
**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 June 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 August 14, 2015, 20,850,526 shares of Class A common stock, par value \$0.01 per share, and 2,733,500 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>
	3
	<u>PART I – FINANCIAL INFORMATION</u>
ITEM 1.	3
FINANCIAL STATEMENTS:	3
Consolidated Balance Sheets – June 30, 2015 (unaudited) and December 31, 2014	3
Consolidated Statements of Operations (unaudited) – Three and Six Months Ended June 30, 2015 and 2014	4
Consolidated Statements of Changes in Stockholders' Equity (unaudited) – Six Months Ended June 30, 2015 and 2014	5
Consolidated Statements of Cash Flows (unaudited) – Six Months Ended June 30, 2015 and 2014	6
Notes to Consolidated Financial Statements	7
ITEM 2.	22
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	22
ITEM 3.	27
QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	27
ITEM 4.	27
CONTROLS AND PROCEDURES	27
	<u>PART II – OTHER INFORMATION</u>
	27
ITEM 1A.	27
RISK FACTORS	27
ITEM 2.	28
UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS	28
ITEM 6.	28
EXHIBITS	28
SIGNATURES	29

PART 1 – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	June 30, 2015	December 31, 2014
	(unaudited)	
ASSETS		
Cash and cash equivalents	\$ 6,152	\$ 7,498
Restricted cash	2,152	1,779
Trade receivables	954	110
Real estate inventories	47,058	40,889
Property, plant and equipment, net	478	395
Other assets	5,215	5,696
TOTAL ASSETS	\$ 62,009	\$ 56,367
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued liabilities	\$ 9,466	\$ 8,538
Notes payable – secured by real estate inventories	29,298	28,379
Notes payable – due to affiliates, unsecured, net of discount	17,938	15,488
Notes payable – unsecured	1,806	2,064
Income taxes payable	—	43
TOTAL LIABILITIES	58,508	54,512
Commitments and contingencies (Note 8)	—	—
STOCKHOLDERS' EQUITY (DEFICIT)		
Class A common stock, \$0.01 par value, 77,266,500 shares authorized, 20,850,526 and 19,099,722 issued and outstanding, respectively	209	191
Class B common stock, \$0.01 par value, 2,733,500 shares authorized, issued and outstanding	27	27
Additional paid-in capital	172,751	171,452
Treasury stock, at cost (598,994 and 522,033 shares Class A common stock, respectively)	(2,662)	(2,583)
Accumulated deficit	(172,969)	(171,218)
TOTAL COMSTOCK HOLDING COMPANIES, INC. DEFICIT	(2,644)	(2,131)
Non-controlling interests	6,145	3,986
TOTAL EQUITY	3,501	1,855
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 62,009	\$ 56,367

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)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues				
Revenue – homebuilding	\$12,115	\$11,657	\$22,125	\$19,488
Revenue – other	449	143	756	266
Total revenue	12,564	11,800	22,881	19,754
Expenses				
Cost of sales – homebuilding	10,594	9,459	19,184	15,715
Cost of sales – other	188	85	353	178
Sales and marketing	489	559	914	1,097
General and administrative	1,936	2,318	3,833	4,207
Interest and real estate tax expense	156	3	326	5
Operating loss	(799)	(624)	(1,729)	(1,448)
Other income, net	582	12	774	67
Loss before income tax expense	(217)	(612)	(955)	(1,381)
Income tax (expense) benefit	(57)	(57)	13	(131)
Net loss	(274)	(669)	(942)	(1,512)
Net income attributable to non-controlling interests	534	995	809	1,731
Net loss attributable to Comstock Holding Companies, Inc.	<u>\$ (808)</u>	<u>\$ (1,664)</u>	<u>\$ (1,751)</u>	<u>\$ (3,243)</u>
Basic net loss per share	\$ (0.04)	\$ (0.08)	\$ (0.08)	\$ (0.15)
Diluted net loss per share	\$ (0.04)	\$ (0.08)	\$ (0.08)	\$ (0.15)
Basic weighted average shares outstanding	22,217	21,089	21,544	21,012
Diluted weighted average shares outstanding	22,217	21,089	21,544	21,012

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	18,629	\$ 186	2,733	\$ 27	\$170,811	\$ (2,480)	\$(164,379)	\$ 14,894	\$19,059
Stock compensation and issuances	222	2	—	—	272	—	—	—	274
Shares withheld related to net share settlement of restricted stock awards	(41)	—	—	—	(62)	—	—	—	(62)
Non-controlling interest contributions	—	—	—	—	—	—	—	—	—
Non-controlling interest distributions	—	—	—	—	—	—	—	(5,012)	(5,012)
Net (loss) income	—	—	—	—	—	—	(3,243)	1,731	(1,512)
Balance at June 30, 2014	<u>18,810</u>	<u>\$ 188</u>	<u>2,733</u>	<u>\$ 27</u>	<u>\$171,021</u>	<u>\$ (2,480)</u>	<u>\$(167,622)</u>	<u>\$ 11,613</u>	<u>\$12,747</u>
Balance at December 31, 2014	19,100	\$ 191	2,733	\$ 27	\$171,452	\$ (2,583)	\$(171,218)	\$ 3,986	\$ 1,855
Stock compensation and issuances	1,757	18	—	—	1,089	—	—	—	1,107
Warrants	84	1	—	—	242	—	—	—	243
Shares withheld related to net share settlement of restricted stock awards	(90)	(1)	—	—	(32)	—	—	—	(33)
Stock repurchases	—	—	—	—	—	(79)	—	—	(79)
Non-controlling interest contributions	—	—	—	—	—	—	—	2,450	2,450
Non-controlling interest distributions	—	—	—	—	—	—	—	(1,100)	(1,100)
Net (loss) income	—	—	—	—	—	—	(1,751)	809	(942)
Balance at June 30, 2015	<u>20,851</u>	<u>\$ 209</u>	<u>2,733</u>	<u>\$ 27</u>	<u>\$172,751</u>	<u>\$ (2,662)</u>	<u>\$(172,969)</u>	<u>\$ 6,145</u>	<u>\$ 3,501</u>

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

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

	Six Months Ended June 30,	
	2015	2014
Cash flows from operating activities:		
Net loss	\$ (942)	\$ (1,512)
Adjustment to reconcile net loss to net cash used in operating activities		
Amortization of loan discount and deferred financing fees	181	142
Deferred income tax benefit	(90)	—
Depreciation expense	53	48
Provision for bad debt	—	10
Gain on derivative	(696)	—
Earnings from unconsolidated joint venture, net of distributions	(19)	29
Amortization of stock compensation	135	96
Changes in operating assets and liabilities:		
Restricted cash	(121)	(296)
Trade receivables	(723)	(963)
Real estate inventories	(6,152)	(3,528)
Other assets	470	(880)
Accrued interest	338	416
Accounts payable and accrued liabilities	2,036	3,447
Income taxes payable	(43)	(313)
Net cash used in operating activities	<u>(5,573)</u>	<u>(3,304)</u>
Cash flows from investing activities:		
Purchase of property, plant and equipment	(136)	(7)
Note receivable	16	—
Restricted cash	(252)	(202)
Net cash used in investing activities	<u>(372)</u>	<u>(209)</u>
Cash flows from financing activities:		
Proceeds from notes payable	18,829	12,841
Payments on notes payable	(15,377)	(11,290)
Loan financing costs	(92)	(45)
Distributions to non-controlling interests	(1,100)	(5,012)
Contributions from non-controlling interests	2,450	—
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>4,599</u>	<u>(3,568)</u>
Net decrease in cash and cash equivalents	(1,346)	(7,081)
Cash and cash equivalents, beginning of period	<u>7,498</u>	<u>11,895</u>
Cash and cash equivalents, end of period	<u>\$ 6,152</u>	<u>\$ 4,814</u>
Supplemental cash flow information:		
Interest paid, net of interest capitalized	\$ 30	\$ (417)
Income taxes paid	\$ 269	\$ —
Supplemental disclosure for non-cash activity:		
Increase in class A common stock par value in connection with vesting and issuance of stock compensation	\$ 2	\$ 2
Increase in class A common stock par value in connection with CGF Private Placement	\$ 16	\$ —
Increase in additional paid-in capital in connection with issuance of class A common stock under the CGF Private Placement	\$ 889	\$ —
Discount on notes payable	\$ (543)	\$ —
Accrued liability settled through issuance of stock	\$ 50	\$ 162

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 ("NASDAQ") under the symbol CHCI and has no public trading history prior to December 17, 2004.

For the three and six months ended June 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). The notification has no immediate effect on the listing of our shares of Class A common stock on the Nasdaq Capital Market.

The Company has a grace period of 180 calendar days to regain compliance with the minimum closing price requirement for continued listing. If, at any time during the 180-day grace period, the minimum closing bid price per share of the Company's Class A common stock closes at or above \$1.00 for a period of ten consecutive business days, the Company will regain compliance and the matter will be closed. In the event that we do not regain compliance within the 180-day grace period, we may be eligible to receive an additional 180-day grace period, provided that the Company meets the continued listing requirement for market value of publicly held shares and all other applicable standards for initial listing on Nasdaq, except for the bid price requirement, and provides written notice of its intention to cure the minimum bid price deficiency during the second 180-day grace period. If the Company fails to regain compliance after the second 180-day grace period, the Company's Class A common stock will be subject to delisting by Nasdaq.

At our annual meeting of stockholders that was held on June 17, 2015, we received stockholders approval for amendments to the Company's Restated Certificate of Incorporation to effect a reverse stock split in the range of 1-for-5 to 1-for-7 (the "Reverse Stock Split"). When implemented, we anticipate the Reverse Stock Split would have the effect of increasing the per share price of our Class A common stock, which will assist us with regaining compliance with the Nasdaq minimum bid price requirement. Additionally, the Reverse Stock Split would reduce the number of shares of our common stock outstanding and the proportionate share reduction would reduce, proportionally, the total number of authorized shares of common stock.

On April 28, 2015, the Company received a second deficiency letter (the "Additional Notice Letter") from Nasdaq advising the Company that it did not meet the minimum of \$2.5 million in stockholders' equity required for continued listing on the Nasdaq Capital Market under Listing Rule 5550(b)(1), which is one of the alternative tests for continued listing on the Nasdaq Capital Market. In the Company's Form 10-K for the period ended December 31, 2014, the Company reported stockholders' equity of \$1.85 million. In addition, the Additional Notice Letter indicates that as of April 27, 2015, the Company did not meet the other alternative

[Table of Contents](#)

tests of market value of listed securities or net income from continuing operations under Listing Rule 5550(b) and therefore, no longer complies with the continued listing rule. The Additional Notice Letter has no immediate effect on the listing of the Company's shares of Class A common stock on Nasdaq. The deficiency is primarily the result of the Company's redemption of non-controlling interests (included as equity in the Company's financial statements) during 2014 of \$14.6 million coupled with an operating loss of \$3.1 million incurred during 2014. The \$3.1 million operating loss for the twelve months ended December 31, 2014 is largely the result of a non-cash impairment charge of \$2.7 million recorded in the fourth quarter of 2014 and a restructuring charge of \$0.6 million in the second quarter of 2014, recorded within 'General and administrative' expense in the consolidated statement of operations. After reviewing the Company's plan to regain compliance with the stockholders' equity listing requirement, Nasdaq notified the Company in July 2015 that it determined to grant the Company an extension until October 26, 2015, which represents the maximum extension Nasdaq can grant under Listing Rule 5810(c)(2)(B)(i), to evidence compliance.

On June 26, 2015, the Company formed Comstock IX, L.C. ("Comstock IX") and entered into a Subscription Agreement with certain third-party accredited investors ("Comstock IX Class B Members"), pursuant to which the Class B Members purchased membership interests in Comstock IX for an aggregate amount of \$2.5 million (the "Comstock IX Private Placement"). As a result of this private placement, as of June 30, 2015, total equity was above the \$2.5 million minimum stockholders' equity requirement for continued listing on the Nasdaq Capital Market.

The Company believes the actions it is undertaking will address the deficiencies indicated by Nasdaq. If the Company does not timely evidence compliance with the listing standard, it may be subject to delisting. At that time, the Company may appeal Nasdaq's determination to a hearings panel. A delisting of our common stock could adversely affect the market liquidity of our common stock, our ability to obtain financing and our ability to fund our operations. See additional risk factors disclosed under "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2014.

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.

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 June 30, 2015, \$23.3 million of our credit facilities and project related loans are scheduled to mature during 2015. Subsequent to quarter end, the Company secured extensions on \$8.1 million of the \$23.3 million, which was scheduled to mature in the third quarter of 2015. The extensions provide for new maturity dates of January 2016. Additionally, the Company secured an extension on the \$2.0 million mezzanine financing that had a maturity date of August 2015. The extension provides for a new maturity date of December 2015. In addition, certain of the Company's credit facilities and project related loans are guaranteed by our Chief Executive Officer.

[Table of Contents](#)

Although we extended certain of our credit facilities subsequent to the quarter end, we are in active discussions with our lenders and are seeking long term extensions and modifications to the loans as necessary. 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.

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. On an ongoing basis, we evaluate these estimates and judgments. 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 July 2015, the FASB decided to defer for one year the effective date of ASU 2014-09, which would make the guidance effective for the Company's first fiscal year beginning after December 15, 2017. Additionally, the FASB has also tentatively 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.

Other accounting pronouncements issued or effective during the three months ended June 30, 2015 were not applicable to us and are not anticipated to have an 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:

	June 30, 2015	December 31, 2014
Land and land development costs	\$ 26,324	\$ 22,487
Cost of construction (including capitalized interest and real estate taxes)	20,734	18,402
	<u>\$ 47,058</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 the reserve as they arise.

Table of Contents

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Balance at beginning of period	\$ 362	\$514	\$ 492	\$ 510
Additions	50	306	92	344
Releases and/or charges incurred	(118)	(98)	(290)	(132)
Balance at end of period	<u>\$ 294</u>	<u>\$722</u>	<u>\$ 294</u>	<u>\$ 722</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 June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Total interest incurred and capitalized	\$ 866	\$ 551	\$1,627	\$1,080
Total real estate taxes incurred and capitalized	121	51	189	104
Total interest and real estate taxes incurred and capitalized	<u>\$ 987</u>	<u>\$ 602</u>	<u>\$1,816</u>	<u>\$1,184</u>
Interest expensed as a component of cost of sales	\$ 376	\$ 89	\$ 756	\$ 141
Real estate taxes expensed as a component of cost of sales	54	25	92	56
Interest and real estate taxes expensed as a component of cost of sales	<u>\$ 430</u>	<u>\$ 114</u>	<u>\$ 848</u>	<u>\$ 197</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 June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Interest incurred and expensed from entity level borrowings	\$154	\$—	\$317	\$—
Interest incurred and expensed for inactive projects	—	—	4	—
Real estate taxes incurred and expensed for inactive projects	2	3	5	5
	<u>\$156</u>	<u>\$ 3</u>	<u>\$326</u>	<u>\$ 5</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 six months ended June 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 six months ended June 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.

[Table of Contents](#)

As a result of net losses for the three and six months ended June 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 June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Restricted stock awards	36	261	47	279
Stock options	—	157	59	188
Warrants	—	404	5	543
	<u>36</u>	<u>822</u>	<u>111</u>	<u>1,010</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.

	Homebuilding	Multi-family	Real Estate Services	Total
Three Months Ended June 30, 2015				
Gross revenue	\$ 12,115	\$ —	\$ 449	\$12,564
Gross profit	1,521	—	261	1,782
Net (loss) income	(535)	—	261	(274)
Depreciation and amortization	94	—	—	94
Interest expense	154	—	—	154
Total assets	61,799	—	210	62,009
Three Months Ended June 30, 2014				
Gross revenue	\$ 11,657	\$ —	\$ 143	\$11,800
Gross profit	2,198	—	58	2,256
Net (loss) income	(727)	—	58	(669)
Depreciation and amortization	24	—	—	24
Interest expense	—	—	—	—
Total assets	55,143	—	363	55,506
Six Months Ended June 30, 2015				
Gross revenue	\$ 22,125	\$ —	\$ 756	\$22,881
Gross profit	2,941	—	403	3,344
Net (loss) income	(1,345)	—	403	(942)
Depreciation and amortization	205	—	—	205
Interest expense	321	—	—	321
Total assets	61,799	—	210	62,009
Six Months Ended June 30, 2014				
Gross revenue	\$ 19,488	\$ —	\$ 266	\$19,754
Gross profit	3,773	—	88	3,861
Net (loss) income	(1,600)	—	88	(1,512)
Depreciation and amortization	48	—	—	48
Interest expense	—	—	—	—
Total assets	55,143	—	363	55,506

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 June 30, 2015, the Company recognized income tax expense of \$57. During the six months ended June 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 \$108, both related to the New Hampshire Avenue project in Washington, D.C. 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 six month periods ended June 30, 2015 was 3% and 1%, respectively.

The Company currently has approximately \$123 million in federal and state net operating losses (NOLs), which, based on current statutory tax rates, represents approximately \$48 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 2015 Annual Meeting of Stockholders in June 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 June 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 June 30, 2015, because of the Company's full valuation allowance on its net deferred tax assets, excluding the New Hampshire Avenue project deferred tax asset described above.

[Table of Contents](#)

The Company has not recorded any accruals for tax uncertainties as of June 30, 2015 and 2014. We file U.S. and state and local income tax returns in jurisdictions with varying statutes of limitations. The 2011 through 2014 tax years remain subject to examination by federal and state tax authorities that we are subject to.

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 June 30, 2015 and 2014, the Company had \$3.7 million and \$4.3 million in letters of credit, respectively. At June 30, 2015 and 2014, the Company had \$6.0 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 June 30, 2015 and December 31, 2014, we had approximately \$0.6 million and \$0.4 million, respectively, in these escrow accounts, which is 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	\$162
2016	329
2017	<u>167</u>
Total	<u>\$658</u>

For the three months ended June 30, 2015 and 2014, total payments made under this lease agreement were \$79 and \$76, respectively. For the six months ended June 30, 2015 and 2014, total payments under this lease agreement were \$158 and \$152, respectively. As of June 30, 2015 and December 31, 2014, the Company recorded a straight-line rent payable of \$28, 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 June 30, 2015 and 2014, the Company billed Comstock Asset Management, L.C. \$220 and \$131, respectively, for services and out-of-pocket expenses. For the six months ended June 30, 2015 and 2014, Comstock Asset Management, L.C. was billed \$373 and \$233, respectively, for services and out-of-pocket expenses incurred.

[Table of Contents](#)

Revenues from this arrangement are included within 'Revenue – other' in the accompanying consolidated statements of operations. As of June 30, 2015 and December 31, 2014, the Company was owed \$219 and \$38, respectively, under this contract, which is included in 'Trade receivables' in the accompanying consolidated balance sheets.

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 six months ended June 30, 2015 and 2014, the Company made payments of \$150 and \$300, 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 an aggregate 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 and board of directors and third party accredited investors for an aggregate 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. During 2015, the Company borrowed an additional principal loan amount of \$6.2 million under the Amended and Restated CGF promissory note. 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 June 30, 2015, \$13.9 million was outstanding in principal and accrued interest, net of discounts. For the three and six months ended June 30, 2015, the Company made interest payments of \$0.4 and \$0.8 million, respectively.

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 grant 1,588,000 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 an aggregate amount of 1,588,000 un-registered shares of the Company's Class A common stock to the purchasers in the Amended CGF Private Placement. The Amended CGF Private Placement closed on May 15, 2015 after receiving subscriptions from the purchasers in an aggregate total principal amount of \$16.2 million.

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 summary of the Comstock VII, Comstock VIII, and Comstock IX Private Placements and Note 13 to the consolidated financial statements for a summary 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 June 30, 2015 and December 31, 2014, the outstanding balance of the note was \$157 and \$173, respectively, and is included within 'Other assets' in the accompanying consolidated balance sheets. The interest income of \$5 and \$2 for the three and six months ended June 30, 2015, respectively, is included in 'Other income, net' in the consolidated statements of operations. There was no interest income for the three and six months ended June 30, 2014.

11. VARIABLE INTEREST ENTITY

Included within the Company's real estate inventories at June 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 six months ended June 30, 2015, New Hampshire Ave. Ventures, LLC distributed \$1.1 million to its non-controlling interest member, 6000 New Hampshire Avenue, LLC. During the six months ended June 30, 2014, New Hampshire Ave. Ventures, LLC, distributed \$1.9 million to 6000 New Hampshire Avenue.

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 six months ended June 30, 2014, Comstock Eastgate, L.C. distributed \$1.0 million 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, 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 six months ended June 30, 2014, the Company paid distributions in the amount of \$2.1 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

[Table of Contents](#)

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 six months ended June 30, 2015 and 2014.

In June 2015, Comstock Investors IX, L.C. (“Comstock IX”) entered into subscription agreements with certain 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, scheduled for development commencing in the second half of 2015 (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.

At June 30, 2015 and December 31, 2014, the distributions and contributions for the VIEs discussed above are included within the ‘non-controlling interest’ classification in the consolidated statement of changes in stockholder’s equity.

At June 30, 2015 and December 31, 2014 total assets of these VIEs were approximately \$26.0 million and \$19.5 million, respectively, and total liabilities were approximately \$17.9 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 adjusts the carrying value for its proportionate share of earnings, losses and distributions. The investment in the unconsolidated joint venture is included within ‘Other assets’ in the accompanying consolidated balance sheets. Earnings for the three and six months ended June 30, 2015, from this unconsolidated joint venture of \$35 and \$54, respectively, are included in ‘Other income, net’ in the accompanying consolidated statement of operations. During the six months ended June 30, 2015, the Company collected distributions of \$35 from this joint venture as a return on investment. During the three and six months ended June 30, 2014, earnings from this unconsolidated joint venture of \$21 and \$37, respectively, are included in ‘Other income, net’ in the accompanying consolidated statement of operations. During the six months ended June 30, 2014, the Company collected and recorded a distribution of \$66 from this joint venture as a return on investment.

Table of Contents

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Statement of Operations:				
Total net revenue	\$ 98	\$ 71	\$ 172	\$ 132
Total expenses	28	30	65	59
Net income	<u>\$ 70</u>	<u>\$ 41</u>	<u>\$ 107</u>	<u>\$ 73</u>
Comstock Holding Companies, Inc. share of net income	<u>\$ 35</u>	<u>\$ 21</u>	<u>\$ 54</u>	<u>\$ 37</u>

13. CREDIT FACILITIES

Notes payable consisted of the following:

	June 30, 2015	December 31, 2014
Construction revolvers	\$ 7,503	\$ 6,505
Development and acquisition notes	14,658	13,748
Mezzanine notes	4,960	5,770
Line of credit	<u>2,177</u>	<u>2,356</u>
Total secured notes	29,298	28,379
Unsecured note	1,806	2,064
Notes payable, unsecured, net of \$2.2 million and \$1.4 million discount, respectively	<u>17,938</u>	<u>15,488</u>
Total notes payable	<u>\$49,042</u>	<u>\$ 45,931</u>

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

2015	\$23,255
2016	9,619
2017	13,198
2018	<u>2,970</u>
Total	<u>\$49,042</u>

As of June 30, 2015, \$23.3 million of our credit facilities and project related loans are scheduled to mature during 2015. Subsequent to quarter end, the Company secured extensions on \$8.1 million of the \$23.3 million, which was scheduled to mature in the third quarter of 2015. The extensions provide for new maturity dates of January 2016. Additionally, the Company secured an extension on the \$2.0 million mezzanine financing that had a maturity date of August 2015. The extension provides for a new maturity date of December 2015. Although we extended certain of our credit facilities subsequent to the quarter end, we are in active discussions with our lenders with respect to the remaining 2015 maturities and are seeking long term extensions and modifications to the loans as necessary. 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 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.

As of June 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 June 30, 2015 and December 31, 2014, the Company had approximately \$32.2 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 June 30, 2015 and December 31, 2014, the weighted average interest rate on the Company’s outstanding construction revolving facility was 4.7% and 5.1% per annum, respectively. The Company had \$7.5 million and \$6.5 million of outstanding construction borrowings as of June 30, 2015 and December 31, 2014, respectively. The construction credit facilities have maturity dates ranging from August 2015 to March 2018, including extensions subject to certain conditions.

Table of Contents

As of June 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 \$14.7 million and \$13.7 million, respectively, was outstanding. These loans have maturity dates ranging from August 2015 to March 2018, including extensions subject to 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 June 30, 2015 and December 31, 2014, the weighted average interest rates were 5.0% and 4.8% per annum, respectively.

On August 7, 2015, \$8.1 million of the outstanding construction, acquisition and development revolving credit facilities due in August and September of 2015, related to the Townes at Maxwell Square, the Townes at Shady Grove Metro, and New Hampshire Avenue projects were extended to provide a new maturity date of January 31, 2016.

As of June 30, 2015 and December 31, 2014, the Company had three secured mezzanine loans. The first mezzanine loan had a maximum loan commitment and outstanding balance of \$3.0 million at June 30, 2015 and December 31, 2014. 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, with the full principal balance due at maturity, September 22, 2015.

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 June 30, 2015 and December 31, 2014, respectively, of which \$2.0 million and \$2.8 million of principal and accrued interest was outstanding as of June 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 had a maturity date of August 22, 2015. On August 5, 2015, the maturity date of these financings was extended to December 31, 2015. These financings are guaranteed by the Company and our Chief Executive Officer.

Line of credit – secured

At June 30, 2015 and December 31, 2014, the Company had a secured revolving line of credit amounting to \$4.0 million of which \$2.2 million was outstanding. 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 is used to finance the predevelopment related expenses and deposits for current and future projects. This line of credit bears a variable interest rate tied to a one-month LIBOR plus 3.25% per annum, with an interest rate floor of 5.0% and matured on July 15, 2015. On August 11, 2015, the maturity date of this line of credit was extended to provide a new maturity date of January 31, 2016. This line of credit also 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. As of June 30, 2015, the Company was in compliance with all financial covenants dictated by the line of credit agreement. This line of credit is guaranteed by our Chief Executive Officer.

Unsecured note

As of June 30, 2015 and December 31, 2014, the Company had balances of \$1.8 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 June 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 June 30, 2015 and December 31, 2014, the interest rate was 3.8% and 3.6% per annum, respectively. The Company had approximately \$4.0 million and \$4.2 million of outstanding borrowings as of June 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 an aggregate 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, board of directors and third party accredited investors for an aggregate 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 between 500,000 to 1,000,000 shares of the Company’s Class A common stock, depending upon the investment amount. As of June 30, 2015, we issued 534,000 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 Original Promissory Note pursuant to which the maximum amount for borrowing was increased from \$20 million to \$25 million. All of the other terms of the unsecured promissory note remained the same. During 2015, the Company borrowed an additional principal loan amount of \$6.2 million under the Amended and Restated CGF promissory note. 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. The Company had approximately \$13.9 million and \$11.3 million of outstanding borrowings under the CGF loan, net of discounts, as of June 30, 2015 and December 31, 2014, respectively. For the three and six months ended June 30, 2015, the Company made interest payments under the CGF loan of \$0.4 million and \$0.8 million, respectively. As of June 30, 2015 and December 31, 2014, the interest rate of the CGF loan was 10.0% per annum.

On December 18, 2014, CGF entered into amended and restated subscription agreements with CDS, management, members of the Company’s 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 grant 1,588,000 shares of the Company’s Class A common stock to purchasers of membership interests of CGF in the Amended CGF Private Placement. The Company determined the fair value of the stock based on the closing price of our stock on the dates the funds were received by CGF.

On May 12, 2015, the Company granted the aggregate amount of 1,588,000 un-registered shares of 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 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. The fair value of fixed and floating rate debt is based on unobservable market rates (Level 3 inputs). The following table summarizes the fair value of fixed and floating rate debt and the corresponding carrying value of fixed and floating rate debt as of:

	June 30, 2015	December 31, 2014
Carrying amount	\$49,042	\$ 45,931
Fair value	\$49,051	\$ 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.

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.

15. RESTRICTED STOCK, STOCK OPTIONS AND OTHER STOCK PLANS

During the three and six months ended June 30, 2015 and 2014, respectively, 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 stated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Real estate inventories – Assets	\$ 8	\$ —	\$ 17	\$ 16
General and administrative – Expenses	59	(38)	135	96
	<u>\$ 67</u>	<u>\$ (38)</u>	<u>\$ 152</u>	<u>\$ 112</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 June 30, 2015, the weighted-average remaining contractual term of unexercised stock options was 6.4 years. As of June 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 \$0.1 million as of June 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 has 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 August 5, 2015, the Company, through Comstock Two Rivers, I, L.C. and Comstock Two Rivers, II, L.C., subsidiaries of the Company, executed a total of eight lot takedowns, under the respective land purchase option agreements, for a total purchase price of \$1.2 million.

On August 5, 2015, the Company extended its revolving construction, acquisition, and development loans related to the Maxwell Square project with Eagle Bank. This loan had an initial maturity date of September 30, 2015 and the extension provides for a maturity date of January 31, 2016. All other terms of the original agreements remain in full force and effect. As of June 30, 2015, we had \$2.4 million in outstanding borrowings under this revolving credit facility.

On August 5, 2015, the Company extended its revolving construction, acquisition, development loans related to the Redland Road projects with Eagle Bank. These loans had an initial maturity date of August 22, 2015 and the extension provides for a maturity date of January 31, 2016. All other terms of the original agreements remain in full force and effect. As of June 30, 2015, we had \$4.0 million in outstanding borrowings under these revolving credit facilities.

On August 7, 2015, the Company extended its mezzanine financing with Eagle Commercial Ventures related to the Redland Road projects. These loans had an initial maturity date of August 22, 2015 and the extensions provide for a new maturity date of December 31, 2015. All other terms of the original agreements remain in full force and effect. As of June 30, 2015, we had \$2.0 million in outstanding borrowings under these facilities.

On August 7, 2015, the Company extended its revolving construction and development loans related to the New Hampshire Avenue project with Eagle Bank. This loan had an initial maturity date of August 23, 2015 and the extension provides for a maturity date of January 31, 2016. All other terms of the original agreements remain in full force and effect. As of June 30, 2015, we had \$1.7 million in outstanding borrowings under this revolving credit facility.

On August 11, 2015, the Company extended its secured revolving line of credit. This loan had an initial maturity date of July 15, 2015 and the extension provides for a maturity date of January 31, 2016. All other terms of the original agreements remain in full force and effect. As of June 30, 2015, we had \$2.2 million in outstanding borrowings under this secured revolving line of credit.

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 which could cause actual results to differ materially from those in the forward-looking statements include, without limitation: general economic and market conditions, including interest rate levels; our ability to service our 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.

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 June 30, 2015:

	Pipeline Report as of June 30, 2015								
			Estimated Units at Completion	Units Settled		Units Owned Unsold	Units Under Control (2)	Total Units Owned, Unsettled and Under Control	Average New Order Revenue Per Unit to Date
Project	State	Product Type (1)			Backlog (7)				
City Homes at the Hampshires	DC	SF	38	35	2	1	—	3	\$ 746
Townes at the Hampshires (3)	DC	TH	73	45	10	18	—	28	\$ 556
Estates at Falls Grove	VA	SF	19	3	8	8	—	16	\$ 537
Townes at Falls Grove	VA	TH	110	48	3	59	—	62	\$ 302
Townes at Shady Grove Metro	MD	TH	36	19	3	14	—	17	\$ 621
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	17	10	18	—	28	\$ 419
Townes at Hallcrest	VA	TH	42	1	3	38	—	41	\$ 487
Estates at Leeland	VA	SF	24	—	—	24	—	24	\$ —
Villas Preserve at Two Rivers 28'	MD	TH	66	—	2	4	60	66	\$ 464
Villas Preserve at Two Rivers 32'	MD	TH	54	—	2	4	48	54	\$ 542
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	246	43	314	543	900	

- (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.

[Table of Contents](#)

Results of Operations

Three and six months ended June 30, 2015 compared to three and six months ended June 30, 2014

Orders, cancellations and backlog

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Gross new orders	37	42	71	78
Cancellations	3	6	6	11
Net new orders	34	36	65	67
Gross new order revenue	\$18,105	\$20,685	\$35,035	\$36,522
Cancellation revenue	\$ 1,604	\$ 2,290	\$ 3,091	\$ 4,564
Net new order revenue	\$16,501	\$18,395	\$31,944	\$31,958
Average gross new order price	\$ 489	\$ 492	\$ 493	\$ 468
Settlements	25	28	46	47
Revenue – homebuilding	\$12,115	\$11,657	\$22,125	\$19,488
Average settlement price	\$ 485	\$ 416	\$ 481	\$ 415
Backlog units	43	48	43	48
Backlog revenue	\$22,340	\$24,817	\$22,340	\$24,817
Average backlog price	\$ 520	\$ 517	\$ 520	\$ 517

Revenue – homebuilding

Revenue from homebuilding increased by \$2.6 million to \$22.1 million for the six months ended June 30, 2015 as compared to \$19.5 million for the six months ended June 30, 2014. Average revenue per home settled increased by approximately \$66 to \$481 for the six months ended June 30, 2015 as compared to \$415 for the six months ended June 30, 2014. For the six months ended June 30, 2015, the Company settled 46 units (10 units at The Hampshires, 16 units at Falls Grove, 9 units at Maxwell Square, 10 units at Shady Grove and 1 unit at Hall Road), as compared to 47 units (15 units at The Hampshires, 19 units at Falls Grove and 13 units at Eastgate) for the six months ended June 30, 2014. Revenue from homebuilding increased by \$0.4 million to \$12.1 million for the three months ended June 30, 2015 as compared to \$11.7 million for the same period in the prior year. The increases noted in homebuilding revenue resulted from the mix of units settled during the quarter. Average revenue per home settled increased by approximately \$69 to \$485 for the three months ended June 30, 2015 as compared to \$416 for the three months ended June 30, 2014. For the three months ended June 30, 2015, the Company settled 25 units (6 units at The Hampshires, 7 units at Falls Grove, 7 units at Maxwell Square, 4 units at Shady Grove, and 1 unit at Hallcrest), as compared to 28 units (7 units at The Hampshires, 9 units at Falls Grove and 12 units at Eastgate) for the three months ended June 30, 2014. Our homebuilding gross margin percentage for the three months ended June 30, 2015 decreased by 6% to 13%, as compared to 19% for the three months ended June 30, 2014. Our homebuilding gross margin percentage for the six months ended June 30, 2015 decreased by 7% to 13%, as compared to the 20% for the six months ended June 30, 2014. The decrease noted in margins was mainly a result of the mix of units settled and two new projects that started settling this quarter.

At June 30, 2015, we had a total of 43 units in backlog to generate future revenue of \$22.3 million as compared to \$24.8 million from 48 units at June 30, 2014. Gross new order revenue, consisting of revenue from all units sold, for the three months ended June 30, 2015 was \$18.1 million on 37 units as compared to \$20.7 million on 42 for the three months ended June 30, 2014. Gross new order revenue for the six months ended June 30, 2015 was \$35.0 million on 71 units as compared to \$36.5 million on 78 units for the six months ended June 30, 2014. Net new order revenue, representing revenue for all units sold less revenue from cancellations, for the three months ended June 30, 2015 was \$16.5 million on 34 units as compared to \$18.4 million on 36 units for the three months ended June 30, 2014. Net new order revenue for the six months ended June 30, 2015 was \$31.9 million on 65 units as compared to \$32.0 million on 67 units for the six months ended June 30, 2014. Average gross new order revenue per unit for the three months ended June 30, 2015 decreased by \$3 to \$489, as compared to \$492 for the three months ended June 30, 2014. Average gross new order revenue per unit for the six months ended June 30, 2015 increased by \$25 to \$493 as compared to \$468 for the six months ended June 30, 2014. The change is related directly to the number and mix of units sold.

[Table of Contents](#)

Revenue – other

Revenue – other increased approximately \$0.3 million to \$0.4 million during the three months ended June 30, 2015, as compared to \$0.1 million for the three months ended June 30, 2014. Revenue – other increased approximately \$0.5 million to \$0.8 million during the six months ended June 30, 2015, as compared to \$0.3 million for the six months ended June 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 June 30, 2015 increased by \$1.1 million to \$10.6 million, as compared to \$9.5 million for the three months ended June 30, 2014. Cost of sales – homebuilding for the six months ended June 30, 2015 increased by \$3.5 million to \$19.2 million, as compared to \$15.7 million for the six months ended June 30, 2014. The unit mix settled during the periods presented accounted for the increase in the aggregate cost of sales.

Cost of sales – other

Cost of sales – other increased \$0.1 million to \$0.2 million during the three months ended June 30, 2015, as compared to \$0.1 million for the three months ended June 30, 2014. Cost of sales – other increased by \$0.2 million to \$0.4 million during the six months ended June 30, 2015, as compared to \$0.2 million for the six months ended June 30, 2014. The increase primarily relates to our real estate services segment pursuing additional deals in the market for advisory and other real estate related service.

Sales and marketing

Sales and marketing expenses for the three months ended June 30, 2015 decreased by \$0.1 million to \$0.5 million, as compared to \$0.6 million for the three months ended June 30, 2014. Sales and marketing expenses for the six months ended June 30, 2015 decreased by \$0.2 million to \$0.9 million, as compared to \$1.1 million for the six months ended June 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 marketing efforts in active developments.

General and administrative

General and administrative expenses for the three months ended June 30, 2015 decreased by \$0.4 million to \$1.9 million, as compared to \$2.3 million for the three months ended June 30, 2014. General and administrative expenses for the six months ended June 30, 2015 decreased by \$0.4 million to \$3.8 million, as compared to \$4.2 million for the six months ended June 30, 2014. The decrease in general and administrative expenses over the same period in the prior year is primarily attributable to the one-time severance charge of \$611 offset by \$131 in forfeitures of stock options and restricted stock awards recorded in connection with the Separation Agreement entered into with the Company's former Chief Operating Officer in the second quarter of 2014.

Income taxes

During the three months ended June 30, 2015, the Company recognized income tax expense of \$57. During the six months ended June 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 \$108, both related to the New Hampshire Avenue project in Washington, D.C. The effective tax rate for the three and six month periods ended June 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 June 30, 2015, the Company has \$23.3 million of its credit facilities and project related loans that mature during 2015. Subsequent to quarter end, the Company secured extensions on \$8.1 million of the \$23.3 million, which was scheduled to mature in the third quarter of 2015. The extensions provide for new maturity dates of January 2016. Additionally, the Company secured an extension on the \$2.0 million mezzanine financing that had a maturity date of August 2015. The extension provides for a new maturity date of December 2015. In addition, certain of the Company's credit facilities and project related loans are guaranteed by our Chief Executive Officer.

Although we extended certain of our credit facilities subsequent to the quarter end, we are in active discussions with our lenders and are seeking long term extensions and modifications to the loans as necessary. 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 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 \$5.6 million for the six months ended June 30, 2015. This represents an increase of \$2.3 million from the net cash used in operating activities of \$3.3 million for the six months ended June 30, 2014. The change is primarily attributable to the significant cash out flow for real estate inventories as the Company invests in new projects and positions itself for growth in the current year and beyond.

Net cash used in investing activities increased by \$0.2 million to \$0.4 million for the six months ended June 30, 2015 as compared to \$0.2 million for the six months ended June 30, 2014. This increase was mainly attributable to the purchases of capital assets.

Net cash provided by financing activities was \$4.6 million for the six months ended June 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, L.C. and borrowings under the unsecured promissory note with Comstock Growth Fund, offset by the \$1.1 million of distributions paid to non-controlling interest. See Notes 11 and 13 to the accompanying consolidated financial statements for details on private placement offerings and for more details on our credit facilities, respectively. Net cash used in financing activities was \$3.6 million for the six months ended June 30, 2014, primarily attributable to the distributions made to non-controlling interest members including preferred returns, offset by additional project-specific borrowings in excess of payoffs.

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 Spring and Summer, although this activity is also highly dependent on the number of active selling communities, 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.

[Table of Contents](#)

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.

Critical Accounting Policies and Estimates

There have been no significant changes to our critical accounting policies and estimates during the six months ended June 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 June 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 June 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 June 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 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The descriptions of the offerings related to Comstock Investors VII, L.C., Comstock Investors VIII, L.C. and Comstock Investors XI, L.C. in Note 11 and the description of the offering related to Comstock Growth Fund in Note 13 to the accompanying consolidated financial statements are hereby incorporated by reference. The shares of our Class A common stock, the membership interests and the warrants, as applicable, were offered and sold to purchasers in such offerings in reliance upon exemptions from registration pursuant to Section 4(a)(2) of the Securities Act of 1933 (the “Securities Act”) and Rule 506 of Regulation D promulgated under the Securities Act and the certificates representing the securities shall bear legends to that effect. The shares of our Class A common stock, the membership interests, the warrants and the shares of our Class A common stock issuable upon the exercise of the warrants have not been registered under the Securities Act, and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

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)).
- 10.96* Subscription Agreement and Operating Agreement, dated June 26, 2015, between Comstock Investors IX, L.C., and [-], with accompanying Schedule A identifying other Subscription.
- 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 June 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.

SIGNATURES

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

COMSTOCK HOLDING COMPANIES, INC.

Date: August 14, 2015

By: /S/ CHRISTOPHER CLEMENTE
Christopher Clemente
Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: August 14, 2015

By: /S/ JOSEPH M. SQUERI
Joseph M. Squeri
Chief Financial Officer
(Principal Financial Officer and Principal Accounting 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 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: _____
Christopher Clemente, Chief Executive Officer

SUBSCRIPTION AGREEMENT

Comstock Investors IX, L.C.
c/o Comstock Holding Companies, Inc., Manager
1886 Metro Center Drive, 4th Floor
Reston, Virginia 20190
Attention: Jubal R. Thompson, General Counsel

The undersigned subscriber ("Subscriber") acknowledges that he/she/it has received and reviewed the Risk Disclosures and operating agreement of Comstock Investors IX, L.C., a Virginia limited liability company (the "Company"), including the exhibits thereto (the "Company Operating Agreement"), relating to the offering of Company membership interest(s) (the "Interests") and has reviewed it in conjunction with the risk disclosures for the manager of the Company, Comstock Holding Companies, Inc. ("Comstock" or "Manager") as contained in the latest Annual Report filed on Form 10-K as can be found online at www.sec.gov or at its investors relations homepage found at www.comstockhomes.com. Subscriber also understands that certain portions of the offering materials contain forward-looking statements within the meaning of the federal securities laws. These statements include, but are not limited to, those identified by such words as may, will, expect, project, anticipate, estimate, believe, intend, plan and other similar terminology. These forward-looking statements reflect the Company's current expectations and assumptions regarding future events and operating and financial performance. However, actual results are subject to risks and uncertainties, which could cause actual results to differ materially from those contained in the forward-looking statements.

Subscriber understands that the Interest(s) are being offered (the "Offering") to a small number of investors on the terms and in the manner described herein and in the Company Operating Agreement. Subscriber also understands that any promotional materials received in conjunction with the Offering are for marketing and promotional purposes only, and Subscriber understands and agrees that he/she/it cannot rely on such promotional materials to explain all terms and conditions of this Subscription Agreement or the Company Operating Agreement. Therefore, Subscriber understands that any inconsistency between the promotional materials and this Subscription Agreement or the Company Operating Agreement shall be resolved in favor of this Subscription Agreement or the Company Operating Agreement, as applicable. Subscriber acknowledges that Subscriber is not entitled to rely, and has not relied, on any oral representations.

The Company reserves the right to hold a closing of the sale and purchase of Interests before it has raised the full amount solicited in the Offering and in such event, the Company Operating Agreement shall be amended to reflect the addition of additional members at a later date. No escrow agent is being appointed in connection with the Offering.

1. Subscription. Subject to the terms and conditions set forth herein and in the Company Operating Agreement, Subscriber, intending to be legally bound, hereby irrevocably subscribes for and agrees to purchase the Interest(s) in the amount specified on the signature page of this Subscription Agreement and agrees to become a party to the Company Operating Agreement. Subscriber tenders herewith a certified or bank cashier check, payable to the order of the Company or has or will initiate a wire in accordance with previously delivered wire instructions provided by the Company. In the event that the investment offering is terminated or if this subscription for any reason is rejected, the full subscription price will be promptly refunded without deduction, and this Subscription Agreement shall be null and void.

2. Acceptance of Subscription; Delivery of Company Operating Agreement. Subscriber understands and agrees that its subscription is made subject to the following terms and conditions:

(a) this subscription may be rejected in whole or in part in the sole and absolute discretion of the Manager of the Company; and

(b) the Interest(s) to be issued and delivered on account of this subscription will be issued only in the name of, and delivered only to, Subscriber, and the undersigned agrees to become party to the Company Operating Agreement.

3. Representation and Warranties of Subscriber. Subscriber understands that the Interest(s) are being offered and sold under an exemption from registration afforded by the Securities Act of 1933, as may be amended (the "Securities Act"), or other applicable exemptions under applicable state securities laws; that this transaction has not been examined by the United States Securities and Exchange Commission or any state securities authority; and that all documents, records, and books pertaining to this investment have been made available upon reasonable notice for inspection by him/her/it or his/her/its counsel, accountant, investor representative or business advisor during regular business hours at the Company's office. Subscriber hereby represents, warrants and agrees as follows:

(a) Subscriber has been furnished with, and acknowledges receipt of, the Company Operating Agreement, and has held and will hold the Company Operating Agreement in confidence, it being understood that the copy received by the undersigned is solely for his/her/its own use and, except in connection with review by the undersigned's counsel, accountant, or business advisor, is not to be duplicated or redistributed without the prior written consent of the Company;

(b) Subscriber has been furnished with, and acknowledges receipt of, this Subscription Agreement and the Investor Questionnaire, if applicable, and has accurately and completely provided all of the information requested in these documents;

(c) Subscriber is (i) at least 21 years of age; (ii) a citizen of the United States of America; and (iii) a bona fide resident of the state specified in the address on the signature page of this Subscription Agreement;

(d) Subscriber is an accredited investor as defined by the Securities and Exchange Commission and meets the investor suitability requirements for investment in the Company;

(e) Subscriber understands and has fully considered for purposes of this investment the risk disclosures of both the Company and Comstock and represents and warrants that (i) he/she/it is acquiring the Interest(s) for investment and not with a view to resale or distribution; (ii) he/she/it can bear the economic risk of losing his/her/its entire investment; (iii) his/her/its overall commitment to investments that are not readily marketable is not disproportionate to his/her/its net worth, and the investment is suitable for the prospective purchaser when viewed in light of his/her/its other securities holdings and his/her/its financial situation and needs; (iv) he/she/it has adequate means of providing for his/her/its current needs and personal contingencies; (v) he/she/it has evaluated all the risks of investment in the Company; (vi) he/she/it has experience in making investment decisions of this type; and (vii) he/she/it has a reasonable understanding of the business in which the Company is to be engaged;

(f) Subscriber has such knowledge and experience in financial and business matters that he/she/it is capable of evaluating the merits and risks of an investment in the Company and of making an informed investment decision;

(g) Subscriber confirms that, in making his/her/its decision to purchase the Interest(s) hereby subscribed for, he/she/it has relied solely upon the Company Operating Agreement and any independent investigations made by him/her/it; and that he/she/it, and Subscriber's counsel, accountant, and other business advisor have been given the opportunity to ask questions of, and to receive answers from, the Manager and its officers concerning the information set forth in the Company Operating Agreement, to the extent that the Manager and its officers possess such information or can acquire it without unreasonable effort or expense; and that he/she/it and such persons have availed themselves of such opportunity to the fullest extent desired and have received answers to such questions, if any; and that he/she/it and such persons have availed themselves of the opportunity to make such investigation of the documents, records, and books pertaining to the investment as they have desired;

(h) Subscriber has no contract, undertaking, understanding, agreement, or arrangement, formal or informal, with any person, directly or indirectly, to sell, transfer, or pledge to any person the Interest(s) for which he/she/it hereby subscribes or any part thereof, and Subscriber has no present plans to enter into any such contract, undertaking, agreement, or arrangement; and Subscriber understands that the legal consequences of the foregoing representations and warranties are that he/she/it must bear the economic risks of this investment for an indefinite period of time because the Interest(s) have not been registered under the Securities Act or any state's securities laws and, therefore, cannot be sold unless they are subsequently registered under the Securities Act and the applicable state's securities laws (which the Company is not obligated to do) or an exemption from such registration is available;

(i) Subscriber understands that no federal or state agency has passed on or made any recommendation or endorsement of the Interest(s) and that the Company is relying on the truth and accuracy of the representations, declarations, and warranties herein made by Subscriber in offering the Interest(s) for sale to him/her/it, without having first registered the same under the Securities Act or under the securities laws of any state or other jurisdiction;

(j) Subscriber realizes that, in the absence of the availability of the exemption afforded by Rule 144 adopted under the Securities Act, any disposition by him/her/it of the Interest(s) hereby subscribed for may require compliance with some other exemption under the Securities Act, and that the Company is under no obligation to take any action in furtherance of making any other exemption so available;

(k) Subscriber understands that by entering into the Company Operating Agreement, he/she/it will be agreeing to additional restrictions on the transferability of the Interest(s), as set forth in the Company Operating Agreement;

(l) unless otherwise specified on the signature page of this Subscription Agreement, Subscriber will not acquire Interest(s) or fund its capital contribution to the Company using funds that are considered assets of an "employee benefit plan", as defined by the Employment Retirement Security Act of 1974, as amended ("ERISA"), that is subject to ERISA; and

(m) Subscriber consents to the placement of legends on any certificate evidencing the Interest(s) hereby subscribed for, which legend shall be in form substantially as follows:

THE COMPANY INTERESTS REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT 1933, AS MAY BE AMENDED, OR WITH ANY AGENCY UNDER THE SECURITIES ACT OF ANY STATE, IN RELIANCE UPON EXEMPTIONS FROM REGISTRATION PROVIDED IN THOSE STATUTES.

THE COMPANY INTEREST REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO RESTRICTIONS ON TRANSFER AND OTHER CONDITIONS, AS SPECIFIED IN A COMPANY OPERATING AGREEMENT, COPIES OF WHICH ARE ON FILE AT THE OFFICE OF THE ISSUER AND WILL BE FURNISHED WITHOUT CHARGE TO THE HOLDER OF SUCH INTEREST UPON WRITTEN REQUEST.

PURSUANT TO RULE 506(C) ISSUED BY THE SECURITIES AND EXCHANGE COMMISSION, YOU MUST BE AN ACCREDITED INVESTOR TO PARTICIPATE IN THIS OFFERING. BY EXECUTION OF THIS SUBSCRIPTION AGREEMENT, YOU HEREBY CERTIFY THAT YOU ARE AN ACCREDITED INVESTOR.

The foregoing representations, warranties, and undertakings are made by Subscriber with the intent that they be relied upon in determining his/her/its suitability as an investor in the Company, and the undersigned hereby agrees that such representations and warranties shall survive the purchase of the Interest(s) hereby subscribed for.

If more than one person is signing this Subscription Agreement, each representation, warranty, and undertaking made herein shall be a joint and several representation, warranty or undertaking of each such person.

4. Transferability. Subscriber agrees not to transfer or assign this Subscription Agreement or any interest herein, and further agrees that the assignment and transfer of the Interest(s) acquired pursuant hereto shall be effected only in accordance with the Company Operating Agreement and all applicable laws.

5. Revocation. Subscriber agrees that he/she/it may not cancel, terminate, or revoke this Subscription Agreement or any agreement of the undersigned made hereunder, and that this Subscription Agreement shall survive the death or disability of the undersigned and shall be binding upon the undersigned's heirs, executors, administrators, successors, and assigns.

6. No Waiver. Notwithstanding any of the representations, warranties, acknowledgements, or agreements made herein by the undersigned, the undersigned does not hereby or in any other manner waive any rights granted to him/her/it under federal or state securities laws.

7. Indemnification; Waiver of Liability. Subscriber agrees to indemnify and hold harmless the Company, the Manager and their respective officers, directors, stockholders, and employees, the other members of the Company, and all of their respective representatives and agents, from and against any and all damages, losses, costs, and expenses (including reasonable attorneys' fees) that they may incur by reason of the undersigned's failure to fulfill any of the terms or conditions of this Subscription Agreement, or by reason of any breach of the representations and warranties made by Subscriber in this Subscription Agreement or in any document provided by Subscriber to the Company.

8. Miscellaneous.

(a) All notices or other communications given or made hereunder shall be in writing and shall be delivered or mailed by registered or certified mail, return receipt requested, postage prepaid, to the parties hereto at their respective addresses set forth herein.

(b) This Subscription Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia, without regard to its conflict of laws principles.

(c) This Subscription Agreement constitutes the entire agreement among the parties hereto with respect to the subject matter hereof and may be amended only by a writing executed by all parties hereto.

(d) The recitals and introductory paragraphs contained herein are hereby incorporated by reference and constitute a part of this Subscription Agreement.

(e) This Subscription Agreement may be executed in counterparts. Upon the execution and delivery of this Subscription Agreement by the Subscriber, this Subscription Agreement shall become a binding obligation of the Subscriber with respect to the purchase of the Interest(s) as herein provided.

IN WITNESS WHEREOF, the parties have executed this Subscription Agreement as of the day and year first written above.

COMSTOCK INVESTORS IX, L.C.

By: Comstock Holding Companies, Inc.
Its: MANAGER

Date of Execution

By: _____
Name: _____
Title: _____

OPERATING AGREEMENT
OF
COMSTOCK INVESTORS IX, L.C.
EFFECTIVE DATE: June , 2015

THE INTERESTS OF THE MEMBERS ISSUED UNDER THIS AGREEMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR THE SECURITIES ACT OF ANY STATE OR THE DISTRICT OF COLUMBIA. NO RESALE OF A MEMBERSHIP INTEREST BY A MEMBER IS PERMITTED EXCEPT IN ACCORDANCE WITH THE PROVISIONS OF THIS AGREEMENT AND ANY APPLICABLE FEDERAL OR STATE SECURITIES LAWS, AND ANY VIOLATION OF SUCH PROVISIONS COULD EXPOSE THE SELLING MEMBER AND THE COMPANY TO LIABILITY.

**OPERATING AGREEMENT
OF COMSTOCK INVESTORS IX, L.C.**

THIS OPERATING AGREEMENT is made effective for all purposes and in all respects as of June __, 2015, by and among the undersigned persons and entities and all persons or entities who execute a counterpart of this Agreement and become a Member (as hereinafter defined) in accordance with the provisions hereof.

WHEREAS, the parties hereto constituting all of the Members of the Company (as hereinafter defined) desire to enter into this Operating Agreement to provide for the operating, regulation and management of the Company, pursuant to Section 13.1-1023 of the Annotated Code of Virginia, as amended from time to time.

NOW, THEREFORE, in consideration of the foregoing, of the mutual promises set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

ARTICLE 1. DEFINITIONS.

1.1 Definitions. The following terms shall have the meanings set forth below for purposes of this Agreement:

“Act” shall mean the Virginia Limited Liability Company Act, Annotated Code of Virginia, Section 13.1-1000, et seq., as amended from time to time, and any successor law or laws.

“Additional Member” shall mean those Persons other than designated on Exhibit A admitted to the Company pursuant to the terms hereof.

“Adjusted Capital Account Balance” shall, with respect to each Member, mean the balance, if any, in such Member’s Capital Account as of the end of the applicable fiscal year of the Company, adjusted for the following:

(a) Such Capital Account shall be credited for any amounts to which such Member is obligated or treated as obligated to restore with respect to any deficit balance in its Capital Account pursuant to Treasury Regulations §§ 1.704-1(b)(2)(ii)(b)(3) and 1.704-1(b)(2)(ii)(c), respectively, *plus* such Member’s share of liabilities of the Company for which any Member has individual and ultimate liability for repayment.

(b) Such Capital Account shall be credited for any amounts which such Member is deemed to be obligated to restore with respect to any deficit balance in its Capital Account pursuant to the next to last sentences of each of Treasury Regulation § 1.704-2(g)(1) (that is, the Member’s share of the Company minimum gain) and Treasury Regulation § 1.704-2(i)(5) (that is, the Member’s share of the minimum gain attributable to Member Nonrecourse Debt).

(c) Such Capital Account shall be debited for any adjustment, allocation or distribution described in paragraph (4), (5) or (6) of Treasury Regulation § 1.704-1 (b)(2)(ii)(d).

“Affiliate” of any specified Person shall mean (a) any other Person controlling, controlled by, or under common control with, such specified Person, directly or indirectly; (b) any director, officer, member, shareholder, partner, or trustee of the specified Person; (c) any Person directly or indirectly beneficially owning or controlling 10% or more of the voting securities of, or otherwise having a substantial beneficial interest in, the specified Person; and (d) any spouse, brother, sister, mother, father, or child of the specified Person, or any trust for the primary benefit of one or more of the foregoing Persons.

“Agreement” shall mean this Operating Agreement and all exhibits attached hereto and made a part hereof, as amended, and in effect from time to time.

“Capital Account” shall, with respect to each Member, mean the separate “book” account for such Member to be established and maintained in all events in the manner provided under, and in accordance with, Treasury Regulation § 1.704-1(b)(2)(iv), as amended, and in accordance with the other provisions of Treasury Regulation § 1.704-1(b) that must be complied with in order for the Capital Accounts to be determined and maintained in accordance with the provisions of Treasury Regulation § 1.704-1(b)(2)(iv).

(a) In furtherance of and consistent with the foregoing, a Member’s Capital Account shall include generally, without limitation, the Capital Contribution of a Member (as of any particular date), (i) increased by the Member’s allocable share of Profit (as defined in Section 10.1 hereof), income, and gain of the Company (including, if such date is not the close of the Company Accounting Year, the allocable share of Profit, income and gain of the Company for the period from the close of the last Company

Accounting Year to such date); and (ii) decreased by the Member's allocable share of Loss and deductions of the Company and distributions by the Company to such Member (including, if such date is not the close of the Company Accounting Year, the allocable share of Loss and deductions of the Company and distributions by the Company during the period from the close of the last Company Accounting Year to such date). For purposes of the foregoing, distributions of property shall result in a decrease in a Member's Capital Account equal to the Gross Asset Value of such property distributed (less the amount of indebtedness, if any, of the Company which is assumed by such Member and/or the amount of indebtedness, if any, to which such property is subject, as of the date of distribution) by the Company to such Member.

(b) In the event that the Gross Asset Value of the Company Assets is adjusted under and pursuant to the definition of Gross Asset Value in this Section, the Capital Accounts of all Members shall be adjusted simultaneously therewith in order to reflect the aggregate net adjustment which would have occurred if the Company had recognized Profit or Loss equal to the amount of such aggregate net adjustment upon the disposition of the Company Assets at a purchase price equal to their Gross Asset Values, and such Profit and Loss were allocated pursuant to Article 10 hereof.

(c) In the event that the provisions of Treasury Regulation § 1.704-1(b)(2)(iv) fail to provide guidance on how adjustments to the Capital Accounts of the Members should be made to reflect particular adjustments to Company capital on the books of the Company, then such Capital Account adjustments shall be made by the Manager in its reasonable determination, with the review and concurrence of the Company's certified public accountants and/or with the advice of the professional tax advisors of the Company, in a manner that (i) maintains equality between (A) the aggregate Capital Accounts of the Members, and (B) the amount of Company capital reflected on the Company's balance sheet, as computed for book purposes in accordance with Treasury Regulation § 1.704-1(b); (ii) is consistent with the underlying economic arrangement among the Members; and (iii) is based, wherever practicable, on federal tax accounting principles.

"Capital Contribution" or "Capital Contributions" shall mean the aggregate amount of cash and/or the Gross Asset Value of property (less the amount of any initial reimbursement made to a Member pursuant to Section 7.12 hereof and less the amount of indebtedness, if any, of such Member, or its Affiliate, that is assumed by the Company and/or the amount of indebtedness, if any, to which such property is subject, as of the date of contribution (without regard to the provisions of Code § 7701(g)) contributed by a Member to the capital of the Company, as well as any additional contributions made to (or for the benefit of) the Company pursuant to this Agreement, including, but not limited to, any amounts paid by a Member (except to the extent (a) indemnification is made by another Member, or (b) such other Member has a claim of contribution against any other Member) in respect of any claims, liabilities or obligations against the Company and/or pursuant to any guaranty of Company indebtedness by such Member.

"Certificate" shall mean the Articles of Organization of the Company, as provided for pursuant to the Act, as originally filed with the office of the Commonwealth of Virginia State Corporation Commission, as amended and/or restated from time to time as herein provided.

"Class A Units" shall mean units of Company Interest having the characteristics described herein with respect to such class of Units.

"Class B Units" shall mean units of Company Interest having the characteristics described herein with respect to such class of Units.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and any successor law or laws.

"Company" shall mean Comstock Investors IX, L.C., a Virginia limited liability company, as said limited liability company may from time to time be constituted.

"Company Accounting Year" shall mean the accounting year of the Company for federal income tax purposes, ending December 31 of each year, unless the Manager determines otherwise pursuant to the Code or the Treasury Regulations promulgated thereunder.

"Company Assets", at any particular time, shall mean any assets or property (real or personal, tangible or intangible, fixed or contingent) of the Company.

"Company Business" shall be as set forth in Article 5 herein.

"Company Interest" shall mean an ownership interest in the Company evidenced by outstanding Units.

"Company Minimum Gain" shall mean partnership minimum gain determined pursuant to Treasury Regulation § 1.704-2(d).

"Comstock" shall mean Comstock Holding Companies, Inc., a Delaware corporation.

“Depreciation” shall mean depreciation as determined under the method of accounting prescribed for compliance with the capital account maintenance rules set forth in Treasury Regulation § 1.704-1(b)(2)(iv), as distinguished from any accounting method that the Company may adopt for other purposes such as financial reporting.

“Distributable Cash Flow” shall mean all cash amounts received by the Company (such as, but not limited to, rental revenue, loan or refinance proceeds (including loan or refinance proceeds related to a Project), partnership distributions, stock dividends or similar distributions, net proceeds on the sale of any Company Asset (including a Project or any portion thereof), and the Capital Contributions of the Members), plus any other funds (including amounts previously set aside as reserves by the Manager, where and to the extent it no longer regards such reserves as necessary, in its sole and absolute discretion, in the efficient conduct of the Company Business deemed available for distribution by the Manager), less (a) the total cash disbursements of the Company in the ordinary course of the Company Business (such as, but not limited to, operating expenses of the Company and repayments of any loans or paid in capital made to the Company by any Person whatsoever (including Members) and permitted Manager reimbursements; less (b) such reserves as are necessary to meet any loan covenants in financial agreements; and less (c) such reserves or other uses of cash as the Manager, in its reasonable discretion, shall deem to be necessary for the efficient conduct of the Company Business.

“Effective Date” shall mean the date inserted in the opening paragraph of this Agreement.

“Gross Asset Value” shall mean, with respect to any Company Asset, such Company Asset’s adjusted basis for federal income tax purposes, except as follows at the time of contribution:

(a) the initial Gross Asset Value of any property contributed by a Member to the Company shall be the fair market value of such property as reasonably determined by the Tax Matters Member and the contributing Member;

(b) the Gross Asset Values of all Company Assets shall be adjusted to equal their respective fair market values, as reasonably determined by the Tax Matters Member, as of the following times: (i) immediately prior to the acquisition of an additional interest in the Company by any new or existing Member in exchange for more than a de minimis Capital Contribution; (ii) immediately prior to the distribution by the Company to a Member of more than a de minimis amount of money or other Company Asset as consideration for an interest in the Company; (iii) the liquidation of the Company within the meaning of Treasury Regulation Section 1.704-1(b)(2)(ii)(g); (iv) the grant of an interest in the Company as consideration for the provision of services to or for the benefit of the Company by an existing Member acting in a Member capacity or in anticipation of being a Member; and (v) in such other circumstances as permitted by the Code and the Treasury Regulations promulgated thereunder; provided, however, that the adjustments pursuant to clauses (i), (ii), (iv) and (v) above shall be made only if the Tax Matters Member determines, in its reasonable discretion and subject to the reasonable consent of the Priority Members, that such adjustments are necessary or appropriate to reflect the relative economic interests of the Members in the Company;

(c) the Gross Asset Value of any Company Asset distributed to any Member shall be adjusted to equal the fair market value, as reasonably determined by the Tax Matters Member, of such Company Asset on the date of distribution; and

(d) the Gross Asset Value of each Company Asset shall be increased (or decreased) to reflect any adjustments to the adjusted basis of such Company Asset pursuant to Code Section 734(b) or Code Section 743(b), but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(m); provided, however, that Gross Asset Value shall not be adjusted pursuant to this clause (d) to the extent the Tax Matters Member determines, in its reasonable discretion, that an adjustment pursuant to clause (b) is necessary or appropriate in connection with a transaction that would otherwise result in an adjustment pursuant to this clause (d).

If the Gross Asset Value of any Company Asset has been determined or adjusted pursuant to clauses (a), (b) or (d) of this definition, such Gross Asset Value shall thereafter be adjusted by the Depreciation taken into account with respect to such Company Asset for purposes of computing Profit and Loss.

“Initial Closing” shall mean the execution of the Agreement by the Manager upon the collection by the Manager of initial Capital Contributions equal to \$1,500,000, or such lesser amount as it estimates may be required by the Company to adequately fund the Project.

“Manager” shall mean that Person elected by the Members to serve as manager of the Company pursuant to Section 7.3 of this Agreement, including any successor Manager duly elected in accordance with the terms of this Agreement.

“Member(s)” shall mean those Persons designated as such on Exhibit A-1 and Exhibit A-2, attached hereto and any amendment thereof.

“Member Non-recourse Debt” shall mean any non-recourse liability (that is, any liability considered nonrecourse for purposes of Treasury Regulation § 1.1001-2 and any other liability for which the creditor’s right to repayment is limited to one or more of the Company Assets), or portion thereof, for which a Member bears (or is deemed to bear) the economic risk of loss within the meaning of Treasury Regulation § 1.752-2(b)(1).

“Member’s or Members’ Loans “ shall mean any loans to the Company made by Members in accordance with Section 8.4 hereof.

“Negative Capital Account” shall mean a Capital Account with a balance less than zero.

“Percentage Interest” means, with respect to each Member, a percentage equal to the total number of Units of a class held by such Member divided by the total number of Units outstanding in that class.

“Person” shall mean any natural person, his heirs, executors, administrators, legal representatives, successors and assigns where the context so admits, general partnership, limited partnership, limited liability partnership, limited liability company, joint venture, corporation, trust, estate, sole proprietorship, unincorporated organization, association, employee organization, mutual company, joint stock company, firm, institution, or other entity.

“Positive Capital Account” shall mean a Capital Account with a balance greater than zero.

“Priority Members” shall mean all of the Members holding Class B Units.

“Priority Return” means, in respect of any Priority Member, a cumulative, compounded preferred return to such Priority Member that accrues and accumulates at a rate of twenty percent (20%) per annum, compounded annually (calculated like interest) on the amount of Unreturned Capital Contributions of such Priority Member calculated from the date a Capital Contribution is physically received by the Company; provided, that for the purposes of such calculation, distributions of cash to a Priority Member shall be deemed to have been made as of the last day of a month if such cash distributions are sent to the Priority Member not later than the thirtieth (30th) day of the following month; and also provided that a Priority Member’s Priority Return shall be adjusted and tried up on a one time basis and added to their Capital Account at the time the Total Capital Contribution has been received by the Company.

“Project(s)” shall mean the residential real estate construction project commonly known as Stone Ridge consisting of real property approved for construction of 35 single family residential lots located in Aldie, Loudoun County, Virginia.

“Project Entity” shall mean Stone Ridge.

“Requisite Members” shall mean Members who, in the aggregate, own at least 2/3 of the Class A Units and at least 2/3 of the Class B Units.

“Stone Ridge” shall mean Comstock Stone Ridge, L.C.

“Tax Matters Member” shall mean the Member designated in Section 7.13.

“Total Capital Contribution” shall mean the aggregate amount of the Capital Contributions made to the Company up to but in no event to exceed \$2,900,000.

“Treasury Regulation” shall mean the federal income tax regulations, including any temporary or proposed regulations, promulgated under the Code, as such Treasury Regulations may be amended from time to time (it being understood that all references herein to specific sections of the Treasury Regulations shall be deemed also to refer to any corresponding provisions of succeeding Treasury Regulations).

“Units” means Class A Units, Class B Units and units of Company Interest of any other class or series that is hereafter authorized.

“Unpaid Priority Return” means, with respect to each Priority Member, the aggregate Priority Return of such Priority Member, minus the cumulative distributions paid to such Priority Member pursuant to Section 9.1(a) of this Agreement (including by operation of Section 13.2(c)).

“Unreturned Capital Contributions” means, with respect to each Priority Member, the sum of all Capital Contributions made to the Company by such Priority Member, minus the cumulative distributions paid to such Member pursuant to Section 9.1(b) of this Agreement (including by operation of Section 13.2(c)).

ARTICLE 2. FORMATION; NAME OF THE COMPANY.

2.1. Company Formation. The parties hereto have formed and agree to continue the Company pursuant to the provisions of the Act. The terms and provisions hereof will be construed and interpreted in accordance with the terms and provisions of the Act, and if any of the terms and provisions of this Agreement should be deemed inconsistent with those of the Act, the Act will be controlling unless otherwise provided herein. The Members intend that the Company shall be taxed as a partnership for state and/or federal income tax purposes. Each party hereto represents and warrants that it is duly authorized to join in this Agreement and that the Person executing this Agreement on behalf of each party is duly authorized to do so.

2.2. Name. The name of the Company is "Comstock Investors IX, L.C." The business of the Company shall be conducted under such name or such other names as the Manager or the Members may from time to time determine.

2.3. The Certificate, etc. The Members hereby agree to execute, file, and record all such certificates and documents, including amendments to the Certificate, and to do such other acts as may be appropriate to comply with all requirements for the formation, continuation, and operation of a limited liability company, the ownership of property, and the conduct of business under the laws of the Commonwealth of Virginia and any other jurisdiction in which the Company may own property or conduct business.

ARTICLE 3. PRINCIPAL OFFICE AND PLACE OF BUSINESS.

3.1. Principal Office. The principal office of the Company at which the records of the Company shall be kept is 1886 Metro Center Drive, 4th Floor, Reston, Virginia 20190, or such other address designated by the Manager. The Company may have such other or additional offices as the Manager, in its sole discretion, shall deem advisable.

3.2. Registered Agent. The registered office of the Company in the Commonwealth of Virginia is: 1886 Metro Center Drive, 4th Floor, Reston, Virginia 20190 and the name of the registered agent of the Company in the Commonwealth of Virginia at such address is Christopher Clemente.

3.3. Change. The principal business office, the registered office, and the registered agent of the Company may be changed by the Manager from time to time in accordance with the applicable provisions of the Act and any other applicable laws.

ARTICLE 4. TERM

The term of the Company shall continue in perpetuity, unless it is earlier terminated in accordance with the terms of this Agreement or the provisions of the Act.

ARTICLE 5. BUSINESS OF THE COMPANY.

5.1. Purposes. The purposes of the Company, on either a direct or indirect basis, are (a) to make equity investments, directly or indirectly, in the Project; (b) to own and develop, directly or indirectly, the real property with respect to the Project; (c) to lease, hold manage, operate, and maintain such real property and any improvements constructed thereon; (d) to sell such real property and any improvements constructed thereon; (e) to enter into agreements to provide for the construction or management of the construction of the Project; (f) to engage in any other activities relating to, and compatible with, the development of the Project and the construction and management of construction of the Project; (g) to authorize or enter into agreements to lease, manage and maintain the Project; (h) to take such other actions, or do such other things, as are necessary or appropriate (in the sole discretion of the Manager) to carry out the provisions of this Agreement; and (i) to engage in any other lawful act or activity for which limited liability companies may be organized under the Act, and by such statement all lawful acts and activities shall be within the purposes of the Company, except as otherwise prohibited in this Agreement.

5.2. Powers. In furtherance of its purposes, but subject to all of the provisions of this Agreement, the Company, on either a direct or indirect basis, shall have the power and is hereby authorized to (a) acquire by purchase, lease, contribution of property, or otherwise, own, sell, convey, transfer, or dispose of any real property or personal property that may be necessary, convenient, or incidental to the accomplishment of the purposes of the Company; (b) operate, purchase, maintain, finance, improve, own, sell, convey, assign, mortgage, lease, demolish, or otherwise dispose of any real or personal property that may be necessary, convenient or incidental to the accomplishment of the purposes of the Company; (c) borrow money and issue evidences of indebtedness in furtherance of any or all of the purposes of the Company, and secure the same by mortgage, pledge, or other lien on any Company Assets; (d) invest any funds of the Company pending distribution or payment of the same pursuant to the provisions of this Agreement; (e) prepay in whole or in part, refinance, recast, increase, modify, or extend any indebtedness of the Company and, in connection therewith, execute any extensions, renewals, or modifications of any mortgage or security agreement securing such indebtedness; (f) enter into, perform, and carry out contracts of any kind, including, without limitation, contracts with any Affiliate, necessary to, in conjunction with, or incidental to the accomplishment of the purposes of the Company; (g) establish reserves for capital expenditures, working capital, debt service, taxes, assessments, insurance premiums, repairs, improvements, depreciation, depletion, obsolescence, and general maintenance of Company

Assets out of the rents, profits, or other income received; (h) employ or otherwise engage employees, managers, contractors, advisors and consultants (including Affiliates) and pay reasonable compensation for such services; (i) enter into partnerships or other ventures with other Persons in furtherance of the purposes of the Company; (j) to reimburse the Manager for its expenditures made on behalf of the Projects or the Company; and (k) do such other things and engage in such other activities related to the foregoing as may be necessary, convenient, or advisable with respect to the conduct of the Company Business, and have and exercise all of the powers and rights conferred upon limited liability companies formed pursuant to the Act.

5.3 Title to Assets. Subject to financing requirements, the Company shall own one hundred percent of the membership interests of the Project Entity and the Project Entity shall retain title to the real property constituting the Project. No Member, individually, or collectively, has any ownership of a real property interest in a Project and hereby conclusively acknowledges legal title to such assets will be held in the name of the Project Entity. Any action by a Member, individually or collectively, affecting or purporting to affect the title of a Project shall subject such Member to the indemnification provisions of Section 16 hereof.

ARTICLE 6. MEMBERS.

6.1. Identity. The names, Capital Contributions and Company Interests of the Members are set forth on Exhibit A-1 and Exhibit A-2 attached hereto, which shall be modified by the Manager, from time to time, as necessary to effect the addition or withdrawal of Members, the issuance and transfer of Units and the making by a Member of an additional Capital Contributions in accordance with this Agreement.

6.2. Liability of Members.

(a) Except as provided in this Section 6.2, no Member shall have any personal liability whatever in its capacity as a Member, whether to the Company, to any of the Members or to the creditors of the Company, for the debts, liabilities, contracts, or any other obligations of the Company or for any losses of the Company. A Member shall be liable to make only its Capital Contribution and shall not be required to lend any funds to the Company or, after its Capital Contribution shall have been paid, subject to the provisions of Sections 6.2(b) and (c) below, to make any further Capital Contributions to the Company or to repay to the Company, any Member, or any creditor of the Company all or any portion of any negative amount of such Member's Capital Account.

(b) If in accordance with any applicable state law, a member of a limited liability company may, under certain circumstances be required to return amounts previously distributed to such member, and if a court of competent jurisdiction holds that, notwithstanding the provisions of this Agreement, any Member is obligated to make any such payment, any such obligation shall be the obligation of such Member only.

(c) If any Member is deemed to have received a distribution from the Company pursuant to Article 9, and the aggregate of such distributions exceeds the distributions to which such Member is otherwise entitled, such Member shall be obligated to repay such excess to the Company.

(d) Neither the Manager nor any of its Affiliates shall have any personal liability for the return or repayment of the Capital Contribution of any Member. The Manager shall not be liable to any Member by reason of any change in the federal income tax laws as they apply to the Company and the Members, whether such change occurs through legislative, judicial, or administrative action, so long as the Manager has acted in good faith and in a manner reasonably believed to be in the best interest of the Members.

(e) Notwithstanding anything contained in this Agreement to the contrary, upon the dissolution and termination of the Company, no Member shall have any personal liability to repay to the Company any portion or all of any Member's Negative Capital Account.

6.3. Meetings. Meetings of the Members may be called at any time by the Manager. A meeting shall be called by the Manager promptly upon receipt of a written request therefor by Members holding in the aggregate Company Interests representing a majority of Members. If the Manager shall fail to call such meeting within 20 days after receipt of such request, any Member executing such request may call such meeting. Such meetings of the Members shall be held at such places, within or without the Commonwealth of Virginia, as shall be specified in the respective notices or waivers of notice thereof, provided that no meeting shall be held outside the Commonwealth of Virginia without the prior written consent of the Manager.

6.4. Notice of Meetings; Waiver.

(a) The Manager shall cause notice of the place, date, hour and purpose(s) of each meeting of the Members to be given personally or by telephone, facsimile, email, overnight courier or mail, not less than 48 hours nor more than 60 days prior to such meeting, to each Member entitled to vote at such meeting. If such notice is mailed, it shall be deemed to have been given to a Member when deposited in the United States mail, postage prepaid, directed to the Member at its address as it appears on the record of Members of the

Company, or, if it shall have filed with the Manager a written request that notices to it be mailed to some other address, then directed to such other address. If such notice is given by facsimile or e-mail, it shall be deemed to have been given to a Member when sent to a facsimile number or email address for such Member in the Company's records unless a return or error message is generated within four hours thereafter. Such further notice shall be given as may be required by law.

(b) No notice of any meeting of Members need be given to any Member who submits a signed waiver of notice, whether before or after the meeting. Neither the business to be transacted at, nor the purpose of a meeting of the Members need be specified in a written waiver of notice. The attendance of any Member at a meeting of Members shall constitute a waiver of notice of such meeting, except when the Member attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business on the ground that the meeting is not lawfully called or convened.

6.5. Quorum. Except as otherwise required by law, the presence in person or by proxy of Members holding (i) a majority of the Class A Units entitled to vote, and (ii) a majority of the Class B Units entitled to vote, shall constitute a quorum for the transaction of business at such meeting.

6.6. Voting. Members shall be entitled to one vote for each Unit held by them, as reflected on the books of the Company at the close of business on the day immediately preceding the day on which notice of the meeting is given, or, if notice is waived, at the close of business on the day immediately preceding the day on which the meeting is held. Except as otherwise required by law or by this Agreement, the vote of a majority of the Units represented in person or by proxy at any meeting at which a quorum is present shall be sufficient for the transaction of any business at such meeting.

6.7. Adjournment. If a quorum is not present at any meeting of the Members, the Members present in person or by proxy shall have the power to adjourn any such meeting from time to time until a quorum is present. Notice of any adjourned meeting of the Members of the Company need not be given if the place, date, and hour thereof are announced at the meeting at which the adjournment is taken; provided, that if the adjournment is for more than 30 days, a notice of the adjourned meeting, conforming to the requirements of Section 6.4 hereof, shall be given to each Member entitled to vote at such meeting. At any adjourned meeting at which a quorum is present, any business may be transacted that might have been transacted on the original date of the meeting.

6.8. Proxies.

(a) Any Member entitled to vote at any meeting of the Members or to express consent to or dissent from action without a meeting may, by a written instrument signed by such Member or its attorney-in-fact, authorize another Person to vote at any such meeting and express such consent or dissent for it by proxy. Execution may be accomplished by the Member or its authorized officer, director, employee or agent signing such writing or causing its signature to be affixed to such writing by any reasonable means including, but not limited to, facsimile or PDF signature. A Member may authorize another Person to act for it as proxy by transmitting or authorizing the transmission of a facsimile or email to the Person who will be the holder of the proxy; provided, that any such facsimile or email must either set forth or be submitted with information from which it can be determined that the facsimile or email was authorized by the Member.

(b) No such proxy shall be voted or acted upon after the expiration of three years from the date of such proxy, unless such proxy provides for a longer period. Every proxy shall be revocable at the pleasure of the Member executing it, except in those cases where applicable law provides that a proxy shall be irrevocable. A Member may revoke any proxy that is not irrevocable by attending the meeting and voting in person or by filing an instrument in writing revoking the proxy or by filing another duly executed proxy bearing a later date with the secretary of the Company. A duly executed proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power.

6.9. Organization; Procedure. At every meeting of the Members, the presiding officer shall be the Manager or, in the event of its absence or disability, a presiding officer chosen by those Members present in person or by proxy holding in the aggregate a majority of the Class A Units. Such presiding officer shall act as secretary of the meeting. The order of business and all other matters of procedure at every meeting of Members may be determined by such presiding officer.

6.10. Consent of Members in Lieu of Meeting. To the fullest extent permitted by the Act, whenever the vote of the Members at a meeting thereof is required or permitted to be taken for or in connection with any action, such action may be taken without a meeting, without prior notice, and without a vote of Members, if a consent or consents in writing, setting forth the action so taken, shall be signed by Members whose vote would have been sufficient to take such action at a meeting and shall be delivered to the Company by delivery to its registered office or principal place of business in the Commonwealth of Virginia, or to the Manager or other duly appointed agent or representative of the Company having custody of the book in which proceedings of meetings of Members are recorded.

6.11. Action by Telephonic Communications. Members may participate in a meeting of Members by telephone or similar communications equipment by means of which all Persons participating in the meeting can hear each other, and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting.

6.12. Units Generally. The Company Interests shall be represented by issued and outstanding Units, which may be divided into one or more types, classes or series, with each type or class or series having the rights and privileges, including voting rights, if any, set forth in this Agreement. Ownership of a Unit (or fraction thereof) shall not entitle a Member to call for a partition or division of any property of the Company or for any accounting. Priority Members acknowledge that the terms of the Company Interest held by one Priority Member may not be identical to the terms of the Company Interest held by another Priority Member.

6.13. Authorization and Issuance of Units. Provided the Manager has first obtained the consent of not less than sixty-five percent (65%) of the Priority Members, the Company is hereby authorized to (a) issue an unlimited number of Class A Units and Class B Units, (b) create other classes and series of Units and (c) issue or to provide for the issuance of Units in any class or series by amending this Agreement to fix the relative rights, obligations, preferences and limitations of the Units of each such class or series, subject however, to the restrictions set forth in Section 8.1(b). Upon any issuance of Units, the Manager shall adjust the Capital Accounts of the Members as necessary to reflect such issuance.

6.14. Repurchase and Redemption of Class B Units.

(a) Notwithstanding any other terms, conditions or provisions of this Agreement, Comstock shall have the right at any time to purchase the Company Interest of the Priority Members upon the following terms and conditions:

(i) Comstock must purchase all of the Company Interest of all of the Priority Members;

(ii) The purchase price ("Purchase Price") to be paid to each of the Priority Members for each such Priority Member's Company Interest shall be paid in cash at settlement and closing on the purchase of the Priority Member's Company Interest;

(iii) The Purchase Price shall be equal to (x) the Priority Member's Unreturned Capital Contributions; (y) the Priority Member's Unpaid Priority Return; and (z) an amount necessary to cause the return paid to the Priority Member to equal the Priority Return.

ARTICLE 7. MANAGER AND MANAGEMENT OF THE COMPANY.

7.1. Number, General Powers and Restrictions Thereon. Except as may otherwise be provided by the Act or by this Agreement, the property, affairs, and Company Business shall be managed by or under the direction of a single Manager, and the Manager may exercise all the powers of the Company, and the Members shall have no right to act on behalf of or bind the Company. The number of Managers may be increased or decreased (although never to less than one) at any time by a vote of the Requisite Members. A Manager shall not be required to be a Member, or a resident of the Commonwealth of Virginia.

7.2. Term of Office. The Manager shall hold office throughout the term of the Company until the earlier of the time of its earlier death or dissolution, resignation, or removal.

7.3. Election of Managers. The Manager shall be elected by the vote of the Requisite Members. The Members hereby elect Comstock as the initial Manager of the Company for the purpose of exercising all of the rights granted to the Manager pursuant to this Agreement.

7.4. Action by the Manager. The Manager shall take action in such manner and at such time and place as it desires. No action of the Manager need be in writing unless otherwise required under this Agreement.

7.5. Regulations; Manner of Acting. To the extent consistent with applicable law and this Agreement, the Manager may adopt such rules and regulations for the management of the Company Business and the Company Assets as the Manager may deem appropriate.

7.6. Resignations; Removal. The Manager may resign at any time upon 60 days' prior written notice to the Company. The Manager may be removed, with or without cause at any time, by a vote of the Requisite Members. The removal of the Manager may be taken at any meeting of Members called for such purpose, or by written consent of the Requisite Members without a meeting as permitted by Section 6.10 hereof.

7.7. Vacancies and Newly Created Manager Positions. If a Manager shall no longer serve the Company by reason of death, dissolution, resignation, removal, or otherwise, or if the authorized number of Managers shall be increased, the Manager(s) then in office, if any, shall continue to act, and such vacancies and newly created Manager positions may be filled by a majority of the Managers then in office, or by a sole remaining Manager. A Manager elected to fill a vacancy or a newly created Manager position shall hold office until its successor has been elected and qualified or until its earlier death, dissolution, resignation, or removal. Any such vacancy or newly created Manager position also may be filled at any time by vote of the Requisite Members pursuant to Section 7.3 hereof.

7.8. Books and Records. The Manager shall cause to be kept complete and accurate books and records of account of the Company at all times in compliance with the Act. The books of the Company (other than books required to maintain Capital Accounts) shall be kept on the accrual basis of accounting, and otherwise in accordance with generally accepted accounting principles; shall be reviewed annually by the Manager's independent certified public accountants and shall be made available to the Members at the principal office of the Company. A current list of the full name and last known business address of each Member, set forth in alphabetical order; a copy of the Certificate; executed copies of all powers of attorney pursuant to which the Certificate or any portion thereof has been executed; copies of the Company's federal, state, and local income tax returns and reports, if any, for the three most recent years; an executed copy of this Agreement; copies of any financial statements of the Company for the three most recent years and all other records required to be maintained pursuant to the Act shall be maintained at the principal office of the Company.

7.9. Reserves. The Manager may from time to time, in its discretion, establish reasonable cash reserves, in such amounts and on such terms as it determines are necessary and appropriate for the operations of the Company Business.

7.10. Authority, Rights and Duties of the Manager.

(a) The Manager shall have full, complete, and exclusive discretion to manage and control the Company Business within the authority granted under this Agreement and subject to the express limitations expressly set forth herein. The Manager, in extension and not limitation of this Agreement (except as otherwise provided for herein), shall have all of the rights and powers of a manager under the Act and the laws of the Commonwealth of Virginia and the right, power, and authority, acting at all times for and on behalf of the Company, or a Project Entity, to enter into and execute any agreement or agreements, promissory note or notes, loans and loan modifications, and any other instruments or documents, and to undertake and do all acts necessary to carry out the purposes for which the Company was formed.

(b) The Manager shall devote to the management of the Company Business so much of its time as it deems reasonably necessary for the efficient operation of the Company Business. The Manager may act as general partner or manager in other limited partnerships or limited liability companies. All decisions made for and on behalf of the Company by the Manager shall be binding upon the Company. Any person dealing with the Company or the Manager may rely upon a certificate signed by the Manager, thereunto duly authorized, as to: (i) the necessity or expediency of any act or action of the Manager; (ii) the identity of the Manager or any Member; (iii) the existence or non-existence of any fact or facts which constitute conditions precedent to acts by the Manager (including, without limitation, conditions, provisions and other requirements herein set forth relating to borrowing and the execution of mortgages or any other encumbrances to secure the same) or which are in any other manner germane to the Company Business; or (iv) any act or failure to act by the Company or as to any other matter whatsoever involving the Company or any Member. Any and every Person relying upon any document signed or action taken by the Manager on behalf of the Company or claiming thereunder may conclusively presume that (A) at the time or times of the execution and/or delivery thereof, this Agreement was in full force and effect; (B) any instrument or document was duly executed in accordance with the terms and provisions of this Agreement and is binding upon the Company, and all of the Members thereof; and (C) the Manager was duly authorized and empowered to execute and deliver any and every such instrument or document for and on behalf of the Company.

(c) In furtherance, and not in limitation, of the foregoing provisions of this Section and of the other provisions of this Agreement, and subject to the provisions of Section 7.11, but otherwise without the consent of any Member, the Manager, on behalf of the Company or a Project Entity, is specifically authorized and empowered to:

- (i) employ and dismiss from employment any and all employees and agents, and obtain all management, legal, accounting, and other services necessary in connection with the Company Business;
- (ii) maintain adequate staff and facilities to carry out the Company Business;
- (iii) make any and all decisions that the Company may be entitled and/or required to make under the terms of any and all documents, agreements, or other instruments relative to operating the Company Business;
- (iv) generally bind the Company and execute and deliver any and all documents and instruments on the Company's behalf;

-
- (v) represent the Company on the management committee or any similar or equivalent governing or managing body of any operating entity in which the Company invests, and in such representative capacity vote in favor of or against any and all decisions for such operating entity;
- (vi) execute any and all instruments and documents as shall be required by any lender in connection with any loan or loans to the Company or for the Projects;
- (vii) establish, negotiate and document an equity investment by or in a Project, the Company or a Project Entity;
- (viii) arrange for bank or other debt financing for the Project, including any refinancing or modifications thereto, and execute resolutions approving the same without the consent or approval of the Priority Members (except that the Company may not incur indebtedness without the prior approval of the Requisite Members);
- (ix) execute any and all instruments or documents required by any third party dealing with the Company in connection with any Company Business including, but not limited to, executing any mortgage, note, contract, bank resolution and signature card, release, discharge, or any other document or instrument in any way related thereto or necessary or appropriate in connection therewith;
- (x) to the extent that funds of the Company are available therefor, pay all taxes, assessments and other impositions applicable to the Company;
- (xi) to the extent that funds of the Company are available therefor, pay all debts and other obligations of the Company;
- (xii) execute and file in the appropriate recording offices the proper organizational documents for the Projects and the Company and any and all other documents which are necessary and appropriate in connection therewith and take any and all actions contemplated thereby;
- (xiii) prepare and distribute, or cause to be prepared and distributed, the books of account and other statements and reports described in Article 17 hereof;
- (xiv) apply for, make proffers and commitments with regard to and obtain any and all governmental permits, approvals, licenses necessary and appropriate in connection with or in any way related to the Company Business;
- (xv) place and carry public liability, workmen's compensation, fire, extended coverage, business interruption, errors and omissions and such other insurance as may be necessary, in the Manager's sole discretion, for the protection of the Company Assets and interests of the Company;
- (xvi) generally, in accordance with this Agreement, do all things in connection with any of the foregoing; manage and administer the day-to-day business and affairs of the Company; execute all documents on behalf of the Company; pay all costs or expenses connected with the operation or management of the Company and sign or accept all checks, notes and drafts on the Company's behalf;
- (xvii) negotiate and enter into contracts in the name of the Company and carry out the Company's obligations pursuant to the terms and conditions of a contract;
- (xviii) subject to Sections 6.13 and 8.1(b), to create any additional class of Units;
- (xix) subject to Sections 6.13 and 8.1(b), to issue Units of any existing or additional class; and
- (xx) generally, do all things consistent with any and all of the foregoing on behalf of the Company.

7.11. Limitations of Authority.

(a) The Manager shall not have the authority, without the consent of not less than sixty-five percent (65%) of the Priority Members, to take any action in contravention of this Agreement or to amend this Agreement, except that the Manager shall have the authority, without the consent of any Member, to amend this Agreement to reflect (i) the admission of an additional or substitute Member, pursuant to Section 14.1(h) or as otherwise permitted herein, (ii) the withdrawal of a Member, (iii) the change in the Company Interest of a Member, and (iv) a change in the Capital Contribution of a Member, (v) the admission of Members subsequent to the Initial Closing. Furthermore, the Manager shall not have the authority, without the consent of the Requisite Members, to fundamentally alter the Company Business.

(b) The Manager and its Affiliates, as well as their respective directors, officers, shareholders, partners, members, employees or agents shall not be liable, responsible, or accountable in damages or otherwise to the Company or any of the Members for any act or omission performed or omitted by it in good faith on behalf of the Company, or a Project Entity, and in a manner reasonably believed by it to be within the scope of the authority granted to it by this Agreement and in the best interests of the Company or a Project Entity. For purposes of this Section, any action or omission taken on advice of counsel for the Company or the certified public accountants for the Company shall be deemed to have been taken in good faith. Except as may otherwise be provided by the Act, no suit or other action brought by a Member against the Manager or the Company shall cause the termination or dissolution of the Company. The Manager and its Affiliates, as well as their respective directors, officers, shareholders, partners, members, employees or agents shall be entitled to indemnification from the Company for any loss, damage, or claim (including any attorney's fees incurred by the Manager or its Affiliates, as well as their respective directors, officers, shareholders, partners, members, employees or agents, in connection therewith which shall be advanced by the Company) due to any act or omission made by it in good faith on behalf of the Company and in a manner reasonably believed by it to be within the scope of the authority conferred on it by this Agreement and in the best interests of the Company; provided, that any indemnity will be paid out of, and to the extent of, Company Assets only, and no Member will have any personal liability on account thereof.

7.12. Compensation to Manager; Reimbursements.

(a) The Manager shall be fully and entirely reimbursed by the Company for any and all reasonable and actual third party costs and expenses incurred by the Manager in connection with the management and supervision of the Company Business, prosecution of the Project, the Project Entity and the performance of its duties hereunder. With respect to any such reimbursement, upon reasonable written request from one or more Members owning at least twenty percent (20%) of any class of Units, the Manager shall present the Members with such invoices on a timely basis, in such detail and with such receipts, as are reasonable to substantiate such costs and expenses. Without limiting the Manager's future right to reimbursement hereunder, the Manager may obtain an initial cash reimbursement from the Company of prior expenditures previously made on behalf of the Project from the proceeds of the initial Capital Contributions, and the Manager may, from time to time, also obtain reimbursement from the Company (or the Project Entity) for the allocable share of the Manager's costs to operate its business, including but not limited to construction management fees, the salaries and bonuses of employees and officers of the Manager or its Affiliates and other indirect expenses related to the Project; provided however, the amount of such reimbursement shall not exceed three percent (3.0%) of the projected revenue of the Project; payable monthly on a pro rata basis based on the projected duration of each Project.

(b) Except as set forth in Section 7.12 (a), the Manager shall not receive any management or other fee, but shall be compensated for its efforts in managing the Company solely through distributions made to it as set forth in Article 9;

7.13. Tax Matters Member.

(a) The Manager shall serve as the "Tax Matters Member" of the Company under the Code. Each Member, by the execution of this Agreement, consents to such designation of the Tax Matters Member and agrees to execute, certify, acknowledge, deliver, swear to, file and record at the appropriate public offices such documents as may be necessary or appropriate to evidence such consent.

(b) The Tax Matters Member is hereby authorized but, unless required by the Code, not required:

(i) to enter into any settlement with the Internal Revenue Service ("Service") or the Secretary of the Treasury ("Secretary") with respect to any tax audit or judicial review, in which agreement the Tax Matters Member may expressly state that such agreement shall bind the other Members, except that such settlement agreement shall not bind any Member who (within the time prescribed pursuant to the Code and regulations thereunder) files a statement with the Secretary providing that the Tax Matters Member shall not have the authority to enter into a settlement agreement on behalf of such Member;

(ii) in the event that a notice of a final administrative adjustment at the Company level of any item required to be taken into account by a Member for tax purposes (a "final adjustment") is mailed to the Tax Matters Member, to seek judicial review of such final adjustment, including the filing of a petition for readjustment with the Tax Court, the District Court of the United States for the district in which the Company's principal office is located, or the United States Claims Court;

(iii) to intervene in any action brought by any other Member for judicial review of a final adjustment;

(iv) to file a request for an administrative adjustment with the Secretary at any time and, if any part of such request is not allowed by the Secretary, to file a petition for judicial review with respect to such request;

(v) to enter into an agreement with the Service to extend the period for assessing any tax which is attributable to any item required to be taken into account by a Member for tax purposes, or an item affected by such item; and

(vi) to take any other action on behalf of the Members or the Company in connection with any administrative or judicial tax proceeding to the extent permitted by applicable law or regulations.

(c) The Company shall be liable for and indemnify and reimburse the Tax Matters Member for all out-of-pocket expenses, including legal and accounting fees, claims, liabilities, losses and damages incurred in connection with any administrative or judicial proceeding with respect to the tax liability of the Members. Neither the Manager nor any other person shall have any obligation to provide funds for such purpose other than their proportionate share of such expenses as a Member of the Company. The taking of any action and the incurring of any expense by the Tax Matters Member in connection with any such proceeding, except to the extent required by law, is a matter in the sole discretion of the Tax Matters Member.

7.14. Section 754 Election. The Manager may, if it so elects, cause the Company to make the Section 754 election under the Code, or cause the Company to make or revoke all other tax elections under the Code. Each Member hereby agrees to furnish to the Company, at its own expense, upon the request of the Manager and within 30 days of such request, such information as is reasonably necessary to accomplish the adjustments in basis contemplated by the election under Section 754 of the Code.

7.15. Independent Ventures. The Manager and/or its Affiliates may engage or continue to engage in other business activities, including residential real estate development and construction, general contracting, general real estate brokerage, home remodeling and custom homebuilding, title insurance, brokering mortgage loans, and owning and managing rental investment real estate or any other similar or related matter ("Manager Activities"), whether in competition with the Company or not, directly or through other entities. The Members acknowledge that the Manager serves as a general partner, limited partner, managing member, member and/or shareholder, as the case may be, of limited partnerships, limited liability companies and/or corporations participating in Manager Activities and that Christopher Clemente (an "Officer") is involved in business ventures other than those related to the Manager ("Officer Activities"). The Members, by executing this Agreement, hereby consent to the Manager's and Officer's current and future involvement in such Manager Activities and/or Officer Activities and agree that any profit or gains therefrom are not to be considered income or property of the Company. The Members further acknowledge and agree that the Company (or Project Entity) may purchase goods or services at competitive fair market rates from the Manager or its Affiliates or successors thereto and/or the Officers involved in Manager Activities and/or Officer Activities, and the profits therefrom shall not be profits of the Company.

7.16. Consent and Approval.

(a) Whenever the Manager desires to take any action which requires the consent or approval of all or any portion of the Members, or for which the Manager seeks consent or approval even if such consent or approval is not required, the Manager shall give written notice thereof to each Member from whom any such consent or approval is required or desired. Within five (5) days after delivery of such notice in accordance with Article 18 hereof, such Member shall give written notice to the Manager consenting to or opposing the proposed action. If any such Member does not respond within such five (5) day period, the Manager shall give a second written notice thereof to each Member from whom any such consent or approval is required or desired. If any such Member fails to give written notice to the Manager consenting to or opposing the proposed action within five (5) business days following receipt of such second written notice, such Member shall be conclusively presumed to have consented to such action.

(b) The Company may not cause or permit any Project Entity to take any action that, if taken by or on behalf of the Company, would require the consent or approval of all or any portion of the Members under this Agreement without first obtaining such consent or approval of such Members. Notwithstanding the foregoing, no prior approval by Priority Members is required for the Manager to enter into or execute documents relating to loans or loan modifications of the Project Entity, including but not limited to resolutions of the Company and the Project Entity approving such loans and loan modifications.

7.17. Ratification of Manager's Actions. Each and every act and action taken by the Manager on behalf of the Company prior to the Effective Date hereof is hereby ratified and confirmed as a proper and bona fide act of the Company.

ARTICLE 8. CAPITAL CONTRIBUTIONS.

8.1. Capital Contributions.

(a) Each Member has contributed, or concurrent with their execution of this Agreement each Member shall contribute, to the capital of the Company, in immediately available funds or property acceptable to the Manager, the amount set forth opposite such Member's name on **Exhibit A-1** and **Exhibit A-2** attached hereto as its initial Capital Contribution to the Company and shall receive appropriate credit to its respective Capital Account therefor. Comstock's initial Capital Contribution shall be its direct or indirect membership interest in the Project Entity, its previous cash investment and/or its contribution of real property from time to time upon which

the Project will be constructed. The aggregate initial Capital Contribution of Comstock, its directors and officers shall be in an amount equal to not less than twenty percent (20%) of the total amount set forth on **Exhibit A-2**. Notwithstanding anything to the contrary set forth in this Agreement, the Manager shall be permitted to amend **Exhibit A-2**, without the permission of the other Members of the Company, (i) to reflect the admission of Members subsequent to the Initial Closing, and (ii) to permit a later reduction of a Member's initial Capital Contribution at the Initial Closing (but only of a director or officer of Comstock) in order to permit the admission of additional Members to the Company; provided however, in no event shall the aggregate Capital Contribution of Comstock, its directors and officers, be in an amount less than twenty percent (20%) of the total amount of capital set forth on **Exhibit A-2**, as it may be amended from time to time.

(b) No Member has agreed to make or is obligated to advance any additional funds to the Company in excess of such Member's initial Capital Contribution. However, if, at any time (or from time to time), additional funds in excess of the initial Capital Contributions of the Members are required by the Company for or in respect of the Company Business or any of its obligations, expenses, costs, liabilities, or expenditures, the Manager may, at its sole option, notify each Member of such fact and provide each Member the opportunity to make an additional Capital Contribution to the Company (such additional Capital Contribution shall initially be offered to the Members in proportion to their respective Percentage Interests and on such terms as the Manager determines) and/or Comstock or an Affiliate may, at the Manager's request and at the discretion of Comstock or such Affiliate, loan to the Company all or a part of the funds then required by the Company upon such terms as are determined by the Manager. The foregoing further shall not limit the Manager's authority to seek capital investments through the sale of Units to third parties or otherwise, *provided*, that no third party may be offered the opportunity to make a capital investment unless the Members are first offered the opportunity, for a period of not less than ten (10) days following written notice thereof, to take up portions of the aggregate capital investment in proportion to their respective Percentage Interests. If, as a result of this process, any Person is admitted to the Company as an Additional Member or any Member makes an additional Capital Contribution, the terms of this Agreement shall be amended and the Percentage Interests of the Members shall be adjusted accordingly. Should the Manager admit Additional Members, pursuant to this Section 8.1 (b), such Additional Members must sign a joinder agreement prepared by the Company indicating their acceptance to be bound by the terms of this Agreement.

8.2. No Interest on Capital Contributions. Except as otherwise provided for herein, no interest shall accrue or be payable to any Member by reason of its Capital Contribution or its Capital Account.

8.3. Return of Capital Contributions. The Capital Account of any Member shall be returned to it on the date the Company is terminated pursuant to Article 13 hereof and the Company Assets have been liquidated for cash; *provided*, that the Company Assets are then sufficient to cover all of its liabilities and reasonable reserve requirements including liabilities to Members in respect of their Capital Accounts. To the extent the Company Assets cannot, in the reasonable opinion of the Manager or the liquidating trustee (if one has been appointed as per Section 13.2), be readily liquidated for cash, the Capital Accounts may be returned in whole or in part in the form of a dividend of Company Assets. Under no circumstances shall the Manager have any personal liability whatsoever with respect to the return to any Member of its Capital Account. No Member shall have any right to demand and receive property, in lieu of cash, in return of its Capital Account. A Member's demand for return of its Capital Account, if otherwise proper hereunder, shall be for cash only.

8.4. Members' Loans. At any time and from time to time after the Effective Date, any Member may (but shall not be obligated to) make Members' Loans to the Company, if in the opinion of the Manager such Loans are needed by the Company in furtherance of a Company purpose. Such Loans shall be on terms and conditions acceptable to the Manager. The amount of such Members' Loans shall be a debt due from the Company to the Member making the Members' Loans and shall be on such terms as determined by the Manager and such Member and may be repaid prior to other distributions to Members. It is specifically agreed that an interest rate of twenty percent (20%) per annum is a reasonable interest rate for such a loan by any Member, including the Manager, or its Affiliates. No Member shall have personal liability for repayment of any Member's Loan and repayment on default of a Member's Loan shall be limited to Company Assets. Notwithstanding the foregoing, nothing in Article 8 shall limit in any way the Manager's authority to seek additional funds for the Company as the Manager deems necessary to undertake the Company's business, in the form of loans, secured or unsecured, from unrelated third parties, upon terms and conditions prevailing at the time of such solicitation and deemed acceptable to the Manager in its sole discretion.

8.5. Third-Party Creditors. The foregoing provisions of this Article 8 are not intended to be for the benefit of any creditor or other Person (other than a Member) to whom any debts, liabilities, or obligations are owed by (or who otherwise has any claim against) the Company or any of the Members; and no such creditor or other Person shall obtain any right under any such provisions against the Company or any of the Members by reason of any debt, liability, or obligation (or otherwise).

ARTICLE 9. DISTRIBUTIONS.

9.1. Distributions from Distributable Cash Flow. Distributable Cash Flow, if any, realized by or available to the Company, may be distributed to the Members at the discretion of the Manager. Such distributions shall be made in the following order of priority:

(a) First, to the Priority Members as a group, pro rata, in proportion to their respective Unpaid Priority Returns, until their respective Unpaid Priority Returns have been reduced to zero.

(b) Second, to the Priority Members as a group, pro rata, in proportion to their Unreturned Capital Contributions until their respective Unreturned Capital Contributions have been reduced to zero.

(c) Finally, to the holders of the Class A Units pro rata in accordance with the number of Class A Units held by them.

After the Unreturned Capital Contributions and Unpaid Priority Return of a Priority Member have been reduced to zero, the Class B Units held by such Priority Member shall be forfeited to the Company and such Priority Member shall have no further interest in the Company, including, without limitation, voting rights and rights to distributions and allocations of Profit and Loss. Each Priority Member hereby authorizes the Manager to amend this Agreement and take any other actions required, as determined by the Manager, to implement this provision.

9.2. Tax Distributions to Priority Members. Notwithstanding anything to the contrary in this Agreement and provided there is Distributable Cash Flow, the Company will make distributions to each Priority Member, from time to time (but no less often than annually and within seventy-five (75) days following the end of the applicable taxable year of the Company), equal, in the aggregate, on a tax year basis, to the product of (x) the net taxable income allocated to such Priority Member by the Company for the applicable tax year (less any loss carryforward resulting from net taxable losses allocated to such Priority Member by the Company for any prior tax year) and (y) the sum of (1) the highest federal marginal income tax rate and (2) the weighted average (based on Percentage Interest) of the highest state marginal income tax rates for those states in which any Priority Member that is a resident of the United States is required to pay income taxes.

9.3. Withholding: Other Tax Payments. The Manager is authorized to withhold from any Member any portion of any distribution until it receives such certifications as it deems legally sufficient in its sole judgment to relieve the Company, the Manager, and/or the liquidating trustee from potential liability for payment of such Member's tax under the Code, including, but not limited to, pursuant to the Foreign Investment in Real Property Tax Act and regulations issued thereunder or Code § 1446 (relating to the withholding tax on amounts paid by limited liability companies to foreign members). If and to the extent the Company shall be required or authorized to withhold or pay any taxes on behalf of a Member, such Member shall be deemed for all purposes of this Agreement to have received a payment from the Company as of the time such withholding or tax is required to be paid, which payment shall be deemed to be a distribution with respect to such Member's Company Interest to the extent that the Member is then entitled to receive a distribution. To the extent that the aggregate of such payments to a Member for any period exceeds the distributions to which such Member is entitled for such period, the amount of such excess shall be considered a loan from the Company to such Member, with interest at the lesser of the maximum rate permitted by law or a rate equivalent to the prime rate reported in *The Wall Street Journal* (Eastern Edition), as of the date on which such excess distribution is made, which interest shall be treated as an item of Company Profit, until discharged by such Member by repayment, which may be made in the sole discretion of the Manager out of distributions to which such Member would otherwise be subsequently entitled.

9.4. Priorities. Except as provided in this Article 9, no Member shall have priority over any other Member with respect to contributions, Capital Accounts, distributions of profit, or distributions upon dissolution.

ARTICLE 10. PROFITS AND LOSSES; ALLOCATIONS.

10.1. Determination of Profits and Losses. "Profit" and "Loss" shall mean, for each Company Accounting Year or other period, an amount equal to the Company's taxable income or loss for such year or period, determined by the Company's certified public accountants in accordance with Code § 703(a) (for this purpose, all items of income, gain, loss or deduction required to be stated separately pursuant to Code § 703(a)(1) shall be included in taxable income or loss), with the following adjustments:

(a) All income of the Company that is exempt from Federal income tax and not otherwise taken into account in computing Profit and Loss pursuant to this Section shall be added to such taxable income or loss.

(b) Any expenditure of the Company described in Code § 705(a)(2)(B) or treated as an expenditure described in such Section pursuant to Treasury Regulation § 1.704-1(b)(2)(iv)(i) and not otherwise taken into account in computing Profit and Loss pursuant to this Section shall be subtracted from such taxable income or loss.

(c) In the event any Company Asset has a Gross Asset Value which differs from its adjusted cost basis, gain or loss resulting from the disposition of such Company Asset shall be computed using the Gross Asset Value (rather than the adjusted cost basis) of such Company Asset.

(d) In lieu of depreciation, amortization or other cost recovery deductions taken into account in computing taxable income or loss, there shall be taken into account Depreciation in accordance with Section 10.5 hereof.

(e) Notwithstanding the provisions of this Section 10.1, any items that are specially allocated pursuant to Section 10.3 hereof shall not be taken into account in computing Profit and Loss.

10.2. Allocation of Profits and Losses. The distributive shares of each item of Profit, Loss, credit or basis for any Company Accounting Year or other period shall be allocated to the Members, as follows:

(a) Profit (computed after any allocation of gross income, gain, loss or deduction required by Section 10.3 hereof) shall be allocated as follows and in the following order of priority:

(i) First, to the Priority Members, in the reverse order in which Losses were previously allocated to them (and their predecessors), until the cumulative Profits allocated to each Priority Member equals the cumulative Losses previously allocated to such Priority Member pursuant to Section 10.2(b) (ii) and (iii).

(ii) Second, to the Priority Members, pro rata, in accordance with their relative cumulative accrued Priority Returns, until the cumulative amount of Profits allocated to each Priority Member equals its cumulative accrued Priority Return.

(iii) Finally, any remaining Profit shall be allocated to the holders of Class A Units pro rata in accordance with the number of Class A Units held by them.

(b) Losses (computed after any allocation of gross income, gain, loss or deduction required by Section 10.3 hereof) shall, subject to the provisions of Section 10.2(c) hereof, be allocated as follows and in the following order of priority:

(i) First, to the holders of Class A Units, in the reverse order in which Profits were previously allocated to them (and their predecessors), until the cumulative Losses allocated to each of the holders of Class A Units equals the cumulative Profits previously allocated to them pursuant to Section 10.2(a)(ii) and (iii).

(ii) Second, to the holders of Class A Units, pro rata, in accordance with their respective Capital Account balances, until such Capital Account balances are reduced to zero.

(iii) Third, to the Priority Members, in the reverse order in which Profits were previously allocated to them pursuant to Section 10.2(a)(ii).

(iv) Fourth, to the Priority Members, pro rata, in accordance with their respective Capital Account balances, until such Capital Account balances are reduced to zero.

(v) Finally, any remaining Loss shall be allocated among all Members, pro rata, in proportion to their respective Percentage Interests.

(c) Notwithstanding anything contained in Section 10.2(b) hereof to the contrary, but subject to Section 10.3 below, all losses and deductions which are attributable to any Member Nonrecourse Debt shall be allocated solely to the Members who bear the economic risk of loss for such Member Nonrecourse Debt, in accordance with Treasury Regulation § 1.704-2(i)(1). Nonrecourse deductions under Treasury Regulation § 1.704-2(b)(1) shall be allocated to the Members pro rata in accordance with their Percentage Interests.

10.3. Special Allocation. Notwithstanding anything to the contrary contained in this Agreement:

(a) (i) If during any Company Accounting Year, there is a net decrease in the Company Minimum Gain, then each Member shall, prior to any other allocation pursuant to this Article 10, be specially allocated items of income and gain (including items of gross income, if necessary) for such Company Accounting Year (and, if necessary, subsequent years) in proportion to, and to the extent of, an amount equal to that portion of such Member's share of the net decrease in the Company Minimum Gain during such Company Accounting Year that is attributable to any disposition of Company Assets secured by Company nonrecourse liabilities (other than Member Nonrecourse Debt); provided, that a Member should not be subjected to the allocation under this Section 10.3 (a)(i) to the extent set forth in Treasury Regulations §§ 1.704-2 (f)(2) and 1.704-2 (f)(3). It is the intent of the parties hereto that any allocation pursuant to this Section 10.3 (a)(i) shall constitute a "minimum gain chargeback" under Treasury Regulation § 1.704-2 (f).

(ii) After the application of Section 10.3 (a) (i) hereof (to the extent applicable), in the event that, during any Company Accounting Year, there is a net decrease in the "minimum gain attributable to a Member Nonrecourse Debt" (as determined in accordance with Treasury Regulation § 1.704-2(i)(5)) then any Member with a share (as of the beginning of such Company Accounting Year) of such minimum gain attributable to such Member Nonrecourse Debt shall, prior to any other allocation pursuant to this Article 10 other than an allocation pursuant to Section 10.3(a)(i) hereof, be specially allocated items of income and gain (including items of gross

income, if necessary) for such Company Accounting Year (and, if necessary, subsequent years) in proportion to, and to the extent of, an amount equal to that portion of such Member's share (as determined in accordance with Treasury Regulation § 1.704-2(i)(5)) of the net decrease in the minimum gain attributable to such Member Nonrecourse Debt during such Company Accounting Year that is allocable to any disposition of Company property secured by such Member Nonrecourse Debt; provided, that a Member shall not be subjected to the allocation under this Section 10.3(a)(ii) to the extent set forth in Treasury Regulation § 1.704-2(i)(4). It is the intent of the parties hereto that any allocation pursuant to this Section 10.3(a)(ii) shall constitute a "minimum gain chargeback attributable to Member Nonrecourse Debt" under Treasury Regulation § 1.704-2(i)(4).

(iii) After the application of Sections 10.3(a)(i) and (ii) hereof (to the extent applicable), in the event that a Member unexpectedly receives any adjustment, allocation or distribution described in Section (4), (5) or (6) of Treasury Regulation § 1.704-1(b)(2)(ii)(d) which results in such Member having a deficit Adjusted Capital Account Balance, such Member shall be specially allocated items of income and gain (including items of gross income, if necessary) for such Company Accounting Year in an amount and manner sufficient to eliminate such deficit Adjusted Capital Account Balance caused by such adjustment, allocation or distribution as quickly as possible. It is the intent of the parties hereto that any allocations pursuant to this Section 10.3(a)(iii) shall constitute a "qualified income offset" under Treasury Regulation § 1.704-1(b)(2)(ii)(d).

(iv) After the application of Sections 10.3(a)(i), (ii), and (iii) hereof (to the extent applicable), in the event that a Member has a deficit Adjusted Capital Account Balance at the end of any Company Accounting Year, such Member shall be specially allocated items of income and gain (including items of gross income, if necessary) in an amount sufficient to eliminate such deficit Adjusted Capital Account Balance as quickly as possible.

(b) (i) If the balance of the Capital Account of a Member is less than or equal to the amount such Member is obligated to restore, Loss shall be allocated to such Member only to the extent that such Loss does not cause the Adjusted Capital Account Balance of such Member to be reduced below zero.

(ii) Any Loss not allocable to a Member as a result of the application of Section 10.3(b)(i) hereof shall, except as otherwise provided in this Section 10.3, be allocated to the Member(s) whose Adjusted Capital Account Balance(s) are greater than zero, in accordance with the provisions of Section 10.2 hereof.

(c) The allocations set forth in this Section 10.3 (the "Special Allocations") are intended to comply with certain requirements of Treasury Regulations §§ 1.704-1(b) and 1.704-2. Notwithstanding the good faith efforts and intentions of the parties to conform the Special Allocations to the economic agreements of the parties hereto, it is understood and acknowledged that the Special Allocations may not be consistent with the manner in which the Members intend to share distributions of the Company. Accordingly, except as otherwise required by this Section 10.3, the Manager is hereby authorized, in its reasonable discretion, with the review and concurrence of the certified public accountants of the Company, to allocate the Profit, Loss, and other Company items among the Members to the extent necessary to ensure that the Members' Capital Accounts are in accordance with the amounts to be distributed under Sections 9.1 and 13.2.

10.4. Authority to Vary Allocations to Preserve and Protect the Intent of the Members.

(a) It is the intent of the Members that each Member's distributive share of Profits and Losses (or items thereof), shall be determined and allocated in accordance with this Article 10 to the fullest extent permitted by Code §§ 704(b) and (c). To preserve and protect the determinations and allocations provided for in this Article 10, the Manager, upon the advice of the Company's tax counsel, is hereby authorized and directed to allocate Profits and Losses (or items thereof) arising in any Company Accounting Year differently than otherwise provided for in this Article 10, but only to the extent that allocating Profits or Losses (or item thereof) in the manner provided for in this Article 10 would cause the determinations and allocations of each Member's distributive share of profits or losses (or items thereof) not to be permitted by Code §§ 704 (b) and (c) and the Treasury Regulations promulgated thereunder. Any allocation made pursuant to this Section 10.4(a) shall be done only in accordance with the standards and procedures set forth in this Article 10, and shall be deemed to be a complete substitute for any allocation otherwise provided for in this Article 10 and no amendment of this Agreement shall be required.

(b) In making any allocation (the "New Allocation") under Section 10.4(a), the Manager is authorized to act only after having been advised by the Company's tax counsel that, under Code §§ 704(b) and (c) and the Treasury Regulations thereunder, (i) the New Allocation is necessary; and (ii) the New Allocation is the minimum modification of the allocations otherwise provided for in this Article 10 necessary in order to assure that, either in the then-current Company Accounting Year or in any preceding Company Accounting Year, each Member's share of Profits or Losses (or items thereof) is determined and allocated in accordance with this Article 10 to the fullest extent permitted by Code §§ 704(b) and (c) and the Treasury Regulations thereunder.

(c) If the Manager is required by Section 10.4(a) to make any New Allocation in a manner less favorable to a Member than is otherwise provided for in this Article 10, then the Manager is authorized and directed, insofar as it advised by the Company's tax counsel that it is permitted by Code §§ 704(b) and (c), to allocate Profits and Losses (or items thereof) arising in later Company Accounting Years in such manner so as to bring the allocations to such Member as nearly as possible to the allocations otherwise contemplated by this Article 10.

(d) New Allocations made by the Manager under this Article 10 in reliance upon the advice of the Company's tax counsel shall be deemed to be made in compliance with the fiduciary obligation of the Manager to the Company and the Members.

(e) No allocations made pursuant to this Section 10.4 shall change or alter the amount to be distributed to the Priority members under Section 9.1 or 13.2(c).

10.5. Contributed or Revalued Property

(a) Income, gains, losses, and deductions, as determined for income tax purposes, with respect to any Company Asset contributed by a Member to the capital of the Company shall, solely for income tax purposes, be allocated among the Members so as to take account of any variation between the adjusted basis of such Company Asset to the Company for federal income tax purposes and its initial Gross Asset Value (computed in accordance with the definition contained in Section 1.1 hereof), in accordance with Code § 704(c) and the Treasury Regulations thereunder.

(b) In the event that the Gross Asset Value of any Company Asset is adjusted under and pursuant to the definition set forth in Section 1.1 hereof, subsequent allocations of income, gains, losses and deductions, as determined for income tax purposes, with respect to such Company Asset shall, solely for income tax purposes, take account of any variation between the adjusted basis of such Company Asset for federal income tax purposes and its Gross Asset Value in the same manner as under Code § 704(c) and the Treasury Regulations thereunder.

(c) In accordance with Code § 704(b) and the Treasury Regulations thereunder, in the event that the Gross Asset Value of a Company Asset is not determined or adjusted in accordance with the definition contained in Section 1.1 hereof, all allocations of income, gain, loss and deduction, as determined for income tax purposes, with respect to such Company Asset shall be taken into account for purposes of determining each Member's Capital Account as set forth in Section 1.1 hereof, and such allocations shall be allocated to the Members in accordance with Sections 10.2 and 10.3 hereof, as appropriate.

(d) Except as otherwise set forth in Section 10.5(c) hereof, allocations pursuant to this Section are solely for purposes of federal, state, and local income taxes and shall not affect, or in any way be taken into account in computing, any Member's Capital Account.

10.6. Interim Allocations. If a Company Interest is transferred or assigned during a Company Accounting Year, that part of any item of Profit, Loss, income, gain, deduction, credit, basis, or tax incidents allocated pursuant to this Article 10 with respect to the Company Interest so transferred shall, in the discretion of the Manager, either (a) be based on segmentation of the Company Accounting Year between the transferor and the transferee, or (b) be allocated between the transferor and the transferee in proportion to the number of days in such Company Accounting Year during which each owned such Company Interest, as disclosed by the Company books and records and in accordance with Code Section 706 and the Treasury Regulations promulgated thereunder. The allocation required by this Section shall be made without regard to the results of Company operations during particular periods of such Company Accounting Year or to Company distributions of Distributable Cash Flow made to the transferor or transferee who acquired such Company Interest.

ARTICLE 11. ASSIGNMENT OF UNITS.

11.1. Assignment.

(a) No Member shall have the right (directly or indirectly, voluntarily, involuntarily, or by operation of law) to sell, exchange, assign, transfer, pledge, hypothecate, or encumber, directly or indirectly, voluntarily or involuntarily, all or any part of, or any interest in, its Company Interest, except in compliance with this Article.

(b) Except for transfers to an Affiliate of a Member which is hereby approved provided the Affiliate complies with the restrictions set forth in this Section 11.1(b)(i)-(ii), no Member (the "Transferring Member") may transfer, sell, assign, or otherwise dispose of such Member's Units or any part thereof unless and until:

(i) the assignee executes a statement that it is acquiring the Units or a part thereof for its own account for investment and not with a view to the distribution or resale thereof;

(ii) the assignee agrees to be bound by this Agreement;

- (iii) the assignee agrees to pay any filing fees, reasonable counsel fees, and other reasonable expenses in connection with the assignment;
- (iv) the Manager has consented to such transfer (which consent may be withheld for any reason);
- (v) Members owning at least a majority of the Units owned by Members other than the Transferring Member have consented to such transfer (which consent may be withheld for any reason);
- (vi) at the request of the Manager, in its sole and absolute discretion to so request, the transferring Member has delivered an acceptable opinion of legal counsel to the Company that the transfer, sale, or assignment is exempt from registration under applicable securities laws, including compliance with any applicable suitability standards.

11.2. Expenses. Reasonable costs and expenses of the Company or of any Member occasioned by transfers of Units held by Members (including, but not limited to, such Member's proportionate share of any transfer or recordation taxes for which the Company may become liable) shall be reimbursed to the Company or Member, as the case may be, by the Transferring Member (or upon the failure thereof, by the transferee).

11.3. Death of a Member. If a Member who is an individual dies or a court of competent jurisdiction adjudges it to be incompetent to manage its person or property, the Member's executor, administrator, guardian, conservator or other legal representative may exercise all of the Member's rights for the purpose of settling its estate or administering its property, including any power of the Member had to assign or transfer its Units but such executor, administrator, guardian, conservator or other legal representative may only be admitted as a Member pursuant to the terms and conditions of Article 12.

ARTICLE 12. ADMISSION OF NEW MEMBERS.

12.1. Additional Members. The Manager may admit Members to the Company in connection with an event described in Section 6.13, Section 8.1(b) and/or Section 14.1(h) in accordance with this Article 12.

12.2. Substituted Member. A Person to whom Units have been transferred pursuant to Article 11 may be admitted to the Company as a substituted Member only if all of the applicable requirements of Sections 11.1, 11.2 and 12.3 hereof have first been complied with.

12.3. Requirements for Admissions.

(a) Subject to satisfaction of the requirements set forth in Section 12.1 in the case of the admission of an additional Member, and in Section 12.2 hereof in the case of the transfer of a Member's Company Interest, a Person to whom any Company Interest has been granted or transferred shall be admitted as a Member only if such Person:

(i) executes and delivers to the Manager a joinder agreement prepared by the Company indicating their acceptance to be bound by the terms of this Agreement; and

(ii) reimburses the Company for all reasonable costs and expenses connected with the admission of such person as a Member.

(b) The Manager shall amend Exhibit A-1 and Exhibit A-2 from time to time to reflect the admission of additional or substituted Members.

12.4. Continuing Liability. In the event that a Member withdraws from the Company or sells, transfers, or assigns such Member's entire Company Interest, such Member shall nevertheless be, and shall remain, liable for all obligations and liabilities incurred by such Member as a Member prior to the effective date of such occurrence. Such Member shall further remain liable to the other Members for any damage, loss, liability, or harm arising out of such Member's wrongful withdrawal from the Company as a Member.

12.5. Expenses. Reasonable costs and expenses of the Company or of any Member occasioned by transfers of Company Interests held by Members (including, but not limited to such Member's proportionate share of any transfer or recordation taxes for which the Company may become liable) shall be reimbursed to the Company or Member, as the case may be, by the transferring Member (or upon the failure thereof, by the transferee).

ARTICLE 13. DISSOLUTION, TERMINATION, AND LIQUIDATION OF COMPANY.**13.1. Events Causing Dissolution.**

(a) The Company shall be dissolved upon the earlier of the expiration of the term of the Company or upon the occurrence of any of the following events:

- (i) The affirmative vote or written consent of the Requisite Members that the Company be dissolved; or
- (ii) The sale of all or substantially all of the Company Assets; or
- (iii) The occurrence of any other event causing dissolution under the laws of the Commonwealth of Virginia.

(b) Dissolution of the Company shall be effective on the day on which the event occurs giving rise to the dissolution, but the Company shall not terminate until this Agreement has been canceled and the Company Assets have been distributed as provided in Section 13.2. Upon the dissolution of the Company, the Manager shall proceed with the liquidation and distribution of the Company Assets, and upon the completion and the winding up of the Company, shall have the authority to, and shall, execute and file a certificate of cancellation and such other documents required or desirable to effectuate and evidence the dissolution and termination of the Company. Upon dissolution of the Company, but prior to the distribution of all of the Company Assets, the Company Business and the affairs of the Members, as such, shall be governed by Section 13.2 of this Agreement.

13.2. Liquidation.

(a) Upon a dissolution of the Company, the Manager or a liquidating trustee appointed by the Requisite Members, if there is no Manager, shall commence to wind up the affairs of the Company and to liquidate the Company Assets. The Manager or such liquidating trustee, as the case may be, shall have full right and unlimited discretion to determine the time required and used for liquidation, which such Manager or liquidating trustee shall attempt to be no greater than one year from the date of dissolution, and the manner and terms of any sale or sales of Company Assets pursuant to such liquidation, for the purpose of obtaining, in its opinion, fair value for the Company Assets, having due regard to the activity and condition of the relevant markets and general economic and financial conditions.

(b) The proceeds of such liquidation shall be applied as provided in this Section. To the extent that the Company Assets cannot be liquidated and the Manager or liquidating trustee, as the case may be, determines that a distribution in kind would be in the best interests of the Members, the Company will first receive the opinion of counsel that such distribution would not adversely affect the limited liability of the Members prior to making any such distribution. Company Assets distributed in kind shall be deemed to have been sold for fair market value, and the proceeds of such sale shall be deemed to have been distributed.

(c) In connection with the dissolution of the Company, Profits and Losses shall be allocated among the Members in the manner provided for in Article 10. Company Assets (including the proceeds of the liquidation of such assets) shall be applied in the following order: (i) to pay third-party creditors (whether by payment or by making of reasonable provision for payment thereof), in the order of priority provided for by law; (ii) to pay Member creditors (whether by payment or by making reasonable provision for payment thereof); (iii) to establish reserves for liabilities or other matters deemed necessary or desirable by the Manager; and (iv) as provided in Section 9.1 (determined after giving effect to all allocations of Profit and Loss pursuant to this Section and Article 10).

(d) When the Manager or liquidating trustee, as the case may be, has complied with the foregoing liquidation plan, there shall be executed and filed an instrument evidencing the cancellation of the Certificate of the Company.

ARTICLE 14. REPRESENTATIONS AND COVENANTS OF MEMBERS.**14.1. Representations of the Members.** Each Member represents and warrants as follows as of the Effective Date:

(a) The Member has all requisite power and authority to enter into this Agreement and to consummate the transactions contemplated by this Agreement. The execution and delivery of this Agreement, and the consummation of the transactions contemplated hereby, have been duly and validly authorized by all necessary action on the part of the Member and, assuming due execution by all other Members, this Agreement constitutes the valid and legally binding obligation of the Member enforceable against the Member in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, reorganization, insolvency, moratorium, or other similar laws from time to time in effect, affecting creditors' rights generally, and general principles of equity (whether asserted in an action at law or in equity).

(b) Neither the execution, delivery, or performance of this Agreement nor the consummation of any of the transactions contemplated hereby by the Member: (i) will violate any law, rule, regulation, judgment, order, or decree of any court or other governmental body; (ii) will conflict with or result in any breach of or default under, permit any party to accelerate any rights under or terminate, or result in the creation of any lien, charge, or encumbrance pursuant to, any provision of any material contract, indenture,

mortgage, lease, franchise, license, permit, authorization, instrument or agreement of any kind to which the Member is a party or by which the Member is bound or to which the properties or assets of the Member are subject; or (iii) will require the consent or approval of any other person other than such consents or approvals as have already have obtained.

(c) The Member is acquiring its Company Interest for its own account for investment purposes only, and not with a view to or for sale in connection with any distribution of such Company Interest.

(d) The Member understands that the issuance of its Company Interest to the Member has not been registered under any federal or state securities law, in part based upon representations made by the Member, and cannot be resold except pursuant to this Agreement and unless it is registered under the Securities Act of 1933, as amended, and all applicable state statutes, or an exemption from registration is available therefrom. The Member acknowledges that the Company and the Manager are under no obligation to register or qualify the Company Interest.

(e) The Member, by reason of its business or financial experience, has the capacity to protect its own interest in connection with the transaction and to evaluate the merits and risks of the proposed investment.

(f) The Member understands that it must bear the economic risk of its investment for an indefinite period of time because of the transfer restrictions in this Agreement and because its Company Interest has not been registered under applicable securities laws and, therefore, cannot be sold or transferred except as provided in this Agreement and only if it is subsequently registered under applicable securities laws or an exemption from registration is available.

(g) The Member has a reasonable understanding of the business in which the Company is to engage; has experience in making investment decisions of this type; has evaluated all of the risks of an investment in the Company; that in investing in the Company it is relying solely upon independent investigations made by it and that it and its attorney, accountant and/or other business advisors have been given an opportunity to ask questions of and receive answers from the Manager and its officers concerning the Company; to the extent determined by the Member, it and such persons and its representatives have availed themselves of such opportunity to the fullest extent desired and received answers to such questions, if any; it and such persons have availed themselves of the opportunity to make such investigation of the documents, records and books pertaining to the Company as they desire; and has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of an investment in the Company and of making an informed investment decision.

(h) The Member fully understands that the Total Capital Contribution estimated by the Company as being necessary to fund the investment in the Project and to reimburse all or a portion of Comstock's capital previously invested in the Project as provided in Section 7.12(a) may not have been committed to the Company as of the Effective Date of this Agreement. As such, each Member acknowledges and agrees that the Manager may admit as Additional Members those Persons who in the future make Capital Contributions to the Company and may take additional Capital Contributions from existing Members, until such time as the Total Capital Contribution is obtained.

(i) The Member acknowledges that there are substantial restrictions on the transferability of the Company Interests pursuant to this Agreement, that there is no public market for such Company Interests, and that none is expected to develop, and that accordingly, it may not be possible for Member to liquidate its investment in the Company.

(j) The Member is an "accredited investor" as that term is defined in Rule 501(a) of Regulation D under the Securities Act and Section 413 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, as amended. Each Member will provide to the Company, upon request by the Manager, additional certifications or other evidence in form and substance acceptable to the Manager in respect of the foregoing.

14.2. Covenants of the Members. Each Member covenants on behalf of itself, its successors, permitted assigns, heirs, and personal representatives, to execute and deliver with acknowledgment or affidavit, if required:

(a) All documents and writings that may be reasonably determined by the Manager to be necessary or appropriate to effect properly approved amendments to this Agreement, or amendments that the Manager is permitted to make without approval.

(b) All documents that may be reasonably determined by the Manager to be necessary or appropriate with respect to satisfying any tax or securities reporting or compliance responsibilities imposed upon the Company.

(c) All documents that may be reasonably determined by the Manager to be necessary or appropriate with regard to the carrying out of the Company Business.

14.3. Representations of Comstock. Comstock represents and warrants as follows as of the Effective Date:

- (a) Comstock has or will contribute to the Company 100% of the membership interests in Stone Ridge, and Stone Ridge will own the Project.
- (b) Comstock is the manager of the Project Entity.

ARTICLE 15. APPOINTMENT OF THE MANAGER AS ATTORNEY-IN-FACT.

15.1. Appointment and Powers.

(a) Each Member irrevocably constitutes and appoints the Manager, with full power of substitution, as its true and lawful attorney-in-fact, with full power and authority in its name, place, and stead to execute, acknowledge, deliver, swear to, file, and record at the appropriate public offices such documents, instruments and conveyances as may be necessary or appropriate to carry out the provisions or purposes of this Agreement, including, without limitation, the following:

- (i) the Certificate;
- (ii) all other certificates and instruments and amendments thereto which the Manager deems appropriate to qualify or continue the Company as a limited liability company (or a Company in which the Members will have a limited liability comparable to that provided by the Act) in any jurisdiction in which the Company may conduct business;
- (iii) all instruments that the Manager deems appropriate to reflect a change or modification of the Company in accordance with the terms of this Agreement (including but not limited to an amendment reflecting the admission of Additional Members pursuant to Section 8.1(c) hereof);
- (iv) all conveyances and other instruments which the Manager deems appropriate to reflect the dissolution and termination of the Company in accordance with this Agreement;
- (v) all fictitious or assumed name certificates required or permitted to be filed on behalf of the Company;
- (vi) any and all amendments and certificates of the Company necessary to admit Members to the Company, or to reflect any change or transfer of a Member's Percentage Interest, or relating to the admission or increased Capital Contribution of a Member in accordance with this Agreement; and
- (vii) all other instruments which may be required or permitted by law to be filed on behalf of the Company and which are not inconsistent with this Agreement.

(b) The authority herein granted:

- (i) is a special power of attorney coupled with an interest, is irrevocable, and shall not be affected by the subsequent incapacity or disability of any Member;
- (ii) may be exercised by a signature for each Member or by listing the names of all of the Members executing this Agreement with a single signature of any such Person acting on behalf of the Manager as attorney-in-fact for all of them;
- (iii) shall survive the delivery of an assignment by a Member of the whole or any portion of its Company Interest; provided that if the assignee thereof has been approved by the Manager for admission to the Company as an Additional Member, this special power of attorney shall survive such assignment for the sole purpose of enabling the Manager to execute, acknowledge and file any instrument necessary to effect such substitution and shall thereafter terminate.

15.2. Presumption of Authority. Any person dealing with the Company may conclusively presume and rely upon the fact that any instrument referred to above, executed by the Manager acting as attorney-in-fact, is authorized, regular and binding, without further inquiry.

ARTICLE 16. INDEMNIFICATION.

16.1 Exculpation. Except as otherwise provided herein, no Indemnitee (as such term is defined below in Section 16.2) will be liable to the Company or to any Member for any act or failure to act pursuant to this Agreement or otherwise if such Person acted in good faith and if the actions of such Person did not constitute gross negligence, willful misconduct or fraud, to the maximum extent permitted by law or equity. No Indemnitee will be liable to the Company or to any Member for such Person's good faith reliance on the provisions of this Agreement, the records of the Company, and upon any information, opinions, reports or statements presented to the Company by any of its Members, officers, employees, or by any other Person, as to matters such Person reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Company, including information, opinions, reports, or statements as to the value and amount of the assets, liabilities, profits or losses of the Company or any other facts pertinent to the existence and amount of assets from which distributions to Members may be paid.

16.2 Indemnification.

(a) The Company will indemnify, defend and hold harmless the Manager, any member of the Manager and their respective Affiliates, and any and all officers, directors, employees, and agents of any of the foregoing (individually, an "**Indemnitee**") to the fullest extent permitted by law from and against any and all losses, claims, demands, costs, damages, liabilities, joint or several, expense of any nature (including attorneys' fees and disbursements), judgments, fines, settlements and other amounts arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, in which the Indemnitee may be involved, or threatened to be involved as a party or otherwise, relating to the performance or nonperformance of any act concerning the activities of the Company or the Project Entities, if both the Indemnitee acted in good faith and the actions of the Indemnitee did not constitute gross negligence, willful misconduct or fraud. Expenses, including attorneys' fees, incurred by any such Indemnified Person in defending a proceeding will, to the extent of available funds, be paid by the Company in advance of the final disposition of such proceeding, including any appeal therefrom, upon receipt of an undertaking satisfactory to the Manager by or on behalf of such Indemnified Person to repay such amount in the event of a final determination that such Indemnified Person is not entitled to be indemnified by the Company. Any indemnification provided hereunder will be satisfied solely out of the assets of the Company or a Project Entity, as an expense of the Company or a Project Entity, and no Member will be subject to personal liability by reason of these indemnification provisions. The provisions of this Section 16 are for the benefit of the Indemnitees and will not create any rights for the benefit of any other Person.

(b) To the extent the Company provides indemnification to an Indemnitee, such rights to indemnification are secondary and junior to any valid and collectible indemnification or advancement rights provided by any Project Entity in which the Company holds an equity interest; and shall only be available to the extent such Indemnitee is not fully indemnified and made whole by such Project Entity. The Company shall be subrogated to all the Indemnitee's rights of indemnity against such Project Entity, and the Manager shall use best efforts to require the Indemnitee to execute all papers required and to do everything necessary to secure and preserve such rights, including the execution of such documents necessary to enable the Company to effectively bring suit in the name of the Indemnitee against such Project Entity.

ARTICLE 17. BANK ACCOUNTS AND BOOKS OF ACCOUNT.

17.1. Accounts; Etc. All funds of the Company shall be deposited in such Company bank accounts as selected from time to time by the Manager. Withdrawals from any accounts or funds, or sale of any such instruments, may be made, at the election of the Manager, upon such signature or signatures as the Manager may from time to time designate.

17.2. Financial Records. There shall be kept at the principal office of the Company just, true, and correct books of account, in which shall be entered fully and accurately each and every transaction of the Company. Each Member shall have access thereto at all reasonable times. The books shall be kept on the cash receipts and disbursements method or on an accrual method for the Company Accounting Year, as determined by the Manager. Any Member shall further have the right to a private audit of the books and records of the Company; *provided*, that such audit is made at the expense of the Member desiring the same and is made at reasonable times after reasonable advance notice to the Manager.

17.3. Reports to Members. The Manager shall furnish to the Members on or before forty-five (45) days after the close of each fiscal quarter, internally prepared, unaudited income statements and balance sheets for such quarter and a sales report for such quarter.

ARTICLE 18. NOTICE.

Notices provided for herein (including any responses by Members answering a request for consent) shall be made by hand delivery (with receipt therefor), sent by first-class mail postage prepaid or delivered by recognized overnight delivery service to the applicable address of the recipient and to its counsel as identified in the Company records or sent by facsimile or e-mail during normal business hours to a Member's facsimile number or email address as identified in the Company records. Notice of a change of address, facsimile number or email address shall be given to the Company pursuant to the provisions of this Article. Notices shall be deemed to be effective as follows:

(i) upon delivery during normal business hours if made by hand delivery or delivered by recognized overnight delivery service; (ii) three (3) days after postmark, if sent by first-class mail; and (iii) upon sending, if sent by facsimile or e-mail, unless a return or error message is generated within four hours thereafter. Notices to the Manager shall not be deemed provided or otherwise be effective if sent by facsimile or e-mail.

ARTICLE 19. MISCELLANEOUS PROVISIONS.

19.1. Entire Agreement. This Agreement and the exhibits attached hereto constitute the entire agreement among the parties with respect to the subject matter hereof. It supersedes any other prior agreement or understanding, oral or written, among the parties, with respect to such subject matter.

19.2. Severability. If any term or provision of this Agreement, or the application thereof to any Person or circumstance, shall, to any extent, be held to be invalid or unenforceable, the remainder of this Agreement, or the application thereof to Persons or circumstances other than those as to which it is held invalid or unenforceable, shall not thereby be affected, and each other term and provision of this Agreement shall be valid and enforced to the fullest extent permitted by law or equity.

19.3. Governing Law. This Agreement shall be construed in accordance with, and enforced under, the laws of the Commonwealth of Virginia, without regard to conflicts of law provisions of such state.

19.4. Third-Party Creditors. No Person who makes a non-recourse loan to the Company shall have or acquire, at any time as a result of making the loan, any direct or indirect interest in the profits, capital, or property of the Company other than as a creditor.

19.5. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, and all of which taken together shall constitute one and the same instrument. Counterparts delivered by facsimile or email shall be deemed originals.

19.6. Binding Provisions. The covenants and agreements contained herein shall be binding upon, and inure to the benefit of, the legal representatives, heirs, executors, administrators, successors and, subject to the provisions hereof, the assigns of the respective parties hereto.

19.7. Amendments. This Agreement may be amended only upon the consent of the Manager and Members owning at least sixty-five percent (65%) of the Class A Units and sixty-five percent (65%) of the Class B Units, except as otherwise provided in this Agreement.

19.8. Captions. The captions or headings in this Agreement are for convenience only and in no way define, limit, or describe the scope or intent of any provisions or sections of this Agreement.

19.9. Gender. Whenever the context so requires, reference herein to the neuter gender shall include the masculine and/or feminine gender and vice versa. Any reference herein to the singular shall include the plural and vice versa.

19.10. Time. Time shall be of the essence with regard to all terms and conditions of this Agreement. Any date specified in this Agreement which is a Saturday, Sunday or legal holiday in the Commonwealth of Virginia shall be extended into the first regular business day after such date which is not a Saturday, Sunday or legal holiday in the Commonwealth of Virginia.

IN WITNESS WHEREOF, the undersigned Members have duly executed this Operating Agreement of Comstock Investors IX, L.C. effective for all purposes and in all respects as of the day and year first above written.

COMSTOCK HOLDING COMPANIES, INC.
a Delaware Corporation

By: _____
Name: Christopher Clemente
Title: Chief Executive Officer
Date: ____/____/____

IN WITNESS WHEREOF, the undersigned Member has duly executed this Operating Agreement of Comstock Investors IX, L.C. effective for all purposes and in all respects as of the day and year first above written.

Name: _____

Print Name: _____

Title: _____

Date: _____

EXHIBIT A-1
TO THE OPERATING AGREEMENT OF COMSTOCK INVESTORS IX, L.C.

Total Class A Units

Capital
Contribution

Class A
Percentage
Interest

Class A
Units

EXHIBIT A-2
TO THE OPERATING AGREEMENT OF COMSTOCK INVESTORS IX, L.C.

Total Class B Units (XX per Unit)

Capital
Contribution

Class B
Percentage
Interest

Class B
Units

**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: August 14, 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;
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: August 14, 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 June 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: August 14, 2015

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

Date: August 14, 2015

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

