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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act Of 1934

Date of Report (Date of earliest event reported): September 22, 2009 (September 21, 2009)

Comstock Homebuilding Companies, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

1-32375
(Commission File Number)

20-1164345
(IRS Employer
Identification No.)

**11465 SUNSET HILLS ROAD, FIFTH FLOOR
RESTON, VIRGINIA 20910**
(Address of principal executive offices) (Zip Code)

Registrant's Telephone Number, Including Area Code: (703) 883-1700

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (See General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a- 12 under the Exchange Act (17 CFR 240.14a- 12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01. Entry into Material Definitive Agreement.

Effective as of September 21, 2009, Comstock Homebuilding Companies, Inc. (the "Company" or "Guarantor") and Mathis Partners, LLC ("Borrower") concluded its negotiations with Cornerstone Bank (the "Lender") and entered into a Settlement Agreement and Mutual Release (the "Agreement") relating to \$5,221,000 of outstanding indebtedness (the "Debt") owed by the Borrower to Lender, and guaranteed by the Company, related to an acquisition and construction loan originally provided by Haven Trust Bank ("Haven Trust") in connection with a single family development project in Atlanta, Georgia known as The Gates of Luberon (the "Project"); the Project was acquired as part of the Company's stock purchase of Parker Chandler Homes, Inc. and its subsidiaries ("Parker Chandler"). Under the terms of the Agreement, the parties have agreed to dismiss the pending litigation against each other, and Lender has unconditionally released the Borrower and the Company from their respective obligations and guarantees relating to the Debt in consideration of a cash payment of \$50,000 to Lender and the delivery by the Company of a non-interest bearing unsecured subordinate note in the amount of \$400,000 with a three year term (the "Note"). As a result of completing the negotiations in September, the Company will write off the remaining carrying value of the Project and reduce the recorded value of the debt to the final settlement amount and expects to record a gain on troubled debt restructuring of approximately \$1.2 million during the quarter ending September 30, 2009.

In December of 2008, prior to any substantive action taking place in the litigation, Haven Trust failed and was placed into receivership by the Federal Deposit Insurance Corporation (FDIC). Cornerstone Bank was a participant in the loan originally made by Haven Trust to Parker Chandler and was assigned control of the loan by the FDIC after its seizure of Haven Trust. The entirety of the Project has been foreclosed upon by Cornerstone; the proper participation of the Debt and the foreclosure proceeding being the central issues in the litigation being settled by the Agreement. Certain additional details related to the Debt were previously reported by the Company in a Form 8-K filed April 4, 2008.

On September 22, 2009, the Company issued a press release announcing the settlement agreement and mutual release. A copy of the press release is attached hereto as Exhibit 99.1.

Item 9.01. Financial Statement and Exhibits.

(d) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press Release by Comstock Homebuilding Companies, Inc. dated September 22, 2009.

SIGNATURES

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

Date: September 22, 2009

COMSTOCK HOMEBUILDING COMPANIES, INC.

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

NEWS RELEASE

Comstock Homebuilding Settles Litigation with Cornerstone Bank and Eliminates \$5.2 million of Debt

RESTON, VA, Sep 22, 2009 (MARKETWIRE via COMTEX) – Comstock Homebuilding Companies, Inc. (Nasdaq: CHCI) (“Comstock” or the “Company”) today announced that it had concluded its negotiations and entered into a settlement agreement and mutual release with Cornerstone Bank (“Cornerstone”) relating to previously announced litigation between the Company and Cornerstone. In connection with the settlement, Cornerstone has released the Company, and its subsidiary Mathis Partners, LLC, from their respective obligations and guarantees relating to \$5.2 million of debt owed by the Company to Cornerstone.

The debt was guaranteed by the Company and related to an acquisition and construction loan originally provided by Haven Trust Bank in connection with a single family development project in Atlanta, Georgia known as The Gates of Luberon (the “Project”). The Project was acquired as part of the Company’s stock purchase of Parker Chandler Homes, Inc. and its subsidiaries. Under the terms of the settlement agreement, the parties have agreed to dismiss all pending litigation against each other, and Cornerstone has unconditionally released the Company from its obligations and guarantees relating to the debt in exchange for an immediate cash payment to Cornerstone of \$50,000 and the delivery to Cornerstone of a non-interest bearing unsecured subordinate note in the amount of \$400,000 with a three year term. As a result of completing the negotiations in September, the Company will write off the remaining carrying value of the Project and reduce the recorded value of the debt to the final settlement amount and expects to record a gain on troubled debt restructuring of approximately \$1.2 million during the quarter ending September 30, 2009.

“The settlement of this litigation and elimination of this debt is an important step forward for Comstock Homebuilding,” said Christopher Clemente, Comstock’s Chairman and Chief Executive Officer. “Having reached agreements with Wachovia, Guggenheim, BB&T, Regions and now Cornerstone, we have made significant progress with regards to our efforts to stabilize our company. These agreements and signs that market conditions are improving in our core market of Washington, D.C. gives us reason to be optimistic about the future as we focus on concluding negotiations with our remaining lenders and securing our ability to return Comstock Homebuilding to positive results.”

About Comstock Homebuilding Companies, Inc.

Established in 1985, Comstock Homebuilding Companies, Inc. is a publicly traded, diversified real estate development firm with a focus on a variety of for-sale residential products. The company currently actively markets its products under the Comstock Homes brand in the Washington, D.C. and Raleigh, N.C. metropolitan areas. Comstock Homebuilding Companies, Inc. trades on NASDAQ under the symbol CHCI. For more information on the Company or its projects please visit www.comstockhomebuilding.com.

Cautionary Statement Regarding Forward-Looking Statements

This release contains “forward-looking” statements that are made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve known and unknown risks and uncertainties that may cause actual future results to differ materially from those projected or contemplated in the forward-looking statements. Additional information concerning these and other important risks and uncertainties can be found under the heading “Risk Factors” in the Company’s most recent Form 10-K, as filed with the Securities and Exchange Commission on March 31, 2009. Comstock specifically disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

Contact:
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SOURCE: Comstock Homebuilding Companies, Inc.