shall thereupon and thereafter be deemed to represent the like number of shares of Class A Common Stock; and

(V) the executor, administrator, or personal representative of the estate of a deceased Class B Holder or guardian or conservator of a Class B Holder adjudged disabled or incompetent by a court of competent jurisdiction, acting in his capacity as such.

(BB) In the case of a Class B Holder who is the executor or administrator of the estate of a deceased Class B Holder or guardian or conservator of the estate of a disabled or incompetent Class B Holder, Permitted Transferees shall include only a Permitted Transferee of such deceased, disabled, or incompetent Class B Holder.

(CC) In the case of a Class B Holder holding the shares of Class B Common Stock as trustee pursuant to a trust, Permitted Transferees shall include only the following:

(I) the person who contributed such shares to such trust and any Permitted Transferee of such person, determined in accordance with Paragraph (A)(5)(a)(iii)(AA) of this Article IV; and

(II) any successor trustee of such trust who is described in the immediately preceding subparagraph (CC)(I).

(DD) In the case of a Class B Holder that is a partnership or similar entity, Permitted Transferees shall include only:

(I) any partner of such partnership who was also a partner of such partnership on the IPO Date;

(II) any person transferring shares of Class B Common Stock to such partnership after the IPO Date (to the extent of the number of shares of Class B Common Stock transferred by the transferor to such partnership); and

(III) any Permitted Transferee of such person referred to in the immediately preceding subparagraphs (DD)(I) or (DD)(II) (not in excess of the number of shares that such person is entitled to receive pursuant to this subparagraph (DD)).

(EE) In the case of a Class B Holder that is a corporation or similar entity, Permitted Transferees shall include only:

(I) any stockholder of such corporation on the IPO Date who receives shares of Class B Common Stock pro rata to his stock ownership in such corporation through a dividend or a distribution on or upon redemption of the shares of such corporation;

(II) any person transferring shares of Class B Common Stock to such corporation after the IPO Date (to the extent of the number of shares of Class B Common Stock transferred by the transferor to such corporation); and

(III) any Permitted Transferee of such stockholder or person referred to in the immediately preceding subparagraphs (EE)(I) or (EE)(II) (not in excess of the number of shares that such stockholder or person is entitled to receive pursuant to this subparagraph (EE)).

(FF) An employee benefit plan sponsored by the Corporation or any of its affiliates.

(GG) Any Initial Holder.

For purposes of this Paragraph (A)(5)(a)(iii), (1) the relationship of any person that is derived by or through legal adoption shall be considered a natural one; (2) each joint owner of shares of Class B Common Stock shall be considered a Class B Holder of such shares; (3) a minor for whom shares of Class B stock are held pursuant to & Uniform Gifts to Minors Act or similar law shall be considered a Class B Holder of such shares; and (4) unless otherwise specified, the term "person" means both natural person and legal entities.

(iv) "Transfer" shall mean any sale, assignment, transfer, gift, hypothecation or other disposition, whether voluntary or involuntary, of Class B Common Stock.

(b) No record or beneficial owner of shares of Class B Common Stock may Transfer, and the Corporation shall not register the Transfer of, such shares of Class B Common Stock, whether by sale, assignment, gift, bequest, appointment, or otherwise, except to a Permitted transferee.

(c) Any purported Transfer of shares of Class B Common Stock not permitted hereunder shall result in the conversion of the transferee's shares of Class B Common Stock into shares of Class A Common Stock, effective on the date on which certificates representing such shares are presented for transfer on the stock transfer record books of the Corporation; provided, however, that if the Corporation should determine that such shares were not so presented for transfer within 20 days after the date of such sale, transfer, assignment, or other disposition, the transfer date shall be the actual date of such sale, transfer, assignment, or other disposition as determined in good faith by the Board of Directors or its appointed agent. The Corporation may, as a condition to the transfer or the registration of transfer of shares of Class B Common Stock to a purported Permitted Transferee, require the furnishing of such affidavits or other proof as it deems necessary to establish that such transferee is a Permitted Transferee. If no indication to the contrary is supplied at the time shares of Class B Common Stock are presented for transfer, the transfer shall be presumed by the Corporation to be a transfer to a person other than the Permitted Transferee.

(d) Shares of Class B Common Stock shall not be registered in "street" or "nominee" names; provided, however, that certificates representing shares of Class B Common Stock may be registered in the name of a nominee which is a Permitted Transferee. The Corporation shall note on the certificates representing the shares of Class B Common Stock that there are restrictions on transfer and registration of transfer imposed by this Amended and Restated Certificate of Incorporation.

(e) Notwithstanding anything to the contrary set forth herein, (i) upon the death or permanent disability (as determined in good faith by the Board of Directors) of either of the Initial Holders, all shares of Class B Common Stock then held by such Initial Holder shall be converted automatically into shares of Class A Common Stock on a share-for-share basis, and stock certificates formerly representing such shares of Class B Common Stock shall thereupon and thereafter be deemed to represent a like number of shares of Class A Common Stock; (ii) if either Initial Holder ceases to beneficially own (as such term is defined under Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") at least 5% of the then-outstanding shares of Common Stock, all shares of Class B Common Stock then held by such Initial Holder shall be converted automatically into shares of Class A Common Stock on a share-for-share basis, and stock certificates formerly representing such shares of Class B Common Stock shall thereupon and thereafter be deemed to represent a like number of shares of Class A Common Stock; and (iii) upon a Permitted Transferee ceasing to qualify as a Permitted Transferee (and subject to the operation of Paragraph (A)(5)(f) of this Article IV) all shares of Class B Common Stock held by it shall be converted automatically into shares of Class A Common Stock on a share-for-share basis, and stock certificates formerly representing such shares of Class B Common Stock shall thereupon and thereafter be deemed to represent a like number of shares of Class A Common Stock.

(f) Notwithstanding the foregoing, in the event that any transferee of Class B Common Stock is not at the time of transfer or thereafter ceases to qualify as a Permitted Transferee, and within ten business days after the Corporation notifies such person that it has concluded that such person is not or has ceased to qualify as a Permitted Transferee and the bases for such conclusion, such person transfers the shares of Class B Common Stock to a Permitted Transferee, demonstrates that it is a Permitted Transferee or takes appropriate action so that it qualifies as a Permitted Transferee, then notwithstanding anything else in this Section 4.2, the shares of Class B Common Stock held by such person that converted automatically into shares of Class A Common Stock as a result of such person not being or ceasing to qualify as a Permitted Transferee shall convert back to Class B Common Stock.

(g) No Class B Holder may pledge its Class B Common Stock to a third party for any reason, including but not limited to a pledge of such Class B Common Stock as collateral security for indebtedness or a similar obligation.

(6) Further Provisions Regarding Conversions.

(a) Any dividends declared and not paid on shares of Common Stock prior to their conversion as provided above shall be paid, on the payment date, to the holder or holders entitled thereto on the record date for such dividend payment, notwithstanding such conversion; provided, however, that such holder or holders shall not be entitled to receive the corresponding dividends declared but not paid on the shares of Common Stock issuable upon such conversion.

(b) In the event of a reclassification or other similar transaction as a result of which the shares of Class A Common Stock are converted into another security, then a holder of Class B Common Stock shall be entitled to receive upon conversion the amount of such security that such holder would have received if such conversion had occurred immediately prior to the record date of such reclassification or other similar transaction.

(c) Shares of the Class B Common Stock converted into Class A Common Stock shall be retired and shall resume the status of authorized but unissued shares of Class B Common Stock.

(d) The issuance of certificates for shares of Class A Common Stock issuable upon the conversion of shares of Class B Common Stock by the registered holder thereof shall be made without charge to the converting holder for any tax imposed on the Corporation in respect of the issue thereof. The Corporation shall not, however, be required to pay any tax that may be payable with respect to any transfer involved in the issue and delivery of any certificate in a name other than that of the registered holder of the shares being converted, and the Corporation shall not be required to issue or deliver any such certificate unless and until the person requesting the issue thereof shall have paid to the Corporation the amount of such tax or has established to the satisfaction of the Corporation that such tax has been paid.

(7) Reservation of Shares. The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Class A Common Stock, solely for the purpose of effecting the conversions provided for herein, such number of shares of Class A Common Stock as shall from time to time be sufficient to effect the conversions provided for herein and shall take all such corporate action as may be necessary to assure that such shares of Class A Common Stock shall be validly issued, fully paid and non-assessable upon conversion of all of the outstanding shares of Class B Common Stock; moreover, if at any time the number of authorized but unissued shares of Class A Common Stock shall not be sufficient to effect the conversions provided for herein, the Corporation shall take such corporate action as may be necessary to increase its authorized but unissued shares of Class A Common Stock to such number of shares as shall be sufficient for such purpose.

(8) Adjustments for Stock Splits and Stock Dividends. The Corporation shall treat the shares of Common Stock identically in respect of any subdivisions or combinations (for example, if the Corporation effects a two-for-one stock split with respect to the Class A Common Stock, it shall at the same time effect a two-for-one stock split with respect to the Class B Common Stock).

(9) Mergers, Consolidation, Etc. In the event that the Corporation shall enter into any consolidation, merger, combination or other transaction in which shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then, and in such event, the shares of each class of Common Stock shall be exchanged for or changed into (i) the same amount of stock, securities, cash and/or any other property, as the case may be, into which or for which each share of any other class of Common Stock is exchanged or changed; provided, however, that if shares of Common Stock are exchanged for or changed into shares of capital stock, such shares so exchanged for or changed into may differ to the extent and only to the extent that the Class A Common Stock and the Class B Common Stock differ as provided herein; or (ii) if holders of each class of Common Stock are to receive different distributions of stock, securities, cash and/or any other property, either (1) holders of Class A Common Stock shall receive an amount of stock, securities, cash and/or property per share having a value, as determined by an independent investment banking firm of national reputation selected by the Board of Directors, greater than or equal to the value per share into which or for which each share of Class B Common Stock is exchanged or changed, or (2) holders of Class A Common Stock and holders of Class B Common Stock shall receive such stock, securities, cash and/or property per share as shall be provided for pursuant to a transaction approved by the holders of a majority of Class A Common Stock and by the holders of a majority Class B Common Stock, each voting separately as a class.

(10) Going private Transaction. Notwithstanding anything to the contrary contained in this Amended and Restated Certificate of Incorporation, with respect to any Going Private Transaction (as defined below), the holders of shares of Class A Common Stock and Class B Common Stock shall vote together as a single class, with each share of Class A Common Stock and each share of Class B Common Stock entitling the holder thereof to one (1) vote. For purposes of this Paragraph (A)(10), the term "Going Private Transaction" shall mean any transaction between the Corporation and (i) an Initial Holder, (ii) any Affiliate (as defined below) of an Initial Holder, or (iii) any group including an Initial Holder or Affiliates of an Initial Holder where the participation of such person or persons in such group would cause the transaction to be deemed a "Rule 13e-3 Transaction," as such term is defined in Rule 13e-3(a)(3), as amended from time to time, promulgated under the Exchange Act; provided, however, that the term "affiliate" as used in Rule 13e-3(a)(3)(i) shall be deemed to include an Affiliate, as defined herein. For purposes hereof, an "Affiliate" of a person shall mean (i) any individual or entity who or that, directly or indirectly, controls, is controlled by, or is under common control with such person, and (ii) the spouse, a child or grandchild (by blood, adoption or marriage) of such person, or any trust for the benefit of one or more of the foregoing.

(B) Preferred Stock. The Board of Directors is authorized, subject to limitations prescribed by law, to provide by resolution or resolutions for the issuance of shares of Preferred Stock in one or more series, to establish the number of shares to be included in each such series, and to fix the voting powers (if any), designations, powers, preferences, and relative, participating, optional or other rights, if any, of the shares of each such series, and any qualifications, limitations or restrictions thereof. Irrespective of the provisions of Section 242(b)(2) of the DGCL, the number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority in voting power of the stock of the Corporation entitled to vote, without the separate vote of the holders of the Preferred Stock as a class.

ARTICLE V BOARD OF DIRECTORS

(A) Management. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. The Board of Directors may exercise all such authority and powers of the Corporation and do all such lawful acts and things as are not by statute or this Amended and Restated Certificate of Incorporation directed or required to be exercised or done by the stockholders.

(B) Number of Directors. The number of directors of the Corporation shall be fixed from time to time in the manner provided in the Amended and Restated Bylaws.

(C) Newly-Created Directorships and Vacancies. Subject to the rights of the holders of any series of Preferred Stock then outstanding, newly created directorships resulting from any increase in the number of directors or any vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or any other cause may be filled by the Board of Directors, provided that a quorum is then in office and present, or by a majority of the directors then in office, if less than a quorum is then in office, or by the sole remaining director. Directors elected to fill a newly created directorship or other vacancies shall hold office until such director's successor has been duly elected and qualified or until his or her earlier death, resignation or removal as hereinafter provided.

(D) Removal of Directors. Subject to the rights of the holders of any series of Preferred Stock then outstanding, any director may be removed from office at any time for cause, at a meeting called for that purpose, and only by the Affirmative vote of the holders of at least 66-2/3% of the voting power of all shares of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

(E) Rights of Holders of preferred Stock. Notwithstanding the foregoing provisions of this Article V, whenever the holders of one or more series of Preferred Stock issued by the Corporation shall have the right, voting separately or together by series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and Other features of such directorship shall be governed by the rights of such Preferred Stock as set forth in the certificate of designations governing such series.

(F) Written Ballot Not Required. Elections of directors need not be by written ballot unless the Amended and Restated Bylaws of the Corporation shall otherwise provide.

(G) Bylaws. The Board of Directors is expressly authorized to adopt, amend or repeal the bylaws of the Corporation. Any bylaws made by the directors under the powers conferred hereby may be amended or repealed by the directors or by the stockholders. Notwithstanding the foregoing and anything contained in this Amended and Restated Certificate of Incorporation to the contrary, the bylaws of the Corporation shall not be amended or repealed by the stockholders, and no provision inconsistent therewith shall be adopted by the stockholders, without the affirmative vote of the holders of 66-2/3% of the voting power of all shares of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

(H) Classification of Directors. At each annual meeting of stockholders, directors of the Corporation shall be elected to hold office until the expiration of the term for which they are elected, and until their successors have been duly elected and qualified; except that if any such election shall be not so held, such election shall take place at a stockholders' meeting called and held in accordance with the DGCL. The directors of the Corporation shall be divided into three classes as nearly equal in size as is practicable, hereby designated Class I, Class II and Class III. The term of office of the initial Class I directors shall expire at the next succeeding annual meeting of stockholders, the term of office of the initial Class II directors shall expire at the second succeeding annual meeting of stockholders and the term of office of the initial Class III directors shall expire at the third succeeding annual meeting of the stockholders. For the purposes hereof, the initial Class I, Class II and Class III directors shall be those directors elected by the stockholders of the Corporation in connection with the adoption of this Amended and Restated Certificate of Incorporation. At each annual meeting after the first annual meeting of stockholders, directors to replace those of a Class whose terms expire at such annual meeting shall be elected to hold office until the third succeeding annual meeting and until their respective successors shall have been duly elected and qualified. If the number of directors is hereafter changed, any newly created directorships or decrease in directorships shall be so apportioned among the classes as to make all classes as nearly equal in number as practicable.

ARTICLE VI LIMITATION OF LIABILITY

A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, *provided, however*, that the foregoing shall not eliminate or limit the liability of a director (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL, or (iv) for any transaction from which the director derived an improper personal benefit. If the DGCL is hereafter amended to permit further elimination or limitation of the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the DGCL as so amended. Any repeal or modification of this Article VI by the stockholders of the Corporation or otherwise shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

**ARTICLE VII
INDEMNIFICATION**

Each person who was or is made a party or is threatened to be made a party to or is involved (including, without limitation, as a witness) in any actual or threatened action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director or officer of another corporation or of a partnership, limited liability company, joint venture, trust or other entity, including service with respect to an employee benefit plan (hereinafter an "Indemnitee"), whether the basis of such proceeding is alleged action in an official capacity as a director or officer or in any other capacity while so serving, shall be indemnified and held harmless by the Corporation to the full extent authorized by the DGCL, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), or by other applicable law as then in effect, against all costs, expenses, liabilities and losses (including attorneys' fees and related costs, judgments, fines, excise taxes or penalties under the Employee Retirement Income Security Act of 1974, as amended from time to time ("ERISA"), penalties and amounts paid or to be paid in settlement) actually and reasonably incurred or suffered by such Indemnitee in connection therewith, and such indemnification shall continue as to a person who has ceased to be a director, officer, partner, member or trustee and shall inure to the benefit of his or her heirs, executors and administrators. Each person who is or was serving as a director or officer of a subsidiary of the Corporation shall be deemed to be serving, or have served, at the request of the Corporation.

(A) Procedure. Any indemnification (but not advancement of expenses) under this Article VII (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director or officer is proper in the circumstances because he has met the applicable standard of conduct set forth in the DGCL, as the same exists or hereafter may be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment). Such determination shall be made with respect to a person who is a director or officer at the time of such determination (a) by a majority vote of the directors who were not parties to such proceeding (the "Disinterested Directors"), even though less than a quorum, (b) by a committee of Disinterested Directors designated by a majority vote of Disinterested Directors, even though less than a quorum, (c) if there are no such Disinterested Directors, or if such Disinterested Directors so direct, by independent legal counsel in a written opinion, or (d) by the stockholders.

(B) Advances for Expenses. Expenses (including attorneys' fees, costs and charges) incurred by a director or officer of the Corporation in defending a proceeding shall be paid by the Corporation in advance of the final disposition of such proceeding upon receipt of an undertaking by or on behalf of the director or officer to repay all amounts so advanced in the event that it shall ultimately be determined that such director or officer is not entitled to be indemnified by the Corporation as authorized in this Article VII. The majority of the Disinterested Directors may, in the manner set forth above, and upon approval of such director or officer of the Corporation, authorize the Corporation's counsel to represent such person, in any proceeding, whether or not the Corporation is a party to such proceeding.

(C) Procedure for Indemnification. Any indemnification or advance of expenses (including attorney's fees, costs and charges) under this Article VII shall be made promptly, and in any event within 60 days upon the written request of the director or officer (and, in the case of advance of expenses, receipt of a written undertaking by or on behalf of Indemnitee to repay such amount if it shall ultimately be determined that Indemnitee is not entitled to be indemnified therefor pursuant to the terms of this Article VII). The right to indemnification or advances as granted by this Article VII shall be enforceable by the director or officer in any court of competent jurisdiction, if the Corporation denies such request, in whole or in part, or if no disposition thereof is made within 60 days. Such person's costs and expenses incurred in connection with successfully establishing his/her right to indemnification, in whole or in part, in any such action shall also be indemnified by the Corporation. It shall be a defense to any such action (other than an action brought to enforce a claim for the advance of expenses (including attorney's fees, costs and charges) under this Article VII where the required undertaking, if any, has been received by the Corporation) that the claimant has not met the standard of conduct set forth in the DGCL, as the same exists or hereafter maybe amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, its independent legal counsel and its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he/she has met the applicable standard of conduct set forth in the DGCL, as the same exists or hereafter may be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), nor the fact that there has been an actual determination by the Corporation (including its Board of Directors, its independent legal counsel and its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

(D) Other Rights; Continuation of Right to Indemnification. The indemnification and advancement of expenses provided by this Article VII shall not be deemed exclusive of any other rights to which a person seeking indemnification or advancement of expenses may be entitled under any law (common or statutory), bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his/her official capacity and as to action in another capacity while holding office or while employed by or acting as agent for the Corporation, and shall continue as to a person who has ceased to be a director or officer, and shall inure to the benefit of the estate, heirs, executors and administrators of such person. All rights to indemnification under this Article VII shall be deemed to be a contract between the Corporation and each director or officer of the Corporation who serves or served in such capacity at any time while this Article VII is in effect. Any repeal or modification of this Article VII or any repeal or modification of relevant provisions of the DGCL or any other applicable laws shall not in any way diminish any rights to indemnification of such director or officer or the obligations of the Corporation arising hereunder with respect to any proceeding arising out of, or relating to, any actions, transactions or facts occurring prior to the final adoption of such modification or repeal. For the purposes of this Article VII, references to "the Corporation" include all constituent corporations absorbed in a consolidation or merger as well as the resulting or surviving corporation, so that any person who, following such consolidation or merger, is a director or officer of such a constituent corporation or is serving at the request of such constituent corporation as a director or officer of another corporation, partnership, joint venture, trust or other entity shall stand in the same position under the provisions of this Article VII, with respect to the resulting or surviving corporation during the period following such consolidation or merger, as he would if he/she had served the resulting or surviving corporation in the same capacity.

(E) Insurance. The Corporation shall have power to purchase and maintain insurance on behalf of any person who is or was or has agreed to become a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director or officer of another corporation, partnership, joint venture, trust or other entity, against any liability asserted against him and incurred by him or on his behalf in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of this Article VII; *provided, however*, that such insurance is available on acceptable terms, which determination shall be made by a vote of a majority of the Board of Directors.

(F) Savings Clause. If this Article VII or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify each person entitled to indemnification under the first paragraph of this Article VII as to all costs, expenses, liabilities and losses (including attorneys' fees and related costs, judgments, fines, ERISA excise taxes and penalties, penalties and amounts paid or to be paid in settlement) actually and reasonably incurred or suffered by such person and for which indemnification is available to such person pursuant to this Article VII to the full extent permitted by any applicable portion of this Article VII that shall not have been invalidated and to the full extent permitted by applicable law.

ARTICLE VIII ACTION BY WRITTEN CONSENT/SPECIAL MEETINGS OF STOCKHOLDERS

For so long as either any class of the Corporation's Common Stock is registered under Section 12 of the Exchange Act, or the Corporation is required to file periodic reports with the Securities and Exchange Commission pursuant to Section 15(d) of the Exchange Act with respect to any class of the Corporation's Common Stock: (i) the stockholders of the Corporation may not take any action by written consent in lieu of a meeting, and must take any actions at a duly called annual or special meeting of stockholders and the power of stockholders to consent in writing without a meeting is specifically denied and (ii) special meetings of stockholders of the Corporation may be called only by either the Board of Directors pursuant to a resolution adopted by the affirmative vote of the majority of the total number of directors then in office or by the chief executive officer of the Corporation.

**ARTICLE IX
AMENDMENT**

The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Amended and Restated Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation. Notwithstanding any other provision of this Amended and Restated Certificate of Incorporation or the Amended and Restated Bylaws of the Corporation, and notwithstanding the fact that a lesser percentage or separate class vote may be specified by law, this Amended and Restated Certificate of Incorporation, the Amended and Restated Bylaws of the Corporation or otherwise, but in addition to any affirmative vote of the holders of any particular class or series of the capital stock required by law, this Amended and Restated Certificate of Incorporation, the Amended and Restated Bylaws of the Corporation or otherwise, (i) the affirmative vote of the holders of at least 66-2/3% of the voting power of all shares of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to adopt any provision inconsistent with, to amend or repeal any provision of, or to adopt a bylaw inconsistent with, Articles V, VI, VII, VIII or IX of this Amended and Restated Certificate of Incorporation, and (ii) the rights of the Class B Common Stock may not be amended, altered, changed or repealed without the approval of the holders of a majority of the outstanding shares of Class B Common Stock, voting as a separate class.”

* * *

4. The foregoing amendment and restatement of the Certificate of Incorporation has been duly approved by the Board of Directors of the corporation in accordance with the provisions of Sections 144,242 and 245 of the General Corporation Law of the State of Delaware.

5. The foregoing amendment and restatement of the Certificate of Incorporation has been duly approved by the written consent of the stockholders in accordance with Sections 228, 242 and 245 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the corporation has caused this Amended and Restated Certificate of Incorporation to be signed by its President on this 17th day of December, 2004.

COMSTOCK HOMEBUILDING
COMPANIES, INC.

/s/ Gregory Benson

Name: Gregory Benson

Title: President

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

I, Christopher Clemente, certify that:

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

Date: November 16, 2015

/s/ Christopher Clemente

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

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

I, Joseph M. Squeri, certify that:

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

Date: November 16, 2015

/s/ Joseph M. Squeri

Joseph M. Squeri

Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

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

In connection with the Quarterly Report on Form 10-Q of Comstock Holding Companies, Inc. (the "Company") for the quarter ended September 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of Christopher Clemente, Chairman and Chief Executive Officer of the Company, and Joseph M. Squeri, Chief Financial Officer of the Company, certifies, to his best knowledge and belief, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that

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

Date: November 16, 2015

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

Date: November 16, 2015

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