

## Comstock Homebuilding Companies, Inc. Reports Results for Three Months and Nine Months Ended September 30, 2011

RESTON, Va., Nov. 14, 2011 (GLOBE NEWSWIRE) -- Comstock Homebuilding Companies, Inc. (Nasdaq:CHCI) ("Comstock" or the "Company"), a multi-faceted real estate development and services company focused on the Washington, D.C. market, announced net income for its third quarter ended September 30, 2011 of \$6.7 million or \$0.33 per diluted share. Net income and diluted net income per share for the third quarter of 2011 compares to net loss of \$(3.4) million or \$(0.18) earnings per diluted share for the comparable 2010 quarter. Total revenue for the third quarter of 2011 was \$5.4 million compared to \$5.6 million for the comparable 2010 quarter. Net income and diluted net income per share for the nine months ended September 30, 2011 was \$4.2 million or \$0.19 earnings per diluted share which compares to a net loss of \$(6.2) million and \$(0.34) earnings per diluted share for the same period a year ago. Net income for the three months and nine months ended September 30, 2011 includes a net gain of \$9.4 million (or \$0.47 earnings per diluted share for both the three and nine month period ended September 30, 2011) from the previously announced settlement of long running litigation concerning the Eclipse condominium project. Total revenue for the nine months ended September 30, 2011 was \$15.9 million, which compares to \$21.2 million for the comparable 2010 period.

### Notable Events

- **Improved financial position** - As a result of the recently announced strategic alliance with SunBridge Capital Management, LLC and the settlement of the Eclipse lawsuit, the Company ended the September 30, 2011 quarter with \$6.5 million of unrestricted cash on hand and total equity of approximately \$15 million. This compares to \$0.5 million of unrestricted cash on hand and total equity of approximately \$7 million for the year ended December 31, 2010.
- **Cascades Apartment Project** — On October 31, 2011, Comstock Cascades II L.C., an entity in which the Company has a controlling interest, entered into a definitive agreement to sell its Potomac Square Apartment project ("Property") for approximately \$19.75 million. Comstock developed the 103-unit Class A apartment project within the Cascades master planned community located in Loudoun County, Virginia. Construction began during the first quarter of 2011 and was completed in the third quarter, with initial occupancies beginning in July. Cardinal Bank of Tysons Corner, Virginia provided a \$10.5 million construction loan for the project. The transaction is expected to close during the fourth quarter of 2011, subject to a customary due diligence period, during which the purchaser is entitled to cancel the transaction. The Company anticipates approximately \$6 million of cash proceeds will be available from the sale after repayment of debt and project specific equity financing.
- **Ongoing monetization of real estate assets** - Comstock continues to monetize inventory units from its Eclipse and Penderbrook projects. Total units delivered in the third quarter of 2011 were 10. An additional 4 units were delivered during the month of October. There are 31 units remaining for sale at the Eclipse and 47 units remaining for sale at Penderbrook.

"The Washington, DC market continues to be one of the best real estate markets in the nation," said Christopher Clemente, Chairman and Chief Executive Officer. "As demonstrated by the overall performance of the Potomac Square Apartment project, expanding our focus to include development of institutional grade investment properties is beginning to yield dividends. We will continue to focus our core operating capabilities on opportunities that have the best potential for driving earnings in the near term as we work to maximize shareholder value."

### About Comstock Homebuilding Companies, Inc.

Established in 1985, Comstock is a multi-faceted real estate development and services company. Our substantial experience in building a diverse range of products including multi-family, single-family homes, townhouses, mid-rise condominiums, high-rise condominiums and mixed-use (residential and commercial) developments has positioned Comstock as a prominent real estate developer and services company in the Washington, D.C. market place. Comstock Homebuilding Companies, Inc. trades on NASDAQ under the symbol CHCI. For more information on the Company or its projects please visit [www.comstockhomebuilding.com](http://www.comstockhomebuilding.com).

The Comstock Homebuilding Companies, Inc. logo is available at <http://www.globenewswire.com/newsroom/prs/?pkgid=5034>

### Cautionary Statement Regarding Forward-Looking Statements

This release contains "forward-looking" statements that are made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve known and unknown risks and uncertainties that may cause actual future results to differ materially from those projected or contemplated in the forward-looking statements

including incurring substantial indebtedness with respect to projects, the diversion of management's attention and other negative consequences. Additional information concerning these and other important risks and uncertainties can be found under the heading "Risk Factors" in the Company's most recent Form 10-K, as filed with the Securities and Exchange Commission and other filings with the Securities and Exchange Commission. Comstock specifically disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise, except as required by law.

**COMSTOCK HOMEBUILDING COMPANIES, INC. AND SUBSIDIARIES**

**UNAUDITED CONSOLIDATED BALANCE SHEETS**

**(Amounts in thousands, except per share data)**

	<b>September 30,</b>	<b>December 31,</b>
	<b>2011</b>	<b>2010</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 6,488	\$ 475
Restricted cash	3,142	5,201
Real estate held for development and sale	24,083	34,008
Operating real estate, net	6,215	0
Construction in process	5,505	0
Property, plant and equipment, net	88	50
Other assets	<u>3,475</u>	<u>1,194</u>
TOTAL ASSETS	<u><u>\$ 48,996</u></u>	<u><u>\$ 40,928</u></u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Accounts payable and accrued liabilities	\$ 3,505	\$ 5,884
Notes payable - secured by real estate held for development and sale, net of discount	11,459	18,853
Notes payable - secured by construction in process and operating real estate	9,794	0
Notes payable - due to affiliates, unsecured	5,008	5,008
Notes payable - unsecured	4,309	4,515
Income taxes payable	<u>81</u>	<u>0</u>
TOTAL LIABILITIES	<u><u>34,156</u></u>	<u><u>34,260</u></u>
Commitments and contingencies (Note 10)		
<b>SHAREHOLDERS' EQUITY</b>		
Class A common stock, \$0.01 par value, 77,266,500 shares authorized, 17,716,271 and 17,120,467 issued and outstanding, respectively	177	171
Class B common stock, \$0.01 par value, 2,733,500 shares authorized, 2,733,500 issued and outstanding	27	27
Additional paid-in capital	168,306	166,700
Treasury stock, at cost (391,400 shares Class A common stock)	(2,439)	(2,439)
Accumulated deficit	<u>(153,951)</u>	<u>(157,791)</u>

TOTAL COMSTOCK HOMEBUILDING EQUITY	12,120	6,668
Non-controlling interest	<u>2,720</u>	<u>0</u>
TOTAL EQUITY	<u>14,840</u>	<u>6,668</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 48,996</u>	<u>\$ 40,928</u>

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

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

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 30,</u>		<u>September 30,</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>

Revenues				
Revenue - homebuilding	\$ 2,864	\$ 5,153	\$ 9,003	\$ 16,766
Revenue - apartment buildings and real estate services	<u>2,530</u>	<u>436</u>	<u>6,880</u>	<u>4,390</u>
Total revenue	5,394	5,589	15,883	21,156
Expenses				
Cost of sales - homebuilding	2,551	5,774	8,010	17,138
Cost of sales - apartment buildings and real estate services	2,585	382	6,485	3,666
Impairments and write-offs	0	1,548	0	1,548
Selling, general and administrative	1,681	1,341	4,999	4,202
Interest, real estate taxes and indirect costs related to inactive projects	<u>1,068</u>	<u>143</u>	<u>1,887</u>	<u>1,812</u>
Operating loss	(2,491)	(3,599)	(5,498)	(7,210)
Gain on debt restructuring	(73)	0	(219)	0
Gain on legal settlement, net	(9,434)	0	(9,434)	0
Other (income) loss, net	<u>273</u>	<u>(171)</u>	<u>(137)</u>	<u>(1,047)</u>
Income (loss) before income taxes	6,743	(3,428)	4,292	(6,163)
Income taxes expense	<u>82</u>	<u>0</u>	<u>82</u>	<u>0</u>
Net income (loss)	6,661	(3,428)	4,210	(6,163)
Less: Net income (loss) attributable to non-controlling interests	<u>120</u>	<u>0</u>	<u>370</u>	<u>0</u>

Net income attributable to Comstock Homebuilding Co., Inc.	<u>\$ 6,541</u>	<u>\$ (3,428)</u>	<u>\$ 3,840</u>	<u>\$ (6,163)</u>
Basic income (loss) per share	<u>\$ .33</u>	<u>\$ (.18)</u>	<u>\$ .20</u>	<u>\$ (.34)</u>
Diluted income (loss) per share	<u>\$ .33</u>	<u>\$ (.18)</u>	<u>\$ .19</u>	<u>\$ (.34)</u>
Basic weighted average shares outstanding	<u>19,774</u>	<u>18,567</u>	<u>19,614</u>	<u>18,299</u>
Diluted weighted average shares outstanding	<u>20,125</u>	<u>18,567</u>	<u>20,008</u>	<u>18,299</u>

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

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

	<u>Nine Months Ended September 30,</u>	
	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Net income (loss) including net income attributable to non-controlling interest	\$ 4,210	\$ (6,163)
Adjustment to reconcile net income ( loss) to net cash provided by operating activities		
Amortization and depreciation	656	92
Provision for bad debt	3	(13)
Impairments and write-offs	0	1,548
Amortization of stock compensation	667	704
Gain on debt restructuring	(219)	0
Gain on trade payable settlements	(152)	(860)
Changes in operating assets and liabilities:		
Restricted cash	(41)	156
Real estate held for development and sale	7,425	17,982
Other assets	(1,402)	113
Accrued Interest	365	0
Accounts payable and accrued liabilities	(127)	592
Income taxes payable	<u>81</u>	<u>0</u>
Net cash provided by operating activities	<u>11,466</u>	<u>14,151</u>
Cash flows from investing activities:		
Investment in construction in process and operating real estate	(9,281)	0

Purchase of property, plant and equipment	<u>(53)</u>	<u>(4)</u>
Net cash used in investing activities	<u>(9,334)</u>	<u>(4)</u>
Cash flows from financing activities:		
Proceeds from notes payable	33,520	823
Payments on notes payable	(31,792)	(15,917)
Loan financing costs	(1,142)	
Proceeds from SunBridge warrant issuance	945	0
Proceeds from warrant exercise	0	621
Proceeds from Cascades Private Placement	<u>2,350</u>	<u>0</u>
Net cash provided by (used in) financing activities	<u>3,881</u>	<u>(14,473)</u>
Net increase (decrease) in cash and cash equivalents	6,013	(326)
Cash and cash equivalents, beginning of period	<u>475</u>	<u>1,085</u>
Cash and cash equivalents, end of period	<u><u>\$ 6,488</u></u>	<u><u>\$ 759</u></u>

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Source: Comstock Homebuilding Companies, Inc.

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