

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

Form 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2012

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 001-32375

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
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (703) 883-1700

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A Common Stock, par value \$0.01 per share	The Nasdaq Stock Market LLC
Preferred Stock Purchase Rights	Nasdaq Capital Market

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 (§232.405 of this chapter) 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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. (check one)

Large Accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

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

The aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant (10,247,394 shares) based on the last reported sale price of the registrant's common equity on the Nasdaq Global Market ("NASDAQ") on June 30, 2012, which was the last business day of the registrant's most recently completed second fiscal quarter, was \$13,424,086. For purposes of this computation, all officers, directors, and 10% beneficial owners of the registrant are deemed to be affiliates. This determination of affiliate status is not necessarily conclusive for other purposes.

As of March 27, 2013, there were outstanding 18,243,052 shares of the registrant's Class A common stock, par value \$0.01 per share, and 2,733,500 shares of the registrant's Class B common stock, par value \$0.01 per share.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for the 2013 Annual Meeting of Stockholders, to be filed within 120 days after the registrant's fiscal year ended December 31, 2012, are incorporated by reference into Part III of this Form 10-K.

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COMSTOCK HOLDING COMPANIES, INC.
ANNUAL REPORT ON FORM 10-K
For the Fiscal Year Ended December 31, 2012

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PART I

CAUTIONARY NOTES REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements contained in this report include forward-looking statements. These forward-looking statements can be identified by the use of words such as “anticipate,” “believe,” “estimate,” “may,” “intend,” “expect,” “will,” “should,” “seeks” or other similar expressions. Forward-looking statements are based largely on our expectations and involve inherent risks and uncertainties including certain risks described in this report. When considering those forward-looking statements, you should keep in mind the risks, uncertainties and other cautionary statements made in this report. 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: 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; regulatory actions; fluctuations in operating results; our anticipated growth strategies; shortages and increased costs of labor or building materials; the availability and cost of land in desirable areas; natural disasters; our ability to raise debt and equity capital and grow our operations on a profitable basis and our continuing relationships with affiliates.

Many of these factors are beyond our control. For a discussion of factors that could cause actual results to differ, please see the discussion in this report under the heading “Risk Factors” in Item 1A.

Item 1. Business

The following business description should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere in this Annual Report on Form 10-K.

Overview

Comstock Holding Companies, Inc. is a multi-faceted real estate development and services company focused on the Washington, D.C. metropolitan area. We have substantial experience with building a diverse range of products including apartments, single-family homes, townhouses, mid-rise condominiums, high-rise multi-family condominiums and mixed-use (residential and commercial) developments. Since our founding in 1985, and as of December 31, 2012, we have built and delivered more than 5,500 units generating total revenue in excess of \$1.4 billion. References in this Form 10-K 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. Dollars in thousands unless otherwise indicated.

Our Operating Market

We are exclusively focused on the Washington, D.C. market, which is the eighth largest metropolitan statistical area in the United States. Our expertise in developing traditional and non-traditional housing products enables us to focus on a wide range of opportunities within our core market. We build homes and apartment buildings in suburban communities, where we focus on low density products such as single family detached homes, townhomes and mid-rise multi-family buildings, and in urban areas, where we focus on high density multi-family and mixed use products. For our homebuilding operations, we develop properties with the intent that they be sold either as fee-simple properties or condominiums to individual unit buyers or as investment properties sold to private or institutional investors. Our homebuilding 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. We believe our middle market strategy positions our products such that they are affordable to a significant segment of potential home buyers in our market.

Our apartment buildings are developed as rental properties to be held and operated for our own purposes, converted at some point to for-sale condominium units or sold on a merchant build basis. When developing rental communities, we design our products to be affordable for tenants that fit one of two groups; (i) young first time tenants; or (ii) renters by choice.

We believe that our significant experience over the past 27 years, combined with our ability to navigate through two major housing downturns (early 1990s and late 2000s) have provided us the experience necessary to capitalize on attractive opportunities in our core market of Washington, D.C. and to build shareholder value. We believe that our focus on the Washington, D.C. market, which has historically been characterized by economic conditions less volatile than many other major homebuilding markets, should provide an opportunity to generate attractive returns on investment and for growth.

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Our Business Strategy

Our business strategy is designed to leverage our extensive capabilities and market knowledge to maximize returns on invested capital on our various real estate related activities. We execute our strategy through three related business segments:

- *Homebuilding* – We target new home building opportunities where our building experience and ability to manage highly complex entitlement, development and related issues provides us with a competitive advantage.
- *Apartments* – 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 to institutional buyers 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.
- *Real Estate Services* – Our management team has significant experience 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, general contracting and real estate related services to other property owners. This business line not only allows us to generate positive fee income from our highly qualified personnel but also serves as a potential catalyst for joint venture and acquisition opportunities.

These business units work in concert to leverage the collective skill sets of our organization. The talent and experience of our personnel allows workflow flexibility and a multitasking approach to managing various projects. In a capital constrained environment, we use creative problem solving and financing approaches by working closely with banks, borrowers and other parties in an effort to generate value for all constituents. We believe that our business network within the Washington, D.C. real estate market provides us a competitive advantage in sourcing and executing investment opportunities.

With respect to our homebuilding operations, we seek to minimize risk associated with fluctuating market conditions by primarily building pre-sold units and limiting the number of “spec units” (units that are not pre-sold) held in inventory. In each new community that we develop we build model homes to demonstrate our products and to house our on-site sales operations. We limit the building of spec units to locations where there is a demonstrated demand for immediate delivery homes or where the majority of the units within a multi-family building (such as townhouses or condominiums) have been pre-sold. We believe that by limiting the number of spec units held in inventory we reduce our exposure to cyclical fluctuations in market values and minimize costs associated with holding inventory, such as debt service.

Our Operations

We believe that we are properly staffed for current market conditions and that we have the ability to manage growth as market conditions warrant. Our operations are focused on the Washington, D.C. market, where we believe our 27 years of market experience provides us the best opportunity to enhance shareholder value.

Our Communities

We are currently operating, or developing in the following counties in Virginia: Loudoun, Prince William, Arlington, and Fairfax. We also have communities in the Maryland counties of Frederick and Montgomery and the District of Columbia. The following table summarizes certain information regarding our communities as of December 31, 2012:

Project	As of December 31, 2012 (dollars in thousands)						Average New Order Revenue to Date
	State	Product Type (2)	Estimated Units at Completion	Units Settled	Backlog (3)	Lots Owned Unsold	
Eclipse on Center Park (1)	VA	Condo	465	446	3	—	\$ 413
Penderbrook Square (1)	VA	Condo	424	422	1	—	\$ 240
Emerald Farm (4)	MD	SF	84	78	—	6	\$ 452
The Hampshires (5)	DC	SF/TH	111	—	5	—	\$ —
Villas at Eastgate (5)	VA	Condo	66	—	—	—	\$ —
Falls Grove (5)	VA	Condo	129	—	—	—	\$ —
Residences at Shady Grove/BLVD Shady Grove (5)	MD	SF/TH/APT	156	—	—	—	\$ —
BLVD Newell (5)	MD	Apartment	187	—	—	—	\$ —
Total							

(1) For sale communities.

(2) “SF” means single family home, “TH” means town home and “Condo” means condominium.

(3) “Backlog” means we have an executed order with a buyer, but the settlement has not yet taken place.

(4) Developed and available for sale.

(5) Community under our control currently in development.

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Northern Virginia Market

The Eclipse on Center Park is a 465-unit, high-rise condominium complex in Arlington, Virginia. The project is just minutes from downtown Washington D.C., the Pentagon and Reagan National Airport. The project is an upscale, urban-style, mixed-use complex with residential condominiums above an 83,000 square foot retail center, which includes a Harris Teeter grocery store and other convenience-oriented retailers. Condominium sales began in the second quarter of 2004 and settlements began in November 2006. At December 31, 2012, 19 units remain in our inventory.

Penderbrook Square is a 424-unit rental apartment complex in the Fair Oaks area of Fairfax County, Virginia that we purchased as a condominium conversion project. We acquired the property in 2005 and made significant improvements to common areas, building exteriors, and heating and air-conditioning systems within units and have completed the conversion and sale of a majority of the units to condominiums. Sales and settlements began in 2005. At December 31, 2012, two units remained in our inventory. The Company exited this project in January 2013 with the settlement of the two remaining units.

Falls Grove is a new community located in northern Prince William County near Centreville, Virginia. The property will be developed as 19 single family homes and 110 townhouses with prices expected to be starting from \$200's for the townhomes and \$400's for the single-family homes. The Company anticipates development to commence in the first half of 2013, and unit sales to commence in the second half of 2013.

Villas at Eastgate is a new community located in Loudoun County near Chantilly, Virginia. The project consists of 66 single-level condominiums in a cluster of two-level buildings, situated within the 400-unit Eastgate master-planned community. The construction of the first building, containing six units, two of which are model homes, commenced in December 2012, with sales commencing in the first quarter of 2013. Initial unit pricing is expected to start in the \$300's.

Maryland

Emerald Farm is an 84-unit development of single-family homes in Frederick, Maryland conveniently located near major transportation routes. It is our intention to pursue construction financing for homes on the six remaining finished building lots in the near future and as market conditions warrant.

BLVD Newell is a newly planned 187-unit apartment community located proximate to the metro rail station in downtown Silver Spring, MD. The Company has initiated the process of securing rezoning and land development permits. Securing the rezoning and land development permits requires local government approval from the County within which the property resides. There can be no assurances made regarding the Company's ability to secure the rezoning and land development permits necessary for its intended use of the property.

Residences at Shady Grove/BLVD Shady Grove is a new residential project in Rockville, Maryland, immediately adjacent to the Shady Grove metro station, the terminus of DC's Red Line. The project will be developed as 3 single family homes, 36 upscale townhomes and 117 luxury apartments. The Company acquired the subject land on December 27, 2012, and land development is expected to start in spring 2013. Sale of homes will begin in mid-2013 with first delivery expected late 2013. Leasing of the apartments will commence in 2014.

District of Columbia

The Hampshires is a new community located within the Lamond-Riggs neighborhood in the Northeast quadrant of Washington, D.C. The property will be developed as 111 residential units, consisting of 38 single-family homes and 73 townhomes. The Hampshires is located proximate to two metro rail stations just inside the Washington, D.C. – Maryland border. The first, of two, single-family model home sales offices was completed and opened in August 2012, with the second opening in December 2012. Sales began in August 2012, and there are five single-family units in backlog at December 31, 2012. The Company anticipates settlements to commence in the first quarter of 2013.

Construction

Our home designs are selected or prepared in each of our communities to appeal to the tastes and preferences of local homebuyers. We also offer optional interior and exterior features to allow homebuyers to enhance the basic home design and to allow us to generate additional revenues from each home sold.

Substantially all of our construction work is performed by subcontractors. Subcontractors typically are selected after a competitive bidding process and retained for a specific subdivision pursuant to a contract that obligates the subcontractor to complete construction at an agreed-upon price. Agreements with the subcontractors and suppliers generally are negotiated for each subdivision. We compete with other homebuilders for qualified subcontractors, raw materials and lots in the markets where we operate. We employ construction superintendents to monitor homes under construction, participate in major design and building decisions, coordinate the activities of subcontractors and suppliers, review the work of subcontractors for quality and cost control and monitor compliance with zoning and building codes. In addition, our construction superintendents play a significant role in working with our homebuyers by assisting with option selection and home modification decisions, educating buyers on the construction process and instructing buyers on post-closing home maintenance.

Construction time for our homes depends on the weather, availability of labor, materials and supplies, size of the home, and other factors. We typically complete the construction of a home within three to six months.

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We typically do not maintain significant inventories of construction materials, except for work in progress materials for homes under construction. Generally, the construction materials used in our operations are readily available from numerous sources. In recent years, we have not experienced delays in construction due to shortages of materials or labor that have materially affected our consolidated operating results.

Warranty

We provide our single-family and townhouse home buyers with a one-year limited warranty covering workmanship and materials. The limited warranty is transferable to subsequent buyers not under direct contract with us and requires that all home buyers agree to the definitions and procedures set forth in the warranty. Typically, we provide our condominium home buyers with a two-year limited warranty, or as required by statute. In addition, we periodically provide structural warranty of longer durations pursuant to applicable statutory requirements. From time to time, we assess the appropriateness of our warranty reserves and adjust accruals as necessary. When deemed appropriate by us, we will accrue additional warranty reserves. We require our general contractors and sub-contractors to warrant the work they perform and they are contractually obligated to correct defects in their work that arise during the applicable warranty period. We seek to minimize our risk associated with warranty repairs through our quality assurance program and by selecting contractors with good reputations, sufficient resources and adequate insurance. It is typical that there is a gap in the warranty coverage provided by contractors and by home builders, which we have self-insured in the past. It is our experience that the warranty claims which we self insured have not been significant in nature but we periodically obtain additional insurance to protect against this unquantifiable risk.

Competition

The real estate development industry is highly competitive. We compete primarily on the basis of price, location, design, quality, service and reputation. We compete with small private builders and large regional or national builders. In addition to competing for home buyers and renters, builders compete for construction financing, raw materials and skilled labor. Additionally, under normal market conditions competition exists within the industry for prime development sites, especially those where developed building lots are available under option lot contracts. We compete with other local, regional and national builders in all of these areas. Many of our competitors have significantly greater financial, marketing, sales and other resources than we have. Some of the national builders against which we compete include Pulte Homes, DR Horton, Toll Brothers, Ryland Homes, NVR, K. Hovnanian and Lennar.

Competition among home builders and apartment developers is often specific to product types being offered in a particular area. Often we do not find ourselves competing with the large national developers in the urban communities where we develop high-rise and mixed use products. This is primarily because most national builders tend to focus on a narrower range of products than what we offer. We believe this provides us a distinct advantage in terms of attracting potential home buyers and renters in certain areas. We believe the factors that home buyers consider in deciding whether to purchase or rent from us include the product type, location, value quality, and reputation of the developer. We believe that our projects and product offerings compare favorably on these factors and we continually strive to maintain our reputation of building quality products.

Additionally, we compete with the resale market of existing homes including foreclosures and short-sales. The dramatic increase of inventory of existing homes available for sale beginning in 2006 created significant competition among builders and home sellers for a shrinking number of prospective home buyers. This led to downward pressure on home prices in many areas that still persist in many markets. However, for the twelve months ended December 31, 2012, modest improvement in the economy and moderate change in buyer's perceptions appear to be stabilizing home prices and accordingly reducing sales incentives.

Regulation

We are subject to various local, state and federal statutes, ordinances, rules and regulations concerning zoning, building design, construction and similar matters, including local regulation, which imposes restrictive zoning and density requirements in order to limit the number of residential units that can ultimately be built within the boundaries of a particular project. We and our competitors may also be subject to periodic delays or may be precluded entirely from developing in certain communities due to building moratoriums or "slow-growth" or "no-growth" initiatives that could be implemented in the future in the states in which we operate. Local and state governments also have broad discretion regarding the imposition of development fees for projects in their jurisdiction.

At December 31, 2012, the Company has initiated the process of securing rezoning and land development permits related to the BLVD Newell project. Securing the rezoning and land development permits requires local government approval from the County within which the property resides. There can be no assurances made regarding the Company's ability to secure the rezoning and land development permits necessary for its intended use of the property.

We and our competitors are also subject to a variety of local, state and federal statutes, ordinances, rules and regulations concerning protection of the environment. Some of the laws to which we and our properties are subject may impose requirements concerning development in waters of the United States, including wetlands, the closure of water supply wells, management of asbestos-containing materials, exposure to radon and similar issues. The particular environmental laws that apply to any given community vary based on several factors including but not limited to the environmental conditions related to a particular property and the present and former uses of the property. These environmental laws may result in delays, may cause us and our competitors to incur substantial compliance related costs, and may prohibit or severely restrict development in certain environmentally sensitive areas. To date, environmental laws have not had a material adverse impact on our operations.

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Technology and Intellectual Property

We are committed to the use of Internet-based technology for managing our business, communicating with our customers, and marketing our projects. For customer relationship management, we use Builder's Co-Pilot™, a management information system that was custom developed in accordance with our needs and requirements. This system allows for online and collaborative efforts between our sales and marketing functions and integrates our sales, production and divisional office operations in tracking the progress of construction on each of our projects. We believe that real-time access to our construction progress information and our sales and marketing data and documents through our systems increases the effectiveness of our sales and marketing efforts as well as management's ability to monitor our business.

We utilize our technology infrastructure to facilitate marketing of our projects as well. Through our web site, www.comstockhomebuilding.com, our customers and prospective customers receive automatic electronic communications from us on a regular basis. Our corporate marketing directors work with in-house marketing and technology specialists to develop advertising and public relations programs for each project that leverage our technology capabilities. During 2012, we continued to increase our utilization of internet based marketing platforms in lieu of print advertisements. We believe that the home buying population will continue to increase its reliance on information available on the internet to help guide their home buying decision. Accordingly, our marketing efforts will continue to seek to leverage this trend in an effort to lower per sale marketing costs while maximizing potential sales.

For accounting and purchasing management purposes we use the JD Edwards Enterprise One software system.

Our Chief Executive Officer and Chairman of the Board, Christopher Clemente, has licensed his ownership interest in the "Comstock" brand and trademark to us in perpetuity and free of charge. We do not own the brand or the trademark and are not in a position to be able to adequately protect it against infringement from third parties. Additionally, Mr. Clemente has retained the right to continue using the "Comstock" brand and trademark individually and through his affiliates, including real estate development projects in our current or future markets that are unrelated to the Company.

Employees

At December 31, 2012, we had 37 full-time and 1 part time employees. Our employees are not represented by any collective bargaining agreement and we have never experienced a work stoppage. We believe we have good relations with our employees.

Executive Officers of the Registrant

Our executive officers and other management employees and their respective ages and positions as of December 31, 2012 are as follows:

Name	Age	Current Position
Christopher Clemente	53	Chairman and Chief Executive Officer
Gregory V. Benson	58	President, Chief Operating Officer
Joseph M. Squeri	47	Chief Financial Officer
Jubal R. Thompson	43	General Counsel and Secretary

Christopher Clemente founded Comstock in 1985 and has been a director since May 2004. Since 1992, Mr. Clemente has served as our Chairman and Chief Executive Officer. Mr. Clemente has over 25 years of experience in all aspects of real estate development and home building, and more than 30 years of experience as an entrepreneur.

Gregory V. Benson joined us in 1991 as President and Chief Operating Officer and has been a director since May 2004. Mr. Benson is also a member of our board of directors. Mr. Benson has over 30 years of home building experience including over 14 years at national home builders, including NVHomes, Ryan Homes and Centex Homes.

Joseph M. Squeri has served as our Chief Financial Officer since August 2010. Mr. Squeri has more than a decade of public company leadership experience in corporate finance, strategic planning, accounting and operations. From October 2008 to August 2010, Mr. Squeri served as an independent financial and business consultant to privately held companies. From January 2008 to September 2008, Mr. Squeri served as the Executive Vice President-Chief Financial Officer and Treasurer of the Federal Realty Investment Trust (NYSE: FRT) with responsibility for capital markets, financial reporting and investor relations functions. From 1997 through 2007, Mr. Squeri served in a variety of positions at Choice Hotels International (NYSE: CHH), including chief financial officer starting in 1999, and then more significant operating roles culminating his position as president and chief operating officer. Mr. Squeri is a certified public accountant.

Jubal R. Thompson has served as our General Counsel since October 1998 and our Secretary since December 2004. Mr. Thompson has significant experience in areas of real estate acquisitions and dispositions, real estate and corporate finance, corporate governance, mergers and acquisition and risk management.

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Item 1A. Risk Factors

Risks Relating to Our Business

We engage in construction and real estate activities, which involve a high degree of risk. Our business, financial condition, operating results and cash flows may be impacted by a number of factors. A discussion of the risks associated with these factors is included below.

Our operations require significant capital and our continuing operations and future growth depends on the availability of construction, acquisition and development loans, which may not be available at the time it is needed or at favorable terms.

The real estate development industry is capital intensive and requires significant expenditures for operations, land purchases, land development and construction as well as potential acquisitions of other homebuilders or developers. In order to maintain our operations, we will need to obtain additional financing. These funds can be generated through public or private debt or equity financings, operating cash flow, additional bank borrowings or from strategic alliances or joint ventures. In light of the current economic climate we may not be successful in obtaining additional funds in a timely manner, on favorable terms or at all. Moreover, certain of our bank financing agreements contain provisions that limit the type and amount of debt we may incur in the future without our lenders' consent. In addition, to finance projects, we have historically utilized construction, acquisition and development loans. These credit facilities tend to be project-oriented and generally have variable rates and require significant management time to administer. Further, this type of financing is typically characterized by short-term loans, which are subject to call. The availability of borrowed funds, especially for land acquisition and construction financing, has been greatly reduced, and lenders may require us to invest increased amounts of equity in a project in connection with both new loans and the extension of existing loans. Furthermore, if financial institutions discontinue providing these facilities to us, we would lose our primary source of financing our operations or the cost of retaining or replacing these credit facilities could increase dramatically. If we do not have access to additional capital or funds to continue or operations or grow our business, we may be required to delay, scale back or abandon some or all of our operating strategies or reduce capital expenditures and the size of our operations. As a result, such an inability to access additional capital would likely cause us to experience a material adverse effect on our business, results of operations and financial condition.

Our ability to sell homes and, accordingly, our results of operations, will be affected by the availability of mortgage financing to potential home buyers.

Most home buyers finance their purchase of a new home through third-party mortgage financing. As a result, residential real estate demand is adversely affected by increases in interest rates and decreases in the availability of consumer mortgage financing. Increased monthly mortgage costs and the unavailability of financing to potential home buyers have depressed the market for new homes. For instance, recent initiatives to tighten underwriting standards have made mortgage financing more difficult to obtain for some of our entry-level home buyers, which has led to decreased demand from these buyers. Even if potential home buyers do not experience difficulty securing mortgage financing for their purchase of a new home, increases in interest rates and decreased mortgage availability or significant alterations to mortgage product types could make it harder for them to sell their existing homes. This could continue to adversely affect our operating results and financial condition.

Fluctuations in market conditions may affect our ability to sell our land and home inventories at expected prices, if at all, which could adversely affect our revenues, earnings and cash flows.

We are subject to the potential for significant fluctuations in the market value of our land and home inventories. We must constantly locate and acquire new tracts of undeveloped and developed land if we are to support growth in our home building operations. There is a lag between the time we acquire control of undeveloped land or developed home sites and the time that we can bring communities built on that land to market. This lag time varies from site to site as it is impossible to predict with any certainty the length of time it will take to obtain governmental approvals and building permits. The risk of owning undeveloped land, developed land and homes can be substantial. The market value of undeveloped land, buildable lots and housing inventories can fluctuate significantly as a result of changing economic and market conditions. Inventory carrying costs can be significant and can result in losses in a poorly performing development or market. Material write-downs of the estimated value of our land and home inventories could occur if market conditions deteriorate or if we purchase land or build home inventories at higher prices during stronger economic periods and the value of those land or home inventories subsequently declines during weaker economic periods. We could also be forced to sell homes, land or lots for prices that generate lower profit than we anticipated, or at a loss, and may not be able to dispose of an investment in a timely manner when we find dispositions advantageous or necessary. Furthermore, a continued decline in the market value of our land or home inventories may give rise to additional impairments of our inventory and write-offs of contract deposits and feasibility cost, which may result in a breach of financial covenants contained in one or more of our credit facilities, which could cause a default under those credit facilities. Defaults in these credit facilities are often times the responsibility of Comstock, as Comstock is the guarantor of most of its subsidiary's debts.

We evaluated all of our projects to determine if recorded carrying amounts were recoverable by evaluating discount rates, sales prices, absorption and our analysis of the best approach to marketing our projects for sale. This evaluation resulted in an aggregate 2012 impairment charge of \$2.4 million. Impairment charges are recorded as a reduction in our capitalized costs. The impairment charge was calculated based on the estimated fair value less costs to sell under the Company's revised disposition strategy. See real estate held for development and sale Note 4 within the Notes to the Consolidated Financial Statements.

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Our ability to use our Net Operating Losses (“NOLs”) and, in certain circumstances, future built-in losses and depreciation deductions can be negatively affected if there is an “ownership change” as defined under Section 382 of the Internal Revenue Code.

We currently have approximately \$116 million in federal and state NOLs with a potential value of up to approximately \$45 million in tax savings. These deferred tax assets are currently fully reserved. If unused, these NOLs will begin expiring in 2028. Under Internal Revenue Code Section 382 rules, if a change of ownership is triggered, our NOL asset and possibly certain other deferred tax assets may be impaired. We estimate that as of December 31, 2012, the cumulative shift in the Company’s stock would not cause an inability to utilize any of our NOL asset.

The Company’s ability to use its NOLs (and in certain circumstances, future built-in losses and depreciation deductions) can be negatively affected if there is an “ownership change” as defined under Section 382. In general, an ownership change occurs whenever there is a shift in ownership by more than 50 percentage points by one or more 5% shareholders over a specified time period (generally three years). Given Section 382’s broad definition, an ownership change could be the unintended consequence of otherwise normal market trading in the Company’s stock that is outside of the Company’s control. In an effort to preserve the availability of these NOLs, Comstock adopted a Section 382 stockholder rights plan (the “Rights Plan”). The Rights Plan was adopted to reduce the likelihood of such an unintended “ownership change” and thus assist in preserving the value of these tax benefits. Similar plans have been adopted by a number of companies holding similar significant tax assets over the past several years. This plan was submitted to a vote of the Company’s shareholders on June 17, 2011, and the plan was approved at that meeting.

Home prices and sales activities in the Washington, D.C. geographic market have a large impact on our results of operations because we conduct substantially all of our business in this market.

We currently develop and sell homes exclusively in the Washington, D.C. market; consequently home prices and sales activities in the Washington, D.C. geographic market have a large impact on our results of operations. Although demand in this area historically has been strong, the historical slowdown in residential real estate demand and reduced availability of consumer mortgage financing have reduced the likelihood of consumers seeking to purchase new homes, which has had and will likely continue to have a negative impact on the pace at which we receive orders for our new homes. As a result of the foregoing and general economic conditions, potential customers may be less willing or able to buy our homes, or we may take longer or incur more costs to build them. We may not be able to recapture increased costs by raising prices in many cases because of market conditions or because we fix our prices in advance of delivery by signing home sales contracts. We may be unable to change the mix of our homes or our offerings or the affordability of our homes to maintain our margins or satisfactorily address changing market conditions in other ways. Our limited geographic diversity means that adverse general economic, weather or other conditions in this market could adversely affect our results of operations and cash flows or our ability to grow our business.

Because our business depends on the acquisition of new land, the potential limitations on the supply of land could reduce our revenues or negatively impact our results of operations and financial condition.

We experience competition for available land and developed home sites in the Washington, D.C. market. We have experienced competition for home sites from other, better capitalized, home builders. Our ability to continue our home building activities over the long term depends upon our ability to locate and acquire suitable parcels of land or developed home sites to support our home building operations. If competition for land increases, the cost of acquiring it may rise, and the availability of suitable parcels at acceptable prices may decline. Any need for increased pricing could increase the rate at which consumer demand for our homes declines and, consequently, reduce the number of homes we sell and lead to a decrease in our revenues, earnings and cash flows.

Our business is subject to governmental regulations that may delay, increase the cost of, prohibit or severely restrict our development and home building projects and reduce our revenues and cash flows.

We are subject to extensive and complex laws and regulations that affect the land development and home building process, including laws and regulations related to zoning, permitted land uses, levels of density (number of dwelling units per acre), building design, access to water and other utilities, water and waste disposal and use of open spaces. In addition, we and our subcontractors are subject to laws and regulations relating to worker health and safety. We also are subject to a variety of local, state and federal laws and regulations concerning the protection of health and the environment. In some of our markets, we are required to pay environmental impact fees, use energy saving construction materials and give commitments to provide certain infrastructure such as roads and sewage systems. We are also subject to real estate taxes and other local government fees on real estate purchases. We must also obtain permits and approvals from local authorities to complete residential development or home construction. The laws and regulations under which we and our subcontractors operate, and our and their obligations to comply with them, may result in delays in construction and development, cause us to incur substantial compliance and other increased costs, and prohibit or severely restrict development and home building activity in certain areas in which we operate. If we are unable to continue to develop communities and build and deliver homes as a result of these restrictions or if our compliance costs increase substantially, our revenues, earnings and cash flows may be reduced.

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Cities and counties in which we operate have adopted, or may adopt, slow or no-growth initiatives that would reduce our ability to build and sell homes in these areas and could adversely affect our revenues, earnings and cash flows.

From time to time, certain cities and counties in which we operate have approved, and others in which we operate may approve, various “slow-growth” or “no-growth” initiatives and other similar ballot measures. Such initiatives restrict development within localities by, for example, limiting the number of building permits available in a given year. Approval of slow- or no-growth measures could reduce our ability to acquire land, obtain building permits and build and sell homes in the affected markets and could create additional costs and administration requirements, which in turn could have an adverse effect on our revenues, earnings and cash flows.

Increased regulation in the housing industry increases the time required to obtain the necessary approvals to begin construction and has prolonged the time between the initial acquisition of land or land options and the commencement and completion of construction. These delays increase our costs, decrease our profitability and increase the risks associated with the land inventories we maintain.

Municipalities may restrict or place moratoriums on the availability of utilities, such as water and sewer taps. If municipalities in which we operate take actions like these, it could have an adverse effect on our business by causing delays, increasing our costs or limiting our ability to build in those municipalities. This, in turn, could reduce the number of homes we sell and decrease our revenues, earnings and cash flows.

The competitive conditions in the home building industry could increase our costs, reduce our revenues and earnings and otherwise adversely affect our results of operations and cash flows.

The home building industry is highly competitive and fragmented. We compete with a number of national, regional and local builders for customers, undeveloped land and home sites, raw materials and labor. For example, in the Washington, D.C. market, we compete against multiple publicly-traded national home builders, and many privately-owned regional and local home builders. We do not compete against all of the builders in all of our product types or submarkets, as some builders focus on particular types of projects within those markets, such as large estate homes, that are not in competition with our projects.

We compete primarily on the basis of price, location, design, quality, service and reputation. Some of our competitors have greater financial resources, more established market positions and better opportunities for land and home site acquisitions than we do and have greater amounts of unrestricted cash resources on hand, lower costs of capital, labor and material than us. The competitive conditions in the home building industry could, among other things:

- make it difficult for us to acquire suitable land or home sites in desirable locations at acceptable prices and terms, which could adversely affect our ability to build homes;
- require us to increase selling commissions and other incentives, which could reduce our profit margins;
- result in delays in construction if we experience delays in procuring materials or hiring trades people or laborers;
- result in lower sales volume and revenues; and
- increase our costs and reduce our earnings.

We also compete with sales of existing homes and condominiums, foreclosure sales of existing homes and condominiums and available rental housing. A continued oversupply of competitively priced resale, foreclosure or rental homes in our markets could adversely affect our ability to sell homes profitably.

We are dependent on the services of certain key employees, and the loss of their services could harm our business.

Our success largely depends on the continuing services of certain key employees, including Christopher Clemente, our Chairman and Chief Executive Officer; Gregory Benson, our Chief Operating Officer; Jubal Thompson, our General Counsel and Secretary; and Joseph Squeri, our Chief Financial Officer. Our continued success also depends on our ability to attract and retain qualified personnel. We believe that Messrs. Clemente, Benson, Thompson and Squeri each possess valuable industry knowledge, experience and leadership abilities that would be difficult in the short term to replicate. The loss of these or other key employees could harm our operations, business plans and cash flows.

A significant portion of our business plan involves and may continue to involve mixed-use developments and high-rise projects with which we have less experience.

We are actively involved in the construction and development of mixed-use and high-rise residential projects. Our experience is largely based on smaller wood-framed structures that are less complex than high-rise construction or the development of mixed-use projects. A mixed-use project is one that integrates residential and non-residential uses in the same structure or in close proximity to each other, on the same land. As we continue to expand into these new product types, we expect to encounter operating, marketing, customer service, warranty and management challenges with which we have less familiarity. We had previously expanded our management team to include individuals with significant experience in this type of real estate development but then were forced to furlough some of them as we downsized our operation. If we are unable to successfully manage the challenges of this portion of our business, we may incur additional costs and our results of operations and cash flows could be adversely affected.

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If we experience shortages of labor or supplies or other circumstances beyond our control, there could be delays or increased costs in developing our projects, which would adversely affect our operating results and cash flows.

We, from time to time, may be affected by circumstances beyond our control, including:

- work stoppages, labor disputes and shortages of qualified trades people, such as carpenters, roofers, electricians and plumbers;
- lack of availability of adequate utility infrastructure and services;
- Increases in transportation cost for delivery of materials;
- our need to rely on local subcontractors who may not be adequately capitalized or insured; and
- shortages or fluctuations in prices of building materials.

These difficulties have caused and likely will cause unexpected construction delays and short-term increases in construction costs. In an attempt to protect the margins on our projects, we often purchase certain building materials with commitments that lock in the prices of these materials for 90 to 120 days or more. However, once the supply of building materials subject to these commitments is exhausted, we are again subject to market fluctuations and shortages. We may not be able to recover unexpected increases in construction or materials costs by raising our home prices because, typically, the price of each home is established at the time a customer executes a home sale contract. Furthermore, sustained increases in construction costs may, over time, erode our profit margins and may adversely affect our results of operations and cash flows.

We depend on the availability and skill of subcontractors and their willingness to work with us.

Substantially all of our construction work is done by subcontractors with us acting as the general contractor or by subcontractors working for a general contractor we select for a particular project. Accordingly, the timing and quality of our construction depends on the availability and skill of those subcontractors. We do not have long-term contractual commitments with subcontractors or suppliers. Although we believe that our relationships with our suppliers and subcontractors are good, we cannot assure that skilled subcontractors will continue to be available at reasonable rates and in the areas in which we conduct our operations. The inability to contract with skilled subcontractors or general contractors at reasonable costs on a timely basis could limit our ability to build and deliver homes and could erode our profit margins and adversely affect our results of operations and cash flows. Recent cash flow and credit facility limitations have forced us to negotiate settlements with our vendors at less than the entire amounts owed. This may result in vendor hesitation to work with us on future projects.

Construction defect and product liability litigation and claims that arise in the ordinary course of business may be costly or negatively impact sales, which could adversely affect our results of operations and cash flows.

Our home building business is subject to construction defect and product liability claims arising in the ordinary course of business. These claims are common in the home building industry and can be costly. Among the claims for which developers and builders have financial exposure are property damage, environmental claims and bodily injury claims and latent defects that may not materialize for an extended period of time. Damages awarded under these suits may include the costs of remediation, loss of property and health-related bodily injury. In response to increased litigation, insurance underwriters have attempted to limit their risk by excluding coverage for certain claims associated with environmental conditions, pollution and product and workmanship defects. As a developer and a home builder, we may be at risk of loss for mold-related property, bodily injury and other claims in amounts that exceed available limits on our comprehensive general liability policies and those of our subcontractors. In addition, the costs of insuring against construction defect and product liability claims are high and the amount of coverage offered by insurance companies is limited. Uninsured construction defect, product liability and similar claims, claims in excess of the limits under our insurance policies, defense costs and the costs of obtaining insurance to cover such claims could have a material adverse effect on our revenues, earnings and cash flows.

Increased insurance risk could negatively affect our business, results of operations and cash flows.

Insurance and surety companies have reassessed many aspects of their business and, as a result, may take actions that could negatively affect our business. These actions could include increasing insurance premiums, requiring higher self-insured retentions and deductibles, requiring additional collateral on surety bonds, reducing limits, restricting coverage's, imposing exclusions, and refusing to underwrite certain risks and classes of business. Any of these actions may adversely affect our ability to obtain appropriate insurance coverage at reasonable costs, which could have a material adverse effect on our business. Additionally, coverage for certain types of claims, such as claims relating to mold, is generally unavailable. Further, we rely on surety bonds, typically provided by insurance companies, as a means of limiting the amount of capital utilized in connection with the public improvement sureties that we are required to post with governmental authorities in connection with land development and construction activities. The cost of obtaining these surety bonds is, from time to time, unpredictable and these surety bonds may be unavailable to us for new projects. These factors can delay or prohibit commencement of development projects and adversely affect revenue, earnings and cash flows.

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We are subject to warranty claims arising in the ordinary course of business that could be costly.

We provide service warranties on our homes for a period of one year or more post closing and provide warranties on occasion as required by applicable statutory requirements for extended periods. We self-insure our warranties from time to time and reserve an amount we believe will be sufficient to satisfy any warranty claims on homes we sell and periodically purchase insurance related coverage to cover the costs associated with potential claims. Additionally, we also attempt to pass much of the risk associated with potential defects in materials and workmanship on to the subcontractors performing the work and the suppliers and manufacturers of the materials and their insurance carriers. In such cases, we still may incur unanticipated costs if a subcontractor, supplier, manufacturer or its insurance carrier fails to honor its obligations regarding the work or materials it supplies to our projects. If the amount of actual claims materially exceeds our aggregate warranty reserves, any available insurance coverage and/or the amounts we can recover from our subcontractors and suppliers, our operating results and cash flows would be adversely affected.

Our business, results of operations and financial condition may be affected by adverse weather conditions or natural disasters.

Adverse weather conditions, such as extended periods of rain, snow or cold temperatures, and natural disasters, such as hurricanes, tornadoes, floods and fires, can delay completion and sale of homes, damage partially complete or other unsold homes in our inventory and/or decrease the demand for homes or increase the cost of building homes. To the extent that natural disasters or adverse weather events occur, our business and results may be adversely affected. To the extent our insurance is not adequate to cover business interruption losses or repair costs resulting from these events, our results of operations and financial conditions may be adversely affected.

We are subject to certain environmental laws and the cost of compliance could adversely affect our business, results of operations and cash flows.

As a current or previous owner or operator of real property, we may be liable under federal, state, and local environmental laws, ordinances and regulations for the costs of removal or remediation of hazardous or toxic substances on, under or in the properties or in the proximity of the properties we develop. These laws often impose liability whether or not we knew of, or were responsible for, the presence of such hazardous or toxic substances. The cost of investigating, remediating or removing such hazardous or toxic substances may be substantial. The presence of any such substance, or the failure promptly to remediate any such substance, may adversely affect our ability to sell the property, to use the property for our intended purpose, or to borrow funds using the property as collateral. In addition, the construction process involves the use of hazardous and toxic materials. We could be held liable under environmental laws for the costs of removal or remediation of such materials. In addition, our existing credit facilities also restrict our access to the loan proceeds if the properties that are used to collateralize the loans are contaminated by hazardous substances and require us to indemnify the bank against losses resulting from such occurrence for significant periods of time, even after the loan is fully repaid.

Our Eclipse project is part of a larger development located at Potomac Yard in Northern Virginia. Potomac Yard was formerly part of a railroad switching yard contaminated as a result of rail-related activities. Remediation of the property was conducted under supervision of the U.S. Environmental Protection Agency, or EPA, in coordination with state and local authorities. In 1998, federal, state and local government agencies authorized redevelopment of the property. Our development at the project was consistent with those authorizations. Although concentrations of contaminants remain on the property under the EPA-approved remediation work plan, the EPA has determined that they do not present an unacceptable risk to human health or the environment. However, the EPA's determination does not preclude private lawsuits and it is possible that we could incur costs to defend against any claims that may be brought in the future relating to any such contaminants.

If we are not able to develop our communities successfully, results of operations and financial condition could be adversely impacted.

Before a community generates any revenues, material expenditures are required to acquire land, to obtain development approvals and to construct significant portions of project infrastructure, amenities, model homes and sales facilities. It can take a year or more for a community development to achieve cumulative positive cash flow. Our inability to develop and market our communities successfully and to generate positive cash flows from these operations in a timely manner would have a material adverse effect on our ability to service our debt and to meet our working capital requirements.

Our operating results, including revenue and net income, have varied over time due to a number of conditions. If we are unable to successfully manage these conditions or factors, our operating results may continue to vary and may also suffer.

The homebuilding industry is cyclical and we expect to experience variability in our revenues and net income. The volume of sales contracts and closings typically varies from month to month and from quarter to quarter depending on several factors, including the stages of development of our projects, the uncertain timing and cost of real estate closings, weather and other factors beyond our control. The homebuilding industry is cyclical. In the early stages of a project's development, we incur significant start-up costs associated with, among other things, project design, land acquisition and development, construction and marketing expenses. Since revenues from sales of properties are generally recognized only upon the transfer of title at the closing of a sale, no revenue is recognized during the early stages of a project unless land parcels or residential home sites are sold to other developers. Periodic sales of properties may be insufficient to fund operating expenses. Further, if sales and other revenues are not adequate to cover operating expenses, we will be required to seek sources of additional operating funds. Accordingly, our financial results will vary from community to community and from time to time.

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Acts of war or terrorism may seriously harm our business.

Acts of war, any outbreak or escalation of hostilities between the United States and any foreign power or acts of terrorism, may cause disruption to the U.S. economy, or the Washington, D.C. metro area, cause shortages of building materials, increase costs associated with obtaining building materials, result in building code changes that could increase costs of construction, affect job growth and consumer confidence, or cause economic changes that we cannot anticipate, all of which could reduce demand for our homes and adversely impact our revenues, earnings and cash flows.

We do not own the Comstock brand or trademark, but use the brand and trademark pursuant to the terms of a perpetual license granted by Christopher Clemente, our Chief Executive Officer and Chairman of the Board.

Our Chief Executive Officer and Chairman of the Board, Christopher Clemente, has licensed his ownership interest in the “Comstock” brand and trademark to us in perpetuity and free of charge. We do not own the brand or the trademark and are not in a position to be able to adequately protect it against infringement from third parties. Additionally, Mr. Clemente has retained the right to continue using the “Comstock” brand and trademark individually and through his affiliates, including real estate development projects in our current or future markets that are unrelated to the Company. We will be unable to control the quality of projects undertaken by Mr. Clemente or others using the “Comstock” brand and trademark and therefore will be unable to prevent any damage to its goodwill that may occur. We will further be unable to preclude Mr. Clemente from licensing or transferring the ownership of the “Comstock” trademark to third parties, some of whom may compete against us. Consequently, we are at risk that our brand could be damaged which could have a material adverse effect on our business, operations and cash flows.

Risks Related to our Common Stock and Level of Indebtedness

Our level of indebtedness may harm our financial condition and results of operations.

Our level of indebtedness will have several important effects on our future operations, including, without limitation:

- A portion of our cash flows from operations will be dedicated to the payment of any interest or amortization required with respect to outstanding indebtedness;
- Increases in our outstanding indebtedness and leverage will increase our vulnerability to adverse changes in general economic and industry conditions, as well as to competitive pressure; and
- Depending on the levels of our outstanding debt, our ability to obtain additional financing for working capital, acquisitions, capital expenditures, general corporate and other purposes may be limited.

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.

Our stock has been volatile and we expect that it will continue to be volatile.

Our stock price has been volatile, and we expect it will continue to be volatile. For example during the year ended December 31, 2012, the closing price of our common stock ranged from a high of \$1.94 to a low of \$1.10. The volatility of our stock price can be due to factors such as:

- quarterly variations in our operating results;
- general conditions in the home building industry;
- interest rate changes;
- changes in the market’s expectations about our operating results;
- our operating results failing to meet the expectation of securities analysts or investors in a particular period;
- changes in financial estimates and recommendations by securities analysts concerning our Company or of the home building industry in general;
- operating and stock price performance of other companies that investors deem comparable to us;
- news reports relating to trends in our markets;
- changes in laws and regulations affecting our business;
- material announcements by us or our competitors;
- material announcements by our construction lenders or the manufacturers and suppliers we use;

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- sales of substantial amounts of Class A common stock by our directors, executive officers or significant stockholders or the perception that such sales could occur; and
- general economic and political conditions such as recessions and acts of war or terrorism.

Investors may not be able to resell their shares of our Class A common stock following periods of volatility because of the market's adverse reaction to that volatility. Our Class A common stock may not trade at the same levels as the stock of other homebuilders, and the market in general may not sustain its current prices.

Investors in our Class A common stock may experience dilution with the future exercise of stock options and warrants, the grant of restricted stock and issuance of stock in connection with our acquisitions of other companies.

From time to time, we have issued and we will continue to issue stock options or restricted stock grants to employees and non-employee directors pursuant to our equity incentive plan. We expect that these options or restricted stock grants will generally vest commencing one year from the date of grant and continue vesting over a four-year period. Investors may experience dilution as the options vest and are exercised by their holders and the restrictions lapse on the restricted stock grants. In addition, we may issue stock in connection with acquisitions of other companies, or warrants in connection with the settlement of obligations and or indebtedness with vendors and suppliers, which may result in investors experiencing dilution.

Substantial sales of our Class A common stock, or the perception that such sales might occur, could depress the market price of our Class A common stock.

A substantial amount of the shares of our Class A common stock are eligible for immediate resale in the public market. Any sales of substantial amounts of our Class A common stock in the public market, or the perception that such sales might occur, could depress the market price of our Class A common stock.

The holders of our Class B common stocks exert control over us and thus limit the ability of other stockholders to influence corporate matters.

Messrs. Clemente and Benson own 100% of our outstanding Class B common stock, which, together with their shares of Class A common stock, represent approximately 78% of the combined voting power of all classes of our voting stock as of March 27, 2013. As a result, Messrs. Clemente and Benson, acting together, have control over us, the election of our board of directors and our management and policies. Messrs. Clemente and Benson, acting together, also have control over all matters requiring stockholder approval, including the amendment of certain provisions of our certificate of incorporation and bylaws, the approval of any equity-based employee compensation plans and the approval of fundamental corporate transactions, including mergers. In light of this control, other companies could be discouraged from initiating a potential merger, takeover or any other transaction resulting in a change of control. Such a transaction potentially could be beneficial to our business or to our stockholders. This may in turn reduce the price that investors are willing to pay in the future for shares of our Class A common stock.

The limited voting rights of our Class A common stock could impact its attractiveness to investors and its liquidity and, as a result, its market value.

The holders of our Class A and Class B common stock generally have identical rights, except that holders of our Class A common stock are entitled to one vote per share and holders of our Class B common stock are entitled to 15 votes per share on all matters to be voted on by stockholders. The difference in the voting rights of the Class A and Class B common stock could diminish the value of the Class A common stock to the extent that investors or any potential future purchasers of our Class A common stock ascribe value to the superior voting rights of the Class B common stock.

It may be difficult for a third party to acquire us, which could inhibit stockholders from realizing a premium on their stock price.

We are subject to the Delaware anti-takeover laws regulating corporate takeovers. These anti-takeover laws prevent Delaware corporations from engaging in business combinations with any stockholder, including all affiliates and employees of a stockholder, who owns 15% or more of the corporation's outstanding voting stock, for three years following the date that the stockholder acquired 15% or more of the corporation's voting stock unless specified conditions are met.

Our amended and restated certificate of incorporation and bylaws contain provisions that have the effect of delaying, deferring or preventing a change in control that stockholders could consider favorable or beneficial. These provisions could discourage proxy contests and make it more difficult for stockholders to elect directors and take other corporate actions. These provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock. These provisions include:

- a staggered board of directors, so that it would take three successive annual meetings to replace all directors;
- a prohibition of stockholder action by written consent; and
- advance notice requirements for the submission by stockholders of nominations for election to the board of directors and for proposing matters that can be acted upon by stockholders at a meeting.

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Our issuance of shares of preferred stock could delay or prevent a change of control of us.

Our Board of Directors has the authority to cause us to issue, without any further vote or action by the stockholders, up to 20,000,000 shares of preferred stock, par value \$0.01 per share, in one or more series, to designate the number of shares constituting any series, and to fix the rights, preferences, privileges and restrictions thereof, including dividend rights, voting rights, rights and terms of redemption, redemption price or prices and liquidation preferences of such series. The issuance of shares of preferred stock may have the effect of delaying, deferring or preventing a change in control of us without further action by the stockholders, even where stockholders are offered a premium for their shares. The issuance of shares of preferred stock with voting and conversion rights may adversely affect the voting power of the holders of Class A common stock, including the loss of voting control. We have no present plans to issue any shares of preferred stock.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

On December 31, 2009, the Company, through an affiliate, Comstock Property Management, L.C., entered into a three-year lease for approximately 7,620 square feet of office space for its corporate headquarters at 1886 Metro Center Drive, Reston, Virginia from Comstock Asset Management, L.C., an affiliate wholly-owned by our Chief Executive Officer. On September 19, 2012, the Company amended the lease for an additional 2,436 square feet of office space, or a total 10,056 square feet, for its corporate headquarters, with an effective date of July 1, 2012. Refer to related party transactions Note 12 within the Notes to the Consolidated Financial Statements.

For information regarding the properties at our communities, please see Item 1 “Business – Our Communities.”

Item 3. Legal Proceedings

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 or cash flows. We believe that we have obtained adequate insurance coverage, rights to indemnification, or where appropriate, have established reserves in connection with these legal proceedings.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Market for the Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market for Common Stock

Our Class A common stock is traded on NASDAQ under the symbol “CHCF”. The following table sets forth the high and low sale prices of our Class A common stock, as reported on NASDAQ, for the periods indicated:

	High	Low
Fiscal Year Ended 2011		
First quarter	\$2.07	\$1.09
Second quarter	\$1.43	\$0.90
Third quarter	\$1.59	\$0.86
Fourth quarter	\$1.22	\$0.91
Fiscal Year Ended 2012		
First quarter	\$2.03	\$1.08
Second quarter	\$1.82	\$1.13
Third quarter	\$1.53	\$1.10
Fourth quarter	\$1.59	\$1.15

Dividends

We have never paid any cash dividends on our common stock and do not anticipate doing so in the foreseeable future.

Unregistered Sales of Equity Securities and Use of Proceeds

None.

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Issuer Purchases of Equity Securities

Our board of directors has previously authorized the repurchase of up to 1.0 million shares of our Class A common stock in one or more open market or privately negotiated transactions. During the twelve months ended December 31, 2012, we did not repurchase any of our outstanding Class A common stock. As of December 31, 2012, 0.6 million shares of Class A common stock authorized for repurchase remain available for repurchase; however, we have no immediate plans to repurchase stock under this authorization. On December 31, 2012, there were approximately 37 record holders of our Class A common stock. On December 31, 2012 there were two holders of our Class B common stock.

Item 6. Selected Financial Data

Not Applicable.

Item 7. 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 "Risk Factors" and "Cautionary Notes Regarding Forward-looking Statements."

Overview

We are a multi-faceted real estate development and services company. We have substantial experience with building a diverse range of products including apartments, 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, Apartment Buildings and Real Estate Services as further discussed in Note 2 of our consolidated financial statements. We are currently focused on the Washington, D.C. market, which is the eighth largest metropolitan statistical area in the United States.

Homebuilding

Our expertise in developing traditional and non-traditional housing products enables us to focus on a wide range of opportunities within our core market. For our homebuilding operations, we develop properties with the intent that they be sold either as fee-simple properties or condominiums to individual unit buyers or as investment properties sold to private or institutional investors. Our 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. We believe our middle market strategy positions our products such that they are affordable to a significant segment of potential home buyers in our market.

Apartment Buildings

For Comstock's apartment sector, we develop 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 assets within our own portfolio. Operating the assets for our own account affords us the flexibility of converting the units to condominiums in the future. When developing rental communities, we design our products to be affordable for tenants that fit one of two groups: (i) young first-time renters or (ii) renters by choice.

Real Estate Services

Our management team has significant experience 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, general contracting and other real estate related services to other property owners. This business line not only allows us to generate fee income from our highly qualified personnel but also serves as a potential catalyst for joint venture and acquisition opportunities.

We believe that our significant experience over the past 27 years, combined with our ability to navigate through two major housing downturns (early 1990s and late 2000s), have provided us the experience necessary to capitalize on attractive opportunities in our core market of Washington, D.C. and to rebuild shareholder value. We believe that our focus on the Washington, D.C. market, which has historically been characterized by economic conditions less volatile than many other major homebuilding markets, should provide an opportunity to generate attractive returns on investment and for growth.

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Recent Developments

New Hampshire Ave. Ventures, LLC

On August 23, 2012, the Company formed New Hampshire Ave. Ventures, LLC, a consolidated joint venture of its subsidiary Comstock Ventures XVI, L.C. and 6000 New Hampshire Avenue, LLC, to acquire, develop and construct 111 residential units, consisting of 38 single-family homes and 73 townhomes, in Washington, D.C. (the “NHA Project”). The Company, through New Hampshire Ave. Ventures, LLC, entered into a \$3.0 million mezzanine loan (the “NHA Mezzanine Loan”) in connection with the NHA Project with the Rosalie K. Stahl Trust, utilized to acquire the fully entitled land. Concurrent with the formation of the joint venture, the Company entered into a three-year loan agreement with Eagle Bank pursuant to which the Company secured a \$6.0 million revolving development loan and a \$4.0 million revolving construction loan (collectively, the “Eagle NHA Revolver”) to finance the development and construction of the NHA Project. Refer to Note 9 within the Notes to the Consolidated Financial Statements for further discussion of the terms of these financing arrangements.

Comstock Eastgate, L.C.

On September 27, 2012, the Company formed Comstock Eastgate, L.C., a consolidated joint venture of Comstock Holding Companies, Inc. and BridgeCom Development II, LLC, to acquire, develop and construct 66 residential condominium units in Loudoun County, VA (the “Eastgate Project”). Concurrent with the formation of the joint venture, the Company entered into a loan agreement with Cardinal Bank to which the Company secured a \$2.5 million revolving construction loan to finance the construction of the units. Refer to Note 9 within the Notes to the Consolidated Financial Statements for further discussion of the terms of the financing arrangement.

Comstock Redland Road, L.C.

On December 27, 2012, the Company formed Comstock Redland Road, L.C., a wholly owned subsidiary, to acquire, develop and construct 3 single-family moderately priced dwelling units, 36 townhome units and a 117-unit multi-family residential building. Concurrent with formation of the entity, the Company completed the acquisition through securing a \$2.5 million acquisition bridge loan with Eagle Bank and a \$5.75 million Deferred Purchase Money Promissory Note with TSR-Shady Grove, LLC, a Maryland limited liability Company. Refer to Note 9 within the Notes to the Consolidated Financial Statements for further discussion of the terms of these financing arrangements. Further, these financing arrangements were repaid in full on March 25, 2013 through new arrangements with Eagle Bank. Refer to Note 20 within the Notes to the Consolidated Financial Statement for further discussion of the terms of the new arrangement with Eagle Bank.

Comstock Investors VII, L.C.

On March 14, 2013, Comstock Investors VII, L.C. (“Investors VII”), a subsidiary of the Company entered into subscription agreements (each a “Subscription Agreement”) with certain accredited investors (the “Purchasers,” and each a “Purchaser”), pursuant to which the Purchasers purchased membership interests (“Interests”) in Investors VII for an initial aggregate principal amount of \$6,925 of an up to \$7,000 capital raise (the “Private Placement”). Purchasers included unrelated third-party accredited investors along with members of the Company’s Board of Directors and the Chief Operating Officer, Chief Financial Officer and General Counsel of the Company. The Subscription Agreement provides that the Purchasers are entitled to a cumulative, compounded, 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 Purchasers, provided that (i) all of the Purchasers’ Interests are acquired, (ii) the purchase is made in cash and (iii) the purchase price equals the Purchasers’ 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 Private Placement provides capital related to the current and planned construction of the Company’s following projects: The Residences at Shady Grove in Rockville, Maryland consisting of 36 townhomes, The Hampshires project in Washington, D.C. consisting of 38 single family residences and 73 townhomes, and the Falls Grove project in Prince William County, Virginia consisting of 110 townhomes and 19 single family homes (collectively, the “Projects”). Proceeds of the Private Placement are to be utilized (i) to provide capital needed to complete the Projects in conjunction with project financing for the Projects, (ii) to reimburse the Company for prior expenditures incurred on behalf of the Projects, and (iii) for general corporate purposes of the Company.

As part of the Private Placement, the Company also issued warrants to purchase shares of the Company’s Class A Common Stock (“Class A Common stock”) (“Warrants,” and each a “Warrant”) to Purchasers who are not officers, directors or affiliates of the Company that purchased Interests that equaled or exceeded an initial investment amount of \$250. The Warrants represent the right to purchase up to 224 shares of Class A Common Stock, the maximum aggregate amount of warrants approved for issuance under the Private Placement. The Warrants have an initial exercise price which is equal to the average of the closing price of the Class A Common Stock of the 20 trading days preceding the issuance of the Warrant. The Warrants contain a cashless exercise provision. In the event the Purchasers exercise the Warrants on a cashless basis, the Company will not receive any proceeds. Warrants may be exercised at any time prior to March 14, 2023.

Recent Accounting Pronouncements

In May 2011, the FASB issued Accounting Standards Update No. 2011-04, “Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standard (“IFRS”),” which provides a consistent definition of fair value and ensures that the fair value measurement and disclosure requirements are similar between U.S. GAAP and IFRS. The guidance changes certain fair value measurement principles and expands the disclosure requirements, particularly for Level 3 fair value measurements. The guidance was effective for the Company beginning February 1, 2012 and is applied prospectively. The adoption of this guidance, which relates primarily to disclosure, did not have a material impact on our Consolidated Financial Statements.

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In June 2011, the FASB issued Accounting Standards Update No. 2011-05, “Statement of Comprehensive Income” (“ASU2011-05”), which requires entities to present net income and other comprehensive income in either a single continuous statement or in two separate, but consecutive, statements of net income and other comprehensive income. The guidance was effective for the Company beginning January 1, 2012 and is applied prospectively. The adoption of this guidance did not have a material impact on our Consolidated Financial Statements.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with U.S. GAAP, which require us to make certain estimates and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. On an ongoing basis, we evaluate our estimates, including those related to the consolidation of variable interest entities, revenue recognition, impairment of real estate held for development and sale, warranty reserve and our environmental liability exposure. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ materially from these estimates.

A summary of significant accounting policies is provided in Note 2 to our audited consolidated financial statements. The following section is a summary of certain aspects of those accounting policies that require our most difficult, subjective or complex judgments and estimates.

Real estate held for development and sale

Real estate held for development and sale includes land, land development costs, construction and other costs. Real estate held for development and use is stated at cost, or when circumstances or events indicate that the real estate is impaired, at estimated fair value. Real estate held for sale is carried at the lower of cost or fair value less estimated costs to sell. Land, land development and indirect land development costs are accumulated by specific project and allocated to various units within that project using specific identification and allocation based upon the relative sales value, unit or area methods. Direct construction costs are assigned to units based on specific identification. Construction costs primarily include direct construction costs and capitalized field overhead. Other costs are comprised of fees, capitalized interest and real estate taxes. Costs incurred to sell real estate are capitalized to the extent they are reasonably expected to be recovered from the sale of the project and are tangible assets or services performed to obtain regulatory approval of sales. Other selling costs are expensed as incurred.

If the project is considered held for sale, it is valued at the lower of cost or fair value less estimated selling costs. For assets held for development and use, estimated fair value is based on comparable sales of real estate in the normal course of business under existing and anticipated market conditions. The evaluation takes into consideration the current status of the property, various restrictions, carrying costs, costs of disposition and any other circumstances that may affect fair value including management’s plans for the property. A write-down to estimated fair value is recorded when the net carrying value of the property exceeds its estimated undiscounted future cash flows. These evaluations are made on a property-by-property basis whenever events or changes in circumstances indicate that the net book value may not be recoverable.

The Company has classified its Eclipse and Penderbrook projects as held for sale and accordingly, carries the projects at fair value less costs to sell as determined by discounted cash flow models, by reference to comparable market transactions, or relevant purchase offers. Discounted cash flow models are dependent upon several subjective factors, including estimated average sales prices, estimated sales pace, and the selection of an appropriate discount rate. The estimates of sales prices, sales pace and discount rates used by the Company are based on the best information available at the time the estimates are made.

In the third quarter of 2012, management evaluated its strategic alternatives with respect to its real estate projects classified as held for sale with the objective of creating additional near term liquidity. As a result, a decision was made to market the Potomac Yard project in a bulk sale transaction, rather than by selling directly to prospective home buyers, significantly accelerating absorption. The impairment charge of \$2,358 for the year ended December 31, 2012, reflects the write down to estimated fair value less costs to sell under the revised disposition strategy, however, there can be no assurance that the Company will be successful in the sale of the Potomac Yard project in a bulk sale and in the absence thereof, the Company will continue selling to prospective home buyers. There were no impairment charges recorded during the year ended December 31, 2011.

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

	<u>December 31,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
Land and land development costs	\$ 19,378	\$ 4,693
Cost of construction (including capitalized interest and real estate taxes)	<u>8,403</u>	<u>16,519</u>
	<u>\$ 27,781</u>	<u>\$ 21,212</u>

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

	Years ended December 31,	
	2012	2011
Balance at beginning period	\$ 1,009	\$ 1,110
Additions	52	110
Releases and/or charges incurred	(98)	(211)
Balance at end of period	<u>\$ 963</u>	<u>\$ 1,009</u>

Revenue recognition

We recognize revenues and related profits or losses from the sale of residential properties, including multiple units to the same buyer, finished lots and land sales when closing has occurred, full payment has been received, title and possession of the property has transferred to the buyer and we have no significant continuing involvement in the property. Other revenues include revenue from land sales, rental revenue from leased apartments, which is recognized over the terms of the respective leases, and revenue earned from management and administrative support services provided to related parties, which is recognized as the services are provided.

Income taxes

The effective tax rate for the years ended December 31, 2012 and 2011 was 0% and 3%, respectively. This resulted in zero and \$33 in tax expense for the twelve month periods ended December 31, 2012 and 2011, respectively.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company previously recorded valuation allowances for certain tax attributes and other deferred tax assets. At this time, sufficient uncertainty exists regarding the future realization of these deferred tax assets through future taxable income. In the future, if the Company believes that it is more likely than not that these deferred tax benefits will be realized, the valuation allowances will be reversed. With a full valuation allowance, any change in the deferred tax asset or liability is fully offset by a corresponding change in the valuation allowance.

The Company currently has approximately \$116 million in federal and state NOLs, which based on current statutory tax rates, has a potential fair value of approximately \$45 million in tax savings. If unused, these NOLs will begin expiring in 2028. Under Section 382 rules, if a change of ownership is triggered, the Company's NOL assets and possibly certain other deferred tax assets may be impaired. We estimate that as of December 31, 2012, 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 December 31, 2012, because of the Company's full valuation allowance on its net deferred tax assets.

The Company's ability to use its NOLs (and in certain circumstances, future built-in losses and depreciation deductions) can be negatively affected if there is an "ownership change" as defined under Section 382. In general, an ownership change occurs whenever there is a shift in ownership by more than 50 percentage points by one or more 5% shareholders over a specified time period (generally three years). Given Section 382's broad definition, an ownership change could be the unintended consequence of otherwise normal market trading in the Company's stock that is outside of the Company's control. In an effort to preserve the availability of these NOLs, Comstock adopted a Section 382 stockholder rights plan (the "Rights Plan"). The Rights Plan was adopted to reduce the likelihood of such an unintended "ownership change" and thus assist in preserving the value of these tax benefits. Similar plans have been adopted by a number of companies holding similar significant tax assets over the past several years. This plan was submitted to a vote of the Company's shareholders on June 17, 2011, and the plan was approved at that meeting.

The Company has not recorded any accruals for tax uncertainties as of December 31, 2012 and 2011, respectively. We file U.S. and state income tax returns in jurisdictions with varying statutes of limitations. The 2009 through 2011 tax years remain subject to examination by federal and most state tax authorities.

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Use of estimates

The preparation of the financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates. Material estimates are utilized in the valuation of real estate held for development and sale, valuation of deferred tax assets, capitalization of costs, consolidation of variable interest entities and warranty reserves.

Results of Operations

Year ended December 31, 2012 compared to year ended December 31, 2011

Orders, backlog and cancellations

Gross new order revenue, revenue from all units sold, for the year ended December 31, 2012 increased \$4.4 million to \$18.9 million on 57 units, including condominium units, single-family units and townhome units, as compared to \$14.5 million on 50 units for the year ended December 31, 2011. Net new order revenue, revenue for all units sold less revenue from cancellations, for the year ended December 31, 2012 increased \$2.3 million to \$16.4 million on 51 units as compared to \$14.1 million on 48 units for the year ended December 31, 2011. The average gross new order revenue per unit for the year ended December 31, 2012 increased by \$42 to \$332, as compared to \$290 for the year ended December 31, 2011. Our backlog at December 31, 2012 increased \$4.8 million to \$5.4 million on 9 units as compared to our backlog at December 31, 2011 of \$0.6 million on 3 units.

We have four Washington, D.C. projects where we have units available for sale: Penderbrook Square in Fairfax, VA, the Eclipse at Potomac Yard in Arlington, VA, The Hampshires in Northeast, Washington D.C. and Eastgate in Chantilly, VA. As of December 31, 2012, there were 4 units in backlog for a total of \$1.8 million related to the Penderbrook and Eclipse projects. Because unit sales at these projects are generated from completed inventory, we do not need to construct units after a sales contract is executed with a unit purchaser. As a result, we are able to quickly execute on a sales contract and deliver the unit to the purchaser with deliveries typically made within thirty days of contract execution. The Hampshires project opened its first model home and began sales in August 2012 and at December 31, 2012, there were 5 units in backlog for a total of \$3.6 million. The first model is expected at Eastgate in the 1st quarter of 2013, with sales anticipated to begin concurrently with the opening. Unit sales at The Hampshires and Eastgate projects are generated from inventory that must be developed and constructed, thus the delivery of the units to the purchaser typically is made in 90 - 120 days from execution of the sales contract with the purchaser.

Revenue – homebuilding

The number of units delivered for the year ended December 31, 2012 decreased by 3 to 45 as compared to 48 units for the year ended December 31, 2011. Average revenue per unit delivered decreased by approximately \$34 to \$259 for the year ended December 31, 2012 as compared to \$293 for the year ended December 31, 2011. Revenue from homebuilding decreased by \$2.5 million to \$11.6 million for the year ended December 31, 2012 as compared to \$14.1 million for the year ended December 31, 2011. For the year ended December 31, 2012, 37 units were settled at Penderbrook and 8 units at Eclipse, as compared to 29 units at Penderbrook and 17 units at Eclipse for the year ended December 31, 2011. The decrease in settlements and decrease in average sales price is largely a function of the available product mix at condominium projects. As of December 31, 2012, there are 19 units remaining in our Eclipse project and 2 units remaining in our Penderbrook project. This compares to 27 units and 39 units, respectively, for Eclipse and Penderbrook at December 31, 2011.

Revenue – other

Revenue – other decreased approximately \$5.2 million to \$2.7 million during the year ended December 31, 2012, as compared to \$7.9 million for the year ended December 31, 2011. These decreases are directly attributable to the completion of several general contracting projects in the latter quarters of 2011 and through 2012, as well as from the reduction in rental operations at the Penderbrook and Eclipse developments due to absorption of the units. The Company has encountered a slowdown in general contracting services, but it continues to pursue opportunities within the Real Estate Services segment as they become available.

Revenue – other includes \$0.4 million and \$1.2 million of revenue generated by our rental communities during the twelve months ended December 31, 2012 and 2011, respectively. For the year ended December 31, 2012 and 2011, other revenue includes \$1.9 million and \$4.9 million, respectively, of related party real estate service revenue as further discussed in Note 12 to the consolidated financial statements.

We consider revenue to be from homebuilding when there is a structure built or being built on the lot when delivered. Sales of lots occur, and are included in other revenues, when we sell raw land or finished home sites in advance of any home construction.

Cost of sales – homebuilding

Cost of sales – homebuilding for the year ended December 31, 2012 decreased by \$2.5 million, to \$9.7 million as compared to \$12.2 million for the year ended December 31, 2011. The unit mix of homes settled during the year ended December 31, 2012 accounted for the decrease in the aggregate cost of sales figures. For the year ended December 31, 2012, gross margins increased to 16.4% on units settled as compared to 13.5% for the year ended December 31, 2011. The increase in margins is attributable to an increase in traffic and absorption at the two condominium projects resulting in a slight increase in pricing across those units. Further, this is a reflection of impairment charges recorded on the Eclipse project during the 3rd quarter of 2012.

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Cost of sales – other

Cost of sales – other decreased approximately \$3.9 million to \$3.5 million during the year ended December 31, 2012 as compared to \$7.4 million for the year ended December 31, 2011. Included in cost of sales – other for the year ended December 31, 2012, costs and gross profits (losses) totaled \$1.6 million and \$(1.2) million, respectively, related to rental operations at Penderbrook and Eclipse. Included in cost of sales – other for the year ended December 31, 2011, costs and gross profits (losses) totaled \$1.5 million and \$(0.3) million, respectively, related to the same rental operations. As a result of the continued absorption of the condominium units at Penderbrook and Eclipse, rental revenues have declined and the impact of fixed costs on gross profit has been more significant. The Company expects this trend to continue as the final units within the two condominium projects are absorbed.

Included in cost of sales – other for the year ended December 31, 2012, were costs and gross profits that totaled \$1.9 million and \$0.4 million, respectively, related to our aforementioned general contracting projects. Included in cost of sales – other for the year ended December 31, 2011, costs and gross profits that totaled \$5.9 million and \$0.7 million, respectively, related to the same general contracting business. These decreases in the year ended December 31, 2012 are directly related to the decrease in the number of ongoing general contracting projects. Consequently, the decline in revenues generated within the Real Estate Services segment and the impact relative to the fixed costs on gross profit has been more significant. The Company has one ongoing project and continues to pursue opportunities to expand the Real Estate Services segment.

Impairments and write-offs

We recorded an impairment charge of \$2.4 million during the year ended December 31, 2012, to properly record our for sale project at fair market value less costs to sell consistent with the provisions of ASC 360. No impairment charges were recorded during the twelve months ended December 31, 2011. See real estate held for development and sale Note 4 within the Notes to the Consolidated Financial Statements for discussion and analysis.

We evaluated all of our projects to determine if recorded carrying amounts were recoverable by evaluating discount rates, sales prices, absorption and our analysis of the best approach to marketing our projects for sale. This evaluation resulted in an aggregate 2012 impairment charge of \$2.4 million. The impairment charge was realized related to the Company's revised disposition strategy. See real estate held for development and sale Note 4 within the Notes to the Consolidated Financial Statements.

Selling, general and administrative expenses

Selling, general and administrative expenses for the year ended December 31, 2012 increased \$1.3 million to \$8.7 million, as compared to \$7.4 million for the year ended December 31, 2011. The increase in expenses for the twelve month periods ended in December 31, 2012, is primarily attributable to increases in audit and taxes fees of \$134, consulting expenses of \$385 and stock compensation of \$530.

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

Interest and real estate taxes incurred relating to the development of lots and parcels are capitalized to real estate held for development and sale during the active development period, which generally commences when borrowings are used to acquire real estate assets and ends when the properties are substantially complete or the property becomes inactive which means that development and construction activities have been suspended indefinitely. Interest is capitalized based on the interest rate applicable to specific borrowings or the weighted average of the rates applicable to other borrowings during the period. Interest and real estate taxes capitalized to real estate held for development and sale are expensed as a component of cost of sales as related units are sold. Approximately, \$351 and \$320 of interest was capitalized to projects during the years ended December 31, 2012 and 2011, respectively.

When a project becomes inactive, its interest, real estate taxes and indirect overhead costs are no longer capitalized but rather expensed in the period in which they are incurred. During the year ended December 31, 2012 and 2011, several of our historical projects were determined to be inactive for accounting purposes. Refer to Note 2 to the Consolidated Financial Statements for the breakdown of the interest, real estate taxes and indirect costs related to inactive projects reported on the consolidated statement of operations.

Discontinued operations

As described in Note 16 to the Consolidated Financial Statements, on March 7, 2012, the Company's subsidiary sold the Cascades Apartments for \$19.35 million. Because the sale of the Cascades Apartments represents a component of the Company, U.S. GAAP requires the results of operations associated with the Cascades Apartments to be included in Discontinued Operations. Accordingly, the net gain from the sale of the project of \$6.5 million is reflected within Discontinued Operations in the accompanying financial statements. Although the sale of the Cascades project is presented in the accompanying financial statements under Discontinued Operations, developing apartments for the purpose of selling is a component of the Company's ongoing strategy and operating activities. The Company continues to pursue such projects within its Apartment Buildings segment and anticipates that sales of similar operating projects will be reflected in this manner.

Income taxes

The effective tax rate for the years ended December 31, 2012 and 2011 was 0% and 3%, respectively. This resulted in zero and \$33 in tax expense for the twelve month periods ended December 31, 2012 and 2011, respectively.

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Liquidity and Capital Resources

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

The Company is involved in ongoing discussions with lenders in an effort to provide additional growth capital to fund various new business opportunities. In addition, on March 14, 2013, the Company, through its wholly-owned subsidiary Comstock Investors VII, L.C., entered into subscription agreements with certain accredited investors ("Comstock VII Investors"), pursuant to which the Comstock VII Investors purchased membership interests in the subsidiary for an initial aggregate principal amount of \$6,925, of an up to \$7,000 capital raise. Further, we have executed extensions and obtained new facilities to significantly reduce the debt obligations maturing in 2013. As of December 31, 2012, the maturities and curtailment obligations for 2013 was \$14,027, of which, the new facilities and extensions resulted in \$13,291 of the obligations with revised maturities beginning in 2015 and beyond. Refer to Note 20 for more details on the capital raise and changes to our credit facilities. We are anticipating that through a combination of the capital raised through the aforementioned private placement, current available cash on hand and additional cash from settlement proceeds at existing and under development communities, the Company will have sufficient financial resources to sustain our operations through the next 12 months, though no assurances can be made that we will be successful in our efforts.

Credit Facilities

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 property.

As of December 31, 2012, maturities and/or curtailment obligations of all of our borrowings are as follows:

2013	\$14,027
2014	4,084
2015	6,422
2016	—
2017 and thereafter	3,096
Total	<u>\$27,629</u>

As a result of debt extensions, repayments, and new facilities secured after December 31, 2012, as disclosed in Note 20 to the consolidated financial statements, we have significantly reduced the maturities and curtailment obligations for 2013. As of December 31, 2012, the maturities and curtailment obligations for 2013 was \$14,027, of which, the new facilities and extensions resulted in \$13,291 of the obligations with revised maturities beginning in 2015 and beyond.

The Company has generally financed its development and construction activities on a single or multiple project basis so it is not uncommon for each project or collection of projects the Company develops and builds to have a separate credit facility. Accordingly, the Company typically has had numerous credit facilities and lenders. As described in more detail below, at December 31, 2012 and 2011 our outstanding debt by lender was as follows:

Bank	Balance as of 12/31/12	Balance as of 12/31/11	Recourse
SunBridge, net of \$0.0 million and \$0.6 million discount, respectively	\$ —	\$10,178	Secured
Cardinal Bank	636	9,957	Secured
Bank of America	3,096	3,751	Unsecured
Cornerstone (Haven Trust)	—	400	Unsecured
Branch Banking & Trust	263	263	Secured
Wachovia	—	133	Unsecured
Seller – Emerald Farm	100	100	Secured
Fifth Third	—	25	Unsecured
Eagle Bank – Potomac Yard / Penderbrook	4,084	—	Secured
Eagle Bank – New Hampshire Ave.	3,159	—	Secured
Eagle Bank – Redland Road	2,500	—	Secured
Rosalie K. Stahl Trust	3,000	—	Secured
TSR-Shady Grove, LLC.	5,750	—	Secured
	<u>22,588</u>	<u>24,807</u>	
Due to affiliates – Stonehenge Funding	5,041	5,008	Unsecured
Total	<u>\$27,629</u>	<u>\$29,815</u>	

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Significant 2012 Borrowings

Eagle Bank

On May 29, 2012, the Company, through its Comstock Potomac Yard, L.C. and Comstock Penderbrook, L.C. subsidiaries, entered into a loan agreement with Eagle Bank pursuant to which the Company secured a \$9.96 million loan with a twenty-seven month term (the “Eagle Bank Loan”) to refinance the Company’s Eclipse condominium project and Penderbrook Square condominium project. Proceeds from the Eagle Bank Loan were primarily utilized (i) to pay off existing indebtedness of approximately \$7.97 million, (ii) set up an interest reserve escrow pursuant to the term of agreement in the amount \$0.5 million, (iii) pay approximately \$0.1 million in settlement charges and closing costs, and (iv) for general corporate purpose. The interest reserve escrow is held in the name of the bank, and if the borrower defaults under the loan agreement, the bank has sole discretion to apply the funds or portion of the funds to pay off the indebtedness. Commencing thirty days after closing, the Company is required to make monthly payments of interest only on outstanding principal balance, principal curtailment payments upon settlements at the two subsidiaries and a minimum principal curtailment payment of \$4.98 million no later than 12 months following the closing of the Eagle Bank Loan. There is no prepayment penalty associated with the Eagle Bank Loan. The balance outstanding at December 31, 2012 was \$4.08 million.

On August 23, 2012, the Company, through New Hampshire Ave. Ventures, LLC, a consolidated joint venture of its subsidiary Comstock Ventures XVI, L.C. and 6000 New Hampshire Avenue, LLC, entered into a three-year loan agreement and related documents with Eagle Bank securing a \$6.0 million revolving development loan and a \$4.0 million revolving construction loan (collectively, the “Eagle NHA Revolver”) to finance The Hampshires, the Company’s 111-unit project located in Washington, D.C. Proceeds from the Eagle NHA Revolver will primarily be utilized to (i) pay for expenses associated with the Eagle NHA Revolver; (ii) reimburse the Company for development costs previously expended and (iii) to pay for the future development and construction related expenses. Under the terms of the Loan Agreement, the Eagle NHA Revolver provides for an initial floating interest rate of LIBOR plus 3% with an interest rate floor of 5.75%. The New Hampshire Ave. Ventures, LLC is required to make monthly interest payments on the Eagle NHA Revolver to the extent not offset by a \$400 interest reserve initially set aside for the benefit of the Borrower and is required to make a minimum principal curtailment under the development portion of the Eagle NHA Revolver of \$3.22 million by December 31, 2013 and additional curtailments on a quarterly basis thereafter. There is no prepayment penalty associated with the Eagle NHA Revolver, which is secured by a first deed of trust and is fully guaranteed by the Company. The balance outstanding at December 31, 2012 was \$3.16 million.

On December 27, 2012, the Company, through Comstock Redland Road, L.C. subsidiary (the “Borrower”) entered into an acquisition bridge loan (the “Bridge Loan”) with Eagle Bank (“Lender”), pursuant to which the Company secured \$2.5 million to finance the Company’s acquisition of the property directly adjacent to the Shady Grove Metro in Rockville, Montgomery County, Maryland. The Company utilized the proceeds from the Eagle Bank Loan (the “Bridge Loan”) to (i) pay for the acquisition of land planned for development of 36 townhomes, 3 single family, and a 117-unit multi-family apartments and (ii) to pay for expenses associated with settlement charges and closing costs. Under the terms of the loan agreement, the Bridge Loan provides for an interest rate of 5% per annum. The Company is expected to make monthly interest payments commencing thirty days after closing, with entire principal balance due March 28, 2013. The loan is secured by a promissory note, second deed of trust and security agreement on the property, second deed of trust and security agreement on the Potomac Yard project, a guaranty of Comstock Holding Companies, Inc., Comstock Potomac Yard, L.C. and Christopher Clemente, the Chief Executive Officer of Comstock Holding Companies, Inc., and other ancillary documents (collectively, the “Bridge Loan Documents”). There is no prepayment penalty associated with the Bridge Loan. The amount outstanding at December 31, 2012 was \$2.5 million. The Bridge Loan was repaid in full on March 25, 2012 as further described in Note 20 to the consolidated financial statements.

Rosalie K. Stahl Trust

On August 23, 2012, the Company, through New Hampshire Ave. Ventures, LLC, a consolidated joint venture of its subsidiary Comstock Ventures XVI, L.C. and 6000 New Hampshire Avenue, LLC, also entered into a \$3.0 million mezzanine loan (the “NHA Mezzanine Loan”) in connection with the The Hampshires project with the Rosalie K. Stahl Trust. Proceeds from the NHA Mezzanine Loan, which has a three-year maturity date, were utilized to acquire the land for development of the project. The NHA Mezzanine Loan provides for an interest rate of 13.5% per annum, interest to be paid current on a monthly basis, with the full principal balance being due at maturity. The NHA Mezzanine Loan is secured by a second deed of trust, which is fully subordinate to the Eagle NHA Revolver and is non-recourse to the Company. There is no prepayment penalty associated with the NHA Mezzanine Loan.

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Cardinal Bank

On September 27, 2012, the Company, through Comstock Eastgate, L.C. (“Eastgate”), a consolidated joint venture of Comstock Holding Companies, Inc. and BridgeCom Development I, LLC, entered into a loan agreement with Cardinal Bank to which the Company secured a \$2.5 million revolving construction loan (the “Cardinal Bank Revolver”) to finance The Villas at Eastgate, the Company’s 66-unit project located in Loudoun County, VA. The loan maturity is twelve months from origination, with an automatic extension of twelve months subject to the Company meeting sales conditions, which include (i) entering into binding contracts for the sale of eighteen units and (ii) settling twelve units, each by the one year anniversary of the loan. The proceeds of Cardinal Bank Revolver will be primarily utilized to pay expenses associated with the loan and future construction expenses of the project. The Cardinal Bank Revolver provides for a variable interest rate of Prime plus 0.5%, with an interest rate floor of 4.75%. Commencing thirty days after loan close, the Company is required to make monthly payments of interest only and upon the closing of the sale of a unit, make principal curtailment payments of 100% of unit costs borrowed. There is no prepayment penalty associated with the Cardinal Bank Revolver.

TSR-Shady Grove, LLC

On December 27, 2012, the Company, through the Comstock Redland Road, L.C. subsidiary, entered into a Deferred Purchase Money Promissory Note with TSR-Shady Grove, LLC, a Maryland Limited liability company, pursuant to which the Company secured \$5.75 million for the acquisition of land planned for development of 36 town houses, 3 single family moderately priced dwelling units and a 117-unit multi-family apartments. The TSR-Shady Grove Loan provides for an interest rate of 6% per annum, interest is payable commencing thirty days after closing, with entire principal balance due March 28, 2013. However, pursuant to the Purchase and Sale Agreement, no interest shall accrue until the property is vacated. Subsequent to December 31, 2012, the tenant vacated the property. The TSR-Shady Grove Loan is secured by a deferred purchase money first deed of trust. There is no prepayment penalty associated with Redland Road Loan. The balance outstanding at December 31, 2012 was \$5.75 million. The Deferred Purchase Money Promissory Note was repaid in full on March 25, 2012 as further described in Note 20 to the consolidated financial statements.

Stonehenge

On March 14, 2013, Stonehenge Funding, LC (“Stonehenge”), an entity wholly-owned by the Chief Executive Officer of the Company, 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 monthly to Stonehenge, to be allocated first to accrued and unpaid interest and then to unpaid principal outstanding, beginning on April 1, 2013. The Extension Agreement was subject to the approval by the Company’s board of directors and approval was obtained on March 21, 2013.

Cash Flow

Net cash used in operating activities was \$16.0 million for the year ended December 31, 2012. This represents a decline from the net cash provided by operating activities of \$12.7 million for the year ended December 31, 2011. However, the 2012 cash flows do not reflect the net cash flows from the sale of the Cascades Apartments of approximately \$4.7 million. Although the construction, development and sale of this and potentially other future merchant build projects are an ongoing component of the Company’s operations, the sale of the project is required to be presented as Discontinued Operations. Accordingly, the net cash flows are presented within the investing and financing section of the accompanying consolidated statement of cash flows. Additionally, for 2012, other significant outflows relate to a \$1.2 million reduction in accrued interest payable for debt service payments made to lenders, a \$19.3 million dollar change in cash flows related to real estate held for development and sale arising from land acquisitions and expenditures for development activities and a \$0.5 million reduction in payables related to payments made to vendors and compensation paid to employees, reflective of the improved cash position of the Company.

Net cash provided by investing activities was \$18.9 million for the year ended December 31, 2012, primarily attributable to the sale of the Cascades Apartments. Net cash used in investing activities was \$9.8 million for the year ended December 31, 2011, primarily attributable to the development of the Cascades Apartments.

Net cash used in financing activities was \$5.0 million for the year ended December 31, 2012, primarily attributable to the payoff of long outstanding deficiency notes, debt curtailments on settlements and refinancing and retirement of the non-controlling interests, including preferred returns, in full related to the Cascades Apartments. Net cash provided by financing activities was \$2.3 million for the year ended December 31, 2011, primarily attributable to the Private Placement for the Cascades Apartments.

Seasonality and Weather

Our business is affected by seasonality with respect to orders and deliveries. In the market in which we operate, the primary selling season is from January through May as well as September and October. Orders in other months typically are lower. In addition, the markets in which we operate are four-season markets that experience significant periods of rain and snow. Construction cycles and efforts are often adversely affected by severe weather.

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Inflation

Inflation can have a significant impact on our business performance and the home building industry in general. Rising costs of land, transportation costs, utility costs, materials, labor, overhead, administrative costs and interest rates on floating credit facilities can adversely affect our business performance. In addition, rising costs of certain items, such as lumber, can adversely affect the expected profitability of our backlog. Generally, we have been able to recover any increases in costs through increased selling prices. However, there is no assurance we will be able to increase selling prices in the future to cover the effects of inflation and other cost increases.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 8. Financial Statements and Supplementary Data

Reference is made to the financial statements, the notes thereto, and the report thereon, commencing on page F-1 of this report, which financial statements, notes, and report are incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. 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 December 31, 2012. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded, as of December 31, 2012, that our disclosure controls and procedures were effective, and designed to ensure that (a) information required to be disclosed in our reports filed under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and instructions, and (b) information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

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 assurance, at the reasonable assurance level, 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.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over our financial reporting, as such term is defined in Rule 13a-15(f)/15d-15(f) of the Exchange Act.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2012, based on criteria set forth in the framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Our management determined that, as of December 31, 2012, our internal control over financial reporting is effective.

Changes in Internal Control

No change has occurred in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during our last fiscal quarter ended December 31, 2012, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item is incorporated herein by reference to the definitive Proxy Statement to be filed pursuant to Regulation 14A of the Exchange Act for our 2013 Annual Meeting of Stockholders, except that the information relating to our executive officers is included in Item 1, “Business – Executive Officers” of this report.

Item 11. Executive Compensation

The information required by this Item is incorporated herein by reference to the definitive Proxy Statement to be filed pursuant to Regulation 14A of the Exchange Act for our 2013 Annual Meeting of Stockholders.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item is incorporated herein by reference to the definitive Proxy Statement to be filed pursuant to Regulation 14A of the Exchange Act for our 2013 Annual Meeting of Stockholders.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item is incorporated herein by reference to the definitive Proxy Statement to be filed pursuant to Regulation 14A of the Exchange Act for our 2013 Annual Meeting of Stockholders.

Item 14. Principal Accountant Fees and Services

The information required by this Item is incorporated herein by reference to the definitive Proxy Statement to be filed pursuant to Regulation 14A of the Exchange Act for our 2013 Annual Meeting of Stockholders.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this report:

(1) Financial Statements are listed in the Index to Financial Statements on page F-1 of this report.

(2) Schedules have been omitted because they are not applicable or because the information required to be set forth therein is included in the consolidated and combined financial statements or notes thereto.

(3) Exhibits

<u>Exhibit Number</u>	<u>Exhibit</u>
3.1(2)	Amended and Restated Certificate of Incorporation
3.2(2)	Amended and Restated Bylaws
4.1(1)	Specimen Stock Certificate
10.1(1)	Lease Agreement, dated as of January 31, 2004, with Comstock Partners, L.C.
10.2(1)	Agreement of Sublease, dated as of October 1, 2004, with Comstock Asset Management, L.C.
10.3(1)	Form of Indemnification Agreement
10.4(1)	Form of Promissory Note to be issued to each of Christopher Clemente, Gregory Benson, James Keena and Lawrence Golub by each of Comstock Holding Company, Inc., Comstock Homes, Inc., Sunset Investment Corp., Inc. and Comstock Service Corp., Inc.
10.5(1)	Form of Tax Indemnification Agreement to be entered into by each of Christopher Clemente, Gregory Benson, James Keena and Lawrence Golub with each of Comstock Holding Company, Inc., Comstock Homes, Inc., Sunset Investment Corp., Inc. and Comstock Service Corp., Inc.
10.6(1)	2004 Long-Term Incentive Compensation Plan+
10.7(1)	Form Of Stock Option Agreement under the 2004 Long-Term Incentive Compensation Plan+
10.8(2)	Form Of Restricted Stock Grant Agreement under the 2004 Long-Term Incentive Compensation Plan+
10.9(1)	Employee Stock Purchase Plan+
10.10(2)	Purchase and Sale Agreement, dated as of November 9, 2004, as amended, with Fair Oaks Penderbrook Apartments L.L.C.
10.11(2)	Services Agreement, dated March 4, 2005, with Comstock Asset Management, L.C.
10.12(1)	Employment Agreement with Christopher Clemente+
10.13(1)	Employment Agreement with Gregory Benson+
10.14(1)	Confidentiality and Non-Competition Agreement with Christopher Clemente+
10.15(1)	Confidentiality and Non-Competition Agreement with Gregory Benson+
10.16(1)	Trademark License Agreement
10.17(2)	Purchase Agreement, dated as of November 12, 2004 with Comstock Asset Management, L.C.
10.18(4)	Description of Reimbursement and Indemnification Arrangement with Christopher Clemente and Gregory Benson
10.19(5)	Stock Purchase Agreement with Parker-Chandler Homes, Inc. and the Selling Stockholders identified therein, dated as of January 19, 2006
10.20(6)	Form of purchase agreement, dated as of May 5, 2006, as amended as of May 9, 2006, by and between the Company and the purchasers identified therein
10.21(6)	Form of warrant
10.22(7)	Note Purchase Agreement with Kodiak Warehouse LLC, dated as of May 4, 2006
10.23(7)	Junior Subordinated Indenture with Wells Fargo Bank, N.A., dated as of May 4, 2006
10.24(7)	Credit Agreement with Wachovia Bank, N.A., dated as of May 26, 2006
10.25(7)	Stock Purchase Agreement with Capitol Homes, Inc. and the Selling Shareholders identified therein, dated as of May 1, 2006

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- 10.26(9) Loan and Security Agreement, dated as of February 2008, by and between the Registrant and Stonehenge Funding, LC.
- 10.27(9) Guaranty Agreement, dated as of February 2008, by Comstock Potomac Yard, L.C. in favor of Stonehenge Funding, LC.
- 10.28(9) Supplement to Indenture, dated as of January 7, 2008, by and between the Registrant and Wells Fargo Bank, N.A.
- 10.29(9) Amended and Restated Indenture, dated as of March 14, 2008, by and between the Registrant and Wells Fargo Bank, N.A.
- 10.30(10) Forbearance and Conditional Release Agreement, dated as of November 25, 2008, by and among Highland Avenue Properties, LLC, Comstock Homes of Atlanta, LLC, the Registrant and Bank of American, N.A.
- 10.31(10) Sixth Loan Modification Agreement, dated as of November 26, 2008, by and among the Registrant and Bank of America, N.A.
- 10.32(10) Amended and Restated Promissory Note (Tribble Road Loan), dated as of December 10, 2008, by the Registrant in favor of Wachovia Bank, National Association.
- 10.33(10) Loan Modification and Forbearance Agreement, dated as of December 10, 2008, by and among the Registrant, various wholly owned subsidiaries as guarantors and Wachovia Bank, National Association.
- 10.34(10) Amended and Restated Promissory Note (Revolving Line of Credit), dated as of December 10, 2008, by the Registrant in favor of Wachovia Bank, National Association.
- 10.35(10) Amended and Restated Promissory Note (Term Loan), dated as of December 10, 2008, by the Registrant in favor of Wachovia Bank, National Association.
- 10.36(11) Consensual Foreclosure and Settlement Agreement, dated August 17, 2009, by and among the Registrant, et.al. and Wachovia Bank, National Association
- 10.37(11) Third Amendment of Loan Agreement, dated September 16, 2009, by and among Comstock Penderbrook, L.C., the Registrant and Guggenheim Corporate Funding, LLC
- 10.38(11) Settlement Agreement and Mutual Release, dated September 21, 2009, by and among Registrant, Mathis Partners, LLC and Comerstone Bank
- 10.39(11) Forbearance Agreement, dated September 28, 2009, by and among Comstock Cascades, L.C., the Registrant and Manufacturers and Traders Trust Company
- 10.40(11) Forbearance and Conditional Release Agreement, dated September 28, 2009, by and among Comstock Belmont Bay 89, L.C., the Registrant and Manufacturers and Traders Trust Company
- 10.41(11) First Amendment to Loan Agreement, dated October 30, 2009, by and among Comstock Station View, L.C., Comstock Potomac Yard, L.C., the Registrant and Key Bank National Association
- 10.42(11) Forbearance and Conditional Release Agreement, dated November 10, 2009, by and among Comstock Homes of Raleigh, L.L.C., the Registrant and Fifth Third Bank, N.A.
- 10.43(12) Forbearance Agreement and Second Amendment to Loan Agreement, dated January 27, 2009, by and among Comstock Penderbrook, L.C., the Registrant and Guggenheim Corporate Funding, LLC
- 10.44(12) Fourth Amendment to Sublease Agreement and Services Agreement, dated February 26, 2009, with Comstock Asset Management
- 10.45(12) Subordinated Deficiency Note, dated as of September 21, 2009, by the Registrant in favor of Comerstone Bank., successor-in-interest to Haventrust Bank.
- 10.46(12) Amended and Restated Subordinated Deficiency Note, dated as of November 5, 2009, by the Registrant in favor of Wachovia Bank, National Association.
- 10.47(12) Bankruptcy filing for Buckhead Overlook, LLC, filed November 2009 in the U.S. Bankruptcy Court, Northern District of Georgia, Atlanta Division
- 10.48(12) Bankruptcy filing for Post Preserve, LLC filed November 2009 in the U.S. Bankruptcy Court, Northern District of Georgia, Atlanta Division
- 10.49(12) Bankruptcy filing for Parker Chandler Homes, LLC f/k/a Comstock Homes of Atlanta, LLC filed November 2009 in the U.S. Bankruptcy Court, Northern District of Georgia, Atlanta Division
- 10.50(12) Lease Agreement, dated on or about December 31, 2009, with Comstock Asset Management, L.C. by Comstock Property Management, L.C., a subsidiary of Registrant
- 10.51(12) License Agreement, effective January 1, 2010, with I-Connect

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10.52(12)	Letter of Intent, effective February 12, 2010, by and between Registrant and Stonehenge Funding, L.C. and Subordination and Standstill Agreements between Registrant and Guggenheim Corporate Funding, LLC and between Registrant and Key Bank, National Association
10.53(12)	Seventh Loan Modification Agreement, dated as of February 25, 2010, by and among the Registrant and Bank of America, N.A.
10.54(12)	Memorandum Opinion, filed February 23, 2010, by the US District Court in favor of Comstock Potomac Yard, L.C., a subsidiary of Registrant, against Balfour Beatty Construction, LLC
10.55(12)	Purchase Agreement, dated October 30, 2009, by and between Comstock Station View, L.C. and M/I Homes of DC, LLC
10.56(13)	Second Amended and Restated Indenture, dated as of February 12, 2010, by and among the Registrant and Comstock Asset Management, L.C.
10.57(13)	Amended and Restated Senior Note, effective February 12, 2010, by and among, Stonehenge Funding, LC, the Registrant and Comstock Asset Management, L.C.
10.58(13)	Employment Agreement with Joseph M. Squeri+
10.59(13)	Confidentiality and Non-Competition Agreement with Joseph M. Squeri+
10.60(14)	Loan Agreement, dated as of January 27, 2011, by and among Comstock Potomac Yard, L.C. and Eagle Bank
10.61(14)	Loan Agreement, dated as of February 11, 2011, by and among Comstock Cascades II, L.C. and Cardinal Bank
10.62(15)	Credit Enhancement and Indemnification Agreement, dated February 17, 2011, by and between Registrant and Christopher D. Clemente and Gregory V. Benson.
10.63(16)	Loan Agreement, dated as of July 12, 2011, by and among Comstock Potomac Eclipse, L.C. and BCL Eclipse, LLC.
10.64(16)	Guaranty, Pledge and Security Agreement, dated as of July 12, 2011, by Comstock Homebuilding Companies, Inc. and Comstock Emerald Farm, L.C. to and for the benefit of BCL Eclipse, LLC.
10.65(16)	Warrant, dated as of July 12, 2011, in the name of BridgeCom Development I, LLC.
10.66(16)	Registration Rights Agreement, dated as of July 12, 2011, between Comstock Homebuilding Companies, Inc. and BridgeCom Development I, LLC.
10.67(16)	Right of First Refusal and First Offer Agreement, dated as of July 12, 2011, between Comstock Homebuilding Companies, Inc. and BridgeCom Development I, LLC.
10.68(17)	Loan Agreement, dated as of October 5, 2011, by and among Comstock Penderbrook, L.C. and BCL Penderbrook, LLC.
10.69(17)	Contract of Sale Agreement, dated as of October 31, 2011, by and among Comstock Cascades II, L.C. and CAPREIT Acquisition Corporation.
10.70(17)	Loan Agreement, dated as of May 29, 2012, by and among Eagle Bank and Comstock Potomac Yard, L.C and Comstock Penderbrook, L.C.
10.71(17)	Loan agreement, dated as of August 23, 2012, by and between Eagle Bank and New Hampshire Ave. Ventures, LLC.
10.72(17)	Loan agreement, dated as of September 27, 2012, by and between Cardinal Bank and Comstock Eastgate, L.C.
10.73(18)	Loan agreement, dated as of August 23, 2012, by and between Rosalie K. Stahl Trust and New Hampshire Ave. Ventures, LLC.
10.74(19)	Loan agreement, dated as of December 27, 2012, by and between Eagle Bank and Comstock Redland Road, L.C.
10.75(19)	Loan agreement, dated as of December 27, 2012, by and between TSR-Shady Grove, LLC and Comstock Redland Road, L.C.
10.76*	Loan agreement, dated as of March 25, 2013, by and between Eagle Commercial Ventures, LLC and Comstock Redland Road, L.C.
10.77*	Loan agreement, dated as of March 25, 2013, by and between Eagle Commercial Ventures, LLC and Comstock Redland Road, L.C.
10.78*	Loan agreement, dated as of March 25, 2013, by and between Eagle Bank and Comstock Redland Road, L.C.
10.79*	Loan agreement, dated as of March 25, 2013, by and between Eagle Bank and Comstock Redland Road, L.C.
11	Statement of computation of per share earnings
14.1(2)	Code of Ethics
21.1*	List of subsidiaries
23.1*	Consent of PricewaterhouseCoopers LLP
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

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- * Filed herewith.
- + Management contracts or compensatory plans, contracts or arrangements
- (1) Incorporated by reference to an exhibit to the Registrant's Annual Report on Form 10-K filed with the Commission on March 31, 2005.
- (2) Incorporated by reference to an exhibit to the Registrant's Registration Statement on Form S-1, as amended, initially filed with the Commission on August 13, 2004 (No. 333-118193).
- (3) Incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on November 14, 2005.
- (4) Incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on August 9, 2005.
- (5) Incorporated by reference to an exhibit to the Registrant's Annual Report on Form 10-K filed with the Commission on March 16, 2006.
- (6) Incorporated by reference to an exhibit to the Current Report on Form 8-K of the Registrant filed with the Commission on May 10, 2005.
- (7) Incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on August 9, 2006.
- (8) Incorporated by reference to an exhibit to the Registrant's Annual Report on Form 10-K filed with the Commission on March 16, 2007.
- (9) Incorporated by reference to an exhibit to the Registrant's Annual Report on Form 10-K filed with the Commission on March 24, 2008.
- (10) Incorporated by reference to an exhibit to the Registrant's Annual Report on Form 10-K filed with the Commission on March 31, 2009.
- (11) Incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on November 13, 2009.
- (12) Incorporated by reference to an exhibit to the Registrant's Annual Report on Form 10-K filed with the Commission on March 31, 2010.
- (13) Incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on November 12, 2010.
- (14) Incorporated by reference to an exhibit to the Registrant's Annual Report on Form 10-K filed with the Commission on March 31, 2011.
- (15) Incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on May 13, 2011.
- (16) Incorporated by reference to an exhibit to the Current Report on Form 8-K filed with the Securities and Exchange Commission on July 15, 2011.
- (17) Incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on November 14, 2012.
- (18) Incorporated by reference to the Current Report on Form 8-K filed with the Securities and Exchange Commission on August 27, 2012.
- (19) Incorporated by reference to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 3, 2013.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: March 27, 2013

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

<u>Signature</u>	<u>Capacity</u>	<u>Date</u>
<u>/s/ CHRISTOPHER CLEMENTE</u> Christopher Clemente	Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)	March 27, 2013
<u>/s/ GREGORY V. BENSON</u> Gregory V. Benson	President and Chief Operating Officer	March 27, 2013
<u>/s/ JOSEPH M. SQUERI</u> Joseph M. Squeri	Chief Financial Officer (Principal Financial Officer)	March 27, 2013
<u>/s/ A. CLAYTON PERFALL</u> A. Clayton Perfall	Director	March 27, 2013
<u>/s/ DAVID M. GUERNSEY</u> David M. Guernsey	Director	March 27, 2013
<u>/s/ JAMES A. MACCUTCHEON</u> James A. MacCutcheon	Director	March 27, 2013
<u>/s/ NORMAN D. CHIRITE</u> Norman D. Chirite	Director	March 27, 2013
<u>/s/ ROBERT P. PINCUS</u> Robert P. Pincus	Director	March 27, 2013
<u>/s/ SOCRATES VERSES</u> Socrates Verses	Director	March 27, 2013

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Comstock Holding Companies, Inc.:

In our opinion, the consolidated financial statements listed on page F-1 present fairly, in all material respects, the financial position of Comstock Holding Companies, Inc. and subsidiaries (the "Company") at December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2012 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP
McLean, Virginia
March 27, 2013

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

	December 31, 2012	December 31, 2011
ASSETS		
Cash and cash equivalents	\$ 3,539	\$ 5,639
Restricted cash	3,203	3,082
Trade receivables	1,611	2,228
Real estate held for development and sale	27,781	21,212
Operating real estate, net	—	12,095
Property, plant and equipment, net	222	105
Other assets	<u>2,343</u>	<u>2,018</u>
TOTAL ASSETS	<u>\$ 38,699</u>	<u>\$ 46,379</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 4,691	\$ 3,987
Notes payable – secured by real estate held for development and sale, net of discount	19,492	10,541
Notes payable – secured by operating real estate	—	9,957
Notes payable – due to affiliates, unsecured	5,041	5,008
Notes payable – unsecured	3,096	4,309
Income taxes payable	<u>—</u>	<u>33</u>
TOTAL LIABILITIES	<u>32,320</u>	<u>33,835</u>
Commitments and contingencies (Note 15)	—	—
SHAREHOLDERS' EQUITY		
Class A common stock, \$0.01 par value, 77,266,500 shares authorized, 17,627,826 and 17,944,503 issued and outstanding, respectively	176	179
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	170,070	168,620
Treasury stock, at cost (391,400 shares Class A common stock)	(2,480)	(2,439)
Accumulated deficit	<u>(162,349)</u>	<u>(156,684)</u>
TOTAL COMSTOCK HOLDING COMPANIES, INC. EQUITY	5,444	9,703
Non-controlling interests	<u>935</u>	<u>2,841</u>
TOTAL EQUITY	<u>6,379</u>	<u>12,544</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 38,699</u>	<u>\$ 46,379</u>

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

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

	Twelve Months Ended December 31,	
	2012	2011
Revenues		
Revenue – homebuilding	\$ 11,633	\$ 14,062
Revenue – other	2,669	7,871
Total revenue	14,302	21,933
Expenses		
Cost of sales – homebuilding	9,692	12,160
Cost of sales – other	3,484	7,434
Impairments and write-offs	2,358	—
Selling, general and administrative	8,658	7,399
Interest, real estate taxes and indirect costs related to inactive projects	2,135	2,739
Operating loss	(12,025)	(7,799)
Gain on troubled debt restructuring	—	(219)
Gain on legal settlement, net	—	(9,434)
Other income, net	(18)	(304)
(Loss) income before income tax benefit (expense)	(12,007)	2,158
Income taxes benefit (expense)	2,484	(33)
Net (loss) income from continuing operations	(9,523)	2,125
Discontinued operations:		
Loss from discontinued operations	(98)	(527)
Gain on sale of the real estate from discontinued operations	6,466	—
Income tax expense from discontinued operations	(2,484)	—
Net income (loss) from discontinued operations	3,884	(527)
Net (loss) income	(5,639)	1,598
Less: Net loss from continuing operations attributable to non-controlling interests	(77)	—
Less: Net income from discontinued operations attributable to non-controlling interests	103	491
Net (loss) income attributable to Comstock Holding Companies, Inc.	\$ (5,665)	\$ 1,107
Basic (loss) income per share:		
Continuing operations	\$ (0.47)	\$ 0.10
Discontinued operations	0.19	(0.05)
Net (loss) income per share	<u>\$ (0.28)</u>	<u>\$ 0.05</u>
Diluted (loss) income per share:		
Continuing operations	\$ (0.47)	\$ 0.10
Discontinued operations	0.19	(0.05)
Net (loss) income per share	<u>\$ (0.28)</u>	<u>\$ 0.05</u>
Basic weighted average shares outstanding	19,970	20,287
Diluted weighted average shares outstanding	19,970	20,720
Net (loss) income attributable to Comstock Holding Companies, Inc.:		
(Loss) income from continuing operations	\$ (9,446)	\$ 2,125
Income (loss) from discontinuing operations	3,781	(1,018)
Net (loss) income	<u>\$ (5,665)</u>	<u>\$ 1,107</u>

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

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

	Class A		Class B		Additional paid-in capital	Treasury stock	Retained earnings (deficit)	Non- controlling interest	Total
	Shares	Amount	Shares	Amount					
Balance at December 31, 2010	17,121	\$ 171	2,733	\$ 27	\$166,700	\$(2,439)	\$(157,791)	\$ —	\$ 6,668
Stock compensation and issuances	824	8			924				932
Warrants					996				996
Cascades Private Placement								2,350	2,350
Net income							1,107	491	1,598
Balance at December 31, 2011	17,945	\$ 179	2,733	\$ 27	\$168,620	\$(2,439)	\$(156,684)	\$ 2,841	\$12,544
Stock compensation and issuances (Note 2)	(317)	(3)			1,450				1,447
Net-settlement repurchases of stock compensation						(41)			(41)
Non-controlling interest contributions								1,012	1,012
Non-controlling interest distributions								(2,944)	(2,944)
Net income							(5,665)	26	(5,639)
Balance at December 31, 2012	<u>17,628</u>	<u>\$ 176</u>	<u>2,733</u>	<u>\$ 27</u>	<u>\$170,070</u>	<u>\$(2,480)</u>	<u>\$(162,349)</u>	<u>\$ 935</u>	<u>\$ 6,379</u>

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

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

	Twelve Months Ended December 31,	
	2012	2011
Cash flows from operating activities:		
Net (loss) income	\$ (5,639)	\$ 1,598
Adjustment to reconcile net (loss) income to net cash (used in) provided by operating activities		
Amortization of loan discount and deferred financing fees	1,283	1,444
Depreciation expense	122	196
Provision for bad debt	60	1
Impairments and write-offs	2,358	—
Amortization of stock compensation	1,447	932
Loss (gain) on extinguishment of notes payable	73	(219)
Gain on trade payable settlements	—	(161)
Gain on sale of operating real estate, net	(6,466)	—
Loss on disposal of property, plant and equipment	1	—
Changes in operating assets and liabilities:		
Restricted cash	(121)	19
Trade receivables	569	(1,837)
Real estate held for development and sale	(8,984)	10,292
Other assets	(433)	(678)
Accrued interest	(495)	752
Accounts payable and accrued liabilities	217	364
Income taxes payable	(33)	33
Net cash (used in) provided by operating activities	<u>(16,041)</u>	<u>12,736</u>
Cash flows from investing activities:		
Investment in Cascades Apartments – operating real estate, net	—	(9,764)
Purchase of property, plant and equipment	(158)	(78)
Proceeds from sale of Cascades Apartments – operating real estate, net	19,075	—
Net cash provided by (used in) investing activities	<u>18,917</u>	<u>(9,842)</u>
Cash flows from financing activities:		
Proceeds from notes payable	24,986	38,908
Payments on notes payable	(27,512)	(38,436)
Loan financing costs	(518)	(1,548)
Proceeds from SunBridge warrant issuance	—	996
Distribution to non-controlling interest holders	(2,944)	—
Contribution from non-controlling interest holders	1,012	2,350
Net cash (used in) provided by financing activities	<u>(4,976)</u>	<u>2,270</u>
Net (decrease) increase in cash and cash equivalents	(2,100)	5,164
Cash and cash equivalents, beginning of period	5,639	475
Cash and cash equivalents, end of period	<u>\$ 3,539</u>	<u>\$ 5,639</u>
Supplemental disclosures:		
Interest paid, net of interest capitalized	\$ 1,226	\$ 522
Reduction in proceeds from sale of Cascades Apartments and increase in other assets related to amount placed in escrow upon settlement of Cascades Apartments sale	\$ 275	\$ —
Increase in class A common stock par value in connection with issuance of stock compensation	\$ —	\$ 8
Increase in additional paid in capital in connection with SunBridge warrant	\$ —	\$ 996
Increase in treasury stock and accrued liabilities for net-settlement of stock compensation	\$ 41	\$ —

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)

1. ORGANIZATION

Comstock Holding Companies, Inc. is a multi-faceted real estate development and construction services company focused on the Washington, D.C. metropolitan area. The Company has substantial experience with building a diverse range of products including single-family homes, townhouses, mid-rise condominiums, high-rise multi-family condominiums, apartments and mixed-use (residential and commercial) developments. Since our founding in 1985, and as of December 31, 2012, we have built and delivered more than 5,500 homes generating total revenue in excess of \$1.4 billion. References in this Form 10-K 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.

Our business was founded in 1985 as a residential land developer and home builder focused on the Northern Virginia suburbs of the Washington, D.C. area.

Comstock Companies, Inc. was incorporated on May 24, 2004 as a Delaware corporation. On June 30, 2004, the Company changed its name to Comstock Homebuilding Companies, Inc. On December 17, 2004, the Company completed an initial public offering (“IPO”) of its Class A common stock. On June 22, 2012, the Company changed its name to Comstock Holding Companies, Inc. which better reflects the Company’s multi-faceted strategy and capabilities.

The Company’s Class A common stock is traded on the Nasdaq Capital Market (“NASDAQ”) under the symbol “CHCT” and has no public trading history prior to December 17, 2004. The Company continues to be in compliance with all NASDAQ continued listing requirements.

Liquidity Developments

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

The Company is involved in ongoing discussions with lenders in an effort to provide additional growth capital to fund various new business opportunities. In addition, on March 14, 2013, the Company, through its wholly-owned subsidiary Comstock Investors VII, L.C., entered into subscription agreements with certain accredited investors (“Comstock VII Investors”), pursuant to which the Comstock VII Investors purchased membership interests in the subsidiary for an initial aggregate principal amount of \$6,925, of an up to \$7,000 capital raise. Further, we have executed extensions and obtained new facilities to significantly reduce the debt obligations maturing in 2013. As of December 31, 2012, the maturities and curtailment obligations for 2013 was \$14,027, of which, the new facilities and extensions resulted in \$13,291 of the obligations with revised maturities beginning in 2015 and beyond. Refer to Note 20 for more details on the capital raise and changes to our credit facilities. We are anticipating that through a combination of the capital raised through the aforementioned private placement, current available cash on hand and additional cash from settlement proceeds at existing and under development communities, the Company will have sufficient financial resources to sustain our operations through the next 12 months, though no assurances can be made that we will be successful in our efforts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies and practices used in the preparation of the consolidated financial statements is as follows:

Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) and include the accounts of Comstock Holding Companies, Inc., a Delaware corporation, and all of its majority-owned and controlled subsidiaries. All significant intercompany accounts and transactions have been eliminated. Investments in 50% or less owned partnerships and affiliates are accounted for using the equity method unless it is determined that the Company has control of the entity, in which case the entity would be consolidated. The Company had no investments accounted for using the equity method as of December 31, 2012 and 2011.

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Cash and cash equivalents and restricted cash

Cash and cash equivalents are comprised of cash and short-term investments with maturities of three months or less when purchased. At times, the Company may have deposits with institutions in excess of federally insured limits. Banking institutions with which the Company does business are considered credit worthy; therefore, credit risk associated with cash and cash equivalents is considered low. At December 31, 2012 and 2011, the Company had restricted cash of \$3.2 million and \$3.1 million, respectively, which includes a \$3.0 million deposit with an insurance provider, to which we have no access currently, as security for future claims.

Real estate held for development and sale

Real estate held for development and sale includes land, land development costs, construction and other costs. Real estate held for development and use is stated at cost, or when circumstances or events indicate that the real estate is impaired, at estimated fair value. Real estate held for sale is carried at the lower of cost or fair value less estimated costs to sell. Land, land development and indirect land development costs are accumulated by specific project and allocated to various units within that project using specific identification and allocation based upon the relative sales value, unit or area methods. Direct construction costs are assigned to units based on specific identification. Construction costs primarily include direct construction costs and capitalized field overhead. Other costs are comprised of fees, capitalized interest and real estate taxes. Costs incurred to sell real estate are capitalized to the extent they are reasonably expected to be recovered from the sale of the project and are tangible assets or services performed to obtain regulatory approval of sales. Other selling costs are expensed as incurred.

If the project is considered held for sale, it is valued at the lower of cost or fair value less estimated selling costs. For assets held for development and use, estimated fair value is based on comparable sales of real estate in the normal course of business under existing and anticipated market conditions. The evaluation takes into consideration the current status of the property, various restrictions, carrying costs, costs of disposition and any other circumstances that may affect fair value including management's plans for the property. A write-down to estimated fair value is recorded when the net carrying value of the property exceeds its estimated undiscounted future cash flows. These evaluations are made on a property-by-property basis whenever events or changes in circumstances indicate that the net book value may not be recoverable.

Capitalized interest and real estate taxes

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

	Years ended December 31,	
	2012	2011
Total interest incurred and capitalized	\$ 351	\$ 320
Total real estate taxes incurred and capitalized	150	13
Total interest and real estate taxes incurred and capitalized	<u>\$ 501</u>	<u>\$ 333</u>
Interest expensed as a component of cost of sales	\$ 2,065	\$ 2,329
Real estate taxes expensed as a component of cost of sales	189	198
Interest and real estate taxes expensed as a component of cost of sales	<u>\$ 2,254</u>	<u>\$ 2,527</u>

When a project becomes inactive, its interest, real estate taxes and indirect production overhead costs are no longer capitalized but rather expensed in the period in which they are incurred. Following is a breakdown of the interest, real estate taxes and indirect costs related to inactive projects reported in real estate held for development and sale:

	Years ended December 31,	
	2012	2011
Total interest incurred and expensed for inactive projects	\$ 1,940	\$ 2,507
Total real estate taxes incurred and expensed for inactive projects	170	381
Total production overhead incurred and expensed for inactive projects	179	214
	2,289	3,102
Amounts reclassified to discontinued operations	(154)	(363)
	<u>\$ 2,135</u>	<u>\$ 2,739</u>

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Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and are depreciated on the straight-line method over their estimated useful lives as follows:

Furniture and fixtures	7 years
Office equipment	5 years
Computer equipment and capitalized software	3 years
Leasehold improvements	Life of related lease

When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from their separate accounts and any gain or loss on sale is reflected in operations. Expenditures for maintenance and repairs are charged to expense as incurred.

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

	Years ended December 31,	
	2012	2011
Balance at beginning period	\$ 1,009	\$ 1,110
Additions	52	110
Releases and/or charges incurred	(98)	(211)
Balance at end of period	<u>\$ 963</u>	<u>\$ 1,009</u>

Revenue recognition

The Company recognizes revenues and related profits or losses from the sale of residential properties, including multiple units to the same buyer, finished lots and land sales when closing has occurred, full payment has been received, title and possession of the property has transferred to the buyer and the Company has no significant continuing involvement in the property. Other revenues include revenue from land sales, rental revenue from leased apartments – which is recognized over the terms of the respective leases, revenue from construction services – which is recognized under the percentage-of-completion method, and revenue earned from management and administrative support services provided to related parties – which is recognized as the services are provided.

Advertising costs

The total amount of advertising costs charged to selling, general and administrative expense was \$168 and \$64 for the years ended December 31, 2012 and 2011, respectively.

Stock compensation

As discussed in Note 14, the Company sponsors stock option plans and restricted stock award plans. The Company accounts for its share-based awards pursuant to Accounting Standards Codification (“ASC”) 718, *Share Based Payments*. ASC 718 requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements over the vesting period based on their fair values at the date of grant. For the year ended December 31, 2012 and 2011, total stock-based compensation cost was \$1,447 and \$932, respectively. Of this amount, \$1,447 and \$925 was charged to selling, general and administration expenses for the years ended December 31, 2012 and 2011, respectively.

Out-of-period adjustment

During the fourth quarter of 2012, we identified an error in the consolidated financial statements for the year ended December 31, 2011 and the first three quarters of 2012. This error related to accounting for non-cash stock compensation expense. We concluded that this adjustment was not material to any prior periods’ consolidated financial statements. We also concluded that the out-of-period correction of this error in 2012 was not material to the consolidated financial statements for the year ended December 31, 2012. As such, the cumulative effect of the error was recorded in the 2012 Consolidated Statement of Operations and the 2012 Consolidated Statement of Changes in Shareholders’ Equity as an out-of-period adjustment. The effect of this adjustment was to increase the Company’s net loss by \$176 for the year ended December 31, 2012 and to reduce the Class A Common Stock shares outstanding by \$3, or 317 shares.

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Income taxes

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

Income (Loss) per share

The weighted average shares and share equivalents used to calculate basic and diluted (loss) income per share for the year ended December 31, 2012 and 2011, are presented on the consolidated statement of operations. Stock options and warrants for the year ended December 31, 2012 and 2011 are included in the diluted earnings per share calculation using the treasury stock method and average market prices during the period, unless the stock option and warrants would be anti-dilutive. As a result of net losses from continuing operations for the year ended December 31, 2012, approximately 388 restricted stock awards, 196 stock options and 428 warrants were excluded from the computation of diluted earnings per share because their inclusion would have been anti-dilutive. For the year ended December 31, 2011, approximately 170 and 263 of stock options and warrants, respectively, were included in the computation of diluted earnings per share. The computation of basic and diluted shares outstanding is as follows:

	Year Ended December 31,	
	2012	2011
Computation of weighted-average basic shares outstanding:		
Weighted average basic shares outstanding	<u>19,970</u>	<u>20,287</u>
Computation of weighted average diluted shares outstanding:		
Weighted-average basic shares outstanding	19,970	20,287
Dilutive effect of stock options	—	170
Dilutive effect of restricted stocks	—	—
Dilutive effect of warrants	—	263
Weighted average common shares outstanding – diluted	<u>19,970</u>	<u>20,720</u>

Comprehensive income

For the years ended December 31, 2012 and 2011, comprehensive income equaled net income; therefore, a separate statement of comprehensive income is not included in the accompanying consolidated financial statements.

Segment reporting

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

For our Homebuilding operations, we develop properties with the intent that they be sold either as fee-simple properties or condominiums to individual unit buyers or as investment properties sold to private or institutional investors. Our 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.

For our Apartment Buildings 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.

Our Real Estate Services segment pursues 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.

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The following disclosure includes the Company's three reportable segments of Homebuilding, Apartment Buildings and Real Estate Services. Each of these segments operates within the Company's single Washington, D.C. reportable geographic segment. The information for 2011 has been reclassified to conform to current year business segment presentation and to reflect the reclassification of operations derived from the Cascades II sale as discontinued operations. Refer to Note 16 for further discussion.

	(in thousands)			
	Homebuilding	Apartment Buildings	Real Estate Services	Total
Twelve Months Ended December 31, 2012				
Gross revenue (1)	\$ 12,043	\$ —	\$2,259	\$ 14,302
Gross income	724	—	402	1,126
Net (loss) income from continuing operations	(12,285)	—	278	(12,007)
Net income from discontinued operations	—	6,368	—	6,368
Net (loss) income	(12,285)	6,368	278	(5,639)
Total assets	36,378	278	2,043	38,699
Depreciation and amortization	1,487	—	—	1,487
Interest expense	1,775	—	—	1,775
Capital expenditures	158	—	—	158
Twelve Months Ended December 31, 2011				
Gross revenue (1)	\$ 15,354	\$ —	\$6,579	\$ 21,933
Gross income	1,686	—	653	2,339
Net income from continuing operations	1,729	—	429	2,158
Net loss from discontinued operations	—	(527)	—	(527)
Net income (loss)	1,696	(527)	429	1,598
Total assets	31,964	12,695	1,720	46,379
Depreciation and amortization	955	173	—	1,128
Interest expense	2,180	327	—	2,507
Capital expenditures	55	9,764	23	9,842

- (1) Gross revenue includes 'Revenue – homebuilding' and 'Revenue – other' as described in the consolidated income statement for assets included in each segment.

The Company allocates selling general and administrative expenses to the individual segments based upon specifically allocable costs and, in the absence of direct allocations, based upon its estimate of time allocable to the segment or based upon overall pro rata revenue generation.

The table below reconciles the segment information to the corresponding amounts in the Consolidated Statements of Operations:

	Twelve Months Ended December 31,	
	2012	2011
Segment operating (loss) income from continuing operations	\$(12,007)	\$2,158
Income tax benefit (expense)	2,484	(33)
Income (loss) from continuing operations	<u>\$ (9,523)</u>	<u>\$2,125</u>
Segment operating income (loss) from discontinued operations	\$ 6,368	\$ (527)
Income tax expense	(2,484)	—
Income (loss) from discontinued operations	<u>\$ 3,884</u>	<u>\$ (527)</u>

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Use of estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates. Material estimates are utilized in the valuation of real estate held for development and sale, valuation of deferred tax assets, capitalization of costs, consolidation of variable interest entities and warranty reserves.

Recent accounting pronouncements

In May 2011, the FASB issued Accounting Standards Update No. 2011-04, “Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standard (“IFRS”),” which provides a consistent definition of fair value and ensures that the fair value measurement and disclosure requirements are similar between U.S. GAAP and IFRS. The guidance changes certain fair value measurement principles and expands the disclosure requirements, particularly for Level 3 fair value measurements. The guidance was effective for the Company beginning February 1, 2012 and is applied prospectively. The adoption of this guidance, which relates primarily to disclosure, did not have a material impact on our Consolidated Financial Statements.

In June 2011, the FASB issued Accounting Standards Update No. 2011-05, “Statement of Comprehensive Income” (“ASU2011-05”), which requires entities to present net income and other comprehensive income in either a single continuous statement or in two separate, but consecutive, statements of net income and other comprehensive income. The guidance was effective for the Company beginning January 1, 2012 and is applied prospectively. The adoption of this guidance did not have a material impact on our Consolidated Financial Statements.

3. CONSOLIDATION OF VARIABLE INTEREST ENTITIES

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

Consolidated Real Estate Held for Development and Sale

Included within the Company’s real estate held for development and sale at December 31, 2012 are four wholly-owned entities that are VIEs and for which the Company is the primary beneficiary; Penderbrook, Potomac Yard, Yorkshire and Redland Road. 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.

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 it was a VIE concluding 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 shared voting interests, complete operational control of the activities that most significantly impact the VIE’s economic performance and its obligation to absorb losses, or receive benefits, from the VIE that could be significant to the VIE.

On September 27, 2012, the Company formed Comstock Eastgate, L.C., a joint venture of Comstock Holding Companies, Inc. and BridgeCom Development II, LLC, for the purpose of acquiring, developing and constructing 66 condominium units (the “Eastgate Project”) in Loudoun County, Virginia. The Company evaluated the joint venture and determined that it was a VIE concluding 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 VIE’s economic performance and its obligation to absorb losses, or receive benefits, from the VIE that could be significant to the VIE.

At December 31, 2012 and December 31, 2011, total assets of these VIEs were approximately \$29.4 million and \$22.0 million, respectively, and total liabilities were approximately \$17.4 million and \$11.1 million, respectively. The classification of these assets is primarily within real estate held for development and sale and the classification of liabilities are primarily within notes payable – secured by real estate held for development and sale in the Company’s consolidated balance sheets.

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Consolidated Operating Real Estate, Net

On January 31, 2011, Comstock Cascades II, L.C., a subsidiary of the Company (“Cascades II”), entered into a private placement for the sale of membership interests in Cascades II whereby Cascades II raised working capital in the amount of \$2.35 million (the “Private Placement”) related to the planned construction of a 103 unit apartment project located in the Cascades master planned community in Loudoun County, Virginia (the “Cascades Apartments”). Proceeds of the Private Placement were utilized (i) to provide sufficient capital needed to secure project financing for the Cascades Apartments, (ii) to retire a portion of the existing indebtedness, and (iii) to reimburse the Company for prior expenditures incurred on behalf of the project. Participants in the Private Placement included unrelated third party investors along with several members of the Company’s Board of Directors, as well as the Chief Operating Officer, Chief Financial Officer and General Counsel of the Company.

On February 11, 2011, Comstock closed its loan agreement with Cardinal Bank (see Note 9) which provided the necessary construction financing for the development of the Cascades Apartments and concurrent with that closing, the Company utilized the proceeds of the Private Placement offering as described above. The Company fully guaranteed the loan and accordingly, Comstock concluded that Cascades II was a VIE. As part of the Cascades II operating agreement, the Company had majority voting and complete operational control of the subsidiary. The Company concluded that it was the primary beneficiary of the VIE and therefore the financial condition, results of operations and cash flows of Cascades II were consolidated in the accompanying financial statements.

The investors in the Private Placement (the “Priority Members”) were entitled to a cumulative, compounded, preferred return, subject to the performance of Cascades II, of 20% per annum, compounded annually on their capital account balances. Comstock had the right to repurchase the interest of the Priority Members provided that i) all of the Priority Members interests were acquired, ii) the purchase was made in cash and iii) the purchase price shall equal the Priority Members capital account plus an amount necessary to cause the preferred return to equal a cumulative cash on cash return equal to 20% per annum. The equity contribution related to the Private Placement is reflected as a Non-Controlling Interest as a component of consolidated shareholders’ equity. The Company’s investment was subordinate to the Priority Members investment and gains from the operating activity and distributions of cash flow (if any) of Cascades II would allocate to the Priority Members (in advance of Comstock) up to their capital account plus the required preferred return of 20% as outlined above. For the year ended December 31, 2012 and 2011, the priority returns were approximately \$103 and \$491, respectively. The priority returns are reflected in the accompanying consolidated statement of operations as net income from discontinued operations attributable to non-controlling interests to properly account for the preferred return due the Priority Members upon liquidation of their interest in Cascades II.

On March 7, 2012, the Company completed the sale of the Cascades Apartments (the “Project”) to an affiliate of CAPREIT Acquisition Corporation (“Purchaser”), a Maryland corporation, pursuant to a Contract of Sale Agreement, as amended, dated October 31, 2011. The Project was sold for \$19.35 million. In connection with the closing of the transaction, Cascades II placed in escrow \$300 (the “Warranty Escrow”) to secure performance of certain post-closing warranty work and \$650 (the “Claims Escrow”) to secure Cascades II’s indemnification and other obligations set forth in the Agreement. The Warranty Escrow was agreed to be released to Cascades upon completion of the post-closing warranty work and the Claims Escrow was agreed to be released to Cascades in three equal installments at six, eight and twelve months from the date of settlement provided that no claims have been made against Cascades by the Purchaser. On September 6, 2012, the Purchaser released the \$300 Warranty escrow, net of \$2 in settlement costs, and one-third of the Claims Escrow, \$217, net of \$35 of post-closing warranty claims. On November 26, 2012, the Purchaser released the second installment, one-third of the remaining Claims Escrow, \$143. As detailed in Note 9, the historical operations of Cascades Apartments are included within discontinued operations.

Concurrent with the execution of the sale transaction, Cascades II settled the secured financing of \$10.1 million with Cardinal Bank, including all principal and interest due at the time of settlement, and retired the non-controlling equity investment, including all preferred returns due. The Company realized a loss on the extinguishment of the secured financing with Cardinal Bank of \$0.3 million, including the prepayment penalty fees of \$0.2 million. At settlement, the Company received net proceeds of approximately \$4.7 million from the transaction after repayment of the existing loan from Cardinal Bank secured by the Project and the retirement of the non-controlling equity investment related to the Project.

Concurrent with the settlement of the secured financing, retirement of non-controlling equity investment holders and the release of the Company’s corporate guaranty, the Company determined a reconsideration event under ASC 810 had occurred and concluded the entity no longer met the definition of a VIE as defined by the standard. The Company further noted that the Company has retained the controlling financial interest in Cascades II and has continued to consolidate the subsidiary.

Land purchase options

The Company typically acquires land for development at market prices under fixed price purchase agreements. The purchase agreements require deposits that may be forfeited if the Company fails to perform under the agreements. The deposits required under the purchase agreements are in the form of cash or letters of credit in varying amounts. The Company may, at its option, choose for any reason and at any time not to perform under these purchase agreements by delivering notice of its intent not to acquire the land under contract. The Company’s sole legal obligation and economic loss for failure to perform under these purchase agreements is typically limited to the amount of the deposit pursuant to the liquidated damages provision contained within the purchase agreement. As a result, none of the creditors of any of the entities with which the Company enters into forward fixed price purchase agreements have recourse to the general credit of the Company.

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The Company does not share in an allocation of either the profit earned or loss incurred by any of these entities with which the Company has fixed price purchase agreements. The Company has concluded that whenever it options land or lots from an entity and pays a significant non-refundable deposit as described above, a variable interest entity is created under the provisions of ASC 810-10, *Consolidation*. This is because the Company has been deemed to have provided subordinated financial support, which creates a variable interest which limits the equity holder's returns and may absorb some or all of an entity's expected theoretical losses if they occur. The Company, therefore, examines the entities with which it has fixed price purchase agreements for possible consolidation by the Company under the provision of ASC 810-10. The Company does not have any contractual or ownership interests in the entities with which it contracts to buy the land. The Company concluded that it does not have the power to direct the activities that most significantly impact the economic performance of the VIEs, including the power to site plan and engineer the developments, finance the parcels under option contract, and develop the raw parcels under option contract into finished lots. The third party retains these rights under the fixed purchase price agreements until title is transferred to the Company upon settlement of the transaction, or a portion of the transactions as defined. Therefore, the Company has not consolidated these VIEs in the consolidated balance sheet.

4. REAL ESTATE HELD FOR DEVELOPMENT AND SALE

Real estate held for development and sale includes land, land development costs, construction and other costs. Real estate held for development and use is stated at cost, or when circumstances or events indicate that the real estate is impaired, at estimated fair value. Real estate held for sale is carried at the lower of cost or fair value less estimated costs to sell. Land, land development and indirect land development costs are accumulated by specific project and allocated to various units within that project using specific identification and allocation based upon the relative sales value, unit or area methods. Direct construction costs are assigned to units based on specific identification. Construction costs primarily include direct construction costs and capitalized field overhead. Other costs are comprised of fees, capitalized interest and real estate taxes. Costs incurred to sell real estate are capitalized to the extent they are reasonably expected to be recovered from the sale of the project and are tangible assets or services performed to obtain regulatory approval of sales. Other selling costs are expensed as incurred.

If the project is considered held for sale, it is valued at the lower of cost or fair value less estimated selling costs. For assets held for development and use, estimated fair value is based on comparable sales of real estate in the normal course of business under existing and anticipated market conditions. The evaluation takes into consideration the current status of the property, various restrictions, carrying costs, costs of disposition and any other circumstances that may affect fair value including management's plans for the property. A write-down to estimated fair value is recorded when the net carrying value of the property exceeds its estimated undiscounted future cash flows. These evaluations are made on a property-by-property basis whenever events or changes in circumstances indicate that the net book value may not be recoverable.

The Company has classified its Eclipse and Penderbrook projects as held for sale and accordingly, carries the projects at fair value less costs to sell as determined by discounted cash flow models, by reference to comparable market transactions, or relevant purchase offers. Discounted cash flow models are dependent upon several subjective factors, including estimated average sales prices, estimated sales pace, and the selection of an appropriate discount rate. The estimates of sales prices, sales pace and discount rates used by the Company are based on the best information available at the time the estimates are made.

In 2012, management evaluated its strategic alternatives with respect to its real estate projects classified as held for sale with the objective of creating additional near term liquidity. As a result, a decision was made to market the Potomac Yard project in a bulk sale transaction, rather than by selling directly to prospective home buyers, significantly accelerating absorption. The impairment charge of \$2,358 for the year ended December 31, 2012, reflects the write down to estimated fair value less costs to sell under the revised disposition strategy, however, there can be no assurance that the Company will be successful in the sale of the Potomac Yard project in a bulk sale and in the absence thereof, the Company will continue selling to prospective home buyers. The Company recorded an impairment charge of \$2,358 during the year ended December 31, 2012, to properly record its for sale projects at fair market value less costs to sell, consistent with the provisions of ASC 360. There were no impairment charges recorded during the year ended December 31, 2011.

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

	December 31,	
	2012	2011
Land and land development costs	\$19,378	\$ 4,693
Cost of construction (including capitalized interest and real estate taxes)	8,403	16,519
	<u>\$27,781</u>	<u>\$21,212</u>

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5. OPERATING REAL ESTATE, NET

In February 2011, the Company began construction on a 103-unit apartment rental project located in the Cascades master planned community in Loudoun County, Virginia (the “Cascades Apartments”). Accordingly, upon the initiation of construction, the value of the existing land upon which the project was constructed (approximately \$2.5 million) was reclassified from real estate held for development and sale to operating real estate, net. The total construction costs capitalized in addition to the land and land development costs were approximately \$9.8 million. The apartment project consisted of two buildings, the first of which was placed into service in July 2011 and the second of which was placed in service in September 2011. As further discussed in Note 9, the Cascades Apartments were sold on March 7, 2012 and accordingly, the results of operations are included in ‘Net income (loss) on discontinued operations’ in 2012 and 2011.

Depreciation was calculated on buildings and improvements at the Cascades Apartments using the straight-line method over estimated useful lives, which ranged from seven to thirty years. Furniture, fixtures and equipment were depreciated using the straight-line method over estimated useful lives, which range from three years (primarily computer-related equipment) to seven years. Depreciation of \$82 was recorded for the year ended December 31, 2012 and depreciation of \$173 was recorded for the year ended December 31, 2011 and is reflected in segment reporting Note 2 and in discontinued operations on the Consolidated Statement of Operations. Operating real estate consisted of the following:

	December 31,	
	2012	2011
Land	\$—	\$ 2,815
Building and improvements	—	9,453
	—	12,268
Less: accumulated depreciation	—	(173)
	<u>\$—</u>	<u>\$12,095</u>

6. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment consist of the following:

	December 31,	
	2012	2011
Computer equipment and capitalized software	\$ 199	\$ 1,840
Furniture and fixtures	106	82
Office equipment	58	84
Leasehold improvements	—	15
	363	2,021
Less: accumulated depreciation	(141)	(1,916)
	<u>\$ 222</u>	<u>\$ 105</u>

Depreciation and amortization expense, included in ‘selling, general, and administrative’ in the consolidated financial statements of operations, amounted to \$41 and \$23 for the years ended December 31, 2012 and 2011, respectively.

7. OTHER ASSETS

Other assets consist of the following:

	December 31,	
	2012	2011
Restricted escrow deposits	\$ 570	\$ 483
Deferred financing costs	1,148	1,679
Deposits on land purchase options	820	420
Other	106	48
	2,644	2,630
Less: accumulated amortization	(301)	(612)
	<u>\$2,343</u>	<u>\$2,018</u>

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8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

	December 31,	
	2012	2011
Trade payables	\$3,511	\$2,910
Warranty	963	1,009
Customer deposits	206	63
Other	6	5
	<u>\$4,686</u>	<u>\$3,987</u>

9. MORTGAGES AND CREDIT FACILITIES

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

Bank	Balance as of	Balance as of	Recourse
	12/31/12	12/31/11	
SunBridge, net of \$0.0 million and \$0.6 million discount, respectively	\$ —	\$10,178	Secured
Cardinal Bank	636	9,957	Secured
Bank of America	3,096	3,751	Unsecured
Comerstone (Haven Trust)	—	400	Unsecured
Branch Banking & Trust	263	263	Secured
Wachovia	—	133	Unsecured
Seller – Emerald Farm	100	100	Secured
Fifth Third	—	25	Unsecured
Eagle Bank – Potomac Yard / Penderbrook	4,084	—	Secured
Eagle Bank – New Hampshire Ave.	3,159	—	Secured
Eagle Bank – Redland Road	2,500	—	Secured
Rosalie K. Stahl Trust	3,000	—	Secured
TSR-Shady Grove, LLC.	5,750	—	Secured
	22,588	24,807	
Due to affiliates – Stonehenge Funding	<u>5,041</u>	<u>5,008</u>	Unsecured
Total	<u>\$27,629</u>	<u>\$29,815</u>	

The material loan agreements are discussed below.

Eagle Bank

On May 29, 2012, the Company, through its Comstock Potomac Yard, L.C. and Comstock Penderbrook, L.C. subsidiaries, entered into a loan agreement with Eagle Bank pursuant to which the Company secured a \$9.96 million loan with a twenty-seven months term (the “Eagle Bank Loan”) to refinance the Company’s Eclipse condominium project and Penderbrook Square condominium project. Proceeds from the Eagle Bank Loan were primarily utilized (i) to pay off existing indebtedness of approximately \$7.97 million, (ii) set up an interest reserve escrow pursuant to the term of agreement in the amount \$0.5 million, (iii) pay approximately \$0.1 million in settlement charges and closing costs, and (iv) for general corporate purpose. The interest reserve escrow is held in the name of the bank and if the borrower defaults under the loan agreement, the bank has sole discretion to apply the funds or portion of the funds to pay off the indebtedness. Commencing thirty days after closing, the Company is required to make monthly payments of interest only on outstanding principal balance, principal curtailment payments upon settlements at the two subsidiaries and a minimum principal curtailment payment of \$4.98 million no later than 12 months following the closing of the Eagle Bank Loan. There is no prepayment penalty associated with the Eagle Bank Loan. The balance outstanding at December 31, 2012 was \$4.08 million.

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On August 23, 2012, the Company, through New Hampshire Ave. Ventures, LLC, a consolidated joint venture of its subsidiary Comstock Ventures XVI, L.C. and 6000 New Hampshire Avenue, LLC, entered into a three-year loan agreement and related documents with Eagle Bank securing a \$6.0 million revolving development loan and a \$4.0 million revolving construction loan (collectively, the “Eagle NHA Revolver”) to finance The Hampshires, the Company’s 111-unit project located in Washington, D.C. Proceeds from the Eagle NHA Revolver will primarily be utilized to (i) pay for expenses associated with the Eagle NHA Revolver; (ii) reimburse the Company for development costs previously expended and (iii) to pay for the future development and construction related expenses. Under the terms of the Loan Agreement, the Eagle NHA Revolver provides for an initial floating interest rate of LIBOR plus 3% with an interest rate floor of 5.75%. The New Hampshire Ave. Ventures, LLC is required to make monthly interest payments on the Eagle NHA Revolver to the extent not offset by a \$400 interest reserve initially set aside for the benefit of the Borrower and is required to make a minimum principal curtailment under the development portion of the Eagle NHA Revolver of \$3.22 million by December 31, 2013 and additional curtailments on a quarterly basis thereafter. There is no prepayment penalty associated with the Eagle NHA Revolver, which is secured by a first deed of trust and is fully guaranteed by the Company. The balance outstanding at December 31, 2012 was \$3.16 million.

On December 27, 2012, the Company, through Comstock Redland Road, L.C. subsidiary, entered into acquisition bridge loan (the “Bridge Loan”) with Eagle Bank, pursuant to which the Company secured \$2.5 million to finance the Company’s acquisition of the property directly adjacent to the Shady Grove Metro in Rockville, Montgomery County, Maryland. The Company utilized the proceeds from the Eagle Bank Loan (the “Bridge Loan”) to (i) pay for the acquisition of land planned for development of 36 townhomes, 3 single family, and a 117-unit multi-family apartments and (ii) to pay for expenses associated with settlement charges and closing costs. Under the terms of the loan agreement, the Bridge Loan provides for an interest rate of 5% per annum. The Company is expected to make monthly interest payments commencing thirty days after closing, with entire principal balance due March 27, 2013. The loan is secured by a promissory note, second deed of trust and security agreement on the property, second deed of trust and security agreement on the Potomac Yard project, a guaranty of Comstock Holding Companies, Inc., Comstock Potomac Yard, L.C. and Christopher Clemente, the Chief Executive Officer of Comstock Holding Companies, Inc. and other ancillary documents (collectively, the “Bridge Loan Documents”). There is no prepayment penalty associated with the Bridge Loan. The amount outstanding at December 31, 2012 was \$2.5 million. The Bridge Loan was repaid in full on March 25, 2012 as further described in Note 20 to the consolidated financial statements.

SunBridge

On July 12, 2011, the Company, through its Comstock Potomac Yard, L.C. subsidiary, entered into a loan agreement with BCL Eclipse, LLC, an affiliate of SunBridge Capital Management, LLC (“SunBridge”), pursuant to which the Company secured a \$13.8 million loan with a three year term (the “SunBridge Eclipse Loan”) to refinance the Company’s Eclipse condominium project. Proceeds from the SunBridge Eclipse Loan were primarily utilized to (i) pay off existing indebtedness of approximately \$9.0 million, (ii) pay approximately \$0.8 million for expenses associated with the SunBridge Eclipse Loan (which were classified in Other assets in the accompanying balance sheet), and (iii) for general corporate purposes. The SunBridge Eclipse Loan provided for a 1% origination fee and an interest rate of 12.5%. There was no prepayment penalty associated with the SunBridge Eclipse Loan, which was secured by a first deed of trust on the Eclipse property. The loan was subject to minimum sales and release requirements.

On July 12, 2011, SunBridge also issued a binding commitment letter to the Company, through its Comstock Penderbrook, L.C. subsidiary, for a cash out refinance of the Company’s Penderbrook Square condominium projected in an amount of up to \$7.0 million with a three-year term (the “SunBridge Penderbrook Loan”). This commitment was drawn upon on October 5, 2011 and the loan was funded for approximately \$5.4 million. Proceeds from this loan were primarily utilized to (i) pay off existing indebtedness of approximately \$3.9 million, (ii) pay for expenses associated with the loan of approximately \$0.7 million, and (iii) for general corporate purposes.

As a condition of the loan agreement, the Company also entered into a cross-collateralization agreement whereby the Penderbrook project and the Eclipse project each secured payment and performance of the covenants and agreements of the October 5, 2011 SunBridge Penderbrook Loan and the loan funded on July 12, 2011 with respect to the Eclipse project as described above. The SunBridge Penderbrook Loan provided for a 1% origination fee and an interest rate of 12.5%. There was no prepayment penalty associated with the SunBridge Penderbrook Loan, which was secured by a first deed of trust on the property. The loan was subject to minimum sales and release requirements.

On October 5, 2011, the Company and a subsidiary of the Company, Comstock Emerald Farm, L.C., as guarantors, also entered into a guaranty agreement for the benefit of SunBridge. Pursuant to the guaranty agreement, (i) the guarantors jointly and severally guaranteed the payment of principal and interest and any other amounts due under the SunBridge Penderbrook Loan Agreement, (ii) the Company pledged its equity interest in Comstock Penderbrook, L.C., and (iii) each guarantor granted SunBridge a security interest in all of its unencumbered assets, all as additional security for the SunBridge Penderbrook Loan.

On May 29, 2012, the Company repaid the SunBridge loans in full. All cash paid to satisfy the extinguishment of the SunBridge Loans is classified as a financing activity in the consolidated statement of cash flows.

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Cardinal Bank

On February 11, 2011, the Company, through Cascades II entered into a loan agreement with Cardinal Bank pursuant to which the Company obtained an \$11.0 million multi-family construction loan and mortgage with a five-year term (the “Cardinal Bank Loan”). Proceeds from the Cardinal Bank Loan (i) funded the construction of the Company’s Cascades apartment project and (ii) retired existing indebtedness of the Company owed to M&T Bank having a maturity date of February 14, 2011 and which was secured by a first deed of trust on the real property upon which the Cascades project was constructed. The Cardinal Bank Loan, secured by a new first deed of trust on the property, had an initial interest rate of Prime plus two percent (2%), with an interest rate floor of 6.5%. The Cardinal Bank Loan was amortized in accordance with a 5.5%, 25-year schedule, with amortization to begin 18 months after the loan closing and had a 2% prepayment penalty if paid within the first or second year and a 1% prepayment penalty if retired in the third or fourth year. The Company had fully guaranteed the Cardinal Bank Loan. The Chief Executive Officer of the Company and the Chief Operating Officer of the Company also provided a limited guaranty in connection with the Cardinal Bank Loan of up to \$6.8 million, subject to further reduction upon the satisfaction of certain enumerated conditions set forth in the loan agreement (see Note 12). On March 7, 2012, the Company sold the Cascades Apartments and the Cardinal Bank Loan was repaid in full. A prepayment penalty of \$0.2 million was incurred in connection with the early repayment and is included in discontinued operations – gain on sale of real estate in the consolidated statement of operations. All cash paid to satisfy the extinguishment of the Cardinal Bank Loan is classified as a financing activity in the statement of cash flows.

On September 27, 2012, the Company, through Comstock Eastgate, L.C. (“Eastgate”), a consolidated joint venture of Comstock Holding Companies, Inc. and BridgeCom Development I, LLC, entered into a loan agreement with Cardinal Bank to which the Company secured a \$2.5 million revolving construction loan (the “Cardinal Bank Revolver”) to finance The Villas at Eastgate, the Company’s 66-unit project located in Loudoun County, VA. The loan maturity is twelve months from origination, with an automatic extension of twelve months subject to the Company meeting sales conditions, which include (i) entering into binding contracts for the sale of eighteen units and (ii) settling twelve units, each by the one year anniversary of the loan. The proceeds of Cardinal Bank Revolver will be primarily utilized to pay expenses associated with the loan and future construction expenses of the project. The Cardinal Bank Revolver provides for a variable interest rate of Prime plus 0.5%, with an interest rate floor of 4.75%. Commencing thirty days after loan close, the Company is required to make monthly payments of interest only and upon the closing of the sale of a unit, make principal curtailment payments of 100% of unit costs borrowed. There is no prepayment penalty associated with the Cardinal Bank Revolver.

Bank of America

At December 31, 2012, the Company had \$3.10 million outstanding to Bank of America under a 10-year unsecured note. On February 25, 2010 the Company entered into a Seventh Loan Modification Agreement with Bank of America regarding the modification of the terms of this loan. In connection therewith the Company agreed to pay an extension fee of \$100 and Bank of America agreed to delay until January 2011 the commencement of repayments of all previously unpaid interest accruing since the date of the Company’s previously reported modification of the line of credit in November 2008. On February 1, 2011, the Company entered into the Eighth Loan Modification Agreement with Bank of America. The modification required payments of past interest and modification fees of approximately \$175 on February 1, 2011, which were paid in accordance with the agreement. The maturity date remains December 28, 2018. Comstock is required to make monthly interest payments beginning on February 28, 2011 through loan maturity. Commencing January 28, 2012 and continuing on each and every month through November 28, 2018, Comstock is also required to make monthly principal payments of approximately \$37.

Rosalie K. Stahl Trust

On August 23, 2012, the Company, through New Hampshire Ave. Ventures, LLC, a consolidated joint venture of its subsidiary Comstock Ventures XVI, L.C. and 6000 New Hampshire Avenue, LLC, also entered into a \$3.0 million mezzanine loan (the “NHA Mezzanine Loan”) in connection with the The Hampshires project with the Rosalie K. Stahl Trust. Proceeds from the NHA Mezzanine Loan, which has a three-year maturity date, were utilized to acquire the land for development of the project. The NHA Mezzanine Loan provides for an interest rate of 13.5% per annum, interest to be paid current on a monthly basis, with the full principal balance being due at maturity. The NHA Mezzanine Loan is secured by a second deed of trust which is fully subordinate to the Eagle NHA Revolver and is non-recourse to the Company. There is no prepayment penalty associated with the NHA Mezzanine Loan.

TSR-Shady Grove, LLC

On December 27, 2012, the Company, through the Comstock Redland Road, L.C. subsidiary, entered into a Deferred Purchase Money Promissory Note with TSR-Shady Grove, LLC, a Maryland limited liability company, pursuant to which the Company secured \$5.75 million for the acquisition of land planned for development of 36 town houses, 3 single family and a 117-unit multi-family apartments. The TSR-Shady Grove Loan provides for an interest rate of 6% per annum, interest is payable commencing thirty days after closing, with entire principal balance due March 28, 2013. However, pursuant to the Purchase and Sale Agreement (the “Purchase Agreement”), no interest shall accrue until the property is vacated. The TSR-Shady Grove Loan is secured by a deferred purchase money first deed of trust. There is no prepayment penalty associated with Redland Grove Loan. The balance outstanding at December 31, 2012 was \$5.75 million. The Deferred Purchase Money Promissory Note was repaid in full on March 25, 2012 as further described in Note 20 to the consolidated financial statements.

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Stonehenge

On December 23, 2009, Stonehenge Funding, LC (“Stonehenge”), an entity wholly-owned by the Chief Executive Officer of the Company, completed the purchase of a senior unsecured note (the “JP Morgan Debt”) from JP Morgan Ventures (“JPMV”) in the then outstanding amount of approximately \$9.0 million, plus accrued and unpaid interest. The purchase of the JP Morgan Debt resulted in the transfer to Stonehenge of a warrant previously issued to JPMV for the purchase of 1.5 million shares of the Company’s Class A Common Stock with a strike price of \$0.07 per share (the “JP Morgan Warrant”). The Company’s Chief Operating Officer subsequently purchased a participation interest in the JP Morgan Debt and the JP Morgan Warrant from Stonehenge. On February 12, 2010 the Company entered into a modification agreement to modify the terms of the Company’s senior unsecured note with Stonehenge (the “Modification Agreement”). Under the terms of the Modification Agreement, Stonehenge agreed to forgive \$4.5 million of the principal balance due from the Company under the JP Morgan Debt, reducing the principal balance by 50% to \$4.5 million. Stonehenge also agreed to forgive an additional amount due from the Company of approximately \$875, representing all past due interest, late fees and penalties accruing through December 31, 2009 under the JP Morgan Debt. Stonehenge further agreed to reduce the interest rate, effective January 1, 2010, by 50% to 300 basis points above the one year LIBOR on a floating basis. In addition, to ensure the Company’s ability to comply with certain restrictions placed upon the Company by KeyBank and Guggenheim in connection with previously announced loan modifications enhancing cash flow to the Company, Stonehenge agreed to allow all future interest payments due from the Company under the JP Morgan Debt to accrue until at least 90 days after KeyBank and Guggenheim have been fully repaid. In connection therewith, Stonehenge may, on a quarterly basis, elect to accept stock of the Company (or warrants for the purchase thereof) with a cumulative value equal to the value of the scheduled interest payment in lieu of accruing a future quarterly interest payment. For the year ended December 31, 2011, no elections were made and no warrants were issued under the agreement. The KeyBank debt was fully repaid on February 2, 2011. The Guggenheim debt was fully repaid upon funding of the SunBridge Penderbrook Loan on October 5, 2011.

Further, the Modification Agreement provided for the elimination or forbearance upon the enforcement of all financial covenants contained in the JP Morgan Debt and all previously reported covenant violations by the Company. Stonehenge, as a condition of the new financing arrangement with SunBridge, agreed to subordinate its loan and delay principal and interest payments until the SunBridge loans on both Eclipse and Penderbrook are fully repaid. Concurrent with the repayment of the Sunbridge loans on May 29, 2012, the subordination agreement expired. On July 24, 2012, the Company and Stonehenge entered into an agreement extending the maturity of the debt to July 20, 2013.

On March 14, 2013, Stonehenge 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 monthly to Stonehenge, to be allocated first to accrued and unpaid interest and then to unpaid principal outstanding, beginning on April 1, 2013. The extension agreement was subject to the approval by the Company’s board of directors and approval was obtained on March 21, 2013.

Wachovia

On August 17, 2009, the Company entered into a foreclosure agreement (“Agreement”) with Wachovia Bank with respect to approximately \$17.8 million of secured debt, accrued interest and fees. Under the terms of the Agreement, the Company agreed to cooperate with Wachovia with respect to its foreclosure on certain of the Company’s real estate assets. In return, Wachovia agreed to release the Company from their obligations and guarantees relating to the \$17.8 million of indebtedness contemporaneous with the execution by the Company of a non-interest bearing, unsecured deficiency note payable to Wachovia in the amount of approximately \$1.8 million. The deficiency note was reduced by the principal payments related to certain homes sold by the Company. As of December 31, 2011, the deficiency note balance was \$132. On September 27, 2012, the Company repaid the outstanding balance of the deficiency note in full.

Cornerstone

On September 21, 2009 the Company entered into a settlement and mutual release agreement with Cornerstone Bank (“Cornerstone”) with respect to approximately \$5.1 million debt secured by its Gates of Lubercon project in Atlanta, Georgia. Under the terms of the agreement, Cornerstone released the Company, and its subsidiary Mathis Partners, LLC, from their respective obligations and guarantees relating to \$5.1 million of debt owed by the Company to Cornerstone in exchange for a non-interest bearing unsecured subordinate note in the amount of \$0.4 million with a three year term. On October 15, 2012, the Company repaid the outstanding balance of the deficiency note in full.

As of December 31, 2012, maturities and/or curtailment obligations of all of our borrowings are as follows:

2013	\$14,027
2014	4,084
2015	6,422
2016	—
2017 and thereafter	3,096
Total	<u>\$27,629</u>

As of December 31, 2012, the maturities and curtailment obligations for 2013 was \$14,027, of which, the new facilities and extensions resulted in \$13,291 of the obligations with revised maturities beginning in 2015 and beyond. Refer to Note 20 for more details on changes to our credit facilities.

10. SUNBRIDGE WARRANT AND STRATEGIC AGREEMENT

In connection with entering into the SunBridge Loans, on July 12, 2011, the Company agreed to issue BridgeCom Development I, LLC, an affiliate of SunBridge (“BridgeCom”), an immediately exercisable warrant to purchase 1.0 million shares of the Company’s Class A common stock at an exercise price equal to the average closing price of the stock for the preceding twenty days (\$1.03) (the “SunBridge Warrant”). The exercise period is ten years from July 12, 2011. The Company calculated the fair value of the SunBridge Warrant and the SunBridge Loans and allocated the proceeds of the SunBridge Loans on a relative fair value basis. The fair value of the SunBridge Warrant was calculated using a Black Scholes option pricing model and the fair value of the SunBridge Loans was calculated using a discounted cash flow model. The Black Scholes option pricing model considered risk-free interest rates, volatility factors and current market and contractual prices. The fair value of the SunBridge Loans was estimated based on interest rates available to the Company for debt with similar terms. The amount allocated to the SunBridge Warrant was approximately \$1.0 million and is reflected as an addition to additional paid-in capital and a corresponding discount on the SunBridge Loans. The Company is amortizing this discount over the term of the SunBridge Loans using the effective interest method. The remaining discount at December 31, 2011 was approximately \$0.6 million. On May 29, 2012, the Company repaid the SunBridge loans in full and the SunBridge warrants remain unexercised as of December 31, 2012.

In addition, the Company agreed to enter into a right of first offer and refusal (“Strategic Agreement”) with SunBridge to jointly pursue certain homebuilding and multi-family projects in the Washington, D.C. metropolitan area. Under the general terms of the Strategic Agreement, the Company will offer material future investment opportunities to SunBridge and if mutually agreed upon, the Company and SunBridge will enter into specific joint venture arrangements for each identified opportunity. The Strategic Agreement terminates at the earlier of three years from the date of the agreement or until each party funds a minimum of \$25.0 million in identified investment opportunities.

11. COMMON STOCK AND WARRANTS

On May 12, 2006, the Company completed a private placement (the “PIPE”) to institutional and other accredited investors of 2,121 shares of Class A common stock and warrants exercisable into 636 shares of Class A common stock. The Company sold the securities for \$9.43 per share for total proceeds of approximately \$20.0 million and net proceeds of approximately \$18.7 million. The per share price of \$9.43 represented a premium of approximately 14.6% to the closing price of the Company’s common stock on the date the purchase was completed. The net proceeds were used for general corporate purposes. The warrants issued in connection with the PIPE were five-year warrants exercisable at any time after November 10, 2006 with an exercise price of \$11.32 per share. The fair value of the warrants issued under the PIPE have been reported as equity instruments because the liquidated damages, which are capped at 10%, reasonably represent the difference between the value of a registered share and an unregistered share of the Company’s common stock. All unexercised warrants were forfeited as of November 10, 2011.

As part of the Private Placement referred to in Note 20, the Company also issued warrants to purchase shares of the Company’s Class A Common Stock (“Class A Common stock”) (“Warrants,” and each a “Warrant”) to Purchasers who are not officers, directors or affiliates of the Company that purchased Interests that equaled or exceeded an initial investment amount of \$250. The Warrants represent the right to purchase an aggregate amount of up to 224 shares of Class A Common Stock. The Warrants have an initial exercise price which is equal to the average of the closing price of the Class A Common Stock of the 20 trading days preceding the issuance of the Warrant. The Warrants contain a cashless exercise provision. In the event the Purchasers exercise the Warrants on a cashless basis, the Company will not receive any proceeds. Warrants may be exercised at any time prior to March 14, 2023.

12. RELATED PARTY TRANSACTIONS

On December 31, 2009, the Company, through an affiliate, Comstock Property Management, L.C., entered into a three-year lease for approximately 7,620 square feet of office space for its corporate headquarters at 1886 Metro Center Drive, Reston, Virginia from Comstock Asset Management, L.C., an affiliate wholly-owned by our Chief Executive Officer. On September 19, 2012, the Company amended the lease for an additional 2,436 square feet of office space, or a total 10,056 square feet, for its corporate headquarters, with an effective date of July 1, 2012. Concurrent with the amendment, the Company agreed to extend the lease for five-years from the effective date and future minimum annual lease payments are as follows:

2013	\$ 301
2014	310
2015	320
2016	329
2017	<u>167</u>
Total	<u>\$1,427</u>

For the year ended December 31, 2012 and 2011, total payments made under this lease agreement were \$246 and \$203, respectively. As of December 31, 2012, the Company recorded a straight-line rent payable of \$9, which is included in ‘Accounts payable and accrued liabilities’.

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During the second quarter of 2009, the Company began deferring a portion of the base salary payments to our Chief Executive Officer and our Chief Operating Officer. These deferrals ended on May 1, 2011 and the deferred balance of \$842 was paid during the third quarter of 2011.

On February 11, 2011, Comstock Contracting, L.C., a subsidiary of the Company, entered into an Owner-Contractor Agreement with CRS Construction Services, L.C., an entity wholly-owned by the Chief Executive Officer of the Company, to perform paving and certain site improvement work to property in Reston, Virginia which is owned by Fairfax County, Virginia. The contract sum was for approximately \$1.0 million and the work was completed in April 2011.

Comstock Contracting, L.C., a subsidiary of the Company, entered into a Subcontract Agreement with Davis Construction, LLC to perform site work and land development for a project known as Loudoun Station in Loudoun County, Virginia. Comstock Partners, L.C., an entity wholly-owned by the Chief Executive Officer of the Company, is the owner of the Loudoun Station project. The total contract value is estimated to be approximately \$5 million and the project was completed in October 2012. The revenue associated with this project is included in 'Revenue – other' in the consolidated statement of operations. For the year ended December 31, 2012 and 2011, the Company recognized \$1.4 million and \$3.8 million of revenue, respectively, under this contract. The Company was owed \$1.3 million and \$1.0 million at December 31, 2012 and 2011, respectively, under this contract, which is included in 'Trade receivables' in the consolidated balance sheet.

On January 31, 2011, Comstock Cascades II, L.C., a subsidiary of the Company ("Cascades II") entered into a private placement for the sale of membership interests in Cascades II whereby Cascades II raised working capital in the amount of \$2.35 million (the "Private Placement") related to the planned construction of the Cascades Apartments. Proceeds of the Private Placement were utilized (i) to provide sufficient capital needed to secure project financing for the Cascades Apartments, (ii) to retire a portion of the existing indebtedness, and (iii) to reimburse the Company for prior expenditures incurred on behalf of the project. Participants in the Private Placement included unrelated third party investors along with several members of the Company's Board of Directors, as well as the Chief Operating Officer, Chief Financial Officer and General Counsel of the Company. In March 2012, upon completion of the sale of the Cascades Apartments, the Company repaid the participants in the Private Placement \$2.94 million, including the preferred returns, in full.

Pursuant to a Credit Enhancement Agreement by and between Comstock and the Chief Operating Officer and Chief Executive Officer of the Company (each, a "Guarantor"), the Guarantors agreed to provide credit enhancement and the personal guarantee of loans with Cardinal Bank and Eagle Bank in exchange for payment by the Company of a credit enhancement fee. As a result of this credit enhancement the Guarantors on an aggregate basis were entitled to a credit enhancement fee calculated at a rate of four percent (4%) per annum based on an agreed upon formula more fully discussed in Note 9. During the year ended December 31, 2012 and 2011, the Company made guarantee payments under this agreement of approximately \$130 and \$254. The financing with SunBridge Capital Management, LLC, as discussed fully in Note 9, eliminated the need for personal guarantees on the applicable projects and accordingly this agreement was terminated on July 12, 2011 with respect to the fees paid on the Eagle Bank loan. On March 7, 2012, the Cardinal Bank loan was repaid and, accordingly, the agreement was terminated with respect to the fees paid on the Cardinal Bank loan and the accrued fees were paid in full.

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 the Chief Executive Officer, to provide services related to real estate development and improvements, legal, accounting, marketing, information technology and additional support services. Pursuant to the Services Agreement, the Company shall not be responsible for any out-of-pocket or third party costs associated with the services provided. For the years ended December 31, 2012 and 2011, the Company billed Comstock Asset Management, L.C. \$525 and \$92, respectively, for services and out-of-pocket expenses incurred. Revenues from this arrangement are included within 'Revenue – other' within the statement of operations.

13. EMPLOYEE BENEFIT PLANS

The Company maintains a defined contribution retirement savings plan pursuant to Section 401(k) of the Internal Revenue Code (the "Code"). Eligible participants may contribute a portion of their compensation to their respective retirement accounts in an amount not to exceed the maximum allowed under the Code. In January 2006, the Company began matching employee contributions. The total amount matched for the twelve months 2012 and 2011 was \$37 and \$28 respectively.

14. RESTRICTED STOCK, STOCK OPTIONS AND OTHER STOCK PLANS

On December 14, 2004 the Company adopted the 2004 Long-Term Compensation Plan ("The Plan"). The Plan provides for the issuance of stock options, stock appreciation rights, or SARs, restricted stock, deferred stock, dividend equivalents, bonus stock and awards in lieu of cash compensation, other stock-based awards and performance awards. Any shares issued under the Plan typically vest over service periods that range from one to five years. Stock options issued under the plan expire 10 years from the date they are granted.

The Plan provided an initial authorization of 2,550 shares of Class A common stock for issuance and allows an automatic annual increase equal to the lesser of (i) 3% of the Class A common stock outstanding (ii) 750 shares or (iii) such lesser amount as may be determined by the Company's Board of Directors. On April 27, 2012, the Company authorized an increase in the number of shares of our class A common stock reserve to 7.1 million. On June 22, 2012, the Company's shareholders approved the Amended and Restated 2004 Long-Term Incentive Compensation Plan, including an increase in the reserve, with an automatic annual increase on January 1 of each successive year of the lesser of (i) 3% of the Class A Common Stock outstanding, or (ii) 750 shares. As of December 31, 2012, there were 7.1 million shares available for issuance under the Plan.

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The fair value of each option award is calculated on the date of grant using the Black-Scholes option pricing model and certain subjective assumptions. Because the Company does not have sufficient trading history, expected volatilities are based on historical volatilities of comparable companies within our industry. We estimate forfeitures using a weighted average historical forfeiture rate. Our estimates of forfeitures will be adjusted over the requisite service period based on the extent to which actual forfeitures differ, or are expected to differ, from their estimate. The risk-free rate for the periods is based on the U.S. Treasury rates in effect at the time of grant. The expected term of options is based on the simplified method which assumes that the option will be exercised midway between the vesting date and the contractual term of the option. The Company is able to use the simplified method as the options qualify as “plain vanilla” options as defined by ASC 718 – Stock Compensation. The following table summarizes the assumptions used to calculate the fair value of options during 2012 and 2011.

	2012	2011
Weighted average fair value of options granted	\$ 1.26	\$ 0.99
Dividend yields	—	—
Expected volatility	106.3%-165.6%	107.3%-164.5%
Weighted average expected volatility	137.0%	137.00%
Risk free interest rates	0.78%	0.96%
Weighted average expected term (in years)	6.25	6.25

The following table summarizes information about stock option activity:

	Shares	Weighted average exercise price
Outstanding at December 31, 2010	664	\$ 0.94
Granted	100	1.08
Exercised	—	—
Forfeited or expired	—	—
Outstanding at December 31, 2011	764	\$ 0.96
Granted	140	1.81
Exercised	—	—
Forfeited or expired	(1)	1.00
Outstanding at December 31, 2012	903	1.09
Exercisable at December 31, 2012	688	\$ 0.95

As of December 31, 2012 and 2011, the weighted-average remaining contractual term of unexercised stock options was 7.3 years and 7.8 years, respectively.

A summary of the Company’s restricted share activity is presented below:

	Shares	Weighted average fair value at date of grant
Restricted shares outstanding at December 31, 2010	94	\$ 1.24
Granted	1,471	1.31
Vested	(602)	1.27
Forfeited	—	—
Restricted shares outstanding at December 31, 2011	963	\$ 1.31
Granted	706	1.73
Vested	(615)	1.36
Forfeited	(4)	1.31
Restricted shares outstanding at December 31, 2012	1,050	\$ 1.56

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As of December 31, 2012 and 2011, \$1.0 million and \$0.9 million, respectively, of unrecognized compensation cost related to stock options and restricted stock issuances granted under the Plan. The Company intends to issue new shares of its common stock upon vesting of restricted stock grants or the exercise of stock options.

15. COMMITMENTS AND CONTINGENCIES

Litigation

On July 29, 2008, Balfour Beatty Construction, LLC, successor in interest to Centex Construction (“Balfour”), the general contractor for a subsidiary of the Company, filed liens totaling approximately \$552 at The Eclipse on Center Park Condominium project (“Project”) in connection with its claim for amounts allegedly owed under the Project contract documents. In September 2008, the Company’s subsidiary filed suit against Balfour to invalidate the liens and for its actual and liquidated damages in the approximate amount of \$17.1 million due to construction delays and additional costs incurred by the Company’s subsidiary with respect to the Project. In October 2008, Balfour filed counterclaims in the approximate amount of \$2.8 million. Subsequent to an expedited hearing filed by the Company’s subsidiary to determine the validity of the liens that was ultimately heard in February 2009, the Company received an order of the court in April 2009 invalidating the liens. On March 19, 2010, the Company’s subsidiary received a judgment against Balfour in an amount of \$11.96 million. On March 25, 2010, the Company’s subsidiary received notice of Balfour’s intention to appeal the judgment and post a supersedeas bond in the amount of \$12.5 million. On July 21, 2011, the Company and Balfour reached a settlement for all claims related to this matter for approximately \$9.4 million, net of closing costs of approximately \$900. The Company received the proceeds of the settlement on August 4, 2011.

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 these legal proceedings.

Letters of credit and performance bonds

The Company has commitments as a result of contracts entered into with certain third parties, primarily local governmental authorities, to meet certain performance criteria as outlined in such contracts. The Company is required to issue letters of credit and performance bonds to these third parties as a way of ensuring that such commitments entered into are met by the Company. The letters of credit and performance bonds issued in favor of the Company and/or its subsidiaries mature on a revolving basis, and if called into default, would be deemed material if assessed against the Company and/or its subsidiaries for the full amounts claimed. In some circumstances we have negotiated with our lenders in connection with foreclosure agreements for the lender to assume certain liabilities with respect to the letters of credit and performance bonds. We cannot accurately predict the amount of any liability that could be imposed upon the Company with respect to maturing or defaulted letters of credit or performance bonds and it is anticipated that any such liability would likely have a material adverse effect on our financial position, operating results or cash flows. At December 31, 2012 and 2011, the Company had issued \$66 and \$528 in letters of credit, respectively, and \$1,610 and \$2,133 in performance and payment bonds, respectively, to these third parties. No amounts have been drawn against these letters of credit or performance bonds.

16. DISCONTINUED OPERATIONS

As described in Note 3, on March 7, 2012, the Company’s subsidiary sold the Cascades Apartments. As the Cascades Apartments represented a component of the Company’s business, the consolidated financial statements have been reclassified for all periods presented to appropriately reflect the discontinued operations of the Cascades Apartments and the continuing operations of the Company. Revenues, costs and expenses directly associated with the Cascades Apartments have been reclassified as discontinued operations in the consolidated statements of operations. Corporate expenses, such as general corporate overhead, have not been allocated to discontinued operations. The guidance in ASC 740-20-45-7 requires that the income recorded in discontinued operations be considered when determining the amount of benefit allocable to continuing operations in circumstances when continuing operations result in a net loss position for the period presented. Accordingly, the Company has allocated a tax benefit of \$2,484 to continuing operations and a tax expense of \$2,484 to discontinued operations for the year ended December 31, 2012.

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Summarized financial information for the Cascades Apartments, is set forth below:

	Years ended December 31,	
	2012	2011
Revenue	\$ 171	\$ 276
Cost of sales	128	391
Selling, general and administrative	9	44
Interest, real estate taxes and indirect costs related to inactive projects	154	363
Other (income) expenses, net	(22)	5
Loss from discontinued operations before gain on sale of real estate and income tax expense	(98)	(527)
Net gain on sale of real estate	6,466	—
Net (loss) income from discontinued operations before income tax expense	6,368	(527)
Income tax expense	(2,484)	—
Net (loss) income from discontinued operations	\$ 3,884	\$ (527)

Discontinued operations have not been segregated in the consolidated statement of cash flows. Therefore, amounts for certain captions will not agree with the respective data in the consolidated statement of operations.

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The fair value of fixed and floating rate debt is based on observable market rates (Level 2 inputs) for similar instruments, which ranged from 4.75% - 13.5% as of December 31, 2012 and 6.5% - 12.5% as of December 31, 2011. The following table summarizes the fair value of fixed and floating rate debt and the corresponding carrying value as of:

	December 31,	December 31,
	2012	2011
Carrying amount	\$ 27,629	\$ 30,378
Fair value	\$ 24,881	\$ 26,927

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

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

18. INCOME TAXES

The effective tax rate for the years ended December 31, 2012 and 2011 was 0% and 3%, respectively. This resulted in zero and \$33 in tax expense for the twelve month periods ended December 31, 2012 and 2011, respectively.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company recorded valuation allowances for certain tax attributes and other deferred tax assets. At this time, sufficient uncertainty exists regarding the future realization of these deferred tax assets through future taxable income. If, in the future, the Company believes that it is more likely than not that these deferred tax benefits will be realized, the valuation allowances will be reversed. With a full valuation allowance, any change in the deferred tax asset or liability is fully offset by a corresponding change in the valuation allowance.

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The Company currently has approximately \$116 million in federal and state NOLs, which based on current statutory tax rates, has a potential fair value of approximately \$45 million in tax savings. If unused, these NOLs will begin expiring in 2028. Under Internal Revenue Code Section 382 (“Section 382”) rules, if a change of ownership is triggered, the Company’s NOL assets and possibly certain other deferred tax assets may be impaired. We estimate that as of December 31, 2012, 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 December 31, 2012, because of the Company’s full valuation allowance on its net deferred tax assets.

The Company’s ability to use its NOLs (and in certain circumstances, future built-in losses and depreciation deductions) can be negatively affected if there is an “ownership change” as defined under Section 382. In general, an ownership change occurs whenever there is a shift in ownership by more than 50 percentage points by one or more 5% shareholders over a specified time period (generally three years). Given Section 382’s broad definition, an ownership change could be the unintended consequence of otherwise normal market trading in the Company’s stock that is outside of the Company’s control. In an effort to preserve the availability of these NOLs, Comstock adopted a Section 382 stockholder rights plan (the “Rights Plan”). The Rights Plan was adopted to reduce the likelihood of such an unintended “ownership change” and thus assist in preserving the value of these tax benefits. Similar plans have been adopted by a number of companies holding similar significant tax assets over the past several years. This plan was submitted to a vote of the Company’s shareholders on June 17, 2011 and the plan was approved at that meeting.

The Company has not recorded any accruals for tax uncertainties as of December 31, 2012 and 2011, respectively. We file U.S. and state income tax returns in jurisdictions with varying statutes of limitations. The 2009 through 2011 tax years generally remain subject to examination by federal and most state tax authorities.

Income tax provision consists of the following as of December 31:

	<u>2012</u>	<u>2011</u>
Current:		
Federal	\$ —	\$ 33
State	—	—
	—	33
Deferred:		
Federal	(1,013)	731
State	(185)	136
	(1,198)	867
Valuation allowance	1,198	(867)
Total income tax expense (benefit)	<u>\$ —</u>	<u>\$ 33</u>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Components of the Company’s deferred tax assets and liabilities at December 31 are as follows:

	<u>2012</u>	<u>2011</u>
Deferred tax assets:		
Inventory	\$ 1,051	\$ 3,480
Warranty	282	320
Net operating loss and tax credit carryforwards	45,330	41,562
Cancellation of debt gain	1	760
Accrued expenses	112	(63)
Stock based compensation	397	303
	47,173	46,362
Less - valuation allowance	(47,013)	(45,815)
Net deferred tax assets	<u>160</u>	<u>547</u>
Deferred tax liabilities:		
Investments in affiliates	(136)	—
Depreciation and amortization	(24)	(547)
Net deferred tax liabilities	<u>(160)</u>	<u>(547)</u>
Net deferred tax assets (liabilities)	<u>\$ —</u>	<u>\$ —</u>

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We file U.S. and state income tax returns in jurisdictions with varying statutes of limitations. The 2009 through 2011 tax years generally remain subject to examination by federal and most state tax authorities.

A reconciliation of the statutory rate and the effective tax rate follows:

	2012	2011
Federal statutory rate	(35.00)%	(35.00)%
State income taxes - net of federal benefit	(3.90)%	(3.97)%
Permanent differences	— %	— %
Return to provision adjustments	3.24%	(14.19)%
Change in valuation allowance	21.23%	53.16%
Other, net	14.43%	— %
Tax benefit	— %	— %

19. QUARTERLY RESULTS (unaudited)

Quarterly results for the years ended December 31, 2012 and 2011 follow (in thousands, except per share amounts):

	Three months ended			
	March 31, 2012	June 30, 2012	September 30, 2012	December 31, 2012
Revenues	\$ 3,935	\$ 4,244	\$ 3,483	\$ 2,640
Operating loss	(2,369)	(3,089)	(4,485)	(2,082)
Net loss from continuing operations	(1,428)	(1,879)	(4,166)	(2,050)
Net income (loss) from discontinued operations	5,482	(1,236)	(370)	8
Pretax income (loss)	4,054	(3,115)	(4,536)	(2,042)
Net income (loss)	4,054	(3,115)	(4,536)	(2,042)
Net income (loss) attributable to Comstock Holding Companies, Inc.	3,951	(3,115)	(4,496)	(2,005)
Basic earnings (loss) per share	0.19	(0.15)	(0.22)	(0.10)
Diluted earnings (loss) per share	0.19	(0.15)	(0.22)	(0.10)

	Three months ended			
	March 31, 2011	June 30, 2011	September 30, 2011	December 31, 2011
Revenues	\$ 4,586	\$ 5,903	\$ 5,308	\$ 6,136
Operating loss	(1,119)	(1,793)	(2,256)	(2,631)
Net (loss) income from continuing operations	(843)	(1,506)	6,895	(2,421)
Net loss from discontinued operations	(50)	(52)	(234)	(191)
Pretax (loss) income	(893)	(1,558)	6,661	(2,612)
Net (loss) income	(893)	(1,558)	6,661	(2,612)
Net (loss) income attributable to Comstock Holding Companies, Inc.	(1,025)	(1,676)	6,541	(2,733)
Basic (loss) earnings per share	(0.05)	(0.09)	0.33	(0.14)
Diluted (loss) earnings per share	(0.05)	(0.09)	0.33	(0.14)

Quarterly and year-to-date computations of per share amounts are made independently. Therefore, the sum of per share amounts for the quarters may not agree with per share amounts for the year due to rounding.

20. SUBSEQUENT EVENTS

On March 14, 2013, Comstock Investors VII, L.C. (“Investors VII”), a subsidiary of the Company entered into subscription agreements (each a “Subscription Agreement”) with certain accredited investors (the “Purchasers,” and each a “Purchaser”), pursuant to which the Purchasers purchased membership interests (“Interests”) in Investors VII for an initial aggregate principal amount of \$6,925 of an up to \$7,000 capital raise (the “Private Placement”). Purchasers included unrelated third-party accredited investors along with members of the Company’s Board of Directors and the Chief Operating Officer, Chief Financial Officer and General Counsel of the Company. The Subscription Agreement provides that the Purchasers are entitled to a cumulative, compounded, 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 Purchasers, provided that (i) all of the Purchasers’ Interests are acquired, (ii) the purchase is made in cash and (iii) the purchase price equals the Purchasers’ 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 Private Placement provides capital related to the current and planned construction of the Company’s following projects: The Residences at Shady Grove in Rockville, Maryland consisting of 36 townhomes, The Hampshires project in Washington, D.C. consisting of 38 single family residences and 73 townhomes, and the Falls Grove project in Prince William County, Virginia consisting of 110 townhomes and 19 single family homes (collectively, the “Projects”). Proceeds of the Private Placement are to be utilized (i) to provide capital needed to complete the Projects in conjunction with project financing for the Projects, (ii) to reimburse the Company for prior expenditures incurred on behalf of the Projects, and (iii) for general corporate purposes of the Company.

As part of the Private Placement, the Company also issued warrants to purchase shares of the Company’s Class A Common Stock (“Class A Common stock”) (“Warrants,” and each a “Warrant”) to Purchasers who are not officers, directors or affiliates of the Company that purchased Interests that equaled or exceeded an initial investment amount of \$250. The Warrants represent the right to purchase up to 224 shares of Class A Common Stock, the maximum aggregate amount of warrants approved for issuance under the Private Placement. The Warrants have an initial exercise price which is equal to the average of the closing price of the Class A Common Stock of the 20 trading days preceding the issuance of the Warrant. The Warrants contain a cashless exercise provision. In the event the Purchasers exercise the Warrants on a cashless basis, the Company will not receive any proceeds. Warrants may be exercised at any time prior to March 14, 2023.

On March 25, 2013, Comstock Redland Road, L.C., a subsidiary of the Company (“Redland”), entered into a Revolving Credit Line Deed of Trust, Security Agreement, and Fixture Filing, Loan Agreement, Revolving Construction Loan Promissory Note, Development Loan Promissory Note, and related documents (the “TH Loan Documents”) with EagleBank (“Primary Lender”) pursuant to which Redland secured a Twelve Million Eight Hundred Thirty Thousand Dollar (\$12,830,000) acquisition, development and construction loan and letter of credit facility (“TH Loan”) for a mix of 39 townhomes and single family homes at the Residences at Shady Grove project in Rockville, Montgomery County, Maryland (the “TH Project”) and a Two Million Four Hundred Thousand Dollar (\$2,400,000) acquisition and development loan (“Apt Loan”) for a 117-unit multi-family residential building known as BLVD Shady Grove, in Rockville, Montgomery County, Maryland (the “Apt Project”). Under the terms of the TH Loan Documents, there is a twenty-four month maturity date, and an interest rate at LIBOR plus three percent (3%). Under the Apt Loan Documents, there is a twelve month maturity date and an interest rate at LIBOR plus three percent (3%). The TH Loan and Apt Loan are secured by the TH Project, Apt Project, and fully guaranteed by the Company.

In addition, on March 25, 2013, the Company, through Redland, entered into a Loan Agreement, Deed of Trust, Security Agreement and Fixture Filing, and Promissory Note, and related documents (the “Secondary Loan Documents”) with Eagle Commercial Ventures, LLC (“Secondary Lender”) for acquisition and development of the TH Project and the Apt. Project totaling Three Million One Hundred and Ninety Thousand Dollars (\$3,190,000). Under the terms of the Secondary Loan Documents, there is a twenty-four month maturity date for the TH Loan, and a one year maturity date for the Apt Loan, and both loan provides for an interest rate at twelve percent (12%), with payment of interest only at six percent (6%) and accrual of the remaining six percent until maturity. The Secondary Loan is secured by a second trust on the TH Project, Apt Project, and fully guaranteed by the Company and the Company’s Chief Executive Officer.

On March 14, 2013, Stonehenge Funding, LC (“Stonehenge”), an entity wholly-owned by the Chief Executive Officer of the Company, 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 monthly to Stonehenge, to be allocated first to accrued and unpaid interest and then to unpaid principal outstanding, beginning on April 1, 2013. The Extension Agreement was subject to the approval by the Company’s board of directors and approval was obtained on March 21, 2013.

On March 22, 2013, the Company, through Comstock Eastgate, L.C., a consolidated joint venture of Comstock Holding Companies, Inc. and BridgeCom Development I, LLC, executed the third lot takedown, of eleven total, under the Building and Purchase Agreement with M/I Homes of DC, LLC, for the purchase price of \$554.

LOAN AGREEMENT

THIS LOAN AGREEMENT (as amended, modified or supplemented from time to time, "Agreement"), dated as of the __ day of March, 2013, by and between (i) EAGLE COMMERCIAL VENTURES, LLC (the "Lender"), and (ii) COMSTOCK REDLAND ROAD, L.C., a Virginia limited liability company (the "Borrower"), recites and provides:

RECITALS:

R-1. The Borrower has acquired a certain development site comprised of 39 lots located at Redland Road and Yellowstone Way, Montgomery County, Maryland, as more particularly described on Exhibit A attached hereto (the "Property"), on which the Borrower intends to develop three (3) single family detached housing units (singularly, a "Single Family Lot" or, as improved, "Single Family Unit" and if referring to more than one, "Single Family Lots" or, as improved, "Single Family Units") and thirty-six (36) townhouse units (singularly, a "Townhouse Lot" or, as improved, "Townhouse Unit" and if referring to more than one, "Townhouse Lots" or, as improved, "Townhouse Units").

R-2. Subject to the terms of this Agreement, the Lender agrees to make a loan (the "Loan") to the Borrower, as more particularly described in Section One below, for the purpose of providing mezzanine and second trust financing for the Property.

R-3. The Lender and the Borrower agree that the Loan will be made and advanced upon and subject to the terms, covenants and conditions set forth in this Agreement.

R-4. Simultaneously herewith the Lender is making a loan to the Borrower as hereinafter described (the "Apartment Loan") with respect to certain property adjacent to the Property that has been approved for construction of a 117-unit multi-family apartment building (the "Apartment Parcel"), which was to have been subdivided pursuant to a record plat (the "Record Plat") to create the Property and the Apartment Parcel each as a separate subdivided record lot; however, the Record Plat has not been recorded and the Property and the Apartment Parcel are part of one single subdivided record lot known as P-146 in Montgomery County, Maryland. The legal description of the Property and the Apartment Parcel is more particularly set forth in Exhibit A attached hereto and made a part hereof.

R-5. The Borrower has requested that the Lender waive the condition to closing the Loan that the Record Plat be recorded, and the Lender is amenable to such request provided the Borrower performs its duties and obligations strictly in accordance with the terms and conditions of this Agreement.

AGREEMENT

ACCORDINGLY, for and in consideration of the foregoing Recitals which are a material part of this Agreement and not mere prefatory language, and of the mutual covenants and conditions set forth in this Agreement, and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the Lender and the Borrower agree as follows:

SECTION ONE
THE LOAN

1.1 Amount. The maximum principal amount that may be advanced under the Loan shall not exceed the lesser of (i) Two Million Eighty Thousand and No/100 Dollars (\$2,080,000.00), or (ii) seventy-eight percent (78%) of the “as complete” value of the Property (inclusive of senior trust financing being provided by EagleBank for the Property, as hereinafter described) pursuant to the Appraisal (hereinafter defined) and any appraisals which may be engaged by the Lender from time to time subsequent to the date hereof, or (iii) ninety percent (90%) of the cost of acquisition and development of the Property in accordance with a budget approved by the Lender. The Loan will be evidenced by a Promissory Note made by the Borrower payable to the order of the Lender (as the same may be amended, renewed, restated, supplemented or substituted from time to time, the “Note”) which shall be governed by Maryland law.

1.2 Simultaneous Closing Condition. In addition to all other conditions to closing set forth herein, the Lender’s obligation to close the Loan and advance Loan proceeds to the Borrower is subject to the condition that the following credit facilities shall be simultaneously closed with the Loan closing: (i) the Apartment Loan; (ii) an acquisition and development loan to the Borrower from EagleBank in the amount of Five Million Three Hundred Thousand and No/100 Dollars (\$5,300,000.00) (the “EagleBank A&D Townhouse Loan”) to be secured by a first lien deed of trust encumbering the Property and the Apartment Parcel (the “Senior Deed of Trust”); (iii) a construction loan to the Borrower from EagleBank in the maximum principal amount outstanding from time to time of Two Million Eight Hundred Seventy Thousand and No/100 Dollars (\$2,870,000.00) (the “EagleBank Construction Loan”) also to be secured by the Senior Deed of Trust, (iv) a letter of credit facility being made available to the Borrower from EagleBank in the amount of Two Million Two Hundred Sixty Thousand and No/100 Dollars (\$2,260,000.00) (the “EagleBank LC Facility”) and together with the EagleBank A&D Townhouse Loan and the EagleBank Construction Loan, the “EagleBank Credit Facility”) also to be secured by the Senior Deed of Trust; and (v) an acquisition and development loan to the Borrower from EagleBank in the amount of Two Million Four Hundred Thousand and No/100 Dollars (\$2,400,000.00) (the “EagleBank Apartment Loan”) also to be secured by the Senior Deed of Trust.

1.3 Purpose. The Borrower will use the Loan proceeds to finance development of the Property and construction of the Townhouse Units in accordance with a budget approved by the Lender.

1.4 Record Plat. The Borrower shall use commercially reasonable efforts with the highest due diligence to cause the Record Plat to be approved by applicable governmental authorities and recorded. The terms and conditions with respect to the Record Plat are as follows:

- (a) If the Record Plat, in form as shall have been approved by the Lender, has not been recorded within ninety (90) days from the closing of the Loan, an Event of Default shall have occurred on the ninety-first (91st) day following the closing.

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- (b) The Deed of Trust (hereinafter defined) shall initially encumber the Property and the Apartment Parcel as security for the Loan and the Apartment Loan. Upon recordation of the Record Plat, the Deed of Trust shall be amended to reflect the new legal description and the Lender's loan policy of title insurance shall be appropriately endorsed in form satisfactory to the Lender in all respects.
- (c) Provided there has then occurred no Event of Default hereunder, following recordation of the Record Plat, if (i) the Borrower sells the Apartment Parcel and upon closing of such sale pays the Apartment Loan and the EagleBank Apartment Loan in full, the Lender shall release the Apartment Parcel from the lien of the Deed of Trust, or (ii) the Borrower determines to develop the Apartment Parcel and transfer the Apartment Parcel to an affiliate, provided that EagleBank releases the Apartment Parcel from the Senior Deed of Trust, the Lender shall release the Apartment Parcel from the lien of the Deed of Trust and simultaneously therewith the Apartment Parcel shall be encumbered by a new deed of trust (the "Apartment Parcel Deed of Trust") as security for the Apartment Loan as well as cross-collateral security for the Loan.
- (d) If applicable under Subparagraph 1.4(c) above, the Apartment Parcel Deed of Trust shall be in the form as attached to this Agreement as Exhibit B and shall constitute a second lien on the Apartment Parcel subject only to a new senior lien deed of trust securing EagleBank for the EagleBank Apartment Loan in an amount not to exceed Two Million Four Hundred Thousand and No/100 Dollars (\$2,400,000.00), to be recorded immediately prior to recordation of the Apartment Parcel Deed of Trust securing the Lender.
- (e) The Leases Assignment (hereinafter defined) shall encumber all leases, rents and profits with respect to the Property and the Apartment Parcel. The Apartment Parcel may be released from the Leases Assignment in the event of (i) sale and payment in full of the Apartment Loan and the EagleBank Apartment Loan as contemplated in Subparagraph 1.4(c) above or (ii) transfer of the Apartment Parcel to an affiliate, in which event a new assignment of leases and rents in form substantively identical to the Leases Assignment shall be recorded against the Apartment Parcel simultaneously with such release.
- (f) UCC-1 Financing Statements that constitute a fixture filing shall be recorded against the Property and the Apartment Parcel. Such UCC-1 Financing Statements may be terminated as to the Apartment Parcel in the event of (i) sale and payment in full of the Apartment Loan and the EagleBank Apartment Loan as contemplated in Subparagraph 1.4(c) above or (ii) transfer of the Apartment Parcel to an affiliate, in which event a new UCC-1 Financing Statement in form substantively identical to the initial instrument shall be filed against the Apartment Parcel simultaneously with such termination.

1.5 Guarantors. Comstock Holding Companies, Inc. (the "Entity Guarantor") and Christopher Clemente (the "Individual Guarantor"), jointly and severally (jointly and severally, collectively the "Guarantor") shall guarantee the payment and performance of the Borrower's obligations, covenants and agreements under the Loan, as evidenced by the Loan Documents, and shall also guarantee the Carve Out Obligations (defined on Exhibit C attached hereto), which guaranty shall be evidenced by an instrument of unlimited and unconditional guaranty of payment and performance from the Guarantor for the benefit of the Lender, in form and substance satisfactory to the Lender (the "Guaranty").

1.6 Term. The Note shall mature twenty-four (24) months after the date of closing on the Loan (the "Maturity"). It is acknowledged and agreed that notwithstanding any provisions herein, the Borrower has not applied for, nor has the Lender made any commitment with respect to, any extension of such Maturity. Upon any application for an extension, any approval of an extension on any terms would be contingent upon the usual and customary underwriting procedures of the Lender, including without limitation, full credit and collateral evaluation and review, the approval of the loan committee of the Lender, and payment to the Lender of extension fees as determined by the Lender.

1.8 Contract Interest Rate; Pay Rate. Commencing on the closing of the Loan, the unpaid balance of the Note outstanding from time to time shall bear interest at the fixed rate of twelve percent (12%) per annum (the "Contract Rate"). Interest shall be calculated using a 360-day year, based upon the actual number of days for which the calculation is being made. Monthly payments of interest only at the rate of six percent (6%) per annum (the "Pay Rate") shall be due and payable and shall be paid to the Lender. The difference between the amount calculated at the Contract Rate and the amount calculated at the Pay Rate shall accrue and payment thereof shall be deferred to Maturity; and the amount of such difference shall be added to the principal balance outstanding under the Note on each anniversary of the closing of the Loan.

1.9 Loan Fee. The Borrower shall pay to the Lender a fee for the Loan in the amount of Forty-One Thousand Six Hundred and No/100 Dollars (\$41,600.00) (the "Loan Fee"), which has been received by the Lender and which is fully earned by the Lender and non-refundable.

1.10 Exit Fee. In addition to the Loan Fee, the Borrower shall pay to the Lender a fee (the "Exit Fee") in the amount of Forty-One Thousand Six Hundred and No/100 Dollars (\$41,600.00) on the Maturity date of the Loan or at such earlier time as all of the following shall have occurred: (i) the EagleBank A&D Townhouse Loan and the EagleBank Construction Loan shall have been paid in full, and (ii) all letters of credit issued by EagleBank under the EagleBank LC Facility either shall have been returned to EagleBank or shall be secured by cash on deposit at EagleBank as security for any then outstanding letters of credit, or (ii) the Loan is prepaid in full prior to Maturity.

1.11 Increase in Exit Fee on Prepayment Within One Year. The Borrower and the Lender agree that the Lender is guaranteed payment of the amount of interest on the full Loan amount for one (1) full year at the annual rate of twelve percent (12%). If the Loan is prepaid in whole or in part within twelve (12) months following closing of the Loan, the Exit Fee shall be increased by an amount equal calculated as follows: Two Hundred Forty-Nine Thousand Six Hundred and No/100 Dollars

(\$249,600.00) minus any monthly payments of interest at the Pay Rate that have been paid by the Borrower prior to the time of prepayment. The calculation of the increase in the Exit Fee shall be determined by the Lender and shall be paid in full at Maturity.

1.12 Collateral. The Loan shall be secured by, among other things, the following:

- (i) A second lien deed of trust, security agreement and fixture filing (as the same may be amended, restated, supplemented or substituted, the "Deed of Trust") on the Property and the Apartment Parcel, subject only to the lien of the Senior Deed of Trust;
- (ii) An assignment of Leases and Rents on the Property and the Apartment Parcel (as the same may be amended, restated, supplemented or substituted, the "Leases Assignment");
- (iii) A pledge and security agreement from Comstock Investors VII, L.C. ("Investors VII") covering all of Investors VII's right, title and interest in connection with its 100% ownership interest in the Borrower (the "Pledge");
- (iv) An assignment of sales contracts and deposits with respect to the Property (the "Contracts Assignment");
- (v) Assignments of all development and construction documents including, without limitation, plans and specifications, permits, architect's contracts, engineering contracts, development contracts, and construction contracts (the "Documents Assignment");
- (vi) Consents to Assignment executed by each of the general contractor, architect and project engineer for each of the development and the construction (the "Consents");
- (vii) An Environmental Indemnity Agreement made by the Borrower and the Guarantor for the benefit of the Lender (as the same may be amended, restated, supplemented or substituted, the "Environmental Indemnity");
- (viii) Such UCC-1 Financing Statements as the Lender may determine to be necessary or desirable.

1.13 Cross Defaulted Loan. An event of default under the Apartment Loan (sometimes herein called the "Cross-Defaulted Loan") shall constitute an Event of Default under the Loan Documents. From and after recordation of the Record Plat, release of the Apartment Parcel from the lien of the Deed of Trust, and recordation of the Apartment Parcel Deed of Trust, (i) the Property shall secure, in addition to the Loan, the Apartment Loan, and (ii) the Apartment Parcel shall secure, in addition to the Apartment Loan, the Loan.

1.14 Release Provisions. Provided all conditions to release pursuant to the Senior Deed of Trust have been satisfied, the Lender will release Lots and/or Units from the lien of the Deed of Trust upon payment to the Lender of all "Net Settlement Proceeds" (hereinafter defined) remaining after the required release price has been paid to EagleBank pursuant to the terms of the Senior Deed of Trust. Each such release shall be conditioned upon full release by EagleBank of the applicable Lot and/or Unit

from the lien of the Senior Deed of Trust. "Net Settlement Proceeds" means the greater of (x) ninety-four percent (94%) of the gross sales price of the Lot and/or Unit, or (y) the gross sales price of the Lot and/or Unit less customary and usual settlement charges and real estate commissions approved by the Lender, without payment of any sums to the Borrower or any person or entity affiliated with the Borrower.

Notwithstanding the foregoing, no release price shall be payable for the release of streets or roadways, or storm water maintenance or other public facilities, that are to be dedicated to Montgomery County, Maryland or other governmental entities for public maintenance, provided the same are in accordance with a site plan that shall have been approved by EagleBank and the Lender.

1.15 Intercreditor Agreement. As a condition of closing the Loan, EagleBank shall enter into a Subordination and Standstill Agreement with the Lender (the "Intercreditor Agreement"), in form and substance satisfactory to the Lender in all respects, pursuant to which the Lender shall subordinate all of its rights in and to the Subordinate Loan to EagleBank's rights, remedies and security under the documents evidencing and/or securing the EagleBank Credit Facility.

SECTION TWO PAYMENTS, COMPUTATIONS, FEES, CHARGES AND PROTECTIVE ADVANCES

2.1 Payments. All payments due with respect to this Agreement or the Loan shall be made in immediately available funds to the Lender at such place as designated by the Lender from time to time. The Lender is authorized, but shall be under no obligation, to charge any deposit account maintained by the Borrower with the Lender or any affiliate of the Lender for any payments due to the Lender with respect to this Agreement or the Loan. Payments shall be applied, at Lender's sole discretion: (i) first, to payment of accrued and unpaid interest, if any; (ii) second, to payment of any principal then due, if any; (iii) third, to late charges, if any; (iv) fourth, to reasonable attorneys' fees and costs of collection; and (v) fifth, to reduce the outstanding principal balance of the Note until such principal shall have been fully repaid. All payments hereunder shall be made without offset, demand counterclaim, deduction, abatement, defense, or recoupment, each of which the Borrower hereby waives.

2.2 Late Charges. If any payment due the Note is not made within ten (10) days of its due date, the Borrower shall pay to the Lender upon demand (which may be in the form of the usual monthly billing or invoice) a late charge equal to five percent (5%) of the amount of such payment.

2.3. Default Rate. After an Event of Default (hereinafter defined), the interest which accrues on the Note shall be increased to the Default Rate (as defined in the Note).

2.4 Computations. Interest and fees on the Loan shall be computed on the basis of a year of three hundred sixty (360) days and actual days elapsed.

2.5 Prepayment. The Borrower may prepay the Note in whole or in part without premium or penalty at any time upon ten (10) days prior written notice to the Lender, subject to increase in the Exit Fee if such prepayment is made within the first year following closing of the Loan as set forth above. Amounts prepaid may not be re-borrowed.

2.6 Indebtedness. As used in this Agreement, the term “Indebtedness” means all present and future indebtedness of the Borrower to the Lender arising out of or in connection with the Note or any of the other Loan Documents.

SECTION THREE
CONDITIONS

3.1 Conditions Precedent to Closing. In addition to any other conditions stated in this Agreement, the following conditions must be satisfied prior to Lender closing on the Loan.

(a) Loan Documents. Receipt by Lender of appropriately completed and duly executed originals of this Agreement, the Note, the Guaranty, the Deed of Trust, the Leases Assignment, the Pledge, the Contracts Assignment, the Documents Assignment, the Consents, the Environmental Indemnity, UCC-1 Financing Statements and Intercreditor Agreement, all as Lender may require (collectively, together with any other documents executed and delivered in connection with the Indebtedness, the “Loan Documents”).

(b) Organizational Documents. The Borrower and each entity comprising the Borrower shall supply to the Lender, to the extent it has not previously done so in any prior transaction with EagleBank or the Lender: (i) a currently certified copy of its Articles of Organization and all amendments thereto; (ii) evidence satisfactory to the Lender and its counsel that it is in good standing in the jurisdiction where organized and qualified to do business in every jurisdiction in which the nature of its businesses or its properties makes such qualification necessary; (iii) resolutions authorizing the due execution and delivery of the Loan Documents to which it is a party; and (iv) certified copies of its Operating Agreement and all amendments thereto. The Articles of Organization and the Operating Agreement of Borrower and each entity comprising the Borrower shall not be amended, changed or modified in any respect without prior written consent of the Lender. In addition, the Entity Guarantor shall supply, to the extent it has not previously done so in any prior transaction with EagleBank or the Lender: (i) a currently certified copy of its Articles of Incorporation and all amendments thereto; (ii) evidence satisfactory to Lender and its counsel that it is in good standing in the jurisdiction where organized and qualified to do business in every jurisdiction in which the nature of its businesses or its properties makes such qualification necessary; (iii) resolutions authorizing the due execution and delivery of the Loan Documents to which it is a party and a certificate of incumbency; and (iv) certified copies of its By-Laws and all amendments thereto. The Articles of Incorporation and the Bylaws of the Entity Guarantor shall not be amended, changed or modified in any respect without the prior written consent of the Lender; provided, however, that on the condition that the Lender is given thirty (30) days advance written notice, the Lender hereby consents to the Entity Guarantor’s change in corporate domicile from Delaware to Virginia and all amendments to its organizational documents as are reasonably required to effect such change in domicile subsequent to the closing of the Loan; provided further that UCC-1 financing statements shall be filed in the changed domicile at the cost and expense of the Borrower.

(c) Opinion. Receipt by the Lender of the opinion(s) of the counsel for Borrower and the Guarantor, in form and content satisfactory to the Lender, in its sole, but reasonable, discretion.

(d) Insurance. Receipt by the Lender of certificate(s) of insurance to evidence a fully paid policy or policies of comprehensive public liability insurance naming Lender as an additional insured thereunder in an amount not less than Two Million and No/100 Dollars (\$2,000,000.00) in the aggregate with not less than One Million and No/100 Dollars (\$1,000,000.00) per occurrence; in any event, the amount of all insurance shall be sufficient to prevent any co-insurance contribution on any loss, with each policy providing for a thirty (30) day prior written notice of cancellation, amendment or alteration.

(e) Financing Statements. The financing statements necessary to perfect the Lender's security interest in the personal property subject to the Deed of Trust, and the membership interests in the Borrower pursuant to the Pledge, and in any other collateral requiring the filing of a financing statement for perfection of a lien thereon, shall be duly filed in all appropriate offices and jurisdictions, all other financing statements covering any of such personal property shall be terminated or the Lender shall be reasonably satisfied that such terminations are forthcoming, and filing and recording receipts evidencing such filings and terminations shall be delivered to Lender, all in form and substance satisfactory to the Lender.

(f) Property Documents. The Lender shall have received and approved in its sole discretion, the following:

(1) Appraisals. An appraisal of the Property, prepared by an appraiser acceptable to the Lender, in form and content acceptable to the Lender, conforming to all regulatory and internal appraisal guidelines applicable to or established by the Lender, in its sole, absolute, nonreviewable discretion, reflecting an "as complete" value satisfactory to the Lender (the "Appraisal");

(2) Title Insurance. A commitment for title insurance (the "Title Commitment") insuring the first priority lien of the Deed of Trust in the aggregate amount of the Note and the Apartment Loan, containing no exceptions unacceptable to the Lender, issued in the name of the Lender by a title company acceptable to the Lender and in an amount equal to the aggregate principal amount of the Note and the Apartment Loan. The Title Commitment and the title policy issued pursuant thereto (the "Title Policy") shall reflect that all requirements for issuance of the Title Policy have been satisfied, and shall contain such other endorsements or coverages as the Lender may require.

(3) UCC Insurance. A commitment for UCC insurance insuring the Lender's first priority lien in the membership interests of the Borrower pursuant to the Pledge.

(4) Survey. A current survey and legal description of the Property and the Apartment Parcel satisfactory to the Lender from a registered land surveyor of the State of Maryland, which survey shall show all easements, rights of way and other matters of record, shall locate all existing improvements on the Property and the Apartment Parcel, shall contain metes and bounds descriptions of each applicable constituent portion of the Property acceptable to the Lender and its counsel, shall generally show a state of facts acceptable to the Lender, and shall contain a surveyor's certificate satisfactory to the Lender.

(5) Subdivision Plat. Approval by the Lender and its construction consultant of the form of Record Plat to be recorded.

(6) Flood Hazard. Evidence that no part of the Property or the Apartment Parcel is located in a special flood hazard area.

(7) Public Utilities. Evidence to the effect that sanitary sewer, water, electric, gas, telephone and other public utilities are available and adequate to serve the Property and the Apartment Parcel.

(8) Licenses and Permits. Copies of all licenses and permits in connection with the Property and the Apartment Parcel, including without limitation licenses, permits, proffers and other conditions to final subdivision and site plan approval for the Property and the Apartment Parcel.

(9) Zoning. Receipt by the Lender of a zoning endorsement to the Title Policy acceptable to the Lender or such other written evidence as is acceptable to the Lender that the Property and the Apartment Parcel are zoned consistent with the uses contemplated beyond any possibility of appeal and can be developed as proposed as a matter of right, and to the effect, further, that there are no pending proceedings, either administrative, legislative or judicial, which would in any manner adversely affect the status of the zoning with respect to the Property and the Apartment Parcel or any part thereof.

(g) No Default. No event shall have occurred and be continuing that constitutes an Event of Default (as defined below).

(h) Representations. All representations and warranties contained in this Agreement shall be true and correct in every material respect as of the date of closing of the Loan.

(i) Satisfactory Documents. All documents delivered pursuant to this Agreement must be in form and substance satisfactory to the Lender and its counsel and all legal matters incident to this Agreement must be satisfactory to Lender's counsel.

(j) Identification. As required by federal regulation, closing the Loan is contingent upon satisfactory verification of identity of the signatories and verification that none of the Borrower or the Guarantor or any signers is restricted from conducting business in the United States.

SECTION FOUR
REPRESENTATIONS AND WARRANTIES

In order to induce the Lender to extend credit to the Borrower, the Borrower and the Guarantor each make the following representations and warranties as to itself:

4.1 Organization. The Borrower and each entity comprising the Borrower is a limited liability company duly organized, validly existing and in good standing under the laws of the Commonwealth of Virginia and is duly qualified as a foreign limited liability company and in good standing under the laws of each other jurisdiction in which such qualification is required. The Entity Guarantor represents and warrants that it is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and is duly qualified as a foreign corporation and in good standing under the laws of each other jurisdiction in which such qualification is required.

4.2 Execution and Delivery. The Borrower and each entity comprising the Borrower has the power, and has taken all of the necessary actions, to execute and deliver and perform its obligations under the Loan Documents, and the Loan Documents, when executed and delivered, will be binding obligations of each such entity enforceable in accordance with their respective terms.

4.3 Power. Each of the Borrower and each entity comprising the Borrower has the power and authority to own its properties and to carry on its business as now being conducted.

4.4 Financial Statements. All financial statements and information delivered to the Lender are correct and complete in all material respects and present fairly the financial conditions, and reflect all known liabilities, contingent and otherwise, of the Borrower and the Guarantor as of the dates of such statements and information, and since such dates no material adverse change in the assets, liabilities, financial condition, business or operations of the Borrower or the Guarantor has occurred.

4.5 Taxes. All tax returns and reports of the Borrower and the Guarantor required by law to be filed have been duly filed, and all taxes, assessments, other governmental charges or levies (other than those presently payable without penalty or interest and those that are being contested in good faith in appropriate proceedings) upon the Borrower and/or the Guarantor and upon any of their respective properties, assets, income or franchises, that are due and payable have been paid.

4.6 Litigation. There is no action, suit or proceeding pending or, to the knowledge of the Borrower or the Guarantor, threatened against or affecting the Borrower or the Guarantor that, either in any case or in the aggregate, may result in any material adverse change in the business, properties or assets or in the condition, financial or otherwise, of the Borrower or the Guarantor, or that may result in any material liability on the part of the Borrower or the Guarantor that would materially and adversely affect the ability of the Borrower or the Guarantor to perform its and/or their obligations under the Loan Documents, or that questions the validity of any of the Loan Documents or any action taken or to be taken in connection with the Loan Documents.

4.7 No Breach. The execution and delivery of the Loan Documents, and compliance with the provisions of the Loan Documents, will not conflict with or violate any provisions of law or conflict with, result in a breach of, or constitute a default under, the organizational documents of the Borrower, or any judgment, order or decree binding on the Borrower, or any other agreements to which the Borrower is a party.

4.8 No Defaults. To the best of the Borrower's knowledge, the Borrower is not in default with respect to any debt, direct or indirect, upon or as to which the Borrower has any liability or obligation.

4.9 Compliance. The Borrower is in compliance in all material respects with all applicable laws and regulations, including, without limitation, the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

4.10 Approvals. No authorizations, approvals or consents of, and no filings and registrations with, any governmental or regulatory authority or agency, are necessary for the execution, delivery or performance of the Loan Documents by the Borrower.

4.11 Title to Assets. The Borrower has good and marketable title to all of its assets, subject only to the liens and security interests permitted by this Agreement and the liens and security interests securing EagleBank.

4.12 Use of Proceeds. The proceeds of the Loan shall be used only for the purposes described in this Agreement. The proceeds of the Loan shall not be used to purchase or carry any margin stock, as such term is defined in Regulation U of the Board of Governors of the Federal Reserve System.

SECTION FIVE
COVENANTS OF BORROWER AND GUARANTOR

In consideration of credit extended or to be extended by the Lender, the Borrower covenants and agrees as follows:

5.1 Financial Information. The Borrower and the Guarantor shall each deliver to the Lender: (i) with respect to the Borrower, each year within ninety (90) days after the close of its fiscal year,

financial statements prepared in accordance with standard accounting principles consistently applied, certified as true and correct by an officer of each such entity; (ii) with respect to the Entity Guarantor, each year within ninety (90) days after the close of its fiscal year, audited financial statements; (iii) each year within thirty (30) days after filing, a copy of each such entity's federal income tax return and all schedules thereto, provided that in the event of such extension such entity shall provide the Lender with a copy of the federal income tax return and all schedules thereto within thirty (30) days of the filing of same with the Internal Revenue Services, (iv) with respect to the Individual Guarantor, each year within thirty (30) days after filing, a copy of his federal income tax return and all schedules thereto; and (v) promptly upon the Lender's request, such financial and other information as the Lender reasonably may require from time to time. All financial statements shall be in such reasonable detail and shall be accompanied by such certificates of the Borrower or the Guarantor, as applicable, as may reasonably be required by the Lender.

5.2 Taxes. All tax returns and reports of the Borrower required by law to be filed have been duly filed, and all taxes, assessments, other governmental charges or levies (other than those presently payable without penalty or interest and those that are being contested in good faith in appropriate proceedings) upon the Borrower and upon the Borrower's properties, assets, income or franchises, that are due and payable, have been paid.

5.3 Compliance with Laws. The Borrower shall comply with all applicable laws and regulations including, without limitation, ERISA.

5.4 Maintain Existence. The Borrower and the Entity Guarantor shall each maintain its existence in good standing, maintain and keep its properties in good condition (ordinary wear and tear excepted), maintain adequate insurance for all of its properties with financially sound and reputable insurers. The Borrower shall remain in the same line of business as it is on the date of this Agreement and shall not enter into any new lines of business without the prior written consent of the Lender.

5.5 Notices. As soon as it has actual knowledge, the Borrower shall notify the Lender of the institution or threat of any material litigation or condemnation or administrative proceeding of any nature involving the Borrower.

5.6 Books and Records. The Borrower shall maintain complete and accurate books of account and records. The principal books of account and records shall be kept and maintained at 1886 Metro Center Drive, 4th Floor, Reston, VA 10190. The Borrower shall not remove such books of account and records without giving the Lender at least thirty (30) days prior written notice. The Borrower, upon reasonable notice from the Lender, shall permit the Lender, or any officer, employee or agent designated by the Lender, to examine the books of account and records maintained by the Borrower, and agree that the Lender or such officer, employee or agent may audit and verify the books and records. The Borrower shall reimburse the Lender for any reasonable expenses incurred by the Lender in connection with any such audits. All accounting records and financial reports furnished to the Lender by the Borrower and the Guarantor pursuant to this Agreement shall be maintained and prepared in accordance with GAAP.

5.7 Liens. The Borrower shall not create, incur, assume or permit to exist any mortgage, deed of trust, assignment, pledge, lien, security interest, charge or encumbrance, including, without limitation, the right of a vendor or under a conditional sale contract or the lessor under a capitalized lease (collectively, ("Liens")) of any kind or nature in or upon any of the asset of the Borrower except:

- (a) Liens created or deposits made that are incidental to the conduct of the business of the Borrower, that are not incurred in connection with any borrowing or the obtaining of any credit and that do not and will not interfere with the use by the Borrower of any of its assets in the normal course of its business or materially impair the value of such assets for the purpose of such business;
- (b) Liens securing EagleBank pursuant to the Senior Deed of Trust and related loan documents; and
- (c) Liens securing the Indebtedness.

5.8 Debt. Except as provided above in Section 5.7, without the prior written consent of the Lender, the Borrower shall not incur or permit to exist any debt for borrowed funds, the deferred purchase price of goods or services or capitalized lease obligations, except for (a) trade debt incurred in the ordinary course of business, and (b) the Indebtedness.

5.9 Contingent Liabilities. Without the prior written consent of the Lender, neither the Borrower nor the Guarantor shall guarantee, endorse, become contingently liable upon or assume the obligation of any person, or permit any such contingent liability to exist, except by the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business.

5.10 Sale of Assets. Without the prior written consent of the Lender, the Borrower shall not sell, lease, assign or otherwise dispose of any of its assets except for (a) sales in the ordinary course of business including sales of Lots and Units as approved by the Lender from time to time, (b) the disposition of assets that are no longer needed or useful in its business, (c) assets which have been removed and replaced and (d) sale and conveyance of the Apartment Parcel following recordation of the Record Plat and payment in full of all principal, accrued interest and other charges due under the Apartment Loan and the EagleBank Apartment Loan.

5.11 Mergers and Acquisitions. Without the prior written consent of the Lender, the Borrower shall not merge or consolidate with, or acquire all or substantially all of the assets, stock, partnership interests or other ownership interests of, any other person.

5.12 Loans and Advances. Without the prior written consent of the Lender, the Borrower shall not make any loan or advance to any affiliate, director, member, manager, officer or employee of the Borrower, or any other person, except for the creation of accounts receivable in the ordinary course of business on terms that are no less favorable than would apply in an arms-length transaction.

5.13 Subsidiaries and Joint Ventures. Without the prior written consent of the Lender, the Borrower shall not form any subsidiary, become a general or limited partner in any partnership or become a party to a joint venture. If the Lender grants its consent to the formation or acquisition of a subsidiary Borrower, such entity shall cause each subsidiary to perform and observe all of the covenants contained in this Agreement and the other Loan Documents.

5.14 Affiliates. Without the prior written consent of the Lender, the Borrower shall not engage in business with any of its affiliates except in the ordinary course of business and on terms that are no less favorable to the Borrower than would apply in an arm's length transaction.

5.15 Organization; Control and Management; Transfers. Until such time as the Loan is fully repaid, there shall be no Transfer (hereinafter defined) of any interest in the Borrower, nor any change in the Control (hereinafter defined) or management of either the Borrower or the Entity Guarantor, nor any Transfer of the Property except for sales of Lots and Units in accordance with the terms of the Loan Documents, without the Lender's prior written consent. "Transfer" means any assignment, pledge, conveyance, sale, transfer, mortgage, encumbrance, grant of a security interest or other disposition, either directly or indirectly, in the aggregate of fifty percent (50%) or more of the beneficial ownership interests of an entity and the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of an entity, whether through the ability to exercise voting power, by contract or otherwise. "Controlled by" and "controlling" shall have the respective correlative meanings thereto.

SECTION SIX
DEFAULT AND REMEDIES

6.1 Default. Each of the following shall constitute an "Event of Default" under this Agreement:

(a) Failure to Pay. If: (i) the Borrower shall fail to pay any monthly payment required under the Note ("Monthly Payments") when due thereunder or (ii) the Borrower shall fail to pay any amount (other than the Monthly Payments) as and when due under the Note or any of the other Loan Documents;

(b) Failure to Give Notices. If the Borrower fails to give the Lender any notice required by Section 5.5 of this Agreement within thirty (30) days after it has actual knowledge of the event giving rise to the obligation to give such notice.

(c) Failure to Permit Inspections. If the Borrower refuses to permit the Lender to inspect its books and records in accordance with the provisions of Section 5.6 or failure to permit the Lender to inspect the Property upon reasonable advance notice.

(d) Failure to Record Record Plat. If the Record Plat is not recorded within ninety (90) days following closing the Loan.

(e) Failure to Observe Covenants. If the Borrower fails to perform or observe any non-monetary term, covenant, warranty or agreement contained in this Agreement or in the other Loan Documents for which no cure period or another cure period is provided, and such failure shall continue for a period of thirty (30) days after written notice of such failure has been given to the Borrower by the Lender; provided, however, if such default is not in the payment of any sum due to the Lender hereunder, or was not the subject of an Event of Default for which notice was previously provided, and provided the Borrower is diligently pursuing the cure of such default, then the Borrower shall have an additional sixty (60) days within which to cure such default prior to the Lender exercising any right or remedy available hereunder, or at law or in equity.

(f) Defaults Under Loan Documents. If an Event of Default shall occur under the Note or any other Loan Document and shall not be cured within any applicable grace period.

(g) Breach of Representation. Discovery by the Lender that any representation or warranty made or deemed made by the Borrower in this Agreement or in any other Loan Document or in any statement or representation made in any certificate, report or opinion delivered pursuant to this Agreement or other Loan Document or in connection with any borrowing under this Agreement by the Borrower or the Guarantor or any member, manager, officer, agent, employee or director of the Borrower or the Guarantor, was materially untrue when made or deemed to be made.

(h) Voluntary Bankruptcy. If the Borrower or the Guarantor makes an assignment for the benefit of creditors, files a petition in bankruptcy, petitions or applies to any tribunal for any receiver or any trustee of the Borrower or the Guarantor or any substantial part of the property of the Borrower or the Guarantor, or commences any proceeding relating to the Borrower or the Guarantor under any reorganization, arrangement, composition, readjustment, liquidation or dissolution law or statute of any jurisdiction, whether in effect now or after this Agreement is executed.

(i) Involuntary Bankruptcy. If, within sixty (60) days after the filing of a bankruptcy petition or the commencement of any proceeding against the Borrower or the Guarantor seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, the proceeding shall not have been dismissed, or, if within sixty (60) days, after the appointment, without the consent or acquiescence of the Borrower or the Guarantor, of any trustee, receiver or liquidator of any Borrower or all or any substantial part of the properties of the Borrower or the Guarantor, the appointment shall not have been vacated.

(j) Cross Default. If, as a result of default, any present or future obligations of the Borrower or the Guarantor or any affiliate of the Borrower or the Guarantor to the Lender or any other creditor, whether due to acceleration provisions or otherwise therein, are declared to be due and payable prior to the expressed maturity of such obligations.

(k) Cross Default to Particular Instruments: If an Event of Default by the applicable borrower shall occur under any of the following, as any of the following may be amended, substituted or replaced from time to time: (i) the Apartment Loan, (ii) any loan documents evidencing and/or securing that certain loan from EagleBank to New Hampshire Ave. Ventures, LLC (“NHA”) in the amount of \$6,000,000.00, which is evidenced, among other things, by a Revolving Development Loan Promissory Note dated August 13, 2012 made by NHA to the order of EagleBank; (iii) any loan documents evidencing and/or securing that certain loan from EagleBank to NHA in the amount of \$4,000,000.00, which is evidenced, among other things, by a Revolving Construction Loan Promissory Note dated August 13, 2012 made by NHA to the order of EagleBank; (iv) any loan documents evidencing and/or securing that certain loan from EagleBank to Comstock Potomac Yard, L.C. and Comstock Penderbrook, L.C., jointly and severally, in the amount of \$9,960,000.00, which is evidenced, among other things, by a Deed of Trust Note dated May 30, 2012 made by those obligors to the order of EagleBank; and (v) the documents evidencing and/or securing the EagleBank Credit Facility and/or the EagleBank Apartment Loan.

(l) Material Adverse Change. A material adverse change occurs in the financial or business condition of the Borrower or the Guarantor.

(m) Judgment. If a judgment, attachment, garnishment or other process is entered against the Borrower and is not vacated or bonded within sixty (60) days after entry (or such shorter period of time as necessary in order to avoid attachment or foreclosure), or if a judgment, attachment, garnishment or other process is entered against the Guarantor that would materially affect the Guarantor’s ability to perform its obligations under the Loan Documents, and such judgment, attachment, garnishment or other process is not vacated or bonded with in sixty (60) day after entry (or such shorter period of time as necessary in order to avoid attachment or foreclosure).

(n) Dissolution. The dissolution, liquidation or termination of existence of the Borrower or any Entity Guarantor or the death of any Individual Guarantor unless a substitute guarantor, satisfactory to the Lender in its sole and absolute discretion, assumes all liability under the Guaranty and Environmental Indemnity and executes any documents which the Lender may reasonably require to implement such substitution, within sixty (60) days after event of dissolution, liquidation or termination of existence of an Entity Guarantor or death of any Individual Guarantor.

(o) Change in Management/Control. A change in the management of or controlling interest in the Borrower or any Entity Guarantor without the prior written consent of the Lender.

6.2 Remedies. Upon the occurrence of an Event of Default (a) the Lender, at its option, by written notice to the Borrower, may declare all Indebtedness to the Lender to be immediately due and payable, whether such Indebtedness was incurred prior to, contemporaneous with or subsequent to the date of this Agreement and whether represented in writing or otherwise, without presentment, demand, protest or further notice of any kind, and (b) the Lender may exercise all rights and remedies available to

it under the Loan Documents and applicable law. The Borrower agrees to pay all costs and expenses incurred by the Lender in enforcing any obligation under this Agreement or the other Loan Documents, including, without limitation, attorneys' fees. No failure or delay by the Lender in exercising any power or right will operate as a waiver of such power or right, nor will any single or partial exercise of any power or right preclude any other future exercise of such power or right, or the exercise of any other power or right.

6.3 Borrower to Pay Fees and Charges. The Borrower shall pay all fees and charges incurred in the procuring, making and enforcement of the Loan, including without limitation the reasonable fees and disbursements of Lender's attorneys, charges for appraisals, the fee of Lender's inspector and construction consultant, fees and expenses relating to examination of title, title insurance premiums, surveys, and mortgage recording, documentary, transfer or other similar taxes and revenue stamps, loan extension fees, if any, and the Lender's fees for the Loan.

SECTION SEVEN
GENERAL PROVISIONS

7.1 Defined Terms. Each accounting term used in this Agreement, not otherwise defined, shall have the meaning given to it under GAAP applied on a consistent basis. The term "person" shall mean any individual partnership, corporation, trust, joint venture, unincorporated association, governmental subdivision or agency or any entity of any nature. The term "subsidiary" means, with respect to any person, a corporation or other person of which shares of stock or other ownership interest having ordinary voting power to elect a majority of the board of directors or other managers of such corporation or person are at the time owned, or the management of which it otherwise controlled, directly or indirectly, through one or more intermediaries, by such person. The term "affiliate" means, with respect to any specified person, any other person that, directly or indirectly, controls or is controlled by, or is under common control with, such specified person. All meanings assigned to defined terms in this Agreement shall be applicable to the singular and plural forms of the terms defined.

7.2 Notices. All notices, requests, demands and other communication with respect hereto shall be in writing and shall be delivered by hand, prepaid by Federal Express (or a comparable overnight delivery service), or sent by the United States first-class mail, certified, postage prepaid, return receipt requested, to the parties at their respective addresses set forth as follows:

If to the Lender, to:

EAGLE COMMERCIAL VENTURES, LLC
7815 Woodmont Avenue
Bethesda, MD 20814
Attn: Laurence E. Bensignor, President

With a copy to:

Friedlander Mislner, PLLC
5335 Wisconsin Avenue, N.W., Suite 600
Washington, D.C. 20015
Attn: Leonard A. Sloan, Esq.

If to the Borrower or any Guarantor, to:

Comstock Redland Road, L.C.
c/o Comstock Holding Companies, Inc.
1886 Metro Center Drive, 4th Floor
Reston, VA 20190
Attn: Christopher Clemente

With a copy to:

Comstock Redland Road, L.C.
c/o Comstock Holding Companies, Inc.
1886 Metro Center Drive, 4th Floor
Reston, VA 20190
Attn: Jubal Thompson, Esq.

Any notice, request, demand or other communication delivered or sent in the manner aforesaid shall be deemed given or made (as the case may be) upon the earliest of (a) the date it is actually received, (b) on the business day after the day on which it is delivered by hand, (c) on the business day after the day on which it is properly delivered by Federal Express (or a comparable overnight delivery service), or (d) on the third (3rd) business day after the day on which it is deposited in the United States mail. Any party may change such party's address by notifying the other parties of the new address in any manner permitted by this Section.

7.3 Successors and Assigns. This Agreement will be binding upon and inure to the benefit of the Lender and the Borrower and their respective successors, assigns, personal representatives, executors and administrators, provided that the Borrower may not assign or transfer its rights under this Agreement.

7.4 Entire Agreement. Except for the other Loan Documents expressly referred to in this Agreement, this Agreement represents the entire agreement between the Lender and the Borrower, supersedes all prior commitments and may be modified only by an agreement in writing.

7.5 Survival. All agreements, covenants, representations and warranties made in this Agreement and all other provisions of this Agreement will survive the delivery of this Agreement and the other Loan Documents and the making of the advances under this Agreement and will remain in full force and effect until the obligations of the Borrower under this Agreement and the other Loan Documents are indefeasibly satisfied.

7.6 Governing Law. This Agreement will be governed by and construed in accordance with the laws of the State of Maryland, without reference to conflict of laws principles.

7.7 Headings. Section headings are for convenience of reference only and shall not affect the interpretation of this Agreement.

7.8 Participations. The Lender shall have the right to sell all or any part of its rights under the Loan Documents, and the Borrower authorizes the Lender to disclose to any prospective participant in any of the Loan any and all financial and other information in the Lender's possession concerning the Borrower or the collateral for the Loan.

7.9 No Third Party Beneficiary. The parties do not intend the benefits of this Agreement or any other Loan Document to inure to any third party.

7.10 Waiver of Jury Trial. TO THE FULLEST EXTENT PERMITTED BY LAW, THE LENDER AND THE BORROWER KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHTS THEY MAY HAVE TO A TRIAL BY JURY BASED ON, ARISING OUT OF OR UNDER, OR IN CONNECTION WITH THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS.

7.11 Waiver. The rights of the Lender under this Agreement and the other Loan Documents shall be in addition to all other rights provided by law. No waiver of any provision of this Agreement, or any other Loan Document, shall be effective unless in writing, and no waiver shall extend beyond the particular purpose involved. No waiver in any one case shall require the Lender to give any subsequent waivers.

7.12 Severability. If any provision of this Agreement or any other Loan Document is held to be void, invalid, illegal or unenforceable in any respect, such provision shall be fully severable and this Agreement or the applicable Loan Document shall be construed as if the void, invalid, illegal or unenforceable provision were not included in this Agreement or in such Loan Document.

7.13 No Setoffs. With respect to a monetary default claimed by the Lender under the Loan Documents, no setoff, claim, counterclaim, reduction or diminution of any obligation or defense of any kind or nature that the Borrower has or may have against the Lender (other than the defenses of payment, the Lender's gross negligence or willful misconduct) shall be available against the Lender in any action, suit or proceeding brought by the Lender to enforce this Agreement or any other Loan Document. The foregoing shall not be construed as a waiver by the Borrower of any such rights or claims against the Lender, but any recovery upon any such rights or claims shall be had from the Lender separately, it being the intent of this Agreement and the other Loan Documents that the Borrower shall be obligated to pay, absolutely and unconditionally, all amounts due under this Agreement and the other Loan Documents.

7.14 No Merger. The Borrower and the Lender expressly agree that the Borrower's agreement and obligation to pay the Lender's reasonable attorneys' fees and costs, and all other litigation expenses,

shall not be merged into any judgment obtained by the Lender, but shall survive the same and shall not be extinguished by any monetary judgment. It is the express intent of the parties hereto that all post-judgment collection fees and expenses (including reasonable attorneys' fees and costs) shall survive entry of a final judgment and shall be collectible by the Lender against the Borrower from time to time following entry of any final judgment obtained by the Lender against the Borrower.

7.15. Counterparts. This Agreement may be executed for the convenience of the parties in several counterparts, which are in all respects similar and each of which is to be deemed to be complete in and of itself, and any one of which may be introduced in evidence or used for any other purpose with the production of the other counterparts thereof.

7.16 Consent to Jurisdiction. The Borrower irrevocably submits to jurisdiction of any state or federal court sitting in the Commonwealth of Virginia or the State of Maryland over any suit, action or proceeding arising out of or relating to this Agreement, the Note or any other Loan Documents. The undersigned irrevocably waives, to the fullest extent permitted by law, any objection that the undersigned may now or hereafter have to the venue of any such suit, action or proceeding brought in any such court and any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. Final judgment in any such court shall be conclusive and binding and may be enforced in any court in which the undersigned is subject to jurisdiction by a suit upon such judgment provided that service of process is effected as provided herein or as otherwise permitted by applicable law.

7.17 Service of Process. The Borrower hereby consents to process being served in any suit, action or proceeding instituted in the Commonwealth of Virginia or the State of Maryland in connection with the Loan by (i) the mailing of a copy thereof by certified mail, postage prepaid, return receipt requested, to the Borrower at the address set forth in the Notices section of this Agreement and (ii) serving a copy thereof upon the Borrower's registered agent for service of process. The undersigned irrevocably agrees that such service shall be deemed to be service of process upon the undersigned in any such suit, action or proceeding. Nothing in this Agreement shall affect the right of the Lender otherwise to bring proceedings against the undersigned in the courts of any jurisdiction or jurisdictions.

7.18 Exhibits. All exhibits referred to herein as attached hereto are incorporated in full by reference as though fully set forth in this Agreement. The Exhibits are:

- Exhibit A: Legal Description of the Property and the Apartment Parcel
- Exhibit B: Form of Apartment Parcel Deed of Trust
- Exhibit C: Carve Out Obligations

[SIGNATURES ON FOLLOWING PAGES]

IN WITNESS WHEREOF, the Borrower and the Lender have caused this Agreement to be executed in their respective names by duly authorized representatives as of the day and year first above written. The Guarantor joins herein to consent and agree to the terms, conditions, provisions and covenants of those sections of this Agreement that address a covenant or obligation of the Guarantor.

WITNESS:

BORROWER:

COMSTOCK REDLAND ROAD, L.C., a Virginia limited liability company

By: Comstock Holding Companies, Inc., a Delaware corporation, its Manager

By: _____
Christopher D. Clemente
Chief Executive Officer

[SEAL]

COMMONWEALTH OF VIRGINIA

COUNTY OF _____, ss:

I, _____, a Notary Public in and for the aforesaid jurisdiction, do hereby certify that Christopher D. Clemente personally appeared before me in said jurisdiction and acknowledged that he is the Chief Executive Officer of Comstock Holding Companies, Inc., which is the Manager of Comstock Redland Road, L.C., a Virginia limited liability company, party to the foregoing instrument, and that the same is his act and deed and the act and deed of said Comstock Redland Road, L.C.

IN WITNESS WHEREOF, I have set my hand and Notarial Seal, this __ day of _____, 2013.

Notary Public

[SEAL]

My Commission expires: _____.

Notary Registration No. _____.

GUARANTOR:

Witness:

COMSTOCK HOLDING COMPANIES, INC., a Delaware corporation

Print Name:

By: _____
Christopher D. Clemente
Chief Executive Officer

COMMONWEALTH OF VIRGINIA

COUNTY OF _____, ss:

I, _____, a Notary Public in and for the aforesaid jurisdiction, do hereby certify that Christopher D. Clemente personally appeared before me in said jurisdiction and acknowledged that he is the Chief Executive Officer of Comstock Holding Companies, Inc., a Delaware corporation, party to the foregoing instrument, and that the same is his act and deed and the act and deed of said Comstock Holding Companies, Inc..

IN WITNESS WHEREOF, I have set my hand and Notarial Seal, this __ day of _____, 2013.

Notary Public

[SEAL]

My Commission expires: _____.

Notary Registration No. _____.

GUARANTOR:

Christopher Clemente

COMMONWEALTH OF VIRGINIA

COUNTY OF _____, ss:

I, _____, a Notary Public in and for the aforesaid jurisdiction, do hereby certify that Christopher D. Clemente personally appeared before me in said jurisdiction and acknowledged that he signed the foregoing instrument as his own free act and deed.

IN WITNESS WHEREOF, I have set my hand and Notarial Seal, this __ day of _____, 2013.

Notary Public

My Commission expires: _____.

Notary Registration No. _____.

[SEAL]

PLEDGOR:

COMSTOCK INVESTORS VII, L.C., a Virginia limited liability company

By: Comstock Holding Companies, Inc., a Delaware corporation, its Manager

By: _____
Christopher D. Clemente
Chief Executive Officer

[SEAL]

COMMONWEALTH OF VIRGINIA

COUNTY OF _____, ss:

I, _____, a Notary Public in and for the aforesaid jurisdiction, do hereby certify that Christopher D. Clemente personally appeared before me in said jurisdiction and acknowledged that he is the Chief Executive Officer of Comstock Holding Companies, Inc., which is the Manager of Comstock Investors VII, L.C., a Virginia limited liability company, party to the foregoing instrument, and that the same is his act and deed and the act and deed of said Comstock Investors VII, L.C.

IN WITNESS WHEREOF, I have set my hand and Notarial Seal, this __ day of _____, 2013.

Notary Public

[SEAL]

My Commission expires: _____.

Notary Registration No. _____.

LENDER:
Witness:

EAGLE COMMERCIAL VENTURES, LLC

Print Name:

By: _____
Laurence E. Bensignor
President

[SEAL]

COMMONWEALTH OF VIRGINIA

COUNTY OF _____, ss:

I, _____, a Notary Public in and for the aforesaid jurisdiction, do hereby certify that Laurence E. Bensignor personally appeared before me in said jurisdiction and acknowledged that he is President of Eagle Commercial Ventures, LLC; that he has been duly authorized to execute and deliver the foregoing instrument for the purposes therein contained and that the same is his act and deed; that the seal affixed to said instrument is such corporate seal and that it was so affixed by order of the Board of Directors of said Bank; and that he signed his name thereon by like order.

IN WITNESS WHEREOF, I have set my hand and Notarial Seal, this __ day of _____, 2013.

Notary Public

[SEAL]

My Commission expires: _____.

Notary Registration No. _____.

EXHIBIT A

Legal Description of the Property and the Apartment Parcel

Parcel P-146 in Montgomery County, Maryland, being that tract of land comprising 4.24307 acres, more or less, said tract of land being bisected by Yellowstone Way.

Tax ID No. 04-001-00776834.

For metes and bounds description, see Exhibit "A" to Commitment for Title Insurance issued by Stewart Title Guaranty Company on February 13, 2013, File No. 01242 – 1549a.

EXHIBIT B

FORM OF APARTMENT PARCEL DEED OF TRUST

[ATTACHED]

EXHIBIT C

CARVE OUT OBLIGATIONS

The Guarantor shall also guaranty the full and timely payment of any and all actual loss, damage, cost, expense, liability, claim or other obligation incurred by the Lender (including reasonable attorneys' fees and out-of-pocket costs actually incurred) arising out of or in connection with any one or more of the following (the "Carve Out Obligations"):

- (i) Fraud, material misrepresentation or willful misconduct by Borrower or Guarantor or any of their respective members, managers, officers, principals, or any other person properly authorized to make statements or representations, or act, on behalf of Borrower or Guarantor in connection with the Loan or the Property;
- (ii) physical waste committed on the Property; damage to the Property as a result of the intentional misconduct, recklessness or gross negligence of Borrower or Guarantor, or any agent or employee of any such persons; or the removal of any portion of the Property by or at the direction of Borrower or Guarantor or any direct or indirect member or manager thereof, in violation of the terms of the Loan Documents (as defined in the Loan Agreement) following a default under the Loan which is not cured within any applicable grace or cure period (an "Event of Default");
- (iii) subject to any right to contest or bond off such matters, as provided in the Deed of Trust or Loan Agreement, failure to pay any valid taxes, assessments, mechanics' liens, materialmen's liens or other liens which could create liens on any portion of the Property which would be superior to the lien or security title of the Deed of Trust or the other Loan Documents, to the full extent of the amount claimed by any such lien claimant;
- (iv) the breach of any representation, warranty or covenant in, and any liability under any provision in, that certain Environmental Indemnity Agreement of even date herewith given by Borrower and Guarantor to Lender or the breach of any representation, warranty or covenant relating solely to, and any liability under any provision concerning, environmental laws, hazardous substances or asbestos in the Deed of Trust;
- (v) the misapplication or conversion of (A) any insurance proceeds paid to Borrower by reason of any loss, damage or destruction to the Property, (B) any awards or other amounts received by Borrower in connection with the condemnation of all or a portion of the Property, or (C) any rents from the Property following an Event of Default or collected in advance; and
- (vi) failure to maintain any insurance policies required under the Loan Documents, or timely to pay or provide the amount of any insurance deductible, to the extent of the applicable deductible, following a casualty or other insured event.

LOAN AGREEMENT

THIS LOAN AGREEMENT (as amended, modified or supplemented from time to time, "Agreement"), dated as of the __ day of March, 2013, by and between (i) EAGLE COMMERCIAL VENTURES, LLC (the "Lender"), and (ii) COMSTOCK REDLAND ROAD, L.C., a Virginia limited liability company (the "Borrower"), recites and provides:

RECITALS:

R-1. The Borrower has acquired a certain development site approved for a 117-unit multifamily apartment building located at Redland Road and Yellowstone Way, Montgomery County, Maryland, as more particularly described on Exhibit A attached hereto (the "Property").

R-2. Subject to the terms of this Agreement, the Lender agrees to make a loan (the "Loan") to the Borrower, as more particularly described in Section One below, for the purpose of providing mezzanine and second trust financing for the Property.

R-3. The Lender and the Borrower agree that the Loan will be made and advanced upon and subject to the terms, covenants and conditions set forth in this Agreement.

R-4. Simultaneously herewith the Lender is making a loan to the Borrower as hereinafter described (the "Townhouse Loan") with respect to certain property adjacent to the Property that has been approved for 39 lots for construction of single family units and townhouses (the "Townhouse Parcel"), which was to have been subdivided pursuant to a record plat (the "Record Plat") to create the Property and the Townhouse Parcel each as a separate subdivided record lot; however, the Record Plat has not been recorded and the Property and the Townhouse Parcel are part of one single subdivided record lot known as P-146 in Montgomery County, Maryland. The legal description of the Property and the Townhouse Parcel is more particularly set forth in Exhibit A attached hereto and made a part hereof.

R-5. The Borrower has requested that the Lender waive the condition to closing the Loan that the Record Plat be recorded, and the Lender is amenable to such request provided the Borrower performs its duties and obligations strictly in accordance with the terms and conditions of this Agreement.

AGREEMENT

ACCORDINGLY, for and in consideration of the foregoing Recitals which are a material part of this Agreement and not mere prefatory language, and of the mutual covenants and conditions set forth in this Agreement, and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the Lender and the Borrower agree as follows:

SECTION ONE
THE LOAN

1.1 Amount. The maximum principal amount that may be advanced under the Loan shall not exceed the lesser of (i) One Million One Hundred Ten Thousand and No/100 Dollars (\$1,110,000.00), or (ii) seventy-nine percent (79%) of the "as complete" value of the Property (inclusive of senior trust financing being provided by EagleBank for the Property, as hereinafter described) pursuant to the Appraisal (hereinafter defined) and any appraisals which may be engaged by the Lender from time to time subsequent to the date hereof, or (iii) ninety percent (90%) of the cost of acquisition and development of the Property in accordance with a budget approved by the Lender. The Loan will be evidenced by a Promissory Note made by the Borrower payable to the order of the Lender (as the same may be amended, renewed, restated, supplemented or substituted from time to time, the "Note") which shall be governed by Maryland law.

1.2 Simultaneous Closing Condition. In addition to all other conditions to closing set forth herein, the Lender's obligation to close the Loan and advance Loan proceeds to the Borrower is subject to the condition that the following credit facilities shall be simultaneously closed with the Loan closing: (i) the Townhouse Loan; (ii) an acquisition and development loan to the Borrower from EagleBank in the amount of Five Million Three Hundred Thousand and No/100 Dollars (\$5,300,000.00) (the "EagleBank A&D Townhouse Loan") to be secured by a first lien deed of trust encumbering the Property and the Apartment Parcel (the "Senior Deed of Trust"); (iii) a construction loan to the Borrower from EagleBank in the maximum principal amount outstanding from time to time of Two Million Eight Hundred Seventy Thousand and No/100 Dollars (\$2,870,000.00) (the "EagleBank Construction Loan") also to be secured by the Senior Deed of Trust, (iv) a letter of credit facility being made available to the Borrower from EagleBank in the amount of Two Million Two Hundred Sixty Thousand and No/100 Dollars (\$2,260,000.00) (the "EagleBank LC Facility" and together with the EagleBank A&D Townhouse Loan and the EagleBank Construction Loan, the "EagleBank Credit Facility") also to be secured by the Senior Deed of Trust; and (v) an acquisition and development loan to the Borrower from EagleBank in the amount of Two Million Four Hundred Thousand and No/100 Dollars (\$2,400,000.00) (the "EagleBank Apartment Loan") also to be secured by the Senior Deed of Trust.

1.3 Purpose. The Borrower will use the Loan proceeds to finance development of the Property in accordance with a budget approved by the Lender.

1.4 Record Plat. The Borrower shall use commercially reasonable efforts with the highest due diligence to cause the Record Plat to be approved by applicable governmental authorities and recorded. The terms and conditions with respect to the Record Plat are as follows:

- (a) If the Record Plat, in form as shall have been approved by the Lender, has not been recorded within ninety (90) days from the closing of the Loan, an Event of Default shall have occurred on the ninety-first (91st) day following the closing.

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- (b) The Deed of Trust (hereinafter defined) shall initially encumber the Property and the Townhouse Parcel as security for the Loan and the Townhouse Loan. Upon recordation of the Record Plat, the Deed of Trust shall be amended to reflect the new legal description and the Lender's loan policy of title insurance shall be appropriately endorsed in form satisfactory to the Lender in all respects.
- (c) Provided there has then occurred no Event of Default hereunder, following recordation of the Record Plat, if (i) the Borrower sells the Property and upon closing of such sale pays the Loan and the EagleBank Apartment Loan in full, the Lender shall release the Property from the lien of the Deed of Trust, or (ii) the Borrower determines to develop the Property and transfer the Property to an affiliate, provided that EagleBank releases the Property from the Senior Deed of Trust, the Lender shall release the Property from the lien of the Deed of Trust and simultaneously therewith the Property shall be encumbered by a new deed of trust (the "Apartment Parcel Deed of Trust") as security for the Townhouse Loan as well as cross-collateral security for the Loan.
- (d) If applicable under Subparagraph 1.4(c) above, the Apartment Parcel Deed of Trust shall be in the form as attached to this Agreement as Exhibit B and shall constitute a second lien on the Property subject only to a new senior lien deed of trust securing EagleBank for the EagleBank Apartment Loan in an amount not to exceed Two Million Four Hundred Thousand and No/100 Dollars (\$2,400,000.00), to be recorded immediately prior to recordation of the Apartment Parcel Deed of Trust securing the Lender.
- (e) The Leases Assignment (hereinafter defined) shall encumber all leases, rents and profits with respect to the Property and the Townhouse Parcel. The Property may be released from the Leases Assignment in the event of (i) sale and payment in full of the Loan and the EagleBank Apartment Loan as contemplated in Subparagraph 1.4(c) above or (ii) transfer of the Property to an affiliate, in which event a new assignment of leases and rents in form substantively identical to the Leases Assignment shall be recorded against the Property simultaneously with such release.
- (f) UCC-1 Financing Statements that constitute a fixture filing shall be recorded against the Property and the Townhouse Parcel. Such UCC-1 Financing Statements may be terminated as to the Property in the event of (i) sale and payment in full of the Loan and the EagleBank Apartment Loan as contemplated in Subparagraph 1.4(c) above or (ii) transfer of the Property to an affiliate, in which event a new UCC-1 Financing Statement in form substantively identical to the initial instrument shall be filed against the Property simultaneously with such termination.

1.5 Guarantors. Comstock Holding Companies, Inc. (the “Entity Guarantor”) and Christopher Clemente (the “Individual Guarantor”), jointly and severally (jointly and severally, collectively the “Guarantor”) shall guarantee the payment and performance of the Borrower’s obligations, covenants and agreements under the Loan, as evidenced by the Loan Documents, and shall also guarantee the Carve Out Obligations (defined on Exhibit C attached hereto), which guaranty shall be evidenced by an instrument of unlimited and unconditional guaranty of payment and performance from the Guarantor for the benefit of the Lender, in form and substance satisfactory to the Lender (the “Guaranty”).

1.6 Term. The Note shall mature twelve (12) months after the date of closing on the Loan (the “Maturity”). It is acknowledged and agreed that notwithstanding any provisions herein, the Borrower has not applied for, nor has the Lender made any commitment with respect to, any extension of such Maturity. Upon any application for an extension, any approval of an extension on any terms would be contingent upon the usual and customary underwriting procedures of the Lender, including without limitation, full credit and collateral evaluation and review, the approval of the loan committee of the Lender, and payment to the Lender of extension fees as determined by the Lender.

1.8 Contract Interest Rate; Pay Rate. Commencing on the closing of the Loan, the unpaid balance of the Note outstanding from time to time shall bear interest at the fixed rate of twelve percent (12%) per annum (the “Contract Rate”). Interest shall be calculated using a 360-day year, based upon the actual number of days for which the calculation is being made. Monthly payments of interest only at the rate of six percent (6%) per annum (the “Pay Rate”) shall be due and payable and shall be paid to the Lender. The difference between the amount calculated at the Contract Rate and the amount calculated at the Pay Rate shall accrue and payment thereof shall be deferred to Maturity.

1.9 Loan Fee. The Borrower shall pay to the Lender a fee for the Loan in the amount of Twenty-Two Thousand and No/100 Dollars (\$22,200.00) (the “Loan Fee”), which has been received by the Lender and which is fully earned by the Lender and non-refundable.

1.10 Exit Fee. In addition to the Loan Fee, the Borrower shall pay to the Lender a fee (the “Exit Fee”) in the amount of Twenty-Two Thousand and No/100 Dollars (\$22,200.00) on the Maturity date of the Loan or at such earlier time as all of the following shall have occurred: (i) the EagleBank Apartment Loan shall have been paid in full, or (ii) the Loan is paid in full prior to Maturity.

1.11 Increase in Exit Fee on Prepayment Within One Year. The Borrower and the Lender agree that the Lender is guaranteed payment of the amount of interest on the full Loan amount for one (1) full year at the annual rate of twelve percent (12%). If the Loan is prepaid in whole or in part within twelve (12) months following closing of the Loan, the Exit Fee shall be increased by an amount calculated as follows: One Hundred Thirty-Two Thousand and No/100 Dollars (\$132,200.00) minus any monthly payments of interest at the Pay Rate that have been paid by the Borrower prior to the time of prepayment. The calculation of the increase in the Exit Fee shall be determined by the Lender and shall be paid in full at Maturity.

1.12 Collateral. The Loan shall be secured by, among other things, the following:

- (i) A second lien deed of trust, security agreement and fixture filing (as the same may be amended, restated, supplemented or substituted, the "Deed of Trust") on the Property and the Townhouse Parcel, subject only to the lien of the Senior Deed of Trust;
- (ii) An assignment of Leases and Rents on the Property and the Townhouse Parcel (as the same may be amended, restated, supplemented or substituted, the "Leases Assignment");
- (iii) A pledge and security agreement from Comstock Investors VII, L.C. ("Investors VII") covering all of Investors VII's right, title and interest in connection with its 100% ownership interest in the Borrower (the "Pledge");
- (iv) Assignments of all development and construction documents including, without limitation, plans and specifications, permits, architect's contracts, engineering contracts, development contracts, and construction contracts (the "Documents Assignment");
- (v) Consents to Assignment executed by each of the general contractor, architect and project engineer for each of the development and the construction (the "Consents");
- (vi) An Environmental Indemnity Agreement made by the Borrower and the Guarantor for the benefit of the Lender (as the same may be amended, restated, supplemented or substituted, the "Environmental Indemnity");
- (vii) Such UCC-1 Financing Statements as the Lender may determine to be necessary or desirable.

1.13 Cross Defaulted Loan. An event of default under the Townhouse Loan (sometimes herein called the "Cross-Defaulted Loan") shall constitute an Event of Default under the Loan Documents. From and after recordation of the Record Plat, release of the Property from the lien of the Deed of Trust, and recordation of the Apartment Parcel Deed of Trust, (i) the Property shall secure, in addition to the Loan, the Loan, and (ii) the Townhouse Parcel shall secure, in addition to the Townhouse Loan, the Loan.

1.14 Release Provisions. No partial releases of portions of the Property shall be permitted.

1.15 Intercreditor Agreement. As a condition of closing the Loan, EagleBank shall enter into a Subordination and Standstill Agreement with the Lender (the "Intercreditor Agreement"), in form and substance satisfactory to the Lender in all respects, pursuant to which the Lender shall subordinate all of its rights in and to the Subordinate Loan to EagleBank's rights, remedies and security under the documents evidencing and/or securing the EagleBank Credit Facility and the EagleBank Apartment Loan.

SECTION TWO
PAYMENTS, COMPUTATIONS, FEES, CHARGES AND PROTECTIVE ADVANCES

2.1 Payments. All payments due with respect to this Agreement or the Loan shall be made in immediately available funds to the Lender at such place as designated by the Lender from time to time. The Lender is authorized, but shall be under no obligation, to charge any deposit account maintained by the Borrower with the Lender or any affiliate of the Lender for any payments due to the Lender with respect to this Agreement or the Loan. Payments shall be applied, at Lender's sole discretion: (i) first, to payment of accrued and unpaid interest, if any; (ii) second, to payment of any principal then due, if any; (iii) third, to late charges, if any; (iv) fourth, to reasonable attorneys' fees and costs of collection; and (v) fifth, to reduce the outstanding principal balance of the Note until such principal shall have been fully repaid. All payments hereunder shall be made without offset, demand counterclaim, deduction, abatement, defense, or recoupment, each of which the Borrower hereby waives.

2.2 Late Charges. If any payment due the Note is not made within ten (10) days of its due date, the Borrower shall pay to the Lender upon demand (which may be in the form of the usual monthly billing or invoice) a late charge equal to five percent (5%) of the amount of such payment.

2.3 Default Rate. After an Event of Default (hereinafter defined), the interest which accrues on the Note shall be increased to the Default Rate (as defined in the Note).

2.4 Computations. Interest and fees on the Loan shall be computed on the basis of a year of three hundred sixty (360) days and actual days elapsed.

2.5 Prepayment. The Borrower may prepay the Note in whole or in part without premium or penalty at any time upon ten (10) days prior written notice to the Lender, subject to increase in the Exit Fee if such prepayment is made within the first year following closing of the Loan as set forth above. Amounts prepaid may not be re-borrowed.

2.6 Indebtedness. As used in this Agreement, the term "Indebtedness" means all present and future indebtedness of the Borrower to the Lender arising out of or in connection with the Note or any of the other Loan Documents.

SECTION THREE
CONDITIONS

3.1 Conditions Precedent to Closing. In addition to any other conditions stated in this Agreement, the following conditions must be satisfied prior to Lender closing on the Loan.

(a) Loan Documents. Receipt by Lender of appropriately completed and duly executed originals of this Agreement, the Note, the Guaranty, the Deed of Trust, the Leases Assignment, the Pledge, the Documents Assignment, the Consents, the Environmental Indemnity, UCC-1 Financing Statements and Intercreditor Agreement, all as Lender may require (collectively, together with any other documents executed and delivered in connection with the Indebtedness, the "Loan Documents").

(b) Organizational Documents. The Borrower and each entity comprising the Borrower shall supply to the Lender, to the extent it has not previously done so in any prior transaction with EagleBank or the Lender: (i) a currently certified copy of its Articles of Organization and all amendments thereto; (ii) evidence satisfactory to the Lender and its counsel that it is in good standing in the jurisdiction where organized and qualified to do business in every jurisdiction in which the nature of its businesses or its properties makes such qualification necessary; (iii) resolutions authorizing the due execution and delivery of the Loan Documents to which it is a party; and (iv) certified copies of its Operating Agreement and all amendments thereto. The Articles of Organization and the Operating Agreement of Borrower and each entity comprising the Borrower shall not be amended, changed or modified in any respect without prior written consent of the Lender. In addition, the Entity Guarantor shall supply, to the extent it has not previously done so in any prior transaction with EagleBank or the Lender: (i) a currently certified copy of its Articles of Incorporation and all amendments thereto; (ii) evidence satisfactory to Lender and its counsel that it is in good standing in the jurisdiction where organized and qualified to do business in every jurisdiction in which the nature of its businesses or its properties makes such qualification necessary; (iii) resolutions authorizing the due execution and delivery of the Loan Documents to which it is a party and a certificate of incumbency; and (iv) certified copies of its By-Laws and all amendments thereto. The Articles of Incorporation and the Bylaws of the Entity Guarantor shall not be amended, changed or modified in any respect without the prior written consent of the Lender; provided, however, that on the condition that the Lender is given thirty (30) days advance written notice, the Lender hereby consents to the Entity Guarantor's change in corporate domicile from Delaware to Virginia and all amendments to its organizational documents as are reasonably required to effect such change in domicile subsequent to the closing of the Loan; provided further that UCC-1 financing statements shall be filed in the changed domicile at the cost and expense of the Borrower.

(c) Opinion. Receipt by the Lender of the opinion(s) of the counsel for Borrower and the Guarantor, in form and content satisfactory to the Lender, in its sole, but reasonable, discretion.

(d) Insurance. Receipt by the Lender of certificate(s) of insurance to evidence a fully paid policy or policies of comprehensive public liability insurance naming Lender as an additional insured thereunder in an amount not less than Two Million and No/100 Dollars (\$2,000,000.00) in the aggregate with not less than One Million and No/100 Dollars (\$1,000,000.00) per occurrence; in any event, the amount of all insurance shall be sufficient to prevent any co-insurance contribution on any loss, with each policy providing for a thirty (30) day prior written notice of cancellation, amendment or alteration.

(e) Financing Statements. The financing statements necessary to perfect the Lender's security interest in the personal property subject to the Deed of Trust, and the membership interests in the Borrower pursuant to the Pledge, and in any other collateral requiring the filing of a financing statement for perfection of a lien thereon, shall be duly filed in all appropriate offices and jurisdictions, all other financing statements covering any of such personal property shall be terminated or

the Lender shall be reasonably satisfied that such terminations are forthcoming, and filing and recording receipts evidencing such filings and terminations shall be delivered to Lender, all in form and substance satisfactory to the Lender.

(f) Property Documents. The Lender shall have received and approved in its sole discretion, the following:

(1) Appraisals. An appraisal of the Property, prepared by an appraiser acceptable to the Lender, in form and content acceptable to the Lender, conforming to all regulatory and internal appraisal guidelines applicable to or established by the Lender, in its sole, absolute, nonreviewable discretion, reflecting an “as complete” value satisfactory to the Lender (the “Appraisal”);

(2) Title Insurance. A commitment for title insurance (the “Title Commitment”) insuring the first priority lien of the Deed of Trust in the aggregate amount of the Note and the Townhouse Loan, containing no exceptions unacceptable to the Lender, issued in the name of the Lender by a title company acceptable to the Lender and in an amount equal to the aggregate principal amount of the Note and the Townhouse Loan. The Title Commitment and the title policy issued pursuant thereto (the “Title Policy”) shall reflect that all requirements for issuance of the Title Policy have been satisfied, and shall contain such other endorsements or coverages as the Lender may require.

(3) UCC Insurance. A commitment for UCC insurance insuring the Lender’s first priority lien in the membership interests of the Borrower pursuant to the Pledge.

(4) Survey. A current survey and legal description of the Property and the Townhouse Parcel satisfactory to the Lender from a registered land surveyor of the State of Maryland, which survey shall show all easements, rights of way and other matters of record, shall locate all existing improvements on the Property and the Townhouse Parcel, shall contain metes and bounds descriptions of each applicable constituent portion of the Property acceptable to the Lender and its counsel, shall generally show a state of facts acceptable to the Lender, and shall contain a surveyor’s certificate satisfactory to the Lender.

(5) Subdivision Plat. Approval by the Lender and its construction consultant of the form of Record Plat to be recorded.

(6) Flood Hazard. Evidence that no part of the Property or the Townhouse Parcel is located in a special flood hazard area.

(7) Public Utilities. Evidence to the effect that sanitary sewer, water, electric, gas, telephone and other public utilities are available and adequate to serve the Property and the Townhouse Parcel.

(8) Licenses and Permits. Copies of all licenses and permits in connection with the Property and the Townhouse Parcel, including without limitation licenses, permits, proffers and other conditions to final subdivision and site plan approval for the Property and the Townhouse Parcel.

(9) Zoning. Receipt by the Lender of a zoning endorsement to the Title Policy acceptable to the Lender or such other written evidence as is acceptable to the Lender that the Property and the Townhouse Parcel are zoned consistent with the uses contemplated beyond any possibility of appeal and can be developed as proposed as a matter of right, and to the effect, further, that there are no pending proceedings, either administrative, legislative or judicial, which would in any manner adversely affect the status of the zoning with respect to the Property and the Townhouse Parcel or any part thereof.

(g) No Default. No event shall have occurred and be continuing that constitutes an Event of Default (as defined below).

(h) Representations. All representations and warranties contained in this Agreement shall be true and correct in every material respect as of the date of closing of the Loan.

(i) Satisfactory Documents. All documents delivered pursuant to this Agreement must be in form and substance satisfactory to the Lender and its counsel and all legal matters incident to this Agreement must be satisfactory to Lender's counsel.

(j) Identification. As required by federal regulation, closing the Loan is contingent upon satisfactory verification of identity of the signatories and verification that none of the Borrower or the Guarantor or any signers is restricted from conducting business in the United States.

SECTION FOUR REPRESENTATIONS AND WARRANTIES

In order to induce the Lender to extend credit to the Borrower, the Borrower and the Guarantor each make the following representations and warranties as to itself:

4.1 Organization. The Borrower and each entity comprising the Borrower is a limited liability company duly organized, validly existing and in good standing under the laws of the Commonwealth of Virginia and is duly qualified as a foreign limited liability company and in good

standing under the laws of each other jurisdiction in which such qualification is required. The Entity Guarantor represents and warrants that it is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and is duly qualified as a foreign corporation and in good standing under the laws of each other jurisdiction in which such qualification is required.

4.2 Execution and Delivery. The Borrower and each entity comprising the Borrower has the power, and has taken all of the necessary actions, to execute and deliver and perform its obligations under the Loan Documents, and the Loan Documents, when executed and delivered, will be binding obligations of each such entity enforceable in accordance with their respective terms.

4.3 Power. Each of the Borrower and each entity comprising the Borrower has the power and authority to own its properties and to carry on its business as now being conducted.

4.4 Financial Statements. All financial statements and information delivered to the Lender are correct and complete in all material respects and present fairly the financial conditions, and reflect all known liabilities, contingent and otherwise, of the Borrower and the Guarantor as of the dates of such statements and information, and since such dates no material adverse change in the assets, liabilities, financial condition, business or operations of the Borrower or the Guarantor has occurred.

4.5 Taxes. All tax returns and reports of the Borrower and the Guarantor required by law to be filed have been duly filed, and all taxes, assessments, other governmental charges or levies (other than those presently payable without penalty or interest and those that are being contested in good faith in appropriate proceedings) upon the Borrower and/or the Guarantor and upon any of their respective properties, assets, income or franchises, that are due and payable have been paid.

4.6 Litigation. There is no action, suit or proceeding pending or, to the knowledge of the Borrower or the Guarantor, threatened against or affecting the Borrower or the Guarantor that, either in any case or in the aggregate, may result in any material adverse change in the business, properties or assets or in the condition, financial or otherwise, of the Borrower or the Guarantor, or that may result in any material liability on the part of the Borrower or the Guarantor that would materially and adversely affect the ability of the Borrower or the Guarantor to perform its and/or their obligations under the Loan Documents, or that questions the validity of any of the Loan Documents or any action taken or to be taken in connection with the Loan Documents.

4.7 No Breach. The execution and delivery of the Loan Documents, and compliance with the provisions of the Loan Documents, will not conflict with or violate any provisions of law or conflict with, result in a breach of, or constitute a default under, the organizational documents of the Borrower, or any judgment, order or decree binding on the Borrower, or any other agreements to which the Borrower is a party.

4.8 No Defaults. To the best of the Borrower's knowledge, the Borrower is not in default with respect to any debt, direct or indirect, upon or as to which the Borrower has any liability or obligation.

4.9 Compliance. The Borrower is in compliance in all material respects with all applicable laws and regulations, including, without limitation, the Employee Retirement Income Security Act of 1974, as amended (“ERISA”).

4.10 Approvals. No authorizations, approvals or consents of, and no filings and registrations with, any governmental or regulatory authority or agency, are necessary for the execution, delivery or performance of the Loan Documents by the Borrower.

4.11 Title to Assets. The Borrower has good and marketable title to all of its assets, subject only to the liens and security interests permitted by this Agreement and the liens and security interests securing EagleBank.

4.12 Use of Proceeds. The proceeds of the Loan shall be used only for the purposes described in this Agreement. The proceeds of the Loan shall not be used to purchase or carry any margin stock, as such term is defined in Regulation U of the Board of Governors of the Federal Reserve System.

SECTION FIVE
COVENANTS OF BORROWER AND GUARANTOR

In consideration of credit extended or to be extended by the Lender, the Borrower covenants and agrees as follows:

5.1 Financial Information. The Borrower and the Guarantor shall each deliver to the Lender: (i) with respect to the Borrower, each year within ninety (90) days after the close of its fiscal year, financial statements prepared in accordance with standard accounting principles consistently applied, certified as true and correct by an officer of each such entity; (ii) with respect to the Entity Guarantor, each year within ninety (90) days after the close of its fiscal year, audited financial statements; (iii) each year within thirty (30) days after filing, a copy of each such entity’s federal income tax return and all schedules thereto, provided that in the event of such extension such entity shall provide the Lender with a copy of the federal income tax return and all schedules thereto within thirty (30) days of the filing of same with the Internal Revenue Services, (iv) with respect to the Individual Guarantor, each year within thirty (30) days after filing, a copy of his federal income tax return and all schedules thereto; and (v) promptly upon the Lender’s request, such financial and other information as the Lender reasonably may require from time to time. All financial statements shall be in such reasonable detail and shall be accompanied by such certificates of the Borrower or the Guarantor, as applicable, as may reasonably be required by the Lender.

5.2 Taxes. All tax returns and reports of the Borrower required by law to be filed have been duly filed, and all taxes, assessments, other governmental charges or levies (other than those presently payable without penalty or interest and those that are being contested in good faith in appropriate proceedings) upon the Borrower and upon the Borrower’s properties, assets, income or franchises, that are due and payable, have been paid.

5.3 Compliance with Laws. The Borrower shall comply with all applicable laws and regulations including, without limitation, ERISA.

5.4 Maintain Existence. The Borrower and the Entity Guarantor shall each maintain its existence in good standing, maintain and keep its properties in good condition (ordinary wear and tear excepted), maintain adequate insurance for all of its properties with financially sound and reputable insurers. The Borrower shall remain in the same line of business as it is on the date of this Agreement and shall not enter into any new lines of business without the prior written consent of the Lender.

5.5 Notices. As soon as it has actual knowledge, the Borrower shall notify the Lender of the institution or threat of any material litigation or condemnation or administrative proceeding of any nature involving the Borrower.

5.6 Books and Records. The Borrower shall maintain complete and accurate books of account and records. The principal books of account and records shall be kept and maintained at 1886 Metro Center Drive, 4th Floor, Reston, VA 10190. The Borrower shall not remove such books of account and records without giving the Lender at least thirty (30) days prior written notice. The Borrower, upon reasonable notice from the Lender, shall permit the Lender, or any officer, employee or agent designated by the Lender, to examine the books of account and records maintained by the Borrower, and agree that the Lender or such officer, employee or agent may audit and verify the books and records. The Borrower shall reimburse the Lender for any reasonable expenses incurred by the Lender in connection with any such audits. All accounting records and financial reports furnished to the Lender by the Borrower and the Guarantor pursuant to this Agreement shall be maintained and prepared in accordance with GAAP.

5.7 Liens. The Borrower shall not create, incur, assume or permit to exist any mortgage, deed of trust, assignment, pledge, lien, security interest, charge or encumbrance, including, without limitation, the right of a vendor or under a conditional sale contract or the lessor under a capitalized lease (collectively, ("Liens")) of any kind or nature in or upon any of the asset of the Borrower except:

- (a) Liens created or deposits made that are incidental to the conduct of the business of the Borrower, that are not incurred in connection with any borrowing or the obtaining of any credit and that do not and will not interfere with the use by the Borrower of any of its assets in the normal course of its business or materially impair the value of such assets for the purpose of such business;
- (b) Liens securing EagleBank pursuant to the Senior Deed of Trust and related loan documents; and
- (c) Liens securing the Indebtedness.

5.8 Debt. Except as provided above in Section 5.7, without the prior written consent of the Lender, the Borrower shall not incur or permit to exist any debt for borrowed funds, the deferred purchase price of goods or services or capitalized lease obligations, except for (a) trade debt incurred in the ordinary course of business, and (b) the Indebtedness.

5.9 Contingent Liabilities. Without the prior written consent of the Lender, neither the Borrower nor the Guarantor shall guarantee, endorse, become contingently liable upon or assume the obligation of any person, or permit any such contingent liability to exist, except by the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business.

5.10 Sale of Assets. Without the prior written consent of the Lender, the Borrower shall not sell, lease, assign or otherwise dispose of any of its assets except for (a) the disposition of assets that are no longer needed or useful in its business, (b) assets which have been removed and replaced and (d) sale and conveyance of the Property following recordation of the Record Plat and payment in full of all principal, accrued interest and other charges due under the Loan and the EagleBank Apartment Loan.

5.11 Mergers and Acquisitions. Without the prior written consent of the Lender, the Borrower shall not merge or consolidate with, or acquire all or substantially all of the assets, stock, partnership interests or other ownership interests of, any other person.

5.12 Loans and Advances. Without the prior written consent of the Lender, the Borrower shall not make any loan or advance to any affiliate, director, member, manager, officer or employee of the Borrower, or any other person, except for the creation of accounts receivable in the ordinary course of business on terms that are no less favorable than would apply in an arms-length transaction.

5.13 Subsidiaries and Joint Ventures. Without the prior written consent of the Lender, the Borrower shall not form any subsidiary, become a general or limited partner in any partnership or become a party to a joint venture. If the Lender grants its consent to the formation or acquisition of a subsidiary Borrower, such entity shall cause each subsidiary to perform and observe all of the covenants contained in this Agreement and the other Loan Documents.

5.14 Affiliates. Without the prior written consent of the Lender, the Borrower shall not engage in business with any of its affiliates except in the ordinary course of business and on terms that are no less favorable to the Borrower than would apply in an arm's length transaction.

5.15 Organization; Control and Management; Transfers. Until such time as the Loan is fully repaid, there shall be no Transfer (hereinafter defined) of any interest in the Borrower, nor any change in the Control (hereinafter defined) or management of either the Borrower or the Entity Guarantor, nor any Transfer of the Property except for sales of Lots and Units in accordance with the terms of the Loan Documents, without the Lender's prior written consent. "Transfer" means any assignment, pledge, conveyance, sale, transfer, mortgage, encumbrance, grant of a security interest or other disposition, either directly or indirectly, in the aggregate of fifty percent (50%) or more of the beneficial ownership interests of an entity and the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of an entity, whether through the ability to exercise voting power, by contract or otherwise. "Controlled by" and "controlling" shall have the respective correlative meanings thereto.

SECTION SIX
DEFAULT AND REMEDIES

6.1 Default. Each of the following shall constitute an “Event of Default” under this Agreement:

(a) Failure to Pay. If: (i) the Borrower shall fail to pay any monthly payment required under the Note (“Monthly Payments”) when due thereunder or (ii) the Borrower shall fail to pay any amount (other than the Monthly Payments) as and when due under the Note or any of the other Loan Documents;

(b) Failure to Give Notices. If the Borrower fails to give the Lender any notice required by Section 5.5 of this Agreement within thirty (30) days after it has actual knowledge of the event giving rise to the obligation to give such notice.

(c) Failure to Permit Inspections. If the Borrower refuses to permit the Lender to inspect its books and records in accordance with the provisions of Section 5.6 or failure to permit the Lender to inspect the Property upon reasonable advance notice.

(d) Failure to Record Record Plat. If the Record Plat is not recorded within ninety (90) days following closing the Loan.

(e) Failure to Observe Covenants. If the Borrower fails to perform or observe any non-monetary term, covenant, warranty or agreement contained in this Agreement or in the other Loan Documents for which no cure period or another cure period is provided, and such failure shall continue for a period of thirty (30) days after written notice of such failure has been given to the Borrower by the Lender; provided, however, if such default is not in the payment of any sum due to the Lender hereunder, or was not the subject of an Event of Default for which notice was previously provided, and provided the Borrower is diligently pursuing the cure of such default, then the Borrower shall have an additional sixty (60) days within which to cure such default prior to the Lender exercising any right or remedy available hereunder, or at law or in equity.

(f) Defaults Under Loan Documents. If an Event of Default shall occur under the Note or any other Loan Document and shall not be cured within any applicable grace period.

(g) Breach of Representation. Discovery by the Lender that any representation or warranty made or deemed made by the Borrower in this Agreement or in any other Loan Document or in any statement or representation made in any certificate, report or opinion delivered pursuant to this Agreement or other Loan Document or in connection with any borrowing under this Agreement by the Borrower or the Guarantor or any member, manager, officer, agent, employee or director of the Borrower or the Guarantor, was materially untrue when made or deemed to be made.

(h) Voluntary Bankruptcy. If the Borrower or the Guarantor makes an assignment for the benefit of creditors, files a petition in bankruptcy, petitions or applies to any tribunal for any receiver or any trustee of the Borrower or the Guarantor or any substantial part of the property of the Borrower or the Guarantor, or commences any proceeding relating to the Borrower or the Guarantor under any reorganization, arrangement, composition, readjustment, liquidation or dissolution law or statute of any jurisdiction, whether in effect now or after this Agreement is executed.

(i) Involuntary Bankruptcy. If, within sixty (60) days after the filing of a bankruptcy petition or the commencement of any proceeding against the Borrower or the Guarantor seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, the proceeding shall not have been dismissed, or, if within sixty (60) days, after the appointment, without the consent or acquiescence of the Borrower or the Guarantor, of any trustee, receiver or liquidator of any Borrower or all or any substantial part of the properties of the Borrower or the Guarantor, the appointment shall not have been vacated.

(j) Cross Default. If, as a result of default, any present or future obligations of the Borrower or the Guarantor or any affiliate of the Borrower or the Guarantor to the Lender or any other creditor, whether due to acceleration provisions or otherwise therein, are declared to be due and payable prior to the expressed maturity of such obligations.

(k) Cross Default to Particular Instruments: If an Event of Default by the applicable borrower shall occur under any of the following, as any of the following may be amended, substituted or replaced from time to time: (i) the Townhouse Loan, (ii) any loan documents evidencing and/or securing that certain loan from EagleBank to New Hampshire Ave. Ventures, LLC ("NHA") in the amount of \$6,000,000.00, which is evidenced, among other things, by a Revolving Development Loan Promissory Note dated August 13, 2012 made by NHA to the order of EagleBank; (iii) any loan documents evidencing and/or securing that certain loan from EagleBank to NHA in the amount of \$4,000,000.00, which is evidenced, among other things, by a Revolving Construction Loan Promissory Note dated August 13, 2012 made by NHA to the order of EagleBank; (iv) any loan documents evidencing and/or securing that certain loan from EagleBank to Comstock Potomac Yard, L.C. and Comstock Penderbrook, L.C., jointly and severally, in the amount of \$9,960,000.00, which is evidenced, among other things, by a Deed of Trust Note dated May 30, 2012 made by those obligors to the order of EagleBank; and (v) the documents evidencing and/or securing the EagleBank Credit Facility and/or the EagleBank Apartment Loan.

(l) Material Adverse Change. A material adverse change occurs in the financial or business condition of the Borrower or the Guarantor.

(m) Judgment. If a judgment, attachment, garnishment or other process is entered against the Borrower and is not vacated or bonded within sixty (60) days after entry (or such shorter period of time as necessary in order to avoid attachment or foreclosure), or if a judgment, attachment, garnishment or other process is entered against the Guarantor that would materially affect the Guarantor's ability to perform its obligations under the Loan Documents, and such judgment, attachment, garnishment or other process is not vacated or bonded with in sixty (60) day after entry (or such shorter period of time as necessary in order to avoid attachment or foreclosure).

(n) Dissolution. The dissolution, liquidation or termination of existence of the Borrower or any Entity Guarantor or the death of any Individual Guarantor unless a substitute guarantor, satisfactory to the Lender in its sole and absolute discretion, assumes all liability under the Guaranty and Environmental Indemnity and executes any documents which the Lender may reasonably require to implement such substitution, within sixty (60) days after event of dissolution, liquidation or termination of existence of an Entity Guarantor or death of any Individual Guarantor.

(o) Change in Management/Control. A change in the management of or controlling interest in the Borrower or any Entity Guarantor without the prior written consent of the Lender.

6.2 Remedies. Upon the occurrence of an Event of Default (a) the Lender, at its option, by written notice to the Borrower, may declare all Indebtedness to the Lender to be immediately due and payable, whether such Indebtedness was incurred prior to, contemporaneous with or subsequent to the date of this Agreement and whether represented in writing or otherwise, without presentment, demand, protest or further notice of any kind, and (b) the Lender may exercise all rights and remedies available to it under the Loan Documents and applicable law. The Borrower agrees to pay all costs and expenses incurred by the Lender in enforcing any obligation under this Agreement or the other Loan Documents, including, without limitation, attorneys' fees. No failure or delay by the Lender in exercising any power or right will operate as a waiver of such power or right, nor will any single or partial exercise of any power or right preclude any other future exercise of such power or right, or the exercise of any other power or right.

6.3 Borrower to Pay Fees and Charges. The Borrower shall pay all fees and charges incurred in the procuring, making and enforcement of the Loan, including without limitation the reasonable fees and disbursements of Lender's attorneys, charges for appraisals, the fee of Lender's inspector and construction consultant, fees and expenses relating to examination of title, title insurance premiums, surveys, and mortgage recording, documentary, transfer or other similar taxes and revenue stamps, loan extension fees, if any, and the Lender's fees for the Loan.

SECTION SEVEN GENERAL PROVISIONS

7.1 Defined Terms. Each accounting term used in this Agreement, not otherwise defined, shall have the meaning given to it under GAAP applied on a consistent basis. The term "person" shall

mean any individual partnership, corporation, trust, joint venture, unincorporated association, governmental subdivision or agency or any entity of any nature. The term “subsidiary” means, with respect to any person, a corporation or other person of which shares of stock or other ownership interest having ordinary voting power to elect a majority of the board of directors or other managers of such corporation or person are at the time owned, or the management of which it otherwise controlled, directly or indirectly, through one or more intermediaries, by such person. The term “affiliate” means, with respect to any specified person, any other person that, directly or indirectly, controls or is controlled by, or is under common control with, such specified person. All meanings assigned to defined terms in this Agreement shall be applicable to the singular and plural forms of the terms defined.

7.2 Notices. All notices, requests, demands and other communication with respect hereto shall be in writing and shall be delivered by hand, prepaid by Federal Express (or a comparable overnight delivery service), or sent by the United States first-class mail, certified, postage prepaid, return receipt requested, to the parties at their respective addresses set forth as follows:

If to the Lender, to:

EAGLE COMMERCIAL VENTURES, LLC
7815 Woodmont Avenue
Bethesda, MD 20814
Attn: Laurence E. Bensignor, President

With a copy to:

Friedlander Mislner, PLLC
5335 Wisconsin Avenue, N.W., Suite 600
Washington, D.C. 20015
Attn: Leonard A. Sloan, Esq.

If to the Borrower or any Guarantor, to:

Comstock Redland Road, L.C.
c/o Comstock Holding Companies, Inc.
1886 Metro Center Drive, 4th Floor
Reston, VA 20190
Attn: Christopher Clemente

With a copy to:

Comstock Redland Road, L.C.
c/o Comstock Holding Companies, Inc.
1886 Metro Center Drive, 4th Floor
Reston, VA 20190
Attn: Jubal Thompson, Esq.

Any notice, request, demand or other communication delivered or sent in the manner aforesaid shall be deemed given or made (as the case may be) upon the earliest of (a) the date it is actually received, (b) on the business day after the day on which it is delivered by hand, (c) on the business day after the day on which it is properly delivered by Federal Express (or a comparable overnight delivery service), or (d) on the third (3rd) business day after the day on which it is deposited in the United States mail. Any party may change such party's address by notifying the other parties of the new address in any manner permitted by this Section.

7.3 Successors and Assigns. This Agreement will be binding upon and inure to the benefit of the Lender and the Borrower and their respective successors, assigns, personal representatives, executors and administrators, provided that the Borrower may not assign or transfer its rights under this Agreement.

7.4 Entire Agreement. Except for the other Loan Documents expressly referred to in this Agreement, this Agreement represents the entire agreement between the Lender and the Borrower, supersedes all prior commitments and may be modified only by an agreement in writing.

7.5 Survival. All agreements, covenants, representations and warranties made in this Agreement and all other provisions of this Agreement will survive the delivery of this Agreement and the other Loan Documents and the making of the advances under this Agreement and will remain in full force and effect until the obligations of the Borrower under this Agreement and the other Loan Documents are indefeasibly satisfied.

7.6 Governing Law. This Agreement will be governed by and construed in accordance with the laws of the State of Maryland, without reference to conflict of laws principles.

7.7 Headings. Section headings are for convenience of reference only and shall not affect the interpretation of this Agreement.

7.8 Participations. The Lender shall have the right to sell all or any part of its rights under the Loan Documents, and the Borrower authorizes the Lender to disclose to any prospective participant in any of the Loan any and all financial and other information in the Lender's possession concerning the Borrower or the collateral for the Loan.

7.9 No Third Party Beneficiary. The parties do not intend the benefits of this Agreement or any other Loan Document to inure to any third party.

7.10 Waiver of Jury Trial. TO THE FULLEST EXTENT PERMITTED BY LAW, THE LENDER AND THE BORROWER KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHTS THEY MAY HAVE TO A TRIAL BY JURY BASED ON, ARISING OUT OF OR UNDER, OR IN CONNECTION WITH THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS.

7.11 Waiver. The rights of the Lender under this Agreement and the other Loan Documents shall be in addition to all other rights provided by law. No waiver of any provision of this Agreement, or any other Loan Document, shall be effective unless in writing, and no waiver shall extend beyond the particular purpose involved. No waiver in any one case shall require the Lender to give any subsequent waivers.

7.12 Severability. If any provision of this Agreement or any other Loan Document is held to be void, invalid, illegal or unenforceable in any respect, such provision shall be fully severable and this Agreement or the applicable Loan Document shall be construed as if the void, invalid, illegal or unenforceable provision were not included in this Agreement or in such Loan Document.

7.13 No Setoffs. With respect to a monetary default claimed by the Lender under the Loan Documents, no setoff, claim, counterclaim, reduction or diminution of any obligation or defense of any kind or nature that the Borrower has or may have against the Lender (other than the defenses of payment, the Lender's gross negligence or willful misconduct) shall be available against the Lender in any action, suit or proceeding brought by the Lender to enforce this Agreement or any other Loan Document. The foregoing shall not be construed as a waiver by the Borrower of any such rights or claims against the Lender, but any recovery upon any such rights or claims shall be had from the Lender separately, it being the intent of this Agreement and the other Loan Documents that the Borrower shall be obligated to pay, absolutely and unconditionally, all amounts due under this Agreement and the other Loan Documents.

7.14 No Merger. The Borrower and the Lender expressly agree that the Borrower's agreement and obligation to pay the Lender's reasonable attorneys' fees and costs, and all other litigation expenses, shall not be merged into any judgment obtained by the Lender, but shall survive the same and shall not be extinguished by any monetary judgment. It is the express intent of the parties hereto that all post-judgment collection fees and expenses (including reasonable attorneys' fees and costs) shall survive entry of a final judgment and shall be collectible by the Lender against the Borrower from time to time following entry of any final judgment obtained by the Lender against the Borrower.

7.15 Counterparts. This Agreement may be executed for the convenience of the parties in several counterparts, which are in all respects similar and each of which is to be deemed to be complete in and of itself, and any one of which may be introduced in evidence or used for any other purpose with the production of the other counterparts thereof.

7.16 Consent to Jurisdiction. The Borrower irrevocably submits to jurisdiction of any state or federal court sitting in the Commonwealth of Virginia or the State of Maryland over any suit, action or proceeding arising out of or relating to this Agreement, the Note or any other Loan Documents. The undersigned irrevocably waives, to the fullest extent permitted by law, any objection that the undersigned may now or hereafter have to the venue of any such suit, action or proceeding brought in any such court and any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. Final judgment in any such court shall be conclusive and binding and may be enforced in any court in which the undersigned is subject to jurisdiction by a suit upon such judgment provided that service of process is effected as provided herein or as otherwise permitted by applicable law.

7.17 Service of Process. The Borrower hereby consents to process being served in any suit, action or proceeding instituted in the Commonwealth of Virginia or the State of Maryland in connection with the Loan by (i) the mailing of a copy thereof by certified mail, postage prepaid, return receipt requested, to the Borrower at the address set forth in the Notices section of this Agreement and (ii) serving a copy thereof upon the Borrower's registered agent for service of process. The undersigned irrevocably agrees that such service shall be deemed to be service of process upon the undersigned in any such suit, action or proceeding. Nothing in this Agreement shall affect the right of the Lender otherwise to bring proceedings against the undersigned in the courts of any jurisdiction or jurisdictions.

7.18 Exhibits. All exhibits referred to herein as attached hereto are incorporated in full by reference as though fully set forth in this Agreement. The Exhibits are:

- Exhibit A: Legal Description of the Property and the Townhouse Parcel
- Exhibit B: Form of Apartment Parcel Deed of Trust
- Exhibit C: Carve Out Obligations

[SIGNATURES ON FOLLOWING PAGES]

IN WITNESS WHEREOF, the Borrower and the Lender have caused this Agreement to be executed in their respective names by duly authorized representatives as of the day and year first above written. The Guarantor joins herein to consent and agree to the terms, conditions, provisions and covenants of those sections of this Agreement that address a covenant or obligation of the Guarantor.

WITNESS:

BORROWER:

COMSTOCK REDLAND ROAD, L.C., a Virginia limited liability company

By: Comstock Holding Companies, Inc., a Delaware corporation, its Manager

By: _____
Christopher D. Clemente
Chief Executive Officer

[SEAL]

COMMONWEALTH OF VIRGINIA

COUNTY OF _____, ss:

I, _____, a Notary Public in and for the aforesaid jurisdiction, do hereby certify that Christopher D. Clemente personally appeared before me in said jurisdiction and acknowledged that he is the Chief Executive Officer of Comstock Holding Companies, Inc., which is the Manager of Comstock Redland Road, L.C., a Virginia limited liability company, party to the foregoing instrument, and that the same is his act and deed and the act and deed of said Comstock Redland Road, L.C.

IN WITNESS WHEREOF, I have set my hand and Notarial Seal, this __ day of _____, 2013.

Notary Public

[SEAL]

My Commission expires: _____.

Notary Registration No. _____.

GUARANTOR:

COMSTOCK HOLDING COMPANIES, INC., a Delaware corporation

By: _____
Christopher D. Clemente
Chief Executive Officer

Witness:

Print Name:

COMMONWEALTH OF VIRGINIA

COUNTY OF _____, ss:

I, _____, a Notary Public in and for the aforesaid jurisdiction, do hereby certify that Christopher D. Clemente personally appeared before me in said jurisdiction and acknowledged that he is the Chief Executive Officer of Comstock Holding Companies, Inc., a Delaware corporation, party to the foregoing instrument, and that the same is his act and deed and the act and deed of said Comstock Holding Companies, Inc..

IN WITNESS WHEREOF, I have set my hand and Notarial Seal, this __ day of _____, 2013.

Notary Public

My Commission expires: _____.

Notary Registration No. _____.

[SEAL]

GUARANTOR:

Christopher Clemente

COMMONWEALTH OF VIRGINIA

COUNTY OF _____, ss:

I, _____, a Notary Public in and for the aforesaid jurisdiction, do hereby certify that Christopher D. Clemente personally appeared before me in said jurisdiction and acknowledged that he signed the foregoing instrument as his own free act and deed.

IN WITNESS WHEREOF, I have set my hand and Notarial Seal, this __ day of _____, 2013.

Notary Public

My Commission expires: _____.

Notary Registration No. _____.

[SEAL]

PLEDGOR:

COMSTOCK INVESTORS VII, L.C., a Virginia limited liability company

By: Comstock Holding Companies, Inc., a Delaware corporation, its Manager

By: _____
Christopher D. Clemente
Chief Executive Officer

[SEAL]

COMMONWEALTH OF VIRGINIA

COUNTY OF _____, ss:

I, _____, a Notary Public in and for the aforesaid jurisdiction, do hereby certify that Christopher D. Clemente personally appeared before me in said jurisdiction and acknowledged that he is the Chief Executive Officer of Comstock Holding Companies, Inc., which is the Manager of Comstock Investors VII, L.C., a Virginia limited liability company, party to the foregoing instrument, and that the same is his act and deed and the act and deed of said Comstock Investors VII, L.C.

IN WITNESS WHEREOF, I have set my hand and Notarial Seal, this __ day of _____, 2013.

Notary Public

[SEAL]

My Commission expires: _____.

Notary Registration No. _____.

LENDER:
Witness:

EAGLE COMMERCIAL VENTURES, LLC

Print Name:

By: _____
Laurence E. Bensignor
President

[SEAL]

COMMONWEALTH OF VIRGINIA

COUNTY OF _____, ss:

I, _____, a Notary Public in and for the aforesaid jurisdiction, do hereby certify that Laurence E. Bensignor personally appeared before me in said jurisdiction and acknowledged that he is President of Eagle Commercial Ventures, LLC; that he has been duly authorized to execute and deliver the foregoing instrument for the purposes therein contained and that the same is his act and deed; that the seal affixed to said instrument is such corporate seal and that it was so affixed by order of the Board of Directors of said Bank; and that he signed his name thereon by like order.

IN WITNESS WHEREOF, I have set my hand and Notarial Seal, this __ day of _____, 2013.

Notary Public

[SEAL]

My Commission expires: _____.

Notary Registration No. _____.

EXHIBIT A

Legal Description of the Property and the Townhouse Parcel

Parcel P-146 in Montgomery County, Maryland, being that tract of land comprising 4.24307 acres, more or less, said tract of land being bisected by Yellowstone Way.

Tax ID No. 04-001-00776834.

For metes and bounds description, see Exhibit "A" to Commitment for Title Insurance issued by Stewart Title Guaranty Company on February 13, 2013, File No. 01242 – 1549a.

EXHIBIT B

FORM OF APARTMENT PARCEL DEED OF TRUST

[ATTACHED]

EXHIBIT C

CARVE OUT OBLIGATIONS

The Guarantor shall also guaranty the full and timely payment of any and all actual loss, damage, cost, expense, liability, claim or other obligation incurred by the Lender (including reasonable attorneys' fees and out-of-pocket costs actually incurred) arising out of or in connection with any one or more of the following (the "Carve Out Obligations"):

- (i) Fraud, material misrepresentation or willful misconduct by Borrower or Guarantor or any of their respective members, managers, officers, principals, or any other person properly authorized to make statements or representations, or act, on behalf of Borrower or Guarantor in connection with the Loan or the Property;
- (ii) physical waste committed on the Property; damage to the Property as a result of the intentional misconduct, recklessness or gross negligence of Borrower or Guarantor, or any agent or employee of any such persons; or the removal of any portion of the Property by or at the direction of Borrower or Guarantor or any direct or indirect member or manager thereof, in violation of the terms of the Loan Documents (as defined in the Loan Agreement) following a default under the Loan which is not cured within any applicable grace or cure period (an "Event of Default");
- (iii) subject to any right to contest or bond off such matters, as provided in the Deed of Trust or Loan Agreement, failure to pay any valid taxes, assessments, mechanics' liens, materialmen's liens or other liens which could create liens on any portion of the Property which would be superior to the lien or security title of the Deed of Trust or the other Loan Documents, to the full extent of the amount claimed by any such lien claimant;
- (iv) the breach of any representation, warranty or covenant in, and any liability under any provision in, that certain Environmental Indemnity Agreement of even date herewith given by Borrower and Guarantor to Lender or the breach of any representation, warranty or covenant relating solely to, and any liability under any provision concerning, environmental laws, hazardous substances or asbestos in the Deed of Trust;
- (v) the misapplication or conversion of (A) any insurance proceeds paid to Borrower by reason of any loss, damage or destruction to the Property, (B) any awards or other amounts received by Borrower in connection with the condemnation of all or a portion of the Property, or (C) any rents from the Property following an Event of Default or collected in advance; and
- (vi) failure to maintain any insurance policies required under the Loan Documents, or timely to pay or provide the amount of any insurance deductible, to the extent of the applicable deductible, following a casualty or other insured event.

LOAN AGREEMENT

THIS LOAN AGREEMENT (as amended, modified or supplemented from time to time, "Agreement"), dated as of the __ day of March, 2013, by and between (i) EAGLEBANK (the "Lender"), and (ii) COMSTOCK REDLAND ROAD, L.C., a Virginia limited liability company (the "Borrower"), recites and provides:

RECITALS:

R-1. The Borrower has acquired a certain development site comprised of 39 lots located at Redland Road and Yellowstone Way, Montgomery County, Maryland, as more particularly described on Exhibit A attached hereto (the "Property"), on which the Borrower intends to develop three (3) single family detached housing units (singularly, a "Single Family Lot" or, as improved, "Single Family Unit" and if referring to more than one, "Single Family Lots" or, as improved, "Single Family Units") and thirty-six (36) townhouse units (singularly, a "Townhouse Lot" or, as improved, "Townhouse Unit" and if referring to more than one, "Townhouse Lots" or, as improved, "Townhouse Units").

R-2. Subject to the terms of this Agreement, the Lender agrees to make an acquisition and development loan (the "Development Loan") to the Borrower, as more particularly described in Section One below, for the purpose of financing the acquisition and the Development (as hereinafter defined) of the Property.

R-3. Subject to the terms of this Agreement, the Lender also agrees to make a revolving construction loan (the "Construction Loan") to the Borrower, as more particularly described in Section Two below, for the purpose of financing the construction of the Single Family Units and the Townhouse Units (collectively, "Units" or if referred to individually, a "Unit").

R-4. The Lender and the Borrower agree that the Development Loan and the Construction Loan (together, the "Loans") will be made and advanced upon and subject to the terms, covenants and conditions set forth in this Agreement.

R-5. Subject to the terms of this Agreement, the Lender also agrees to make a facility (the "LC Facility") available to the Borrower under which the Lender agrees to issue letters of credit (singularly, a "Letter of Credit" and if referring to more than one, "Letters of Credit") for the account of the Borrower (any draw on any Letter of Credit shall be referred to as an "LC Advance"), as more particularly described in Section Three below, for the purpose of securing the performance by the Borrower of public improvement requirements pursuant to agreements with Montgomery County, Maryland or other governmental entities.

R-6. The Lender and the Borrower agree that the LC Facility shall be made upon and subject to the terms, covenants and conditions set forth in this Agreement.

R-7. Simultaneously herewith the Lender is making an acquisition and development loan to the Borrower as hereinafter described (the "Apartment Loan") with respect to certain property adjacent to

the Property that has been approved for construction of a 117-unit multi-family apartment building (the "Apartment Parcel"), which was to have been subdivided pursuant to a record plat (the "Record Plat") to create the Property and the Apartment Parcel each as a separate subdivided record lot; however, the Record Plat has not been recorded and the Property and the Apartment Parcel are part of one single subdivided record lot known as P-146 in Montgomery County, Maryland.

R-8. The Borrower has requested that the Lender waive the condition to closing the Loans and the LC Facility that the Record Plat be recorded, and the Lender is amenable to such request provided the Borrower performs its duties and obligations strictly in accordance with the terms and conditions of this Agreement.

AGREEMENT

ACCORDINGLY, for and in consideration of the foregoing Recitals which are a material part of this Agreement and not mere prefatory language, and of the mutual covenants and conditions set forth in this Agreement, and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the Lender and the Borrower agree as follows:

SECTION ONE THE DEVELOPMENT LOAN

1.1 Amount. The maximum principal amount that may be advanced under the Development Loan shall not exceed the lesser of (i) Five Million Three Hundred Thousand and No/100 Dollars (\$5,300,000.00), or (ii) sixty-five percent (65%) of the cost of acquisition of the Property and the Development thereof in accordance with a budget approved by the Lender, or (iii) sixty percent (60%) of the discounted ("When Developed") (finished lots) value of the Property pursuant to the Appraisal (hereinafter defined) and any appraisals which may be engaged by the Lender from time to time subsequent to the date hereof. The Development Loan will be evidenced by a Development Loan Promissory Note made by the Borrower payable to the order of the Lender (as the same may be amended, renewed, restated, supplemented or substituted from time to time, the "Development Loan Note") which shall be governed by Maryland law.

1.2 Purpose. The Borrower will use the Development Loan proceeds as follows: (i) up to Two Million and No/100 Dollars (\$2,000,000.00) (the "Acquisition Advance") shall be applied to costs (including closing costs) of acquisition of the Property; and (ii) up to Three Million Three Hundred Thousand and No/100 Dollars (\$3,300,000.00) (the "Development Advance" or if more than one "Development Advances") shall be used for the Development of the Property in accordance with a Development Budget that shall have been approved by the Lender in advance and in accordance with plans and specifications to be submitted to and approved by the Lender, and with advances to be made as the work progresses, all as set forth in this Agreement. For purposes of this Agreement, the term "Development" shall mean, generally, (a) lot clearing and rough grading; (b) provision of storm drainage structures and facilities, sediment control devices, base paving of streets, curbs and gutters; (c) providing sewer and water distribution systems and erecting temporary street signs; (d) provision of underground electric and gas utility lines, cable television easements and easements for private utility companies to

install telephone lines, pedestals and vaults adjacent to Lot lines; and (e) other subdivision improvements as required by governmental authorities in order for use and occupancy permits to issue, all in accordance with final site plan review by Montgomery County, Maryland and the Record Plat. The Development Budget for purposes of the Development Advance and portions thereof shall include the foregoing Development costs together with real estate taxes, an interest reserve to be withheld from loan proceeds and applied monthly to payment of accrued interest as hereinafter set forth, and other expenses approved by the Lender. Certain other costs normally considered part of development costs shall be deferred and paid for by the Borrower out of its own funds, including by way of example and not limitation, final paving of streets, site amenities, landscaping and erosion control.

1.3 Development Advance for Preliminary Soft Costs. It is understood that the Development Budget has been approved in form but not finally approved by the Lender, due in part to the Record Plat not having been recorded. It is also understood that the Borrower has incurred certain architectural and engineering soft costs in obtaining various approvals related to the Record Plat and the Development (the "Preliminary Soft Costs"). The Borrower has requested that the Lender make a Development Advance to cover the Preliminary Soft Costs and the Lender has agreed to make such an advance provided that (i) the Preliminary Soft Costs are consistent with the Development Budget as ultimately approved by the Lender, (ii) the advance for the Preliminary Soft Costs shall not exceed Three Hundred Eighty-Two Thousand and No/100 Dollars (\$382,000.00), (iii) the Preliminary Soft Costs shall be supported by invoices acceptable to the Lender, (iv) no further Development Advances shall be made unless and until the Development Budget is finally approved and the Record Plat has been recorded; and (v) if any additional soft costs are incurred by the Borrower prior to the Record Plat having been recorded and approval of the Development Budget, the Borrower shall pay for the same out of its own funds. In addition, notwithstanding the provisions for the Interest Reserve as hereinafter set forth in Section 1.6, interest funded from the Development Loan shall be limited to interest accrued for the first ninety (90) days following closing of the Loans unless the Record Plat has been recorded and the Development Budget has been finally approved by the Lender before the end of such ninety (90) day period.

1.4 Record Plat. The Borrower shall use commercially reasonable efforts with the highest due diligence to cause the Record Plat to be approved by applicable governmental authorities and recorded. The terms and conditions with respect to the Record Plat are as follows:

- (a) If the Record Plat, in form as shall have been approved by the Lender, has not been recorded within ninety (90) days from the closing of the Loans and the LC Facility, an Event of Default shall have occurred on the ninety-first (91st) day following the closing.
- (b) The Deed of Trust (hereinafter defined) shall initially encumber the Property and the Apartment Parcel as security for the Loans, the LC Facility and the Apartment Loan. Upon recordation of the Record Plat, the Deed of Trust shall be amended to reflect the new legal description and the Lender's loan policy of title insurance shall be appropriately endorsed in form satisfactory to the Lender in all respects.

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- (c) Provided there has then occurred no Event of Default hereunder or under the Apartment Loan, following recordation of the Record Plat, if (i) the Borrower sells the Apartment Parcel and upon closing of such sale pays the Apartment Loan in full, the Lender shall release the Apartment Parcel from the lien of the Deed of Trust or (ii) the Borrower determines to develop the Apartment Parcel and transfer the Apartment Parcel to an affiliate, the Lender shall release the Apartment Parcel from the lien of the Deed of Trust and simultaneously therewith the Apartment Parcel shall be encumbered by a new deed of trust (the "Apartment Parcel Deed of Trust") as security for the Apartment Loan as well as cross-collateral as security for the Loans and the LC Facility.
 - (d) If applicable under Subparagraph 1.4(c) above, the Apartment Parcel Deed of Trust shall be in the form as attached to this Agreement as Exhibit E and shall constitute a first lien on the Apartment Parcel.
 - (e) The Leases Assignment (hereinafter defined) shall encumber all leases, rents and profits with respect to the Property and the Apartment Parcel. The Apartment Parcel may be released from the Leases Assignment in the event of (i) sale and payment in full of the Apartment Loan as contemplated in Subparagraph 1.4(c) above or (ii) transfer of the Apartment Parcel to an affiliate, in which event a new assignment of leases and rents in form substantively identical to the Leases Assignment shall be recorded against the Apartment Parcel simultaneously with such release.
 - (f) UCC-1 Financing Statements that constitute a fixture filing shall be recorded against the Property and the Apartment Parcel. Such UCC-1 Financing Statements may be terminated as to the Apartment Parcel in the event of (i) sale and payment in full of the Apartment Loan as contemplated in Subparagraph 1.4(c) above or (ii) transfer of the Apartment Parcel to an affiliate, in which event a new UCC-1 Financing Statement in form substantively identical to the initial instrument shall be filed against the Apartment Parcel simultaneously with such termination.

1.5 Development. All of the Townhouse Lots and the Single Family Lots (collectively, "Lots" or if referred to individually, a "Lot") shall be developed simultaneously, and the Development Loan shall be allocated for costs among the Townhouse Lots only. The Single Family Lots shall be considered to have no land cost. It understood that the Single Family Lots may constitute MPDU Units eligible for inclusion in the Montgomery County, Maryland Moderately Priced Dwelling Unit Program.

1.6 Development Loan Interest Reserve. From the proceeds of the Development Loan, One Hundred Ninety-Two Thousand and No/100 Dollars (\$192,000.00) shall not be disbursed but shall be reserved by the Lender for the payment of interest on the Development Loan (the "Interest Reserve") until such reserve is exhausted. Notwithstanding the foregoing or any provision of the Loan Documents to the contrary, the Lender shall not be obligated to make any disbursements from the Interest Reserve if any

Event of Default shall have occurred (including without limitation any failure to meet the Sales and Curtailment Schedule set forth below which failure is not cured by payment of the amount necessary to satisfy the curtailment component thereof), and further, notwithstanding the foregoing or any provision of any of the Loan Documents to the contrary, nothing contained herein shall be deemed to release or in any way to relieve the Borrower from its obligation under the Development Loan Note to pay interest as provided in the Development Loan Note. Each disbursement from the Interest Reserve shall constitute a disbursement of principal of the Development Loan and shall be added to the then outstanding principal balance of the Development Loan.

1.7 Development Loan Real Estate Tax Reserve. From the proceeds of the Development Loan, One Hundred Forty-Four Thousand and No/100 Dollars (\$144,000.00) shall not be disbursed but shall be reserved by the Lender (the "Taxes Reserve") for the payment of real estate taxes and other governmental impositions against the Property (collectively, "Taxes") until such reserve is exhausted. Notwithstanding the foregoing or any provision of the Loan Documents to the contrary, the Lender shall not be obligated to make any disbursements from the Taxes Reserve if any Event of Default shall have occurred (including without limitation any failure to meet the Sales and Curtailment Schedule set forth below which failure is not cured by payment of the amount necessary to satisfy the curtailment component thereof), and further, notwithstanding the foregoing or any provision of any of the Loan Documents to the contrary, nothing contained herein shall be deemed to release or in any way to relieve the Borrower from its obligation under the Loan Documents to pay Taxes as they become due. Each disbursement from the Taxes Reserve shall constitute a disbursement of principal of the Development Loan and shall be added to the then outstanding principal balance of the Development Loan.

1.8 Fees. The Borrower shall pay to the Lender a fee for the Development Loan in the amount of Fifty-Three Thousand and No/100 Dollars (\$53,000.00), one-half of which has been received by the Lender and the balance of which shall be paid upon closing of the Loans. The Lender acknowledges receipt from the Borrower of Twelve Thousand Five Hundred and No/100 Dollars (\$12,500.00), for application to the Lender's third-party costs and towards the Lender's underwriting in connection with the Loans (including without limitation fees of appraisers, consultants and legal counsel), any unused balance of which may be applied to the foregoing Development Loan fee.

SECTION TWO THE CONSTRUCTION LOAN

2.1 Amount. The maximum principal amount that may be advanced and re-advanced under the Construction Loan shall not exceed Ten Million Three Hundred Twenty-Five Thousand and No/100 Dollars (\$10,325,000.00) (the "Aggregate Advances Limit"), subject to the further limitations set forth in this Section. The maximum amount outstanding at any one time under the Construction Loan shall not exceed Two Million Eight Hundred Seventy and No/100 Dollars (\$2,870,000.00) (the "Maximum Outstanding Amount").

2.2 Townhouse Unit Advances. Advances for each Townhouse Unit shall be limited to the lesser of (i) seventy-five percent (75%) of the "as complete" appraised value of each model type, which value shall include the pro rata portion of the Development Loan allocated by the Lender to the Unit in

the amount of One Hundred Forty Six Thousand Seven Hundred Fifty and No/100 Dollars (\$146,750.00) (the "Per Unit Development Component"), or (ii) the sum of the Per Unit Development Component plus one hundred percent (100%) of the hard and soft costs per model type (such hard and soft costs on average not to exceed \$286,850.00 per Unit based on a budget approved by the Lender), or (iii) a maximum of Four Hundred Thirty Three Thousand Six Hundred and No/100 Dollars (\$433,600.00) per Townhouse Unit for Development costs plus the hard and soft costs of construction; provided, however, that if and to the extent that all advances under the Construction Loan have totaled less than the Aggregate Advances Limit and the maximum outstanding at the time of any request for advance is less than the Maximum Outstanding Amount, the Lender will advance up to an additional Twenty Thousand and No/100 Dollars (\$20,000.00) for a unit at either end of a stick ("End Unit") up to a maximum of four (4) End Units at any one time; if all advances under the Construction Loan have totaled the Aggregate Advances Limit and/or if the maximum outstanding at the time of any such request is at the Maximum Outstanding Amount, the Borrower shall pay for any additional End Unit costs out of its own funds. The Construction Loan will be evidenced by a Revolving Construction Loan Promissory Note made by the Borrower payable to the order of the Lender (as the same may be amended, renewed, restated, supplemented or substituted from time to time, the "Construction Loan Note") which shall be governed by Maryland law.

2.3 Further Limitations on Townhouse Advances. The Lender shall not be required to advance at any one time for Construction of Townhouse Units more than the lesser of (A) the costs of construction of more than ten (10) Townhouse Units and not more than four (4) "sticks" (hereinafter defined) (i.e., not more than ten (10) Townhouse Units and four (4) sticks may be under construction at any one time) or (B) Two Hundred Eighty Six Thousand Eight Hundred Fifty and No/100 Dollars (\$286,850.00) per Townhouse Unit, on average, subject to the provisions set forth above in Section 2.2 for additional End Unit costs. For purposes of this Agreement and the Loan Documents, a "stick" means a building containing contiguous Townhouse Units constructed on a single shared foundation.

2.4 Advances for Single Family Units. Advances for Construction of Single Family Units shall be subject to such conditions and requirements as the Lender may approve prior to the first advance for Construction of one or more Single Family Units.

2.5 Purpose. The Borrower will use the Construction Loan proceeds for the purpose of building (the "Construction") Single Family Units and Townhouse Units in accordance with budgets therefor, construction start limits, sales schedule and loan curtailment requirements, all of which shall have been approved by the Lender in advance and in accordance with plans and specifications to be submitted to and approved by the Lender, and with advances to be made as the work progresses, all as set forth in this Agreement. The overall Construction budget shall include and be consistent with the total costs per type of Unit that are to be set forth on Exhibit B (the "Unit Costs Budget"), which shall be agreed by the parties and attached hereto prior to and as a condition of the first advance of Construction Loan proceeds.

2.6 Construction Limitation. At no time shall the Borrower be permitted to have under Construction more than ten (10) Townhouse Units and more than four (4) sticks. Upon completion and sale of Townhouse Units from time to time, and payment of the Release Payment set forth in Section 4.9

below, funds repaid pursuant to Section 4.9 below may be readvanced under the Construction Loan subject to the foregoing limitation on the number of Units and sticks that may be under Construction at any one time, which shall again apply.

2.7 No Interest Reserve. The Borrower shall be obligated to pay interest as provided in the Construction Loan Note.

2.8 Fees. The Borrower shall pay to the Lender a fee for the Construction Loan in the amount of Fifty-One Thousand Six Hundred Twenty-Five and No/100 Dollars (\$51,625.00). The Construction Loan fee will be paid in installments each in the amount of One Thousand Four Hundred Thirty-Four and No/100 Dollars (\$1,434.00), each such installment to be paid at the time of the first draw of Construction Loan proceeds for each Townhouse Unit and each Single Family Unit.

SECTION THREE THE LC FACILITY

3.1 Facility: Amount. The maximum amount of the LC Facility shall be Two Million Two Hundred Sixty Thousand and No/100 Dollars (\$2,260,000.00). The Lender agrees to issue one or more letters of credit (singularly, a "Letter of Credit" and if referring to more than one, "Letters of Credit") to Montgomery County, Maryland or other governmental entities for the purpose of guaranteeing the satisfactory construction of public improvements pursuant to agreements and plans and specifications which shall have been approved by such governmental entity and by the Lender.

3.2 Letters of Credit. Subject to the terms and conditions of this Agreement and all terms and conditions as the Lender may require in an Application for Irrevocable Standby Letter of Credit ("LC Application") to be executed by the Borrower in connection with each Letter of Credit, the Lender agrees to issue one or more Letters of Credit for the account of the Borrower in form as attached hereto as Exhibit F (the "Montgomery County Form") or such other form as may be approved by the Lender. Each Letter of Credit issued pursuant to the LC Facility shall be evidenced by a Non-Revolver Promissory Note in form as attached hereto as Exhibit C (each, a "LC Note"). The following particular terms and conditions shall apply:

(a) Any draw under a Letter of Credit shall constitute an LC Advance under the applicable LC Note, shall bear interest at the rate set forth in the LC Note, and shall be due on demand. No principal shall be deemed to be advanced or bear interest under an LC Note solely as the result of the issuance of the Letter of Credit.

(b) Each Letter of Credit shall have an initial expiry date, and each LC Note shall have an initial maturity date, of one (1) year from the date of issuance of the applicable Letter of Credit, subject to annual renewal unless, with respect to any Letter of Credit issued on the Montgomery County Form, the Lender shall have given the sixty (60) day notice of non-renewal as contemplated therein. The Lender agrees that it will not give the first sixty (60) day notice of non-renewal of any such Montgomery County Letter of Credit provided that (i) a renewal fee in the amount of one percent (1%) of the amount of the Letter of Credit is paid to the Lender on or before three hundred (300) days following issuance of

the Letter of Credit, and (ii) no Event of Default shall have occurred and remain uncured within any applicable notice and/or cure period. Following the first year of the term of any Montgomery County Letter of Credit, the Lender shall have the right at any time to give the sixty (60) day notice of non-renewal. Upon the Lender giving a sixty (60) day notice of non-renewal of any Montgomery County Letter of Credit, the original Letter of Credit must be returned to the Bank on or before the end of the sixty (60) day notice period and the Borrower's failure to do so by the expiration of the sixty (60) day notice period shall constitute an Event of Default hereunder and under the Loan Documents without further notice. Each LC Note for a Montgomery County Letter of Credit shall have a maturity date of two (2) years after the date of issuance of the Letter of Credit. All other Letters of Credit shall have an outside expiry date, and each other LC Note shall have an outside maturity date, on the same date of Maturity (as hereinafter defined) of the Development Loan Note and the Construction Loan Note.

(c) If any Letter of Credit remains outstanding for a period later than the date which is two (2) years following closing of the Loans (the "Two Year Anniversary"), the Borrower's and the Guarantor's obligations hereunder and under the Guaranty and under all of the other Loan Documents shall remain in full force and effect with respect to any such Letter(s) of Credit and the applicable LC Note(s), and the Lender shall not be required to release any security under the Deed of Trust or any other Loan Document until the originals of all Letters of Credit have been returned to the Lender, notwithstanding that the Development Loan and the Construction Loan have been repaid; provided, however, if at the Two Year Anniversary there is cash collateral in the LC Escrow pursuant to Section 4.9(c) hereof in an amount at least equal to all outstanding Letters of Credit, provided that all other obligations hereunder and under the Cross-Defaulted Loan have been fully paid and performed, the Guarantor's obligations shall continue in full force and effect with respect to the LC Note(s) related to the outstanding Letter(s) of Credit and any interest that may accrue thereon, and all other Loan Documents shall be released.

(d) The Borrower's failure to pay to the Lender the amount of any draw made on any Letter of Credit, together with accrued interest thereon, within five (5) days after the draw is made, shall constitute an Event of Default hereunder and under the Loan Documents.

(e) The Lender shall not be responsible for, and the indebtedness, obligation and liability of the Borrower under each LC Note and the LC Facility (the "LC Obligations") shall not be affected by (i) the use which may be made of any Letter of Credit or for any acts or omissions of the user(s) of any Letter of Credit; (ii) the validity, accuracy, sufficiency or genuineness of drafts, required statements of documents, even if such drafts, statements or documents should in fact prove to be in any or all respects invalid, inaccurate, insufficient, fraudulent or forged; (iii) failure of any draft to bear any reference or adequate reference to the applicable Letter of Credit, or the failure of documents to accompany any instrument of negotiation, or to forward documents as required by the terms of the Letter of Credit, each of which provisions, if contained in the Letter of Credit, it is agreed may be waived by the Lender; (iv) errors, omissions, interruptions or delays in transmission or delivery of any message, by mail, cable, telegraph, telex or otherwise; (v) failure of the beneficiary under any Letter of Credit to present the original of the Letter of Credit and any other documents required by the Lender in connection with an attempted draw; or (vi) any consequences arising from causes beyond the control of the Lender.

(f) In the event of the imposition or implementation of, or increase in, subsequent to the issuance of any Letter of Credit, any reserve, special deposit or similar requirement on or applicable to the applicable Letter of Credit, the Borrower shall, at the Lender's request, reimburse the Lender for all increased costs of the Lender of maintaining the Letter of Credit.

(g) The Borrower agrees that the Lender may pay, as complying with the terms of any Letter of Credit, any drafts, required statements or other documents otherwise in order which may be signed or issued by the administrator, trustee in bankruptcy, debtor in possession, assignee for the benefit of creditors, liquidator, receiver or other legal representative of the party who is authorized under the Letter of Credit to draw or issue any drafts, required statements or other documents.

(h) If the Lender consents to any overdrafts under any Letter of Credit or authorizes payment or acceptance of drafts drawn thereunder with irregular accompanying documents or authorizes or consents to any departure from the terms of any Letter of Credit, this Agreement shall be fully binding upon the Borrower with respect to such overdrafts, irregularities or both and the Lender's rights shall be, in every respect, the same as if this Agreement and the applicable Letter of Credit expressly provided for such overdraft or irregularity or both. Such consent may be given orally, in writing, by telex or in such other manner as the Lender may require.

(i) If the Lender consents to any extension of time for presentation of drafts or documents under any Letter of Credit or in the event the Lender consents to any other modification of the terms of any Letter of Credit or of any transaction under the applicable Letter of Credit, at the request of the Borrower, this Agreement shall be binding upon the Borrower with regard to any action taken under such modified terms and to drafts and documents presented within such extended time. Such consent may be given orally, in writing, by telex or in such other manner as the Lender may require.

(j) The Lender shall not be obligated to issue any Letter of Credit after the date which is one hundred twenty (120) days following closing of the Loans.

(k) Except as otherwise expressly stated in any Letter of Credit, each Letter of Credit will be subject to and governed by the laws of the State of Maryland and the 2007 revision of the Uniform Customs and Practice for Documentary Credits of the International Chamber of Commerce (Publication 600) and, in the event of any conflict, the laws of the State of Maryland will control.

Section 3.3 Fees. The Borrower shall pay to the Lender a fee for each Letter of Credit in the amount of one percent (1%) of the amount of each Letter of Credit, which shall be paid at the time the Borrower submits an LC Application to the Lender. In addition, a fee in the amount of one percent (1%)

of the amount of each Letter of Credit that remains open for more than twelve (12) months shall be paid to the Lender upon each anniversary of each Letter of Credit, except for Montgomery County Letters of Credit, as to which such fee shall be paid not later than the three hundredth (300th) day following issuance of the applicable Letter of credit. Such fees shall be deemed earned in full on each payment date and shall be non-refundable in all circumstances.

SECTION FOUR
PARTICULAR TERMS OF BOTH LOANS AND THE LC FACILITY

4.1 Guarantor. Comstock Holding Companies, Inc. (the “Guarantor”) shall guarantee the payment and performance of the Borrower’s obligations, covenants and agreements under the Loans and the LC Facility, as evidenced by the Loan Documents, including completion of Construction, and shall also guarantee the Carve Out Obligations (defined on Exhibit D attached hereto), which guaranty shall be evidenced by an instrument of unlimited and unconditional guaranty of payment, performance and completion from the Guarantor for the benefit of the Lender, in form and substance satisfactory to the Lender (the “Guaranty”).

4.2 Term. The Development Loan Note, the Construction Loan Note and each LC Note are for convenience collectively called the “Notes”. The Development Loan Note and the Construction Loan Note shall mature twenty-four (24) months after the date of closing on the Loans and the LC Facility (the “Development and Construction Loan Maturity”). Each LC Note shall have an initial maturity date of one (1) year from the issuance of the Letter of Credit to which it relates, and if the applicable Letter of Credit is thereafter extended the applicable LC Note shall have an outside maturity date on the same date that the Letter of Credit would expire (the “LC Maturity”). It is acknowledged and agreed that notwithstanding any provisions herein, the Borrower has not applied for, nor has the Lender made any commitment with respect to, any extension of the Development and Construction Loan Maturity or the LC Maturity. Upon any application for an extension, any approval of an extension on any terms would be contingent upon the usual and customary underwriting procedures of EagleBank, including without limitation, full credit and collateral evaluation and review, the approval of the loan committee of EagleBank, and payment to the Lender of extension fees as determined by the Lender.

4.3 Interest Rate. Commencing on the closing of the Loans and the LC Facility, the unpaid balance of each of the Notes outstanding from time to time shall bear interest and be payable at the floating rate per annum equal to three percent (3%) above the thirty (30) day LIBOR Rate (hereinafter defined), rounded upwards, if necessary, to the nearest one-eighth of one percent (0.125%). The LIBOR rate means, for each calendar month, the annualized weighted average of the 30-day London Interbank Offered Rates (at approximately 11:00 a.m. London time) for U.S. Dollar transactions on the day that is two (2) business days prior to the first day of that calendar month, as reported by Bloomberg Business News; if Bloomberg Business News is not available, the Lender shall select a similar source for the LIBOR index and shall notify the Borrower of such selection. If no LIBOR index is available, or if the Lender determines in its sole discretion that any reported LIBOR rate is unreliable, the Lender may select an alternative index upon notice to the Borrower of such selection. Interest shall be calculated using a

360-day year, based upon the actual number of days for which the calculation is being made. Notwithstanding the above, in no event shall any of the Notes bear interest at a rate below the floor interest rate of five percent (5%) per annum at any time (the "Interest Rate Floor").

4.4 Collateral. The Loans and the LC Facility shall be secured by, among other things, the following:

- (i) A first lien revolving credit line deed of trust, security agreement and fixture filing (as the same may be amended, restated, supplemented or substituted, the "Deed of Trust") on the Property and the Apartment Parcel;
- (ii) An assignment of Leases and Rents on the Property and the Apartment Parcel (as the same may be amended, restated, supplemented or substituted, the "Leases Assignment");
- (iii) An assignment of sales contracts and deposits with respect to the Property (the "Contracts Assignment");
- (iv) Assignments of all Development and Construction documents including, without limitation, plans and specifications, permits, architect's contracts, engineering contracts, Development contracts, and Construction contracts (the "Documents Assignment");
- (v) Consents to Assignment executed by each of the general contractor, architect and project engineer for each of the Development and the Construction (the "Consents");
- (vi) An Environmental Indemnity Agreement made by the Borrower and the Guarantor for the benefit of the Lender (as the same may be amended, restated, supplemented or substituted, the "Environmental Indemnity");
- (vii) Such UCC-1 Financing Statements as the Lender may determine to be necessary or desirable.

4.5 Equity Requirement. As a condition of the Loans and the LC Facility, as of the closing of the Loans and the LC Facility the Borrower shall have made an equity investment in the Property in an amount not less than Two Million Nine Hundred Thousand and No/100 Dollars (\$2,900,000.00), and shall have provided reasonable evidence of such investment to the Lender in the form of cash investment or mezzanine financing acceptable to the Lender in its sole discretion.

4.6 Cross Defaulted Loan. An event of default under the Apartment Loan (sometimes herein called the "Cross-Defaulted Loan") shall constitute an Event of Default under the Loan Documents. From and after recordation of the Record Plat, release of the Apartment Parcel from the lien of the Deed of Trust, and recordation of the Apartment Parcel Deed of Trust, (i) the Property shall secure, in addition to the Loans and the LC Facility, the Apartment Loan, and (ii) the Apartment Parcel shall secure, in addition to the Apartment Loan, the Loans and the LC Facility. In addition, simultaneous closing on the Apartment Loan shall be a condition to closing on the Loans and the LC Facility.

4.7 Deposit Relationship. As a condition of the Loans and the LC Facility, the Borrower shall establish its primary operating account and all escrow accounts hereunder with the Lender and shall

maintain such accounts with the Lender throughout the term of the Loans and the LC Facility. In addition, the Borrower and/or Guarantor and/or any related entities shall maintain an aggregate minimum monthly average aggregate deposit balance with the Lender of ten percent (10%) of the combined outstanding principal balances of the Loans and the Cross-Defaulted Loan, tested quarterly, with the first quarterly test period commencing on April 1, 2013 and tested at June 30, 2013. Such deposits shall be held in demand deposits or money market accounts. If at any time under any of the Loan Documents the Lender is collecting deposits for the payment of insurance premiums and/or real estate taxes, the amount(s) on deposit, to the extent unapplied as of the date of any such semi-annual test, shall be counted toward the foregoing deposit balance requirements. The foregoing deposit balance requirement is in addition to any deposit balance requirement under the terms of the loan documents for any other loan or loans by the Lender to the Borrower, the Guarantor or any affiliate(s) of the Borrower or the Guarantor. The failure to comply with the foregoing deposit balance requirements shall not constitute a default under the Loans or the LC Facility; however, interest shall accrue on all amounts outstanding under the Loans and the LC Facility at one-quarter of one percent (0.25%) plus the rate of interest then payable under the Notes (and the Interest Rate Floor shall also increase by one-quarter of one percent (0.25%)) from the date of such failure until such time as the deposit balance requirement is satisfied at the next quarterly test.

4.8. Lot Sales Requirement. (a) As a condition of the Loans and the LC Facility, the Borrower shall diligently pursue Development of the Townhouse Lots and Construction and sale of the Townhouse Units thereon. In addition, the Borrower (i) shall enter into and close under sales contracts to third parties on the following number of Townhouse Lots with completed Townhouse Units thereon, (ii) resulting in the cumulative curtailments of the Development Loan set forth below, (iii) by each Milestone Date set forth below (the "Sales and Curtailment Requirement"):

Number of Lots (Cumulative)	Cumulative Curtailments of Development Loan	Remaining Development Loan Balance	Lots Remaining as Collateral	Milestone Date
5	\$ 950,000	\$ 4,350,000	31	December 31, 2013
11	\$ 2,090,000	\$ 3,210,000	25	March 31, 2014
18	\$ 3,420,000	\$ 1,880,000	18	June 30, 2014
28	\$ 5,320,000	(\$20,000.00)	8	September 30, 2014

(b) Such sales contracts shall be acceptable to the Lender in all respects, provided that the Lender shall not unreasonably withhold its approval of any sales contract for a Townhouse Lot with a completed Townhouse Unit that will result in a payment against principal under the Development Loan from sales proceeds of at least One Hundred Ninety Thousand and No/100 Dollars (\$190,000.00) per Townhouse Unit.

(c) Failure of the Borrower to comply with the Sales and Curtailment Requirement shall, at the Lender's option, constitute an Event of Default under the Loan Documents; provided, however, that the Lender agrees that it will not elect to call an Event of Default if the Borrower pays to the Lender, by the applicable Milestone Date, the amount necessary for the required Cumulative Curtailment of the Development Loan, as set forth in the foregoing chart on the same line as for that Milestone Date, to be satisfied as of that Milestone Date (the "Substitute Curtailment Payment"). Payment of the Substitute Curtailment Payment shall not, however, entitle the Borrower to the release of any Lots from the lien of the Deed of Trust. No Lots or Units shall be released except pursuant to settlement on a bona fide sale to a third party pursuant to Section 4.9 below.

(d) The Borrower shall provide to the Lender marketing and sales reports on a monthly basis setting forth the status of marketing, sales contracts and closings or settlements in such detail as the Lender may reasonably require.

4.9 Release Provisions. The Deed of Trust shall contain the following provision for release of Lots and/or Units from the lien thereof:

"Provided that the Grantor requests the release of one of the Lots and/or Units from the lien of this Deed of Trust prior to the repayment in full of the Secured Indebtedness, and provided that the sales contract with respect to such Lot and/or Unit is in the form approved by the Beneficiary and at a minimum price set forth in the Loan Agreement, or if not set forth therein then otherwise satisfactory to the Beneficiary in its sole discretion, then the Beneficiary agrees to release the lien of this Deed of Trust with respect to any one of the Lots and/or Units, upon Grantor's written request, upon the following terms and conditions:

- (a) With respect to a Lot for which advances have been made only from the Development Loan, payment of a Release Payment for a Townhouse Lot equal to One Hundred Ninety Thousand and No/100 Dollars (\$190,000.00) for each of the first twenty-eight (28) Townhouse Lots released. Single Family Lots shall not be released if advances have been made with respect thereto only from the Development Loan.
- (b) With respect to a Lot upon which improvements have been constructed, payment of a Release Payment equal to (i) in the case of a Townhouse Lot, for each of the first twenty-eight (28) Townhouse Lots and Units released, the sum of One Hundred Ninety Thousand and No/100 Dollars (\$190,000.00) plus one hundred percent (100%) of the funds advanced under the Construction Loan for the Townhouse Unit constructed thereon, and (ii) in the case of a Single Family Lot and Unit, one hundred percent (100%) of the funds advanced under the Construction Loan for the Single Family Unit constructed thereon.

The Release Payment paid under this Section (b) will be applied by the Lender first to the costs advanced from the Construction Loan for Construction of the Unit and the remainder will be applied to the outstanding principal balance of the Development Loan.

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- (c) Following the release of the twenty-eighth (28th) Townhouse Lot, the Release Payment for each Townhouse Lot and Townhouse Unit remaining encumbered by this Deed of Trust shall be the greater of one hundred percent (100%) of the Net Settlement Proceeds (hereinafter defined) or an amount calculated as follows: (i) \$190,000.00 per Townhouse Unit plus (ii) 100% of the funds advanced under the Construction Loan for the Townhouse Unit constructed thereon. The \$190,000.00 per Townhouse Unit shall be escrowed with the Beneficiary as cash collateral for the Secured Indebtedness until the escrow account (the "LC Escrow") equals 100% of the total amount of any Letters of Credit issued by the Beneficiary pursuant to the LC Facility set forth in the Loan Agreement. Amounts in the LC Escrow shall be returned to the Grantor from time to time to the extent that the amount in the LC Escrow exceeds the aggregate amount of all Letters of Credits that remain outstanding. The portion of the Release Payment representing the funds advanced under the Construction Loan for the applicable Townhouse Unit shall be applied to reduce the Construction Loan balance; any balance remaining may, at the election of the Beneficiary in its sole discretion, be applied to the LC Escrow or delivered to the Grantor. "Net Settlement Proceeds" means the greater of (x) ninety-four percent (94%) of the gross sales price of the Lot and/or Unit, or (y) the gross sales price of the Lot and/or Unit less customary and usual settlement charges and real estate commissions approved by the Beneficiary, without payment of any sums to the Grantor or any person or entity affiliated with the Grantor.
 - (d) No Event of Default shall then exist and be continuing;
 - (e) The Grantor pays all fees, costs, charges and expenses (including without limitation reasonable attorneys' fees) relating to the preparation, execution and recordation of any document required in connection with any such partial release; and
 - (f) The Grantor pays a fee in the amount of One Hundred and No/100 Dollars (\$100.00) for processing the request for release ("Processing Fee"); provided, however, that the Processing Fee will be waived in the event the purchaser under the sales contract acquires the Lot and/or Unit using EagleBank as its mortgage lender for the purchase money of the Lot and/or Unit.

Notwithstanding the foregoing, no release price shall be payable for the release of streets or roadways, or storm water maintenance or other public facilities, that are to be dedicated to Montgomery County, Maryland or other governmental entities for public maintenance, provided the same are in accordance with a site plan that shall have been approved by the Beneficiary."

4.10 Intercreditor Agreement. It is understood that, contemporaneously herewith, the Borrower has borrowed Two Million Eighty Thousand and No/100 Dollars (\$2,080,000.00) (the "Subordinate Loan") from Eagle Commercial Ventures, LLC ("Subordinated Lender"). As a condition of closing the Loan, Subordinated Lender shall enter into a Subordination and Standstill Agreement with the Lender (the "Intercreditor Agreement"), in form and substance satisfactory to the Lender in all respects, pursuant to which Subordinated Lender shall subordinate all of its rights in and to the Subordinate Loan to the Lender's rights, remedies and security under the Loan Documents.

4.11 Home Owners Association. In the event the Borrower intends to establish a home owners association for the Property, the organizational and governing documents, and all rules and regulations related thereto, shall be subject to the Lender's prior written approval.

SECTION FIVE
PAYMENTS, COMPUTATIONS, FEES, CHARGES AND PROTECTIVE ADVANCES

5.1 Payments. All payments due with respect to this Agreement or the Loans or the LC Facility shall be made in immediately available funds to the Lender at such place as designated by the Lender from time to time. The Lender is authorized, but shall be under no obligation, to charge any deposit account maintained by the Borrower with the Lender or any affiliate of the Lender for any payments due to the Lender with respect to this Agreement or the Loans or the LC Facility. Payments shall be applied, at Lender's sole discretion: (i) first, to payment of accrued and unpaid interest, if any; (ii) second, to payment of any principal then due, if any; (iii) third, to late charges, if any; (iv) fourth, to reasonable attorneys' fees and costs of collection; and (v) fifth, to reduce the outstanding principal balance of the Notes until such principal shall have been fully repaid. All payments hereunder shall be made without offset, demand counterclaim, deduction, abatement, defense, or recoupment, each of which the Borrower hereby waives.

5.2 Late Charges. If any payment due under any of the Notes is not made within ten (10) days of its due date, the Borrower shall pay to the Lender upon demand (which may be in the form of the usual monthly billing or invoice) a late charge equal to five percent (5%) of the amount of such payment.

5.3. Default Rate. After an Event of Default (hereinafter defined), the interest which accrues on the Notes shall be increased to the Default Rate (as defined in the Notes).

5.4 Computations. Interest and fees on the Loans shall be computed on the basis of a year of three hundred sixty (360) days and actual days elapsed.

5.5 Prepayment. The Borrower may prepay any of the Notes in whole or in part without premium or penalty at any time upon ten (10) days prior written notice to the Lender. Partial prepayments shall be applied to installments of principal in their inverse order of maturity, if applicable. Amounts prepaid under the Development Loan Note and the LC Note may not be re-borrowed; amounts prepaid under the Construction Loan Note may be re-borrowed in accordance with the terms and conditions of this Agreement.

5.6 Indebtedness. As used in this Agreement, the term "Indebtedness" means all present and future indebtedness of the Borrower to the Lender arising out of or in connection with the Notes or any of the other Loan Documents.

SECTION SIX
CONDITIONS

6.1 Conditions Precedent to Closing. In addition to any other conditions stated in this Agreement, the following conditions must be satisfied prior to Lender closing on the Loans and the LC Facility.

(a) Loan Documents. Receipt by Lender of appropriately completed and duly executed originals of this Agreement, the Notes, the Guaranty, the Deed of Trust, the Leases Assignment, the Account Assignment, the Contracts Assignment, the Documents Assignment, the Consents, the Environmental Indemnity, UCC-1 Financing Statements and Intercreditor Agreement, all as Lender may require (collectively, together with any other documents executed and delivered in connection with the Indebtedness, the "Loan Documents").

(b) Organizational Documents. The Borrower and each entity comprising the Borrower shall supply to the Lender, to the extent it has not previously done so in any prior transaction with the Lender: (i) a currently certified copy of its Articles of Organization and all amendments thereto; (ii) evidence satisfactory to the Lender and its counsel that it is in good standing in the jurisdiction where organized and qualified to do business in every jurisdiction in which the nature of its businesses or its properties makes such qualification necessary; (iii) resolutions authorizing the due execution and delivery of the Loan Documents to which it is a party; and (iv) certified copies of its Operating Agreement and all amendments thereto. The Articles of Organization and the Operating Agreement of Borrower and each entity comprising the Borrower shall not be amended, changed or modified in any respect without prior written consent of the Lender. In addition, the Guarantor shall supply, to the extent it has not previously done so in any prior transaction with the Lender: (i) a currently certified copy of its Articles of Incorporation and all amendments thereto; (ii) evidence satisfactory to Lender and its counsel that it is in good standing in the jurisdiction where organized and qualified to do business in every jurisdiction in which the nature of its businesses or its properties makes such qualification necessary; (iii) resolutions authorizing the due execution and delivery of the Loan Documents to which it is a party and a certificate of incumbency; and (iv) certified copies of its By-Laws and all amendments thereto. The Articles of Incorporation and the Bylaws of the Guarantor shall not be amended, changed or modified in any respect without the prior written consent of the Lender; provided, however, that on the condition that the Lender is given thirty (30) days advance written notice, the Lender hereby consents to the Guarantor's change in corporate domicile from Delaware to Virginia and all amendments to its organizational documents as are reasonably required to effect such change in domicile subsequent to the closing of the Loan; provided further that UCC-1 financing statements shall be filed in the changed domicile at the cost and expense of the Borrower.

(c) Opinion. Receipt by the Lender of the opinion(s) of the counsel for Borrower and the Guarantor, in form and content satisfactory to the Lender, in its sole, but reasonable, discretion.

(d) Insurance. Receipt by the Lender of certificate(s) of insurance to evidence a fully paid policy or policies of comprehensive public liability insurance naming Lender as an additional insured thereunder in an amount not less than Two Million and No/100 Dollars (\$2,000,000.00) in the aggregate with not less than One Million and No/100 Dollars (\$1,000,000.00) per occurrence; in any event, the amount of all insurance shall be sufficient to prevent any co-insurance contribution on any loss, with each policy providing for a thirty (30) day prior written notice of cancellation, amendment or alteration.

(e) Operating Account. The Borrower shall have established its primary operating account with the Lender.

(f) Financing Statements. The financing statements necessary to perfect the Lender's security interest in the personal property subject to the Deed of Trust, and in any other collateral requiring the filing of a financing statement for perfection of a lien thereon, shall be duly filed in all appropriate offices and jurisdictions, all other financing statements covering any of such personal property shall be terminated or the Lender shall be reasonably satisfied that such terminations are forthcoming, and filing and recording receipts evidencing such filings and terminations shall be delivered to Lender, all in form and substance satisfactory to the Lender.

(g) Property Documents. The Lender shall have received and approved in its sole discretion, the following:

(1) Appraisals. An appraisal of the Property, prepared by an appraiser acceptable to the Lender, in form and content acceptable to the Lender, conforming to all regulatory and internal appraisal guidelines applicable to or established by the Lender, in its sole, absolute, nonreviewable discretion, reflecting a "when developed" discounted value satisfactory to the Lender (the "Appraisal");

(2) Title Insurance. A commitment for title insurance (the "Title Commitment") insuring the first priority lien of the Deed of Trust in the aggregate amount of the Notes and the Apartment Loan, containing no exceptions unacceptable to the Lender, issued in the name of the Lender by a title company acceptable to the Lender and in an amount equal to the aggregate principal amount of the Notes. The Title Commitment and the title policy issued pursuant thereto (the "Title Policy") shall reflect that all requirements for issuance of the Title Policy have been satisfied, and shall contain such other endorsements or coverages as the Lender may require.

(3) Survey. A current survey and legal description of the Property and the Apartment Parcel satisfactory to the Lender from a registered land surveyor of the State of Maryland, which survey shall show all easements, rights of way and other matters of record, shall locate all existing improvements on the Property and the Apartment Parcel, shall contain metes

and bounds descriptions of each applicable constituent portion of the Property acceptable to the Lender and its counsel, shall generally show a state of facts acceptable to the Lender, and shall contain a surveyor's certificate satisfactory to the Lender.

(4) Subdivision Plat. Approval by the Lender and its construction consultant of the form of Record Plat to be recorded.

(5) Development Approvals. Copies of the certified site plan for the Property showing, without limitation, evidence satisfactory to the Lender that (i) the Property can be subdivided into the individual Lots for construction of the Units thereon subject only to normal ministerial governmental processes, and (ii) the Property can be developed and all Units can be constructed without any requirement for development of the Apartment Parcel.

(6) Development and Construction Budgets. Except with respect to the Preliminary Soft Costs, final budget for the Development and final Construction budget for the Property which shall have been reviewed and approved by the Lender in its sole discretion and by the Lender's Development and construction consultant (the "Lender's Inspector"). It is understood that the Development budget may be a combined budget for development work on the Apartment Parcel, in which event the Lender will allocate funding under the Development Loan and the Apartment Loan based upon percentage of work completed as determined by the Lender's Inspector.

(7) Development Documents. The Plans and Specifications, Development Schedule and any and all other Development documents requested by the Lender and/or the Lender's Inspector, which shall have been reviewed and approved by the Lender in its sole discretion and by the Lender's Inspector, except with respect to the Preliminary Soft Costs.

(8) Flood Hazard. Evidence that no part of the Property or the Apartment Parcel is located in a special flood hazard area.

(9) Public Utilities. Evidence to the effect that sanitary sewer, water, electric, gas, telephone and other public utilities are available and adequate to serve the Property and the Apartment Parcel.

(10) Licenses and Permits. Copies of all licenses and permits in connection with the Property and the Apartment Parcel, including without limitation licenses, permits, proffers and other conditions to final subdivision and site plan approval for the Property and the Apartment Parcel.

(11) Consultant's Review. Satisfactory review and analysis by the Lender's construction consultant of the Development and Construction plans, documents and budgets.

(12) Zoning. Receipt by the Lender of a zoning endorsement to the Title Policy acceptable to the Lender or such other written evidence as is acceptable to the Lender that the Property and the Apartment Parcel are zoned consistent with the uses contemplated beyond any possibility of appeal and can be developed as proposed as a matter of right, and to the effect, further, that there are no pending proceedings, either administrative, legislative or judicial, which would in any manner adversely affect the status of the zoning with respect to the Property and the Apartment Parcel or any part thereof.

(13) Marketing Report. Receipt and satisfactory review and analysis by the Lender of a marketing report.

(h) No Default. No event shall have occurred and be continuing that constitutes an Event of Default (as defined below).

(i) Representations. All representations and warranties contained in this Agreement shall be true and correct in every material respect as of the date of closing of the Loans.

(j) Satisfactory Documents. All documents delivered pursuant to this Agreement must be in form and substance satisfactory to the Lender and its counsel and all legal matters incident to this Agreement must be satisfactory to Lender's counsel.

(k) Identification. As required by federal regulation, closing the Loans is contingent upon satisfactory verification of identity of the signatories and verification that none of the Borrower or the Guarantor or any signers is restricted from conducting business in the United States.

6.2 Conditions Precedent to Advances of Development Loan. In addition to any other conditions stated in this Agreement, the following conditions related to the Development must be satisfied prior to any disbursements under the Development Loan except for the Preliminary Soft Costs and all of the following matters shall have been approved by the Lender.

(a) Permits. Copies of any and all building and similar permits required in connection with the Development, or such portion thereof for which advances are requested, together with such evidence as the Lender may require to the effect that all fees for such permits have been paid. Satisfactory evidence shall be submitted to the Lender that all governmental approvals necessary for the Development, or such portion thereof for which advances are requested, have been obtained. The Lender shall also receive satisfactory evidence that all applicable safety, ecological and environmental laws and any other codes or regulations affecting the Development and/or proposed use of the Property have been complied with.

(b) Plans and Specifications. Two (2) sets of complete copies of the final Plans and Specifications of the Development, which Plans and Specifications shall be satisfactory to the Lender in all respects. The Lender's review of the Plans and Specifications is solely for the benefit of the Lender, and the Lender's approval thereof shall not be deemed in any respect to be a representation or warranty, expressed or implied, that the Development will be sound, have a value of any particular magnitude or otherwise satisfy a particular standard. Prior to any advances for hard costs, the Borrower shall furnish the Lender with copies of the Montgomery County-approved stamped Plans, together with such evidence as the Lender may require to the effect that such Plans and Specifications have been approved by all governmental and quasi-governmental authorities having or claiming jurisdiction, and together with a final Development Budget which must be satisfactory to the Lender in its discretion.

(c) Trade Payment Breakdown. A breakdown of total development costs, which shall include a draw schedule (the "Development Budget") containing reasonable details of amounts anticipated to be payable for each category of work to be performed and materials to be supplied in connection with the Development, and a projected schedule for the progress of the Development, all in such form and containing such details as the Lender shall require. Any change orders shall be subject to the Lender's prior approval. No hard costs shall be advanced under the Development Loan until such time as the Development Budget has been approved by the Lender in its sole discretion. The Borrower may, from time to time, request reallocation of amounts in the Development Budget based upon such reasonable supporting documentation justifying such reallocation as may be approved by the Lender; any such reallocation shall be subject to the Lender's approval in its sole discretion.

(d) Development Schedule. A projected Schedule ("Development Schedule") for the progress of the Development of the Property and a projection of cash flow, each in such form and containing such details as the Lender shall require. The Borrower shall be required to diligently pursue and proceed with the Development in accordance with the Development Schedule to completion. The record plat creating each of the Lots as a separate subdivided lot (the "Record Plat for Lots") must be recorded among the Land Records of Montgomery County, Maryland by July 1, 2013. Development of the Property must be complete by December 31, 2013. The Development Schedule shall support completion of Development in accordance with the foregoing. Failure of the Borrower to meet the requirements of the Development Schedule for completion of Development shall constitute an Event of Default under this Agreement.

(e) General Contractor. All contracts for Development shall be subject to the Lender's approval. Each Development contract shall be assigned to the Lender effective on a default under any of the Loan Documents. Each Development contractor shall consent to such assignment and agree, in the event of any such default, to continue performance of the contract for the Lender, if the Lender so requests. Comstock Homes of Washington, L.C., an affiliate of the Guarantor, is hereby approved as the general contractor for Development. Prior to any advances for Development costs, the Borrower shall furnish the Lender with a copy of the contractor's license for that portion of the Development. The Borrower shall also furnish the Lender with copies of licenses for all major subcontractors.

(f) Architect's and Engineer's Certificate. The architect and the engineer for the Development shall be subject to the Lender's approval. In addition, the contracts with the architect and the engineer shall be subject to the Lender's approval. A certificate from the architect and/or project engineer will be required to the effect that the Development, if completed in accordance with the Plans and Specifications, will comply with all federal, state, County and local laws, statutes, ordinances, codes, regulations, rules or other laws applicable to the Development ("Applicable Laws"). Prior to any advances for Development costs, the Borrower shall furnish the Lender with a copy of the engineer's license and the architect's license.

(g) Lender's Development Consultant. All draw requests shall be submitted to the Lender and the Lender's Inspector for review and approval. The Borrower shall be responsible for payment of all of the Lender's Inspector's fees.

6.3 Provisions Governing Disbursements of Development Loan. Disbursements of the Development Loan shall be governed by the following provisions:

(a) The Development shall be performed by the Borrower in strict accordance with all applicable (whether present or future) laws, ordinances, codes, rules, regulations, requirements and orders of any governmental or regulatory authority having or claiming jurisdiction. The Development shall be in strict accordance with all applicable use or other restrictions and the provisions of any prior declarations, covenants, conditions, restrictions and zoning ordinances and regulations.

(b) The Borrower shall have submitted to the Lender and the Lender's Inspector such information as may be requested by the Lender or the Lender's Inspector to verify the Development costs which are to be incurred in connection with the Development. The Lender shall not be obligated to authorize disbursement of Development Loan proceeds with respect to the Development for an amount in excess of the Development costs to be incurred in connection therewith as verified by the Lender or the Lender's Inspector pursuant to the provisions of the preceding sentence. The funding of each draw request is subject to an inspection and approval by the Lender's Inspector.

(c) The Development Loan proceeds will be advanced in installments as the Development progresses in accordance with the terms of this Agreement to finance the Development in accordance with the Plans and Specifications, but no more often than once monthly, provided that the Lender is satisfied that the amounts available under the Development Loan will be sufficient to complete the work and pay or provide for all reasonably anticipated Development costs through the required Development completion date under the Development Schedule. The Borrower may submit requests for disbursement for clearing and grading prior to recordation of the Record Plat for Lots, but the Lender

shall not be obligated to fund Development Loan proceeds for any other work until the Record Plat for Lots is recorded. In the event the Lender determines that the amounts available under the Development Loan, together with any additional cash provided by the Borrower to the Lender, if any, is insufficient to complete the Development in such manner as the Lender may require, the Borrower shall provide such funds necessary to complete the Development. Except for advances for materials and supplies to be delivered to the Property, as to which no retainage will be required, advances of the Development Loan shall be subject to withholding of retainage in the amount of ten percent (10%) of direct Development costs approved by the Lender or the Lender's Inspector, and at the Lender's discretion of labor and materials brought into the Development and eligible for payment on a trade payable basis.

(d) Advances of the Development Loan shall be conditioned upon the Lender's receipt of (i) written certification by parties approved by the Lender that the work which is the basis of the requested advance was completed in accordance with the approved Plans and Specifications and within the cost estimates approved by the Lender (or such adjustments of cost estimates of line items as shall be required and approved by the Lender, provided that sufficient funds to complete the Development will be available under such adjusted estimates), to the satisfaction of the Lender, and (ii) evidence that at that time all necessary certificates required to be obtained from any board, agency or department (government or otherwise) have been obtained. All documents required to be submitted to the Lender as a condition of each disbursement shall be on standard AIA forms and shall be furnished to the Lender at the Lender's address set forth in this Agreement. The Lender shall have at least ten (10) business days after receipt of the foregoing documentation prior to funding an approved advance.

(e) The Lender shall have received a notice of title continuation or an endorsement to the title insurance policy with respect to the Property theretofore delivered to the Lender, showing that since the last preceding advance, there has been no change in the status of title and no other exception not theretofore approved by the Lender, which endorsement shall have the effect of advancing the effective date of the policy to the date of the advance then being made and increasing the coverage of the policy by an amount equal to the advance then being made, if the policy does not by its terms provide automatically for such an increase.

(f) Before making the first advance of Development Loan Proceeds, the Borrower shall have provided to the Lender satisfactory documentary evidence that the general contractor has obtained a Basic Business License from the State of Maryland and such license is in effect.

(g) Before making any advance of Development Loan proceeds, the Lender may require the Borrower to obtain from any contractor or materialmen it may engage in connection with the Development, acknowledgements of payment and releases of liens and rights to claim liens, if applicable, down to the date of the last preceding advance and concurrently with the final advance. All such acknowledgements and releases shall be in form and substance satisfactory to the Lender.

(h) The Lender shall not be obligated to make the final advance of Development Loan proceeds hereunder, which shall include the retainage described above, unless (i) the Lender's Inspector has certified to the Lender on standard AIA forms that the work is complete; (ii) the Lender has received evidence satisfactory to it that all work requiring inspection by governmental or regulatory authorities having or claiming jurisdiction has been duly inspected and approved by such authorities and by any rating or inspection organization, bureau, association, or office having or claiming jurisdiction; (iii) that completion of the Development has occurred free and clear of all mechanics' or materialmen's liens and any bills or claims for labor, materials and services in connection with the completion of the Development; and (iv) certificates from the Borrower's architect, engineer and/or contractor, and, if required, from the Lender's Inspector, certifying that the Development has been completed in accordance with, and as completed comply with, the Plans and Specifications and all laws and governmental requirements. All fees and costs of the Lender's Inspector shall be paid by the Borrower.

(i) The Lender shall not be obligated to make any advances of Development Loan proceeds hereunder unless, in the reasonable judgment of the Lender, all work completed at the time of the application for advance has been performed in a good and workmanlike manner, and all materials and fixtures usually furnished and installed at that stage of the development have been furnished and installed, and no default which has not been cured has occurred under this Agreement or any of the documents evidencing, securing or guaranteeing the Development Loan.

6.4 Conditions Precedent to Advances of Construction Loan. In addition to any other conditions stated in this Agreement, the following conditions related to Construction of Units must be satisfied prior to any disbursements under the Construction Loan and all of the following matters shall have been approved by the Lender.

(a) Permits. Copies of any and all building and similar permits required in connection with the Construction for each Single Family Lot or Townhouse Lot upon which a Unit is to be constructed, together with such evidence as the Lender may require to the effect that all fees for such permits have been paid. Satisfactory evidence shall be submitted to the Lender that all governmental approvals necessary for the Construction have been obtained. The Lender shall also receive satisfactory evidence that all applicable safety, ecological and environmental laws and any other codes or regulations affecting the Construction and/or proposed use of the Property have been complied with.

(b) Division of Lots. Each Lot shall have been separately subdivided into a record lot that may lawfully be separately conveyed pursuant to the recorded Record Plat for the Lots, which shall be recorded following the recorded Record Plat to separate the Property and the Apartment Parcel into individual subdivided lots of record.

(c) Plans and Specifications. Two (2) sets of complete copies of the final Plans and Specifications for the Construction, which Plans and Specifications shall be satisfactory to the Lender in all respects. The Lender's review of the Plans and Specifications is solely for the benefit of the Lender, and the Lender's approval thereof shall not be deemed in any respect to be a representation or warranty, expressed or implied, that the Construction will be sound, have a value of any particular magnitude or otherwise satisfy a particular standard. Prior to any advances for hard costs, the Borrower shall furnish

the Lender with copies of the County-approved stamped Plans, together with such evidence as the Lender may require to the effect that such Plans and Specifications have been approved by all governmental and quasi-governmental authorities having or claiming jurisdiction, and together with a final Construction Budget which must be satisfactory to the Lender in its discretion.

(d) Trade Payment Breakdown. A breakdown of total development costs, which shall include a draw schedule (the "Construction Budget") containing reasonable details of amounts anticipated to be payable for each category of work to be performed and materials to be supplied in connection with the Construction, and a projected schedule for the progress of the Construction, all in such form and containing such details as the Lender shall require. The parties shall have agreed on the Unit Costs Budget and have attached the approved Unit Costs Budget to this Agreement as Exhibit B. Any change orders shall be subject to the Lender's prior approval. No hard costs shall be advanced under the Construction Loan until such time as the Construction Budget has been approved by the Lender in its sole discretion. The Borrower may, from time to time, request reallocation of amounts in the Construction Budget based upon such reasonable supporting documentation justifying such reallocation as may be approved by the Lender; any such reallocation shall be subject to the Lender's approval in its sole discretion.

(e) Construction Schedule. A projected Schedule ("Construction Schedule") for the progress of Construction of Units and a projection of cash flow, each in such form and containing such details as the Lender shall require. The Borrower shall be required to diligently pursue and proceed with Construction of Units in accordance with the Construction Schedule to completion. No more than ten (10) Townhouse Units and not more than four (4) Sticks (hereinafter defined) may be under Construction at any one time. Any Unit as to which Construction has commenced within the Loan term must be completed prior to Maturity, and commence of construction of any Units within four (4) months prior to Maturity shall be prohibited. The Construction Schedule shall be consistent with the foregoing. Failure of the Borrower to meet the requirements of the Construction Schedule shall constitute an Event of Default under this Agreement.

(f) General Contractor. All contracts for Construction of Units shall be subject to the Lender's approval. The Construction contract shall be assigned to the Lender effective on a default under any of the Loan Documents. The general contractor shall consent to such assignment and agree, in the event of any such default, to continue performance of the contract for the Lender, if the Lender so requests. Comstock Homes of Washington, L.C., an affiliate of the Guarantor, is hereby approved as the general contractor for Construction of Units. Prior to any advances for Construction costs for any Unit, the Borrower shall furnish the Lender with a copy of the contractor's license for that portion of the Construction. The Borrower shall also furnish the Lender with copies of licenses for all major subcontractors.

(g) Architect's and Engineer's Certificate. The architect and the engineer for the Construction shall be subject to the Lender's approval. In addition, the contracts with the architect and

the engineer shall be subject to the Lender's approval. A certificate from the architect and/or project engineer will be required to the effect that the Construction of the Units being built, if completed in accordance with the Plans and Specifications, will comply with all federal, state, county, and local laws, statutes, ordinances, codes, regulations, rules or other laws applicable to the Construction of the applicable Unit ("Applicable Laws"). Prior to any advances for Construction costs, the Borrower shall furnish the Lender with a copy of the engineer's license and the architect's license.

(h) Lender's Construction Consultant. The Plans and Specifications, Construction Budget, Construction Schedule and any and all other Construction documents requested by the Lender and/or its Construction consultant (the "Lender's Inspector"), shall be subject to approval by the Lender and the Lender's Inspector. All draw requests shall be submitted to the Lender and the Lender's Inspector for review and approval. The Borrower shall be responsible for payment of all of the Lender's Inspector's fees.

6.5 Provisions Governing Disbursements of Construction Loan. Disbursements of the Construction Loan shall be governed by the following provisions:

(a) The Construction of all Units shall be performed by the Borrower in strict accordance with all applicable (whether present or future) laws, ordinances, codes, rules, regulations, requirements and orders of any governmental or regulatory authority having or claiming jurisdiction. Construction of Units shall be completed in a manner so as not to encroach upon any easement or right-of-way, or upon the land of others. Construction of each Unit shall be wholly within all applicable building restriction lines and set-backs, however established, and shall be in strict accordance with all applicable use or other restrictions and the provisions of any prior declarations, covenants, conditions, restrictions and zoning ordinances and regulations.

(b) The Borrower shall have submitted to the Lender and the Lender's Inspector such information as may be requested by the Lender or the Lender's Inspector to verify the Construction costs which are to be incurred in connection with Construction. The Lender shall not be obligated to authorize disbursement of Construction Loan proceeds with respect to Construction of any Unit for an amount in excess of the Construction costs to be incurred in connection therewith as verified by the Lender or the Lender's Inspector pursuant to the provisions of the preceding sentence. The funding of each draw request is subject to an inspection and approval by the Lender's Inspector.

(c) The Construction Loan proceeds will be advanced in installments as the Construction progresses in accordance with the terms of this Agreement to finance the Construction of Units in accordance with the Plans and Specifications, but no more often than once monthly, provided that the Lender is satisfied that the amounts available under the Construction Loan will be sufficient to complete the work and pay or provide for all reasonably anticipated Construction costs through the required Construction completion date under the Construction Schedule. In the event the Lender determines that the amounts available under the Construction Loan, together with any additional cash provided by the Borrower to the Lender, if any, is insufficient to complete the Construction in such

manner as the Lender may require, the Borrower shall provide such funds necessary to complete Construction. Advances shall be subject to withholding of retainage in the amount of ten percent (10%) of direct Construction costs approved by the Lender or the Lender's Inspector, and at the Lender's discretion of labor and materials brought into the Construction site and eligible for payment on a trade payable basis.

(d) Each advance shall be conditioned upon the Lender's receipt of (i) written certification by parties approved by the Lender that the work which is the basis of the requested advance was completed in accordance with the approved Plans and Specifications and within the cost estimates approved by the Lender (or such adjustments of cost estimates of line items as shall be required and approved by the Lender, provided that sufficient funds to complete the Construction will be available under such adjusted estimates), to the satisfaction of the Lender, and (ii) that at that time all necessary certificates required to be obtained from any board, agency or department (government or otherwise) have been obtained. All documents required to be submitted to the Lender as a condition of each disbursement shall be on standard AIA forms and shall be furnished to the Lender at the Lender's address set forth in this Agreement. The Lender shall have at least ten (10) business days after receipt of the foregoing documentation prior to funding an approved advance.

(e) With respect to Townhouse Lots, at such time as the footings for the foundation of each "Stick" (hereinafter defined) have been installed, the Lender shall have received a "wall check" or "foundation" survey of that stick that meets the Lender's survey requirements and that shows that (i) all new construction is within the boundary lines of the applicable Townhouse Lot and is in compliance with all applicable setback, location and area requirements of all applicable governmental approvals, and (ii) there is no change in condition which could adversely affect the applicable Unit. For purposes of this Agreement, a "Stick" means a building containing contiguous Townhouse Units constructed on a single, shared foundation.

(f) With respect to Single Family Lots, at such time as the footings for the foundation of the Unit have been installed, the Lender shall have received a "wall check" or "foundation" survey of that Unit that meets the Lender's survey requirements and that shows that (i) all new construction is within the boundary lines of the applicable Single Family Lot and is in compliance with all applicable setback, location and area requirements of all applicable governmental approvals, and (ii) there is no change in condition which could adversely affect the applicable Unit.

(g) The Lender shall have received a notice of title continuation or an endorsement to the title insurance policy with respect to the Property theretofore delivered to the Lender, showing that since the last preceding advance, there has been no change in the status of title and no other exception not theretofore approved by the Lender, which endorsement shall have the effect of advancing the effective date of the policy to the date of the advance then being made and increasing the coverage of the policy by an amount equal to the advance then being made, if the policy does not by its terms provide automatically for such an increase.

(h) Before making any advance of Construction Loan proceeds, the Lender may require the Borrower to obtain from any contractor or materialmen it may engage in connection with the Construction of any Unit, acknowledgements of payment and releases of liens and rights to claim liens, if applicable, down to the date of the last preceding advance and concurrently with the final advance. All such acknowledgements and releases shall be in form and substance satisfactory to the Lender.

(i) No advances will be made for building materials or furnishings that have not yet been incorporated into the Unit(s) ("Stored Materials") unless (a) the Borrower has good title to the Stored Materials and has furnished satisfactory evidence of such title to the Lender, (b) the Stored Materials are components in a form ready for incorporation into the applicable Unit(s) and will be so incorporated within a period of forty-five (45) days from the date of the advance for the Stored Materials, (c) the Stored Materials are in the Borrower's possession and are satisfactorily stored on the Property or at such other location as the Lender may approve, in each case with adequate safeguards to prevent commingling with materials for other projects, (d) the Stored Materials are protected and insured against loss, theft and damage in a manner and amount satisfactory to the Lender and the Lender has received Certificates of Insurance reflecting Borrower as an additional insured and owner of the Stored Materials, (e) the Stored Materials have been paid for in full or will be paid for in full from the funds to be advanced, (f) the lender has or will have upon the payment for the Stored Materials from the advanced funds a perfected, first priority security interest in the Stored Materials, (g) all lien rights and claims of the supplier have been released or will be released upon payment with the advanced funds, and (h) following the advance for the Stored Materials, the aggregate amount of advances for Stored Materials that have not yet been incorporated into the Construction will not exceed Ten Thousand Dollars (\$10,000.00) per Unit that is then under Construction.

(j) The Lender shall not be obligated to make the final advance of Construction Loan proceeds hereunder with respect to any Unit, which shall include the retainage described above, unless (i) the Lender's Inspector has certified to the Lender on standard AIA forms that the work is complete (except for punch list items which the Lender may approve and for which Lender may retain 150% of the cost of correction) in accordance with the Plans and Specifications; (ii) the Lender has received evidence satisfactory to it that all work requiring inspection by governmental or regulatory authorities having or claiming jurisdiction has been duly inspected and approved by such authorities and by any rating or inspection organization, bureau, association, or office having or claiming jurisdiction; (iii) that completion of Construction of the Unit has occurred free and clear of all mechanics' or materialmen's liens and any bills or claims for labor, materials and services; (iv) certificates from the Borrower's architect, engineer and/or contractor, and, if required, from the Lender's Inspector, certifying that Construction of the Unit has been completed in accordance with, and as completed comply with, the Plans and Specifications and all laws and governmental requirements; and (v) a certificate of occupancy or residential use permit shall have been validly issued by Montgomery County, Maryland to allow lawful residential occupancy of the completed Unit. All fees and costs of the Lender's Inspector shall be paid by the Borrower.

(k) The Lender shall not be obligated to make any advances of Construction Loan proceeds hereunder unless, in the reasonable judgment of the Lender, all work completed at the time of the application for advance has been performed in a good and workmanlike manner, and all materials and fixtures usually furnished and installed at that stage of the development have been furnished and installed, and no default which has not been cured has occurred under this Agreement or any of the documents evidencing, securing or guaranteeing the Construction Loan.

(l) During default after expiration of any applicable cure period hereunder, the Lender, at its option, may make any and all advances, or any part thereof, directly to the general contractor or subcontractors against requisitions for payment under the general contractor's contract or the respective contracts or subcontracts, as the case may be; the execution of this Agreement by the Borrower shall and does constitute an irrevocable direction and authorization to so advance funds, and such funds shall be added to the principal balance of the Construction Loan, shall bear interest as set forth in the Construction Loan Note and shall be secured by the Deed of Trust. All payments made pursuant to the foregoing shall be made within the scope of the respective contracts.

SECTION SEVEN REPRESENTATIONS AND WARRANTIES

In order to induce the Lender to extend credit to the Borrower, the Borrower and the Guarantor each make the following representations and warranties as to itself:

7.1 Organization. The Borrower and each entity comprising the Borrower is a limited liability company duly organized, validly existing and in good standing under the laws of the Commonwealth of Virginia and is duly qualified as a foreign limited liability company and in good standing under the laws of each other jurisdiction in which such qualification is required. The Guarantor represents and warrants that it is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and is duly qualified as a foreign corporation and in good standing under the laws of each other jurisdiction in which such qualification is required.

7.2 Execution and Delivery. The Borrower and each entity comprising the Borrower has the power, and has taken all of the necessary actions, to execute and deliver and perform its obligations under the Loan Documents, and the Loan Documents, when executed and delivered, will be binding obligations of each such entity enforceable in accordance with their respective terms.

7.3 Power. Each of the Borrower and each entity comprising the Borrower has the power and authority to own its properties and to carry on its business as now being conducted.

7.4 Financial Statements. All financial statements and information delivered to the Lender are correct and complete in all material respects and present fairly the financial conditions, and reflect all known liabilities, contingent and otherwise, of the Borrower and the Guarantor as of the dates of such statements and information, and since such dates no material adverse change in the assets, liabilities, financial condition, business or operations of the Borrower or the Guarantor has occurred.

7.5 Taxes. All tax returns and reports of the Borrower and the Guarantor required by law to be filed have been duly filed, and all taxes, assessments, other governmental charges or levies (other than those presently payable without penalty or interest and those that are being contested in good faith in appropriate proceedings) upon the Borrower and/or the Guarantor and upon any of their respective properties, assets, income or franchises, that are due and payable have been paid.

7.6 Litigation. There is no action, suit or proceeding pending or, to the knowledge of the Borrower or the Guarantor, threatened against or affecting the Borrower or the Guarantor that, either in any case or in the aggregate, may result in any material adverse change in the business, properties or assets or in the condition, financial or otherwise, of the Borrower or the Guarantor, or that may result in any material liability on the part of the Borrower or the Guarantor that would materially and adversely affect the ability of the Borrower or the Guarantor to perform its and/or their obligations under the Loan Documents, or that questions the validity of any of the Loan Documents or any action taken or to be taken in connection with the Loan Documents.

7.7 No Breach. The execution and delivery of the Loan Documents, and compliance with the provisions of the Loan Documents, will not conflict with or violate any provisions of law or conflict with, result in a breach of, or constitute a default under, the organizational documents of the Borrower, or any judgment, order or decree binding on the Borrower, or any other agreements to which the Borrower is a party.

7.8 No Defaults. To the best of the Borrower's knowledge, the Borrower is not in default with respect to any debt, direct or indirect, upon or as to which the Borrower has any liability or obligation.

7.9 Compliance. The Borrower is in compliance in all material respects with all applicable laws and regulations, including, without limitation, the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

7.10 Approvals. No authorizations, approvals or consents of, and no filings and registrations with, any governmental or regulatory authority or agency, are necessary for the execution, delivery or performance of the Loan Documents by the Borrower.

7.11 Title to Assets. The Borrower has good and marketable title to all of its assets, subject only to the liens and security interests permitted by this Agreement.

7.12 Use of Proceeds. The proceeds of the Loans and the LC Facility shall be used only for the purposes described in this Agreement. The proceeds of the Loans and the LC Facility shall not be used to purchase or carry any margin stock, as such term is defined in Regulation U of the Board of Governors of the Federal Reserve System.

7.13 Vacant Status of Property and Apartment Parcel. Seneca Concrete, Inc., former tenant of a portion of the Property and/or the Apartment Parcel, has vacated its leased premises, and the Property and the Apartment Parcel are vacant and free of any tenancy that would or might impair development thereof.

SECTION EIGHT
COVENANTS OF BORROWER AND GUARANTOR

In consideration of credit extended or to be extended by the Lender, the Borrower covenants and agrees as follows:

8.1 Financial Information. The Borrower and the Guarantor shall each deliver to the Lender: (i) with respect to the Borrower, each year within ninety (90) days after the close of its fiscal year, financial statements prepared in accordance with standard accounting principles consistently applied, certified as true and correct by an officer of each such entity; (ii) with respect to the Guarantor, each year within ninety (90) days after the close of its fiscal year, audited financial statements; (iii) each year within thirty (30) days after filing, a copy of each such entity's federal income tax return and all schedules thereto, provided that in the event of such extension such entity shall provide the Lender with a copy of the federal income tax return and all schedules thereto within thirty (30) days of the filing of same with the Internal Revenue Services, and (iv) promptly upon the Lender's request, such financial and other information as the Lender reasonably may require from time to time. All financial statements shall be in such reasonable detail and shall be accompanied by such certificates of the Borrower or the Guarantor, as applicable, as may reasonably be required by the Lender.

8.2 Taxes. All tax returns and reports of the Borrower required by law to be filed have been duly filed, and all taxes, assessments, other governmental charges or levies (other than those presently payable without penalty or interest and those that are being contested in good faith in appropriate proceedings) upon the Borrower and upon the Borrower's properties, assets, income or franchises, that are due and payable, have been paid.

8.3 Compliance with Laws. The Borrower shall comply with all applicable laws and regulations including, without limitation, ERISA.

8.4 Maintain Existence. The Borrower and the Guarantor each shall maintain its existence in good standing, maintain and keep its properties in good condition (ordinary wear and tear excepted), maintain adequate insurance for all of its properties with financially sound and reputable insurers. The Borrower shall remain in the same line of business as it is on the date of this Agreement and shall not enter into any new lines of business without the prior written consent of the Lender.

8.5 Notices. As soon as it has actual knowledge, the Borrower shall notify the Lender of the institution or threat of any material litigation or condemnation or administrative proceeding of any nature involving the Borrower.

8.6 Books and Records. The Borrower shall maintain complete and accurate books of account and records. The principal books of account and records shall be kept and maintained at 1886 Metro Center Drive, 4th Floor, Reston, VA 10190. The Borrower shall not remove such books of account and records without giving the Lender at least thirty (30) days prior written notice. The Borrower, upon reasonable notice from the Lender, shall permit the Lender, or any officer, employee or agent designated by the Lender, to examine the books of account and records maintained by the Borrower, and agree that the Lender or such officer, employee or agent may audit and verify the books and records. The Borrower shall reimburse the Lender for any reasonable expenses incurred by the Lender in connection with any such audits. All accounting records and financial reports furnished to the Lender by the Borrower and the Guarantor pursuant to this Agreement shall be maintained and prepared in accordance with GAAP.

8.7 Liens. The Borrower shall not create, incur, assume or permit to exist any mortgage, deed of trust, assignment, pledge, lien, security interest, charge or encumbrance, including, without limitation, the right of a vendor or under a conditional sale contract or the lessor under a capitalized lease (collectively, ("Liens")) of any kind or nature in or upon any of the asset of the Borrower except:

- (a) Liens created or deposits made that are incidental to the conduct of the business of the Borrower, that are not incurred in connection with any borrowing or the obtaining of any credit and that do not and will not interfere with the use by the Borrower of any of its assets in the normal course of its business or materially impair the value of such assets for the purpose of such business; and
- (b) Liens securing the Indebtedness.

8.8 Debt. Except as provided above in Section 8.7, without the prior written consent of the Lender, the Borrower shall not incur or permit to exist any debt for borrowed funds, the deferred purchase price of goods or services or capitalized lease obligations, except for (a) trade debt incurred in the ordinary course of business, and (b) the Indebtedness.

8.9 Contingent Liabilities. Without the prior written consent of the Lender, neither the Borrower nor the Guarantor shall guarantee, endorse, become contingently liable upon or assume the obligation of any person, or permit any such contingent liability to exist, except by the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business.

8.10 Sale of Assets. Without the prior written consent of the Lender, the Borrower shall not sell, lease, assign or otherwise dispose of any of its assets except for (a) sales in the ordinary course of business including sales of Lots and Units as approved by the Lender from time to time, (b) the disposition of assets that are no longer needed or useful in its business, (c) assets which have been removed and replaced and (d) sale and conveyance of the Apartment Parcel following recordation of the Record Plat and payment in full of all principal, accrued interest and other charges due under the Apartment Loan.

8.11 Mergers and Acquisitions. Without the prior written consent of the Lender, the Borrower shall not merge or consolidate with, or acquire all or substantially all of the assets, stock, partnership interests or other ownership interests of, any other person.

8.12 Loans and Advances. Without the prior written consent of the Lender, the Borrower shall not make any loan or advance to any affiliate, director, member, manager, officer or employee of the Borrower, or any other person, except for the creation of accounts receivable in the ordinary course of business on terms that are no less favorable than would apply in an arms-length transaction.

8.13 Subsidiaries and Joint Ventures. Without the prior written consent of the Lender, the Borrower shall not form any subsidiary, become a general or limited partner in any partnership or become a party to a joint venture. If the Lender grants its consent to the formation or acquisition of a subsidiary Borrower, such entity shall cause each subsidiary to perform and observe all of the covenants contained in this Agreement and the other Loan Documents.

8.14 Affiliates. Without the prior written consent of the Lender, the Borrower shall not engage in business with any of its affiliates except in the ordinary course of business and on terms that are no less favorable to the Borrower than would apply in an arm's length transaction.

8.15 Organization; Control and Management; Transfers. Until such time as the Loans and the LC Facility are fully repaid, there shall be no Transfer (hereinafter defined) of any interest in the Borrower, nor any change in the Control (hereinafter defined) or management of either the Borrower or the Guarantor, nor any Transfer of the Property except for sales of Lots and Units in accordance with the terms of the Loan Documents, without the Lender's prior written consent. "Transfer" means any assignment, pledge, conveyance, sale, transfer, mortgage, encumbrance, grant of a security interest or other disposition, either directly or indirectly, in the aggregate of fifty percent (50%) or more of the beneficial ownership interests of an entity and the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of an entity, whether through the ability to exercise voting power, by contract or otherwise. "Controlled by" and "controlling" shall have the respective correlative meanings thereto.

SECTION NINE
DEFAULT AND REMEDIES

9.1 Default. Each of the following shall constitute an "Event of Default" under this Agreement:

(a) Failure to Pay. If: (i) the Borrower shall fail to pay any monthly payment required under the Development Loan Note or the Construction Loan Note ("Monthly Payments") when due thereunder or (ii) the Borrower shall fail to pay any amount (other than the Monthly Payments) as and when due under the LC Note or any of the other Loan Documents;

(b) Failure to Give Notices. If the Borrower fails to give the Lender any notice required by Section 8.5 of this Agreement within thirty (30) days after it has actual knowledge of the event giving rise to the obligation to give such notice.

(c) Failure to Permit Inspections. If the Borrower refuses to permit the Lender to inspect its books and records in accordance with the provisions of Section 8.6 or failure to permit the Lender to inspect the Property upon reasonable advance notice.

(d) Failure to Record Record Plat. If the Record Plat is not recorded within ninety (90) days following closing the Loans and the LC Facility.

(e) Failure to Observe Covenants. If the Borrower fails to perform or observe any non-monetary term, covenant, warranty or agreement contained in this Agreement or in the other Loan Documents for which no cure period or another cure period is provided, and such failure shall continue for a period of thirty (30) days after written notice of such failure has been given to the Borrower by the Lender; provided, however, if such default is not in the payment of any sum due to the Lender hereunder, or was not the subject of an Event of Default for which notice was previously provided, and provided the Borrower is diligently pursuing the cure of such default, then the Borrower shall have an additional sixty (60) days within which to cure such default prior to the Lender exercising any right or remedy available hereunder, or at law or in equity.

(f) Defaults Under Loan Documents. If an Event of Default shall occur under any of the Notes or any other Loan Document and shall not be cured within any applicable grace period.

(g) Breach of Representation. Discovery by the Lender that any representation or warranty made or deemed made by the Borrower in this Agreement or in any other Loan Document or in any statement or representation made in any certificate, report or opinion delivered pursuant to this Agreement or other Loan Document or in connection with any borrowing under this Agreement by the Borrower or the Guarantor or any member, manager, officer, agent, employee or director of the Borrower or the Guarantor, was materially untrue when made or deemed to be made.

(h) Voluntary Bankruptcy. If the Borrower or the Guarantor makes an assignment for the benefit of creditors, files a petition in bankruptcy, petitions or applies to any tribunal for any receiver or any trustee of the Borrower or the Guarantor or any substantial part of the property of the Borrower or the Guarantor, or commences any proceeding relating to the Borrower or the Guarantor under any reorganization, arrangement, composition, readjustment, liquidation or dissolution law or statute of any jurisdiction, whether in effect now or after this Agreement is executed.

(i) Involuntary Bankruptcy. If, within sixty (60) days after the filing of a bankruptcy petition or the commencement of any proceeding against the Borrower or the Guarantor seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar

relief under any present or future statute, law or regulation, the proceeding shall not have been dismissed, or, if within sixty (60) days, after the appointment, without the consent or acquiescence of the Borrower or the Guarantor, of any trustee, receiver or liquidator of any Borrower or all or any substantial part of the properties of the Borrower or the Guarantor, the appointment shall not have been vacated.

(j) Cross Default. If, as a result of default, any present or future obligations of the Borrower or the Guarantor or any affiliate of the Borrower or the Guarantor to the Lender or any other creditor, whether due to acceleration provisions or otherwise therein, are declared to be due and payable prior to the expressed maturity of such obligations.

(k) Cross Default to Particular Instruments: If an Event of Default by the applicable borrower shall occur under any of the following, as any of the following may be amended, substituted or replaced from time to time: (i) the Apartment Loan, (ii) any loan documents evidencing and/or securing that certain loan from the Lender to New Hampshire Ave. Ventures, LLC ("NHA") in the amount of \$6,000,000.00, which is evidenced, among other things, by a Revolving Development Loan Promissory Note dated August 13, 2012 made by NHA to the order of the Lender; (iii) any loan documents evidencing and/or securing that certain loan from the Lender to NHA in the amount of \$4,000,000.00, which is evidenced, among other things, by a Revolving Construction Loan Promissory Note dated August 13, 2012 made by NHA to the order of the Lender; (iv) any loan documents evidencing and/or securing that certain loan from the Lender to Comstock Potomac Yard, L.C. and Comstock Penderbrook, L.C., jointly and severally, in the amount of \$9,960,000.00, which is evidenced, among other things, by a Deed of Trust Note dated May 30, 2012 made by those obligors to the order of the Lender; and (v) the Subordinate Loan.

(l) Material Adverse Change. A material adverse change occurs in the financial or business condition of the Borrower or the Guarantor.

(m) Judgment. If a judgment, attachment, garnishment or other process is entered against the Borrower and is not vacated or bonded within sixty (60) days after entry (or such shorter period of time as necessary in order to avoid attachment or foreclosure), or if a judgment, attachment, garnishment or other process is entered against the Guarantor that would materially affect the Guarantor's ability to perform its obligations under the Loan Documents, and such judgment, attachment, garnishment or other process is not vacated or bonded with in sixty (60) day after entry (or such shorter period of time as necessary in order to avoid attachment or foreclosure).

(n) Dissolution. The dissolution, liquidation or termination of existence of the Borrower or the Guarantor unless a substitute guarantor, satisfactory to the Lender in its sole and absolute discretion, assumes all liability under the Guaranty and Environmental Indemnity and executes any documents which the Lender may reasonably require to implement such substitution, within sixty (60) days after event of dissolution, liquidation or termination of existence.

(o) Change in Management/Control. A change in the management of or controlling interest in the Borrower or the Guarantor without the prior written consent of the Lender.

9.2 Remedies. Upon the occurrence of an Event of Default (a) the Lender, at its option, by written notice to the Borrower, may declare all Indebtedness to the Lender to be immediately due and payable, whether such Indebtedness was incurred prior to, contemporaneous with or subsequent to the date of this Agreement and whether represented in writing or otherwise, without presentment, demand, protest or further notice of any kind, and (b) the Lender may exercise all rights and remedies available to it under the Loan Documents and applicable law. The Borrower agrees to pay all costs and expenses incurred by the Lender in enforcing any obligation under this Agreement or the other Loan Documents, including, without limitation, attorneys' fees. No failure or delay by the Lender in exercising any power or right will operate as a waiver of such power or right, nor will any single or partial exercise of any power or right preclude any other future exercise of such power or right, or the exercise of any other power or right.

9.3 Borrower to Pay Fees and Charges. The Borrower shall pay all fees and charges incurred in the procuring, making and enforcement of the Loans, including without limitation the reasonable fees and disbursements of Lender's attorneys, charges for appraisals, the fee of Lender's inspector and construction consultant, fees and expenses relating to examination of title, title insurance premiums, surveys, and mortgage recording, documentary, transfer or other similar taxes and revenue stamps, loan extension fees, if any, and the Lender's fees for the Loans.

SECTION TEN GENERAL PROVISIONS

10.1 Defined Terms. Each accounting term used in this Agreement, not otherwise defined, shall have the meaning given to it under GAAP applied on a consistent basis. The term "person" shall mean any individual partnership, corporation, trust, joint venture, unincorporated association, governmental subdivision or agency or any entity of any nature. The term "subsidiary" means, with respect to any person, a corporation or other person of which shares of stock or other ownership interest having ordinary voting power to elect a majority of the board of directors or other managers of such corporation or person are at the time owned, or the management of which it otherwise controlled, directly or indirectly, through one or more intermediaries, by such person. The term "affiliate" means, with respect to any specified person, any other person that, directly or indirectly, controls or is controlled by, or is under common control with, such specified person. All meanings assigned to defined terms in this Agreement shall be applicable to the singular and plural forms of the terms defined.

10.2 Notices. All notices, requests, demands and other communication with respect hereto shall be in writing and shall be delivered by hand, prepaid by Federal Express (or a comparable overnight delivery service), or sent by the United States first-class mail, certified, postage prepaid, return receipt requested, to the parties at their respective addresses set forth as follows:

If to the Lender, to:

EAGLEBANK
7815 Woodmont Avenue
Bethesda, MD 20814
Attn: Douglas Vigen, Senior Vice President

With a copy to:

Friedlander Mislner, PLLC
5335 Wisconsin Avenue, N.W., Suite 600
Washington, D.C. 20015
Attn: Leonard A. Sloan, Esq.

If to the Borrower, to:

Comstock Redland Road, L.C.
c/o Comstock Holding Companies, Inc.
1886 Metro Center Drive, 4th Floor
Reston, VA 20190
Attn: Christopher Clemente

With a copy to:

Comstock Redland Road, L.C.
c/o Comstock Holding Companies, Inc.
1886 Metro Center Drive, 4th Floor
Reston, VA 20190
Attn: Jubal Thompson, Esq.

Any notice, request, demand or other communication delivered or sent in the manner aforesaid shall be deemed given or made (as the case may be) upon the earliest of (a) the date it is actually received, (b) on the business day after the day on which it is delivered by hand, (c) on the business day after the day on which it is properly delivered by Federal Express (or a comparable overnight delivery service), or (d) on the third (3rd) business day after the day on which it is deposited in the United States mail. Any party may change such party's address by notifying the other parties of the new address in any manner permitted by this Section.

10.3 Successors and Assigns. This Agreement will be binding upon and inure to the benefit of the Lender and the Borrower and their respective successors, assigns, personal representatives, executors and administrators, provided that the Borrower may not assign or transfer its rights under this Agreement.

10.4 Entire Agreement. Except for the other Loan Documents expressly referred to in this Agreement, this Agreement represents the entire agreement between the Lender and the Borrower, supersedes all prior commitments and may be modified only by an agreement in writing.

10.5 Survival. All agreements, covenants, representations and warranties made in this Agreement and all other provisions of this Agreement will survive the delivery of this Agreement and the other Loan Documents and the making of the advances under this Agreement and will remain in full force and effect until the obligations of the Borrower under this Agreement and the other Loan Documents are indefeasibly satisfied.

10.6 Governing Law. This Agreement will be governed by and construed in accordance with the laws of the State of Maryland, without reference to conflict of laws principles.

10.7 Headings. Section headings are for convenience of reference only and shall not affect the interpretation of this Agreement.

10.8 Participations. The Lender shall have the right to sell all or any part of its rights under the Loan Documents, and the Borrower authorizes the Lender to disclose to any prospective participant in any of the Loans any and all financial and other information in the Lender's possession concerning the Borrower or the collateral for the Loans.

10.9 No Third Party Beneficiary. The parties do not intend the benefits of this Agreement or any other Loan Document to inure to any third party.

10.10 Waiver of Jury Trial. TO THE FULLEST EXTENT PERMITTED BY LAW, THE LENDER AND THE BORROWER KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHTS THEY MAY HAVE TO A TRIAL BY JURY BASED ON, ARISING OUT OF OR UNDER, OR IN CONNECTION WITH THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS.

10.11 Waiver. The rights of the Lender under this Agreement and the other Loan Documents shall be in addition to all other rights provided by law. No waiver of any provision of this Agreement, or any other Loan Document, shall be effective unless in writing, and no waiver shall extend beyond the particular purpose involved. No waiver in any one case shall require the Lender to give any subsequent waivers.

10.12 Severability. If any provision of this Agreement or any other Loan Document is held to be void, invalid, illegal or unenforceable in any respect, such provision shall be fully severable and this Agreement or the applicable Loan Document shall be construed as if the void, invalid, illegal or unenforceable provision were not included in this Agreement or in such Loan Document.

10.13 No Setoffs. With respect to a monetary default claimed by the Lender under the Loan Documents, no setoff, claim, counterclaim, reduction or diminution of any obligation or defense of any kind or nature that the Borrower has or may have against the Lender (other than the defenses of payment,

the Lender's gross negligence or willful misconduct) shall be available against the Lender in any action, suit or proceeding brought by the Lender to enforce this Agreement or any other Loan Document. The foregoing shall not be construed as a waiver by the Borrower of any such rights or claims against the Lender, but any recovery upon any such rights or claims shall be had from the Lender separately, it being the intent of this Agreement and the other Loan Documents that the Borrower shall be obligated to pay, absolutely and unconditionally, all amounts due under this Agreement and the other Loan Documents.

10.14 No Merger. The Borrower and the Lender expressly agree that the Borrower's agreement and obligation to pay the Lender's reasonable attorneys' fees and costs, and all other litigation expenses, shall not be merged into any judgment obtained by the Lender, but shall survive the same and shall not be extinguished by any monetary judgment. It is the express intent of the parties hereto that all post-judgment collection fees and expenses (including reasonable attorneys' fees and costs) shall survive entry of a final judgment and shall be collectible by the Lender against the Borrower from time to time following entry of any final judgment obtained by the Lender against the Borrower.

10.15. Counterparts. This Agreement may be executed for the convenience of the parties in several counterparts, which are in all respects similar and each of which is to be deemed to be complete in and of itself, and any one of which may be introduced in evidence or used for any other purpose with the production of the other counterparts thereof.

10.16 Consent to Jurisdiction. The Borrower irrevocably submits to jurisdiction of any state or federal court sitting in the Commonwealth of Virginia or the State of Maryland over any suit, action or proceeding arising out of or relating to this Agreement, the Notes or any other Loan Documents. The undersigned irrevocably waives, to the fullest extent permitted by law, any objection that the undersigned may now or hereafter have to the venue of any such suit, action or proceeding brought in any such court and any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. Final judgment in any such court shall be conclusive and binding and may be enforced in any court in which the undersigned is subject to jurisdiction by a suit upon such judgment provided that service of process is effected as provided herein or as otherwise permitted by applicable law.

10.17 Service of Process. The Borrower hereby consents to process being served in any suit, action or proceeding instituted in the Commonwealth of Virginia or the State of Maryland in connection with the Loans by (i) the mailing of a copy thereof by certified mail, postage prepaid, return receipt requested, to the Borrower at the address set forth in the Notices section of this Agreement and (ii) serving a copy thereof upon the Borrower's registered agent for service of process. The undersigned irrevocably agrees that such service shall be deemed to be service of process upon the undersigned in any such suit, action or proceeding. Nothing in this Agreement shall affect the right of the Lender otherwise to bring proceedings against the undersigned in the courts of any jurisdiction or jurisdictions.

10.18 Exhibits. All exhibits referred to herein as attached hereto are incorporated in full by reference as though fully set forth in this Agreement. The Exhibits are:

- Exhibit A: Legal Description of the Property and the Apartment Parcel
- Exhibit B: Unit Costs Budget
- Exhibit C: LC Promissory Note Form
- Exhibit D: Carve Out Obligations
- Exhibit E: Form of Apartment Parcel Deed of Trust
- Exhibit F: Form of Letter of Credit

[SIGNATURES ON FOLLOWING PAGES]

IN WITNESS WHEREOF, the Borrower and the Lender have caused this Agreement to be executed in their respective names by duly authorized representatives as of the day and year first above written. The Guarantor joins herein to consent and agree to the terms, conditions, provisions and covenants of those sections of this Agreement that address a covenant or obligation of the Guarantor.

WITNESS:

BORROWER:

COMSTOCK REDLAND ROAD, L.C., a Virginia limited liability company

By: Comstock Holding Companies, Inc., a Delaware corporation, its Manager

By: _____
Christopher D. Clemente
Chief Executive Officer

[SEAL]

COMMONWEALTH OF VIRGINIA

COUNTY OF _____, ss:

I, _____, a Notary Public in and for the aforesaid jurisdiction, do hereby certify that Christopher D. Clemente personally appeared before me in said jurisdiction and acknowledged that he is the Chief Executive Officer of Comstock Holding Companies, Inc., which is the Manager of Comstock Redland Road, L.C., a Virginia limited liability company, party to the foregoing instrument, and that the same is his act and deed and the act and deed of said Comstock Redland Road, L.C.

IN WITNESS WHEREOF, I have set my hand and Notarial Seal, this __ day of _____, 2013.

Notary Public

[SEAL]

My Commission expires: _____.

Notary Registration No. _____.

Witness:

GUARANTOR:

COMSTOCK HOLDING COMPANIES, INC., a
Delaware corporation

Print Name:

By: _____
Christopher D. Clemente
Chief Executive Officer

COMMONWEALTH OF VIRGINIA

COUNTY OF _____, ss:

I, _____, a Notary Public in and for the aforesaid jurisdiction, do hereby certify that Christopher D. Clemente personally appeared before me in said jurisdiction and acknowledged that he is the Chief Executive Officer of Comstock Holding Companies, Inc., a Delaware corporation, party to the foregoing instrument, and that the same is his act and deed and the act and deed of said Comstock Holding Companies, Inc.

IN WITNESS WHEREOF, I have set my hand and Notarial Seal, this __ day of _____, 2013.

Notary Public

[SEAL]

My Commission expires: _____.

Notary Registration No. _____.

Witness:

LENDER:

EAGLEBANK

Print Name:

By: _____

Douglas Vigen
Senior Vice President

[SEAL]

COMMONWEALTH OF VIRGINIA

COUNTY OF _____, ss:

I, _____, a Notary Public in and for the aforesaid jurisdiction, do hereby certify that Douglas Vigen personally appeared before me in said jurisdiction and acknowledged that he a Senior Vice President of EAGLEBANK; that he has been duly authorized to execute and deliver the foregoing instrument for the purposes therein contained and that the same is his act and deed; that the seal affixed to said instrument is such corporate seal and that it was so affixed by order of the Board of Directors of said Bank; and that he signed his name thereon by like order.

IN WITNESS WHEREOF, I have set my hand and Notarial Seal, this __ day of _____, 2013.

Notary Public

[SEAL]

My Commission expires: _____.

Notary Registration No. _____.

EXHIBIT A

Legal Description of the Property and the Apartment Parcel

Parcel P-146 in Montgomery County, Maryland, being that tract of land comprising 4.24307 acres, more or less, said tract of land being bisected by Yellowstone Way.

Tax ID No. 04-001-00776834.

For metes and bounds description, see Exhibit "A" to Commitment for Title Insurance issued by Stewart Title Guaranty Company on February 13, 2013, File No. 01242 – 1549.

EXHIBIT B
UNIT COSTS BUDGET

EXHIBIT C
FORM OF LC PROMISSORY NOTE

NON-REVOLVING PROMISSORY NOTE

\$ _____, 2013

FOR VALUE RECEIVED, COMSTOCK REDLAND ROAD, L.C., a Virginia limited liability company (the "Borrower") promises to pay to the order of EAGLEBANK (the "Lender"), at such place as the holder hereof may from time to time designate in writing, in lawful money of the United States of America, without defense, offset or counterclaim, the principal sum of _____ AND NO/100 DOLLARS (\$_____.00), or so much thereof as may be advanced and outstanding hereunder or under the other Facility Documents (hereinafter defined), including without limitation any Protective Advances (hereinafter defined), together with interest as described below and in accordance with the following terms and provisions:

1. Advances. The letter of credit facility evidenced hereby (the "Facility") is governed by the terms of that certain Loan Agreement dated of even date herewith (the "Loan Agreement") by and between the Borrower and the Lender (as applicable to the Facility, and as the same may be amended, restated or supplemented from time to time, the "Facility Agreement"). This Non-Revolving Promissory Note (as the same may be amended, restated, renewed, supplemented or substituted from time to time, the "Note") evidences the Borrower's obligations under the Facility, including without limitation, with respect to amounts drawn under an irrevocable stand by letter of credit (the "Letter of Credit") issued or to be issued by Lender for the account of the Borrower in accordance with the terms of the Facility Agreement. Notwithstanding the foregoing, no principal shall be deemed to be advanced or bear interest under this Note with respect to the Letter of Credit obligation except for advances on account of draws under such Letter of Credit.

2. Interest Rate.

a. Commencing on the date hereof, the unpaid principal balance of this Note outstanding from time to time shall bear interest at the floating rate per annum equal to three percent (3.0%) above the thirty (30) day LIBOR Rate (hereinafter defined), rounded upwards, if necessary, to the nearest one-eighth of one percent (0.125%). The LIBOR Rate means, for each calendar month, the annualized weighted average of the 30-day London Interbank Offered Rates (at approximately 11:00 a.m. London time) for U.S. Dollar transactions on the day that is two (2) business days prior to the first day of that calendar month, as reported by Bloomberg Business News; if Bloomberg Business News is not available, the Lender shall select a similar source for the LIBOR index and shall notify the Borrower of such selection. If no LIBOR index is available, or if the Lender determines in its sole discretion that any reported LIBOR Rate is unreliable, the Lender may select an alternative index upon notice to the Borrower of such selection. Interest shall be calculated using a 360-day year, based upon the actual number of days for which the calculation is being made. Notwithstanding the above, in no event shall the Note bear interest at a rate below the floor interest rate of five percent (5.0%) per annum (the "Interest Rate Floor").

b. It is not intended hereby to charge interest at a rate in excess of the maximum legal rate of interest permitted to be charged under applicable law, but if, nevertheless, interest in excess of such rate shall be paid, then the rate imposed shall be reduced to such maximum legal rate and if, from any circumstance, Lender shall ever receive as interest an amount which would exceed the highest lawful rate, such amount which would be deemed excessive interest shall be applied to the reduction of the unpaid principal balance hereunder and not to the payment of interest.

3. Payments. Payments of principal and interest shall be due and payable as follows:

a. Commencing thirty (30) days after the date hereof and continuing on the same day of each month thereafter (the "Payment Date"), monthly payments of interest only on the outstanding principal balance hereof shall be due and payable;

b. Within five (5) days after each and every draw under the Letter of Credit, Borrower shall: (i) pay Lender the amount of the applicable draw made on the Letter of Credit for application to the amount outstanding hereunder, or (ii) deposit the amount of the applicable draw made on the Letter of Credit into the LC Escrow (as defined in the Facility Agreement).

c. This Note shall have an initial maturity date on the date which is one (1) year from the date hereof, subject to extension in accordance with the Facility Agreement and subject to payment of an extension fee in the amount of one percent (1%) of the face amount of the Letter of Credit on each anniversary of the Letter of Credit.

d. The entire principal balance of this Note, together with all accrued and unpaid interest, shall be due and payable in full on the outside maturity date of _____, 2015 (the "Maturity Date") and the Letter of Credit shall automatically expire on the Maturity Date.

4. Prepayment. There shall be no prepayment fee for any prepayments made under this Note. Amounts prepaid may not be reborrowed.

5. Application of Payments. All payments hereunder shall be payable in lawful money of the United States and in immediately available funds. All payments received hereon shall be applied, in Lender's sole discretion: (i) first, to payment of accrued and unpaid interest, if any; (ii) second, to payment of any principal then due, if any; (iii) third to late charges, if any; (iv) fourth, to reasonable attorney's fees and costs of collection; and (v) fifth, to reduce the outstanding principal balance of this Note until such principal shall have been fully repaid. All payments hereunder shall be made without offset, demand, counterclaim, deduction, abatement, defense, or recoupment, each of which Borrower hereby waives.

6. Facility Documents. This Note is issued pursuant to the Facility Agreement. The performance of the Borrower's obligations hereunder is secured by the documents and instruments set forth in the Facility Agreement. This Note, the Facility Agreement, the Letter of Credit and all documents executed in connection with the Letter of Credit (including without limitation, the application for Letter of Credit), and any other document executed or delivered by the Borrower in connection with the Facility, all as the same may be amended, restated, supplemented or substituted from time to time, shall be referred to herein as the "Facility Documents".

7. Default. An Event of Default shall occur hereunder if (a) the Borrower shall fail to pay any amount due under this Note or any of the Facility Documents as and when due and payable, or (b) if a default occurs under any of the Facility Documents and is not cured within any applicable grace or cure period, or (c) if a default occurs under any document or instrument that is cross-defaulted to the Borrower's obligations pursuant to the terms of the Loan Agreement. Upon the occurrence of an Event of Default hereunder, the entire principal balance hereof, all accrued interest thereon and all other amounts payable hereunder and under the Facility Documents shall become immediately due and payable at the option of the Lender. Any delay by the Lender in exercising or any failure of the Lender to exercise the aforesaid option to accelerate with respect to an Event of Default shall not constitute a waiver of its right to exercise such option with respect to that or any subsequent Event of Default. Acceleration of maturity, once claimed hereunder by the holder hereof may be rescinded, at such holder's option, by written acknowledgment to that effect, but the tender and acceptance of partial payment or partial performance alone shall not in any way affect or rescind such acceleration of maturity. After the occurrence of an Event of Default, and until such Event of Default is cured, interest shall accrue on all amounts outstanding hereunder at five percent (5%) plus the rate of interest then payable hereunder from the date of such Event of Default, and the Interest Rate Floor shall be increased by five percent (5%) per annum (the "Default Rate").

8. Late Charge. The Borrower shall pay to the Lender a late charge equal to five percent (5%) of any amount due hereunder that is not received by the Lender within ten (10) days after the date on which such amount is due.

9. Waiver; Extensions. The Borrower hereby waives presentment, demand, notice of dishonor, protest and all other exemptions provided debtors. The Borrower agrees that it shall remain liable for the payment hereof notwithstanding any agreement for the extension of the due date of any amount payable hereunder made by the Lender after the maturity thereof.

10. Collection Costs and Expenses. The Borrower shall pay all reasonable costs, fees and expenses incurred by the Lender in collecting or attempting to collect any amount that becomes due hereunder or in seeking legal advice with respect to such collection or an Event of Default.

11. Notices. All notices, requests, demands and other communication with respect hereto shall be in writing and shall be delivered by hand, sent prepaid by Federal Express (or a comparable overnight delivery service) or sent by the United States first-class mail, certified, postage prepaid, return receipt requested, to the following addresses:

If to the Lender, to:

EAGLEBANK
7815 Woodmont Avenue
Bethesda, MD 20814
Attn: Douglas L. Vigen, Senior Vice President

with a copy to:

Friedlander Mislser, PLLC
5335 Wisconsin Avenue, NW, Suite 600
Washington, DC 20015
Attn: Leonard A. Sloan, Esq.

If to the Borrower, to:

Comstock Redland Road, L.C.
c/o Comstock Holding Companies, Inc.
1886 Metro Center Drive, 4th Floor
Reston, VA 20190
Attn: Christopher D. Clemente

With a copy to:

Comstock Redland Road, L.C.
c/o Comstock Holding Companies, Inc.
1886 Metro Center Drive, 4th Floor
Reston, VA 20190
Attn: Jubal Thompson, Esq.

Any notice, request, demand or other communication delivered or sent in the manner aforesaid shall be deemed given or made (as the case may be) upon the earliest of (a) the date it is actually received, (b) on the business day after the day on which it is delivered by hand, or (c) on the business day after the day on which it is properly delivered by Federal Express (or a comparable overnight delivery service). Any party may change such party's address by notifying the other parties of the new address in any manner permitted by this paragraph.

12. Severability. If any provision of this Note, or the application thereof to any person or circumstance, shall to any extent be invalid or unenforceable, the remainder of the provisions of this Note, or the application of such provision to other persons or circumstances, shall not be affected thereby, and each provision of this Note shall be valid and enforceable to the fullest extent permitted by law.

13. Successors and Assigns. This Note shall be binding upon and inure to the benefit of the Borrower and the Lender and their respective successors and assigns; provided, however, that the Borrower may not assign or delegate its obligations hereunder without the prior written consent of the Lender.

14. Payments. All payments due hereunder shall be made in immediately available funds.

15. **WAIVER OF JURY TRIAL.** BORROWER IRREVOCABLY WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT BORROWER MAY NOW OR HEREAFTER HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR IN CONNECTION WITH THIS NOTE OR ANY OF THE FACILITY DOCUMENTS.

16. Offset. If an Event of Default occurs under this Note or an Event of Default occurs under any other Facility Document, and such Event of Default is not cured within any applicable notice and/or grace period, then the Lender shall have the right to offset any amounts due hereunder against any control account, now or hereafter maintained with the Lender by the Borrower (but not against any general deposit account of Borrower or any affiliate of Borrower).

17. Governing Law; Amendment. This Note shall be governed by and construed in accordance with the laws of the State of Maryland, without reference to conflict of laws principles. This Note may not be changed orally, but only by an agreement in writing signed by the parties against whom enforcement of any waiver, change, modification or discharge is sought.

18. Business Purpose. Borrower hereby represents and warrants to Lender that it is a business or commercial organization, and further represents and warrants that the Facility evidenced hereby was made and transacted solely for the purpose of carrying on a business or an investment in real estate.

19. Consent to Jurisdiction. Borrower irrevocably submits to jurisdiction of any state or federal court sitting in the State of Maryland, the Commonwealth of Virginia or the District of Columbia over any suit, action, or proceeding arising out of or relating to the Note or any other Facility Documents. Borrower irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the venue of any such suit, action or proceeding brought in any such court and any claim that any such suit, action, or proceeding brought in any such court has been brought in an inconvenient forum. Final judgment in any such court shall be conclusive and binding and may be enforced in any court in which the Borrower is subject to jurisdiction by a suit upon such judgment provided that service of process is effected as provided herein or as otherwise permitted by applicable laws.

20. Sealed Instrument. This Non-Revolving Promissory Note is executed under seal and is intended to be a sealed instrument.

[signatures on following page]

EXHIBIT D

CARVE OUT OBLIGATIONS

The Guarantor shall also guaranty the full and timely payment of any and all actual loss, damage, cost, expense, liability, claim or other obligation incurred by the Lender (including reasonable attorneys' fees and out-of-pocket costs actually incurred) arising out of or in connection with any one or more of the following (the "Carve Out Obligations"):

(i) Fraud, material misrepresentation or willful misconduct by Borrower or Guarantor or any of their respective members, managers, officers, principals, or any other person properly authorized to make statements or representations, or act, on behalf of Borrower or Guarantor in connection with the Loans or the Property;

(ii) physical waste committed on the Property; damage to the Property as a result of the intentional misconduct, recklessness or gross negligence of Borrower or Guarantor, or any agent or employee of any such persons; or the removal of any portion of the Property by or at the direction of Borrower or Guarantor or any direct or indirect member or manager thereof, in violation of the terms of the Loan Documents (as defined in the Loan Agreement) following a default under either of the Loans which is not cured within any applicable grace or cure period (an "Event of Default");

(iii) subject to any right to contest or bond off such matters, as provided in the Deed of Trust or Loan Agreement, failure to pay any valid taxes, assessments, mechanics' liens, materialmen's liens or other liens which could create liens on any portion of the Property which would be superior to the lien or security title of the Deed of Trust or the other Loan Documents, to the full extent of the amount claimed by any such lien claimant;

(iv) the breach of any representation, warranty or covenant in, and any liability under any provision in, that certain Environmental Indemnity Agreement of even date herewith given by Borrower and Guarantor to Lender or the breach of any representation, warranty or covenant relating solely to, and any liability under any provision concerning, environmental laws, hazardous substances or asbestos in the Deed of Trust;

(v) the misapplication or conversion of (A) any insurance proceeds paid to Borrower by reason of any loss, damage or destruction to the Property, (B) any awards or other amounts received by Borrower in connection with the condemnation of all or a portion of the Property, or (C) any rents from the Property following an Event of Default or collected in advance; and

(vi) failure to maintain any insurance policies required under the Loan Documents, or timely to pay or provide the amount of any insurance deductible, to the extent of the applicable deductible, following a casualty or other insured event.

EXHIBIT E

FORM OF APARTMENT PARCEL DEED OF TRUST

[ATTACHED]

EXHIBIT F

FORM OF MONTGOMERY COUNTY LETTER OF CREDIT

[ATTACH MONTGOMERY COUNTY FORM]

LOAN AGREEMENT

THIS LOAN AGREEMENT (as amended, modified or supplemented from time to time, "Agreement"), dated as of the __ day of March, 2013, by and between (i) EAGLEBANK (the "Lender"), and (ii) COMSTOCK REDLAND ROAD, L.C., a Virginia limited liability company (the "Borrower"), recites and provides:

RECITALS:

R-1. The Borrower has acquired a certain development site consisting of acreage approved for a 117-unit multi-family apartment building, together with the improvements thereon, whether now existing or hereinafter constructed, located on Redland Road and Yellowstone Way, Montgomery County, Maryland, as more particularly described on Exhibit A attached hereto (the "Property"), on which the Borrower intends to undertake certain development improvements.

R-2. Subject to the terms of this Agreement, the Lender agrees to make an acquisition and development loan (the "Loan") to the Borrower, as more particularly described in Section One below, for the purpose of financing the acquisition and the Development (as hereinafter defined) of the Property.

R-3. The Lender and the Borrower agree that the Loan will be made and advanced upon and subject to the terms, covenants and conditions set forth in this Agreement.

R-4. Simultaneously herewith the Lender is making a separate credit facility available to the Borrower (the "AD&C Loans") for acquisition, development and construction of housing with respect to certain property adjacent to the Property (the "Housing Parcel") that has been approved for construction of 39 single family detached or townhome housing units, which was to have been subdivided pursuant to a record plat (the "Record Plat") to create the Property and the Housing Parcel each as a separate subdivided record lot; however, the Record Plat has not been recorded and the Property and the Housing Parcel are part of one single subdivided record lot known as P-146 in Montgomery County, Maryland.

R-5. The Borrower has requested that the Lender waive the condition to closing the Loan that the Record Plat be recorded, and the Lender is amenable to such request provided the Borrower performs its duties and obligations strictly in accordance with the terms and conditions of this Agreement.

AGREEMENT

ACCORDINGLY, for and in consideration of the foregoing Recitals which are a material part of this Agreement and not mere prefatory language, and of the mutual covenants and conditions set forth in this Agreement, and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the Lender and the Borrower agree as follows:

SECTION ONE
THE LOAN

1.1 Amount. The maximum principal amount that may be advanced under the Loan shall not exceed the lesser of (i) Two Million Four Hundred Thousand and No/100 Dollars (\$2,400,000.00), or (ii) sixty-five percent (65%) of the cost of acquisition of the Property and the Development thereof in accordance with a budget approved by the Lender, or (iii) sixty percent (60%) of the discounted ("When Developed") value of the Property pursuant to the Appraisal (hereinafter defined) and any appraisals which may be engaged by the Lender from time to time subsequent to the date hereof. The Loan will be evidenced by a Promissory Note made by the Borrower payable to the order of the Lender (as the same may be amended, renewed, restated, supplemented or substituted from time to time, the "Note") which shall be governed by Maryland law.

1.2 Purpose. The Borrower will use the Loan proceeds as follows: (i) up to One Million Five Hundred Thousand and No/100 Dollars (\$1,500,000.00) toward the purchase price of the Property plus up to Seventy Thousand and No/100 Dollars (\$70,000.00) toward closing costs (the "Acquisition Advance") shall be applied to costs (including closing costs) of acquisition of the Property; and (ii) up to Eight Hundred Thirty Thousand and No/100 Dollars (\$830,000.00) (the "Development Advance" or if more than one "Development Advances") shall be used for the Development of the Property in accordance with a Development Budget that shall have been approved by the Lender in advance and in accordance with plans and specifications to be submitted to and approved by the Lender, and with advances to be made as the work progresses, all as set forth in this Agreement. The Lender shall not be obligated to make any Development Advances until the Record Plat is recorded except for interest on the Loan for the first ninety (90) days following the Loan closing, notwithstanding the provisions of this Loan Agreement for the Interest Reserve, as hereinafter provided. For purposes of this Agreement, the term "Development" shall mean, generally, (a) land clearing and rough grading; (b) provision of storm drainage structures and facilities, sediment control devices, base paving of streets, curbs and gutters; (c) providing sewer and water distribution systems and erecting temporary street signs; (d) provision of underground electric and gas utility lines, cable television easements and easements for private utility companies to install telephone lines and other utilities; and (e) other subdivision improvements as required by governmental authorities in order for use and occupancy permits to issue, all in accordance with final site plan review by Montgomery County, Maryland and the Record Plat. The Development Budget for purposes of the Development Advance and portions thereof shall include the foregoing Development costs together with real estate taxes, an interest reserve to be withheld from loan proceeds and applied monthly to payment of accrued interest as hereinafter set forth, and other expenses approved by the Lender. Certain other costs normally considered part of development costs shall be deferred and paid for by the Borrower out of its own funds, including by way of example and not limitation, final paving of streets, site amenities, landscaping and erosion control.

1.3 Record Plat. The Borrower shall use commercially reasonable efforts with the highest due diligence to cause the Record Plat to be approved by applicable governmental authorities and recorded. The terms and conditions with respect to the Record Plat are as follows:

-
- (a) If the Record Plat, in form as shall have been approved by the Lender, has not been recorded within ninety (90) days from the closing of the Loan, an Event of Default shall have occurred on the ninety-first (91st) day following the closing.
 - (b) The Deed of Trust (hereinafter defined) shall initially encumber the Property and the Housing Parcel as security for the Loan. Upon recordation of the Record Plat, the Deed of Trust shall be amended to reflect the new legal description and the Lender's loan policy of title insurance shall be appropriately endorsed in form satisfactory to the Lender in all respects.
 - (c) Provided there has then occurred no Event of Default hereunder or under the AD&C Loans, following recordation of the Record Plat, if (i) the Borrower sells the Property and upon closing of such sale pays the Loan in full, the Lender shall release the Property from the lien of the Deed of Trust, or (ii) the Borrower determines to develop the Property and transfer the Property to an affiliate, the Lender shall release the Property from the lien of the Deed of Trust and simultaneously therewith the Property shall be encumbered by a new deed of trust (the "Apartment Parcel Deed of Trust") as security for the Loan as well as cross-collateral as security for the Loan and the AD&C Loans.
 - (d) If applicable under Subparagraph 1.3(c) above, the Apartment Parcel Deed of Trust shall be in the form as attached to this Agreement as Exhibit B and shall constitute a first lien on the Property.
 - (e) The Leases Assignment (hereinafter defined) shall encumber all leases, rents and profits with respect to the Property and the Housing Parcel. The Property may be released from the Leases Assignment in the event of (i) sale and payment in full of the Loan as contemplated in Subparagraph 1.3(c) above or (ii) transfer of the Property to an affiliate, in which event a new assignment of leases and rents in form substantively identical to the Leases Assignment shall be recorded against the Property simultaneously with such release.
 - (f) UCC-1 Financing Statements that constitute a fixture filing shall be recorded against the Property and the Housing Parcel. Such UCC-1 Financing Statements may be terminated as to the Property in the event of (i) sale and payment in full of the Loan as contemplated in Subparagraph 1.3(c) above or (ii) transfer of the Property to an affiliate, in which event a new UCC-1 Financing Statement in form substantively identical to the initial instrument shall be filed against the Property simultaneously with such termination.

1.4 Guarantor. Comstock Holding Companies, Inc. (the "Guarantor") shall guarantee the payment and performance of the Borrower's obligations, covenants and agreements under the Loan and, as evidenced by the Loan Documents, and shall also guarantee the Carve Out Obligations (defined on Exhibit C attached hereto), which guaranty shall be evidenced by an instrument of unlimited and unconditional guaranty of payment, performance and completion from the Guarantor for the benefit of the Lender, in form and substance satisfactory to the Lender (the "Guaranty").

1.5 Term. The Note shall mature twelve (12) months after the date of closing on the Loan (the "Maturity"). It is acknowledged and agreed that notwithstanding any provisions herein, the Borrower has not applied for, nor has the Lender made any commitment with respect to, any extension of such Maturity. Upon any application for an extension, any approval of an extension on any terms would be contingent upon the usual and customary underwriting procedures of EagleBank, including without limitation, full credit and collateral evaluation and review, the approval of the loan committee of EagleBank, and payment to the Lender of extension fees as determined by the Lender.

1.6 Interest Rate. Commencing on the closing of the Loan, the unpaid balance of each of the Note outstanding from time to time shall bear interest and be payable at the floating rate per annum equal to three percent (3%) above the thirty (30) day LIBOR Rate (hereinafter defined), rounded upwards, if necessary, to the nearest one-eighth of one percent (0.125%). The LIBOR rate means, for each calendar month, the annualized weighted average of the 30-day London Interbank Offered Rates (at approximately 11:00 a.m. London time) for U.S. Dollar transactions on the day that is two (2) business days prior to the first day of that calendar month, as reported by Bloomberg Business News; if Bloomberg Business News is not available, the Lender shall select a similar source for the LIBOR index and shall notify the Borrower of such selection. If no LIBOR index is available, or if the Lender determines in its sole discretion that any reported LIBOR rate is unreliable, the Lender may select an alternative index upon notice to the Borrower of such selection. Interest shall be calculated using a 360-day year, based upon the actual number of days for which the calculation is being made. Notwithstanding the above, in no event shall the Note bear interest at a rate below the floor interest rate of five percent (5%) per annum at any time (the "Interest Rate Floor").

1.6 Interest Reserve. From the proceeds of the Loan, One Hundred Twenty Thousand and No/100 Dollars (\$120,000.00) shall not be disbursed but shall be reserved by the Lender for the payment of interest on the Loan (the "Interest Reserve") until such reserve is exhausted. Notwithstanding the foregoing or any provision of the Loan Documents to the contrary, the Lender shall not be obligated to make any disbursements from the Interest Reserve if any Event of Default shall have occurred, and further, notwithstanding the foregoing or any provision of any of the Loan Documents to the contrary, nothing contained herein shall be deemed to release or in any way to relieve the Borrower from its obligation under the Note to pay interest as provided in the Note. Each disbursement from the Interest Reserve shall constitute a disbursement of principal of the Loan and shall be added to the then outstanding principal balance of the Loan.

1.7 Real Estate Tax Reserve. From the proceeds of the Loan, Sixty Thousand and No/100 Dollars (\$60,000.00) shall not be disbursed but shall be reserved by the Lender (the "Taxes Reserve") for the payment of real estate taxes and other governmental impositions against the Property (collectively, "Taxes") until such reserve is exhausted. Notwithstanding the foregoing or any provision of the Loan Documents to the contrary, the Lender shall not be obligated to make any disbursements from the Taxes Reserve if any Event of Default shall have occurred, and further, notwithstanding the foregoing or any

provision of any of the Loan Documents to the contrary, nothing contained herein shall be deemed to release or in any way to relieve the Borrower from its obligation under the Loan Documents to pay Taxes as they become due. Each disbursement from the Taxes Reserve shall constitute a disbursement of principal of the Loan and shall be added to the then outstanding principal balance of the Loan.

1.8 Collateral. The Loan shall be secured by, among other things, the following:

- (i) A first lien deed of trust, security agreement and fixture filing (as the same may be amended, restated, supplemented or substituted, the "Deed of Trust") on the Property and the Housing Parcel;
- (ii) An assignment of Leases and Rents on the Property and the Housing Parcel (as the same may be amended, restated, supplemented or substituted, the "Leases Assignment");
- (iii) Assignments of all Development documents including, without limitation, plans and specifications, permits, architect's contracts, engineering contracts, and Development contracts (the "Documents Assignment");
- (iv) Consents to Assignment executed by each of the general contractor, architect and project engineer for the Development (the "Consents");
- (v) An Environmental Indemnity Agreement made by the Borrower and the Guarantor for the benefit of the Lender (as the same may be amended, restated, supplemented or substituted, the "Environmental Indemnity");
- (vi) Such UCC-1 Financing Statements as the Lender may determine to be necessary or desirable.

1.9 Equity Requirement. As a condition of the Loan, as of the closing of the Loan the Borrower shall have made an equity investment in the Property in an amount not less than One Million Five Hundred Thousand and No/100 Dollars (\$1,500,000.00), and shall have provided reasonable evidence of such investment to the Lender in the form of cash investment or mezzanine financing acceptable to the Lender in its sole discretion.

1.10 Cross Defaulted Loan. An event of default under the AD&C Loans (sometimes herein collectively called the "Cross-Defaulted Loan") shall constitute an Event of Default under the Loan Documents. From and after recordation of the Record Plat, release of the Property from the lien of the Deed of Trust, and recordation of the Apartment Parcel Deed of Trust, (i) the Property shall secure, in addition to the Loan, the AD&C Loans, and (ii) the Housing Parcel shall secure, in addition to the AD&C Loans, the Loan. In addition, simultaneous closing on the AD&C Loans shall be a condition to closing on the Loan.

1.11 Deposit Relationship. As a condition of the Loan, the Borrower shall establish its primary operating account and all escrow accounts hereunder with the Lender and shall maintain such accounts with the Lender throughout the term of the Loan. In addition, the Borrower and/or Guarantor and/or any related entities shall maintain an aggregate minimum monthly average aggregate deposit balance with the Lender of ten percent (10%) of the combined outstanding principal balances of the Loan

and the Cross-Defaulted Loan, tested quarterly, with the first quarterly test period commencing on April 1, 2013 and tested at June 30, 2013. Such deposits shall be held in demand deposits or money market accounts. If at any time under any of the Loan Documents the Lender is collecting deposits for the payment of insurance premiums and/or real estate taxes, the amount(s) on deposit, to the extent unapplied as of the date of any such semi-annual test, shall be counted toward the foregoing deposit balance requirements. The foregoing deposit balance requirement is in addition to any deposit balance requirement under the terms of the loan documents for any other loan or loans by the Lender to the Borrower, the Guarantor or any affiliate(s) of the Borrower or the Guarantor. The failure to comply with the foregoing deposit balance requirements shall not constitute a default under the Loan; however, interest shall accrue on all amounts outstanding under the Loan at one-quarter of one percent (0.25%) plus the rate of interest then payable under the Note (and the Interest Rate Floor shall also increase by one-quarter of one percent (0.25%)) from the date of such failure until such time as the deposit balance requirement is satisfied at the next quarterly test.

1.12 Fees. The Borrower shall pay to the Lender a fee for the Loan in the amount of Twelve Thousand and No/100 Dollars (\$12,000.00), one-half of which has been received by the Lender and the balance of which shall be paid upon closing of the Loan. The Lender acknowledges receipt from the Borrower of Twelve Thousand Five Hundred and No/100 Dollars (\$12,500.00), for application to the Lender's third-party costs and towards the Lender's underwriting in connection with the Loan (including without limitation fees of appraisers, consultants and legal counsel), any unused balance of which may be applied to the foregoing Loan fee.

1.13 Intercreditor Agreement. It is understood that, contemporaneously herewith, the Borrower has borrowed One Million One Hundred Ten Thousand and No/100 Dollars (\$1,110,000.00) (the "Subordinate Loan") from Eagle Commercial Ventures, LLC ("Subordinated Lender"). As a condition of closing the Loan, Subordinated Lender shall enter into a Subordination and Standstill Agreement with the Lender (the "Intercreditor Agreement"), in form and substance satisfactory to the Lender in all respects, pursuant to which Subordinated Lender shall subordinate all of its rights in and to the Subordinate Loan to the Lender's rights, remedies and security under the Loan Documents.

SECTION TWO PAYMENTS, COMPUTATIONS, FEES, CHARGES AND PROTECTIVE ADVANCES

2.1 Payments. All payments due with respect to this Agreement or the Loan shall be made in immediately available funds to the Lender at such place as designated by the Lender from time to time. The Lender is authorized, but shall be under no obligation, to charge any deposit account maintained by the Borrower with the Lender or any affiliate of the Lender for any payments due to the Lender with respect to this Agreement or the Loan. Payments shall be applied, at Lender's sole discretion: (i) first, to payment of accrued and unpaid interest, if any; (ii) second, to payment of any principal then due, if any; (iii) third, to late charges, if any; (iv) fourth, to reasonable attorneys' fees and costs of collection; and (v) fifth, to reduce the outstanding principal balance of the Note until such principal shall have been fully repaid. All payments hereunder shall be made without offset, demand counterclaim, deduction, abatement, defense, or recoupment, each of which the Borrower hereby waives.

2.2 Late Charges. If any payment due under the Note is not made within ten (10) days of its due date, the Borrower shall pay to the Lender upon demand (which may be in the form of the usual monthly billing or invoice) a late charge equal to five percent (5%) of the amount of such payment.

1.3. Default Rate. After an Event of Default (hereinafter defined), the interest which accrues on the Note shall be increased to the Default Rate (as defined in the Note).

1.4 Computations. Interest and fees on the Loan shall be computed on the basis of a year of three hundred sixty (360) days and actual days elapsed.

1.5 Prepayment. The Borrower may prepay the Note in whole or in part without premium or penalty at any time upon ten (10) days prior written notice to the Lender. Partial prepayments shall be applied to installments of principal in their inverse order of maturity, if applicable. Amounts prepaid under the Note may not be re-borrowed.

1.6 Indebtedness. As used in this Agreement, the term "Indebtedness" means all present and future indebtedness of the Borrower to the Lender arising out of or in connection with the Note or any of the other Loan Documents.

SECTION THREE CONDITIONS

3.1 Conditions Precedent to Closing. In addition to any other conditions stated in this Agreement, the following conditions must be satisfied prior to Lender closing on the Loan.

(a) Loan Documents. Receipt by Lender of appropriately completed and duly executed originals of this Agreement, the Note, the Guaranty, the Deed of Trust, the Leases Assignment, the Documents Assignment, the Consents, the Environmental Indemnity, UCC-1 Financing Statements and Intercreditor Agreement, all as Lender may require (collectively, together with any other documents executed and delivered in connection with the Indebtedness, the "Loan Documents").

(b) Organizational Documents. The Borrower and each entity comprising the Borrower shall supply to the Lender, to the extent it has not previously done so in any prior transaction with the Lender: (i) a currently certified copy of its Articles of Organization and all amendments thereto; (ii) evidence satisfactory to the Lender and its counsel that it is in good standing in the jurisdiction where organized and qualified to do business in every jurisdiction in which the nature of its businesses or its properties makes such qualification necessary; (iii) resolutions authorizing the due execution and delivery of the Loan Documents to which it is a party; and (iv) certified copies of its Operating Agreement and all amendments thereto. The Articles of Organization and the Operating Agreement of Borrower and each entity comprising the Borrower shall not be amended, changed or modified in any respect without prior written consent of the Lender. In addition, the Guarantor shall supply, to the extent it has not previously done so in any prior transaction with the Lender: (i) a currently certified copy of its Articles of

Incorporation and all amendments thereto; (ii) evidence satisfactory to Lender and its counsel that it is in good standing in the jurisdiction where organized and qualified to do business in every jurisdiction in which the nature of its businesses or its properties makes such qualification necessary; (iii) resolutions authorizing the due execution and delivery of the Loan Documents to which it is a party and a certificate of incumbency; and (iv) certified copies of its By-Laws and all amendments thereto. The Articles of Incorporation and the Bylaws of the Guarantor shall not be amended, changed or modified in any respect without the prior written consent of the Lender; provided, however, that on the condition that the Lender is given thirty (30) days advance written notice, the Lender hereby consents to the Guarantor's change in corporate domicile from Delaware to Virginia and all amendments to its organizational documents as are reasonably required to effect such change in domicile subsequent to the closing of the Loan; provided further that UCC-1 financing statements shall be filed in the changed domicile at the cost and expense of the Borrower.

(c) Opinion. Receipt by the Lender of the opinion(s) of the counsel for Borrower and the Guarantor, in form and content satisfactory to the Lender, in its sole, but reasonable, discretion.

(d) Insurance. Receipt by the Lender of certificate(s) of insurance to evidence a fully paid policy or policies of comprehensive public liability insurance naming Lender as an additional insured thereunder in an amount not less than Two Million and No/100 Dollars (\$2,000,000.00) in the aggregate with not less than One Million and No/100 Dollars (\$1,000,000.00) per occurrence; in any event, the amount of all insurance shall be sufficient to prevent any co-insurance contribution on any loss, with each policy providing for a thirty (30) day prior written notice of cancellation, amendment or alteration.

(e) Operating Account. The Borrower shall have established its primary operating account with the Lender.

(f) Financing Statements. The financing statements necessary to perfect the Lender's security interest in the personal property subject to the Deed of Trust, and in any other collateral requiring the filing of a financing statement for perfection of a lien thereon, shall be duly filed in all appropriate offices and jurisdictions, all other financing statements covering any of such personal property shall be terminated or the Lender shall be reasonably satisfied that such terminations are forthcoming, and filing and recording receipts evidencing such filings and terminations shall be delivered to Lender, all in form and substance satisfactory to the Lender.

(g) Property Documents. The Lender shall have received and approved in its sole discretion, the following:

(1) Appraisals. An appraisal of the Property, prepared by an appraiser acceptable to the Lender, in form and content acceptable to the Lender, conforming to all regulatory and internal appraisal guidelines applicable to or established by the Lender, in its sole, absolute, nonreviewable discretion, reflecting a "when developed" discounted value satisfactory to the Lender (the "Appraisal");

(2) Title Insurance. A commitment for title insurance (the “Title Commitment”) insuring the first priority lien of the Deed of Trust in the aggregate amount of the Note and the AD&C Loans, containing no exceptions unacceptable to the Lender, issued in the name of the Lender by a title company acceptable to the Lender and in an amount equal to the aggregate principal amount of the Note and the AD&C Loans. The Title Commitment and the title policy issued pursuant thereto (the “Title Policy”) shall reflect that all requirements for issuance of the Title Policy have been satisfied, and shall contain such other endorsements or coverages as the Lender may require.

(3) Survey. A current survey and legal description of the Property and the Housing Parcel satisfactory to the Lender from a registered land surveyor of the State of Maryland, which survey shall show all easements, rights of way and other matters of record, shall locate all existing improvements on the Property and the Housing Parcel, shall contain metes and bounds descriptions of each applicable constituent portion of the Property acceptable to the Lender and its counsel, shall generally show a state of facts acceptable to the Lender, and shall contain a surveyor’s certificate satisfactory to the Lender.

(4) Subdivision Plat. Approval by the Lender and its construction consultant of the form of Record Plat to be recorded.

(5) Development Approvals. Copies of the certified site plan for the Property showing, without limitation, evidence satisfactory to the Lender that the Property can be developed without any requirement for development of the Housing Parcel.

(6) Development and Construction Budgets. Final budget for the Development for the Property which shall have been reviewed and approved by the Lender in its sole discretion and by the Lender’s Development and construction consultant (the “Lender’s Inspector”). It is understood that the Development budget may be a combined budget for development work on the Housing Parcel, in which event the Lender will allocate funding under the Loan and the AD&C Loans based upon percentage of work completed as determined by the Lender’s Inspector.

(7) Development Documents. The Plans and Specifications, Development Schedule and any and all other Development documents requested by the Lender and/or the Lender’s Inspector, which shall have been reviewed and approved by the Lender in its sole discretion and by the Lender’s Inspector.

(8) Flood Hazard. Evidence that no part of the Property or the Housing Parcel is located in a special flood hazard area.

(9) Public Utilities. Evidence to the effect that sanitary sewer, water, electric, gas, telephone and other public utilities are available and adequate to serve the Property and the Housing Parcel.

(10) Licenses and Permits. Copies of all licenses and permits in connection with the Property and the Housing Parcel, including without limitation licenses, permits, proffers and other conditions to final subdivision and site plan approval for the Property and the Housing Parcel.

(11) Consultant's Review. Satisfactory review and analysis by the Lender's construction consultant of the Development plans, documents and budgets.

(12) Zoning. Receipt by the Lender of a zoning endorsement to the Title Policy acceptable to the Lender or such other written evidence as is acceptable to the Lender that the Property and the Housing Parcel are zoned consistent with the uses contemplated beyond any possibility of appeal and can be developed as proposed as a matter of right, and to the effect, further, that there are no pending proceedings, either administrative, legislative or judicial, which would in any manner adversely affect the status of the zoning with respect to the Property and the Housing Parcel or any part thereof.

(13) Marketing Report. Receipt and satisfactory review and analysis by the Lender of a marketing report.

(h) No Default. No event shall have occurred and be continuing that constitutes an Event of Default (as defined below).

(i) Representations. All representations and warranties contained in this Agreement shall be true and correct in every material respect as of the date of closing of the Loan.

(j) Satisfactory Documents. All documents delivered pursuant to this Agreement must be in form and substance satisfactory to the Lender and its counsel and all legal matters incident to this Agreement must be satisfactory to Lender's counsel.

(k) Identification. As required by federal regulation, closing the Loan is contingent upon satisfactory verification of identity of the signatories and verification that none of the Borrower or the Guarantor or any signers is restricted from conducting business in the United States.

3.2 Conditions Precedent to Advances of Loan. In addition to any other conditions stated in this Agreement, the following conditions related to the Development must be satisfied prior to any disbursements under the Loan and all of the following matters shall have been approved by the Lender.

(a) Permits. Copies of any and all building and similar permits required in connection with the Development, or such portion thereof for which advances are requested, together with such evidence as the Lender may require to the effect that all fees for such permits have been paid. Satisfactory evidence shall be submitted to the Lender that all governmental approvals necessary for the Development, or such portion thereof for which advances are requested, have been obtained. The Lender shall also receive satisfactory evidence that all applicable safety, ecological and environmental laws and any other codes or regulations affecting the Development and/or proposed use of the Property have been complied with.

(b) Plans and Specifications. Two (2) sets of complete copies of the final Plans and Specifications of the Development, which Plans and Specifications shall be satisfactory to the Lender in all respects. The Lender's review of the Plans and Specifications is solely for the benefit of the Lender, and the Lender's approval thereof shall not be deemed in any respect to be a representation or warranty, expressed or implied, that the Development will be sound, have a value of any particular magnitude or otherwise satisfy a particular standard. Prior to any advances for hard costs, the Borrower shall furnish the Lender with copies of the Montgomery County-approved stamped Plans, together with such evidence as the Lender may require to the effect that such Plans and Specifications have been approved by all governmental and quasi-governmental authorities having or claiming jurisdiction, and together with a final Development Budget which must be satisfactory to the Lender in its discretion.

(c) Trade Payment Breakdown. A breakdown of total development costs, which shall include a draw schedule (the "Development Budget") containing reasonable details of amounts anticipated to be payable for each category of work to be performed and materials to be supplied in connection with the Development, and a projected schedule for the progress of the Development, all in such form and containing such details as the Lender shall require. Any change orders shall be subject to the Lender's prior approval. No hard costs shall be advanced under the Loan until such time as the Development Budget has been approved by the Lender in its sole discretion. The Borrower may, from time to time, request reallocation of amounts in the Development Budget based upon such reasonable supporting documentation justifying such reallocation as may be approved by the Lender; any such reallocation shall be subject to the Lender's approval in its sole discretion.

(d) Development Schedule. A projected Schedule ("Development Schedule") for the progress of the Development of the Property and a projection of cash flow, each in such form and containing such details as the Lender shall require. The Borrower shall be required to diligently pursue

and proceed with the Development in accordance with the Development Schedule to completion. Failure of the Borrower to meet the requirements of the Development Schedule for completion of Development shall constitute an Event of Default under this Agreement.

(e) General Contractor. All contracts for Development shall be subject to the Lender's approval. Each Development contract shall be assigned to the Lender effective on a default under any of the Loan Documents. Each Development contractor shall consent to such assignment and agree, in the event of any such default, to continue performance of the contract for the Lender, if the Lender so requests. Comstock Homes of Washington, L.C., an affiliate of the Guarantor, is hereby approved as the general contractor for Development. Prior to any advances for Development costs, the Borrower shall furnish the Lender with a copy of the contractor's license for that portion of the Development. The Borrower shall also furnish the Lender with copies of licenses for all major subcontractors.

(f) Architect's and Engineer's Certificate. The architect and the engineer for the Development shall be subject to the Lender's approval. In addition, the contracts with the architect and the engineer shall be subject to the Lender's approval. A certificate from the architect and/or project engineer will be required to the effect that the Development, if completed in accordance with the Plans and Specifications, will comply with all federal, state, County and local laws, statutes, ordinances, codes, regulations, rules or other laws applicable to the Development ("Applicable Laws"). Prior to any advances for Development costs, the Borrower shall furnish the Lender with a copy of the engineer's license and the architect's license.

(g) Lender's Development Consultant. All draw requests shall be submitted to the Lender and the Lender's Inspector for review and approval. The Borrower shall be responsible for payment of all of the Lender's Inspector's fees.

3.3 Provisions Governing Disbursements of Loan. Disbursements of the Loan shall be governed by the following provisions:

(a) The Development shall be performed by the Borrower in strict accordance with all applicable (whether present or future) laws, ordinances, codes, rules, regulations, requirements and orders of any governmental or regulatory authority having or claiming jurisdiction. The Development shall be in strict accordance with all applicable use or other restrictions and the provisions of any prior declarations, covenants, conditions, restrictions and zoning ordinances and regulations.

(b) The Borrower shall have submitted to the Lender and the Lender's Inspector such information as may be requested by the Lender or the Lender's Inspector to verify the Development costs which are to be incurred in connection with the Development. The Lender shall not be obligated to authorize disbursement of Loan proceeds with respect to the Development for an amount in excess of the Development costs to be incurred in connection therewith as verified by the Lender or the Lender's Inspector pursuant to the provisions of the preceding sentence. The funding of each draw request is subject to an inspection and approval by the Lender's Inspector.

(c) Loan proceeds will be advanced in installments as the Development progresses in accordance with the terms of this Agreement to finance the Development in accordance with the Plans and Specifications, but no more often than once monthly, provided that the Lender is satisfied that the amounts available under the Loan will be sufficient to complete the work and pay or provide for all reasonably anticipated Development costs through the required Development completion date under the Development Schedule. In the event the Lender determines that the amounts available under the Loan, together with any additional cash provided by the Borrower to the Lender, if any, is insufficient to complete the Development in such manner as the Lender may require, the Borrower shall provide such funds necessary to complete the Development. Except for advances for materials and supplies to be delivered to the Property, as to which no retainage will be required, advances of the Loan shall be subject to withholding of retainage in the amount of ten percent (10%) of direct Development costs approved by the Lender or the Lender's Inspector, and at the Lender's discretion of labor and materials brought into the Development and eligible for payment on a trade payable basis.

(d) Advances of the Loan shall be conditioned upon the Lender's receipt of (i) written certification by parties approved by the Lender that the work which is the basis of the requested advance was completed in accordance with the approved Plans and Specifications and within the cost estimates approved by the Lender (or such adjustments of cost estimates of line items as shall be required and approved by the Lender, provided that sufficient funds to complete the Development will be available under such adjusted estimates), to the satisfaction of the Lender, and (ii) evidence that at that time all necessary certificates required to be obtained from any board, agency or department (government or otherwise) have been obtained. All documents required to be submitted to the Lender as a condition of each disbursement shall be on standard AIA forms and shall be furnished to the Lender at the Lender's address set forth in this Agreement. The Lender shall have at least ten (10) business days after receipt of the foregoing documentation prior to funding an approved advance.

(e) The Lender shall have received a notice of title continuation or an endorsement to the title insurance policy with respect to the Property theretofore delivered to the Lender, showing that since the last preceding advance, there has been no change in the status of title and no other exception not theretofore approved by the Lender, which endorsement shall have the effect of advancing the effective date of the policy to the date of the advance then being made and increasing the coverage of the policy by an amount equal to the advance then being made, if the policy does not by its terms provide automatically for such an increase.

(f) Before making the first advance of Loan Proceeds, the Borrower shall have provided to the Lender satisfactory documentary evidence that the general contractor has obtained a Basic Business License from the State of Maryland and such license is in effect.

(g) Before making any advance of Loan proceeds, the Lender may require the Borrower to obtain from any contractor or materialmen it may engage in connection with the Development, acknowledgements of payment and releases of liens and rights to claim liens, if applicable, down to the date of the last preceding advance and concurrently with the final advance. All such acknowledgements and releases shall be in form and substance satisfactory to the Lender.

(h) The Lender shall not be obligated to make the final advance of Loan proceeds hereunder, which shall include the retainage described above, unless (i) the Lender's Inspector has certified to the Lender on standard AIA forms that the work is complete; (ii) the Lender has received evidence satisfactory to it that all work requiring inspection by governmental or regulatory authorities having or claiming jurisdiction has been duly inspected and approved by such authorities and by any rating or inspection organization, bureau, association, or office having or claiming jurisdiction; (iii) that completion of the Development has occurred free and clear of all mechanics' or materialmen's liens and any bills or claims for labor, materials and services in connection with the completion of the Development; and (iv) certificates from the Borrower's architect, engineer and/or contractor, and, if required, from the Lender's Inspector, certifying that the Development has been completed in accordance with, and as completed comply with, the Plans and Specifications and all laws and governmental requirements. All fees and costs of the Lender's Inspector shall be paid by the Borrower.

(i) The Lender shall not be obligated to make any advances of Loan proceeds hereunder unless, in the reasonable judgment of the Lender, all work completed at the time of the application for advance has been performed in a good and workmanlike manner, and all materials and fixtures usually furnished and installed at that stage of the development have been furnished and installed, and no default which has not been cured has occurred under this Agreement or any of the documents evidencing, securing or guaranteeing the Loan.

SECTION FOUR REPRESENTATIONS AND WARRANTIES

In order to induce the Lender to extend credit to the Borrower, the Borrower and the Guarantor each make the following representations and warranties as to itself:

4.1 Organization. The Borrower and each entity comprising the Borrower is a limited liability company duly organized, validly existing and in good standing under the laws of the Commonwealth of Virginia and is duly qualified as a foreign limited liability company and in good standing under the laws of each other jurisdiction in which such qualification is required. The Guarantor represents and warrants that it is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and is duly qualified as a foreign corporation and in good standing under the laws of each other jurisdiction in which such qualification is required.

5.2 Execution and Delivery. The Borrower and each entity comprising the Borrower has the power, and has taken all of the necessary actions, to execute and deliver and perform its obligations under the Loan Documents, and the Loan Documents, when executed and delivered, will be binding obligations of each such entity enforceable in accordance with their respective terms.

4.3 Power. Each of the Borrower and each entity comprising the Borrower has the power and authority to own its properties and to carry on its business as now being conducted.

4.4 Financial Statements. All financial statements and information delivered to the Lender are correct and complete in all material respects and present fairly the financial conditions, and reflect all known liabilities, contingent and otherwise, of the Borrower and the Guarantor as of the dates of such statements and information, and since such dates no material adverse change in the assets, liabilities, financial condition, business or operations of the Borrower or the Guarantor has occurred.

4.5 Taxes. All tax returns and reports of the Borrower and the Guarantor required by law to be filed have been duly filed, and all taxes, assessments, other governmental charges or levies (other than those presently payable without penalty or interest and those that are being contested in good faith in appropriate proceedings) upon the Borrower and/or the Guarantor and upon any of their respective properties, assets, income or franchises, that are due and payable have been paid.

4.6 Litigation. There is no action, suit or proceeding pending or, to the knowledge of the Borrower or the Guarantor, threatened against or affecting the Borrower or the Guarantor that, either in any case or in the aggregate, may result in any material adverse change in the business, properties or assets or in the condition, financial or otherwise, of the Borrower or the Guarantor, or that may result in any material liability on the part of the Borrower or the Guarantor that would materially and adversely affect the ability of the Borrower or the Guarantor to perform its and/or their obligations under the Loan Documents, or that questions the validity of any of the Loan Documents or any action taken or to be taken in connection with the Loan Documents.

4.7 No Breach. The execution and delivery of the Loan Documents, and compliance with the provisions of the Loan Documents, will not conflict with or violate any provisions of law or conflict with, result in a breach of, or constitute a default under, the organizational documents of the Borrower, or any judgment, order or decree binding on the Borrower, or any other agreements to which the Borrower is a party.

4.8 No Defaults. To the best of the Borrower's knowledge, the Borrower is not in default with respect to any debt, direct or indirect, upon or as to which the Borrower has any liability or obligation.

4.9 Compliance. The Borrower is in compliance in all material respects with all applicable laws and regulations, including, without limitation, the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

4.10 Approvals. No authorizations, approvals or consents of, and no filings and registrations with, any governmental or regulatory authority or agency, are necessary for the execution, delivery or performance of the Loan Documents by the Borrower.

4.11 Title to Assets. The Borrower has good and marketable title to all of its assets, subject only to the liens and security interests permitted by this Agreement.

4.12 Use of Proceeds. The proceeds of the Loan shall be used only for the purposes described in this Agreement. The proceeds of the Loan shall not be used to purchase or carry any margin stock, as such term is defined in Regulation U of the Board of Governors of the Federal Reserve System.

4.13 Vacant Status of Property and Housing Parcel. Seneca Concrete, Inc., former tenant of a portion of the Property and/or the Housing Parcel, has vacated its leased premises, and the Property and the Housing Parcel are vacant and free of any tenancy that would or might impair development thereof.

SECTION FIVE
COVENANTS OF BORROWER AND GUARANTOR

In consideration of credit extended or to be extended by the Lender, the Borrower covenants and agrees as follows:

5.1 Financial Information. The Borrower and the Guarantor shall each deliver to the Lender: (i) with respect to the Borrower, each year within ninety (90) days after the close of its fiscal year, financial statements prepared in accordance with standard accounting principles consistently applied, certified as true and correct by an officer of each such entity; (ii) with respect to the Guarantor, each year within ninety (90) days after the close of its fiscal year, audited financial statements; (iii) each year within thirty (30) days after filing, a copy of each such entity's federal income tax return and all schedules thereto, provided that in the event of such extension such entity shall provide the Lender with a copy of the federal income tax return and all schedules thereto within thirty (30) days of the filing of same with the Internal Revenue Services, and (iv) promptly upon the Lender's request, such financial and other information as the Lender reasonably may require from time to time. All financial statements shall be in such reasonable detail and shall be accompanied by such certificates of the Borrower or the Guarantor, as applicable, as may reasonably be required by the Lender.

5.2 Taxes. All tax returns and reports of the Borrower required by law to be filed have been duly filed, and all taxes, assessments, other governmental charges or levies (other than those presently payable without penalty or interest and those that are being contested in good faith in appropriate proceedings) upon the Borrower and upon the Borrower's properties, assets, income or franchises, that are due and payable, have been paid.

5.3 Compliance with Laws. The Borrower shall comply with all applicable laws and regulations including, without limitation, ERISA.

5.4 Maintain Existence. The Borrower and the Guarantor each shall maintain its existence in good standing, maintain and keep its properties in good condition (ordinary wear and tear excepted), maintain adequate insurance for all of its properties with financially sound and reputable insurers. The Borrower shall remain in the same line of business as it is on the date of this Agreement and shall not enter into any new lines of business without the prior written consent of the Lender.

5.5 Notices. As soon as it has actual knowledge, the Borrower shall notify the Lender of the institution or threat of any material litigation or condemnation or administrative proceeding of any nature involving the Borrower.

5.6 Books and Records. The Borrower shall maintain complete and accurate books of account and records. The principal books of account and records shall be kept and maintained at 1886 Metro Center Drive, 4th Floor, Reston, VA 10190. The Borrower shall not remove such books of account and records without giving the Lender at least thirty (30) days prior written notice. The Borrower, upon reasonable notice from the Lender, shall permit the Lender, or any officer, employee or agent designated by the Lender, to examine the books of account and records maintained by the Borrower, and agree that the Lender or such officer, employee or agent may audit and verify the books and records. The Borrower shall reimburse the Lender for any reasonable expenses incurred by the Lender in connection with any such audits. All accounting records and financial reports furnished to the Lender by the Borrower and the Guarantor pursuant to this Agreement shall be maintained and prepared in accordance with GAAP.

5.7 Liens. The Borrower shall not create, incur, assume or permit to exist any mortgage, deed of trust, assignment, pledge, lien, security interest, charge or encumbrance, including, without limitation, the right of a vendor or under a conditional sale contract or the lessor under a capitalized lease (collectively, ("Liens")) of any kind or nature in or upon any of the asset of the Borrower except:

- (a) Liens created or deposits made that are incidental to the conduct of the business of the Borrower, that are not incurred in connection with any borrowing or the obtaining of any credit and that do not and will not interfere with the use by the Borrower of any of its assets in the normal course of its business or materially impair the value of such assets for the purpose of such business; and
- (b) Liens securing the Indebtedness.

5.8 Debt. Except as provided above in Section 5.7, without the prior written consent of the Lender, the Borrower shall not incur or permit to exist any debt for borrowed funds, the deferred purchase price of goods or services or capitalized lease obligations, except for (a) trade debt incurred in the ordinary course of business, and (b) the Indebtedness.

5.9 Contingent Liabilities. Without the prior written consent of the Lender, neither the Borrower nor the Guarantor shall guarantee, endorse, become contingently liable upon or assume the obligation of any person, or permit any such contingent liability to exist, except by the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business.

5.10 Sale of Assets. Without the prior written consent of the Lender, the Borrower shall not sell, lease, assign or otherwise dispose of any of its assets except for (a) the disposition of assets that are no longer needed or useful in its business, (b) assets which have been removed and replaced, (c) sale and conveyance of the Property following recordation of the Record Plat and payment in full of all principal, accrued interest and other charges due under the Loan, and (d) sales of housing lots and units on the Housing Parcel as provided for in the Deed of Trust.

5.11 Mergers and Acquisitions. Without the prior written consent of the Lender, the Borrower shall not merge or consolidate with, or acquire all or substantially all of the assets, stock, partnership interests or other ownership interests of, any other person.

5.12 Loans and Advances. Without the prior written consent of the Lender, the Borrower shall not make any loan or advance to any affiliate, director, member, manager, officer or employee of the Borrower, or any other person, except for the creation of accounts receivable in the ordinary course of business on terms that are no less favorable than would apply in an arms-length transaction.

5.13 Subsidiaries and Joint Ventures. Without the prior written consent of the Lender, the Borrower shall not form any subsidiary, become a general or limited partner in any partnership or become a party to a joint venture. If the Lender grants its consent to the formation or acquisition of a subsidiary Borrower, such entity shall cause each subsidiary to perform and observe all of the covenants contained in this Agreement and the other Loan Documents.

5.14 Affiliates. Without the prior written consent of the Lender, the Borrower shall not engage in business with any of its affiliates except in the ordinary course of business and on terms that are no less favorable to the Borrower than would apply in an arm's length transaction.

5.15 Organization; Control and Management; Transfers. Until such time as the Loan is fully repaid, there shall be no Transfer (hereinafter defined) of any interest in the Borrower, nor any change in the Control (hereinafter defined) or management of either the Borrower or the Guarantor, nor any Transfer of the Property without the Lender's prior written consent. "Transfer" means any assignment, pledge, conveyance, sale, transfer, mortgage, encumbrance, grant of a security interest or other disposition, either directly or indirectly, in the aggregate of fifty percent (50%) or more of the beneficial ownership interests of an entity and the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of an entity, whether through the ability to exercise voting power, by contract or otherwise. "Controlled by" and "controlling" shall have the respective correlative meanings thereto.

SECTION SIX DEFAULT AND REMEDIES

6.1 Default. Each of the following shall constitute an "Event of Default" under this Agreement:

(a) Failure to Pay. If: (i) the Borrower shall fail to pay any monthly payment required under the Note ("Monthly Payments") when due thereunder or (ii) the Borrower shall fail to pay any amount (other than the Monthly Payments) as and when due under any of the other Loan Documents;

(b) Failure to Give Notices. If the Borrower fails to give the Lender any notice required by Section 5.5 of this Agreement within thirty (30) days after it has actual knowledge of the event giving rise to the obligation to give such notice.

(c) Failure to Permit Inspections. If the Borrower refuses to permit the Lender to inspect its books and records in accordance with the provisions of Section 5.6 or failure to permit the Lender to inspect the Property upon reasonable advance notice.

(d) Failure to Record Record Plat. If the Record Plat is not recorded within ninety (90) days following closing the Loan.

(e) Failure to Observe Covenants. If the Borrower fails to perform or observe any non-monetary term, covenant, warranty or agreement contained in this Agreement or in the other Loan Documents for which no cure period or another cure period is provided, and such failure shall continue for a period of thirty (30) days after written notice of such failure has been given to the Borrower by the Lender; provided, however, if such default is not in the payment of any sum due to the Lender hereunder, or was not the subject of an Event of Default for which notice was previously provided, and provided the Borrower is diligently pursuing the cure of such default, then the Borrower shall have an additional sixty (60) days within which to cure such default prior to the Lender exercising any right or remedy available hereunder, or at law or in equity.

(f) Defaults Under Loan Documents. If an Event of Default shall occur under the Note or any other Loan Document and shall not be cured within any applicable grace period.

(g) Breach of Representation. Discovery by the Lender that any representation or warranty made or deemed made by the Borrower in this Agreement or in any other Loan Document or in any statement or representation made in any certificate, report or opinion delivered pursuant to this Agreement or other Loan Document or in connection with any borrowing under this Agreement by the Borrower or the Guarantor or any member, manager, officer, agent, employee or director of the Borrower or the Guarantor, was materially untrue when made or deemed to be made.

(h) Voluntary Bankruptcy. If the Borrower or the Guarantor makes an assignment for the benefit of creditors, files a petition in bankruptcy, petitions or applies to any tribunal for any receiver or any trustee of the Borrower or the Guarantor or any substantial part of the property of the Borrower or the Guarantor, or commences any proceeding relating to the Borrower or the Guarantor under any reorganization, arrangement, composition, readjustment, liquidation or dissolution law or statute of any jurisdiction, whether in effect now or after this Agreement is executed.

(i) Involuntary Bankruptcy. If, within sixty (60) days after the filing of a bankruptcy petition or the commencement of any proceeding against the Borrower or the Guarantor seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, the proceeding shall not have been dismissed, or, if within sixty (60) days, after the appointment, without the consent or acquiescence of the Borrower or the Guarantor, of any trustee, receiver or liquidator of any Borrower or all or any substantial part of the properties of the Borrower or the Guarantor, the appointment shall not have been vacated.

(j) Cross Default. If, as a result of default, any present or future obligations of the Borrower or the Guarantor or any affiliate of the Borrower or the Guarantor to the Lender or any other creditor, whether due to acceleration provisions or otherwise therein, are declared to be due and payable prior to the expressed maturity of such obligations.

(k) Cross Default to Particular Instruments: If an Event of Default by the applicable borrower shall occur under any of the following, as any of the following may be amended, substituted or replaced from time to time: (i) the AD&C Loans, (ii) any loan documents evidencing and/or securing that certain loan from the Lender to New Hampshire Ave. Ventures, LLC ("NHA") in the amount of \$6,000,000.00, which is evidenced, among other things, by a Revolving Development Loan Promissory Note dated August 13, 2012 made by NHA to the order of the Lender; (iii) any loan documents evidencing and/or securing that certain loan from the Lender to NHA in the amount of \$4,000,000.00, which is evidenced, among other things, by a Revolving Construction Loan Promissory Note dated August 13, 2012 made by NHA to the order of the Lender; (iv) any loan documents evidencing and/or securing that certain loan from the Lender to Comstock Potomac Yard, L.C. and Comstock Penderbrook, L.C., jointly and severally, in the amount of \$9,960,000.00, which is evidenced, among other things, by a Deed of Trust Note dated May 30, 2012 made by those obligors to the order of the Lender; and (v) the Subordinate Loan.

(l) Material Adverse Change. A material adverse change occurs in the financial or business condition of the Borrower or the Guarantor.

(m) Judgment. If a judgment, attachment, garnishment or other process is entered against the Borrower and is not vacated or bonded within sixty (60) days after entry (or such shorter period of time as necessary in order to avoid attachment or foreclosure), or if a judgment, attachment, garnishment or other process is entered against the Guarantor that would materially affect the Guarantor's ability to perform its obligations under the Loan Documents, and such judgment, attachment, garnishment or other process is not vacated or bonded within sixty (60) day after entry (or such shorter period of time as necessary in order to avoid attachment or foreclosure).

(n) Dissolution. The dissolution, liquidation or termination of existence of the Borrower or the Guarantor unless a substitute guarantor, satisfactory to the Lender in its sole and absolute discretion, assumes all liability under the Guaranty and Environmental Indemnity and executes any documents which the Lender may reasonably require to implement such substitution, within sixty (60) days after event of dissolution, liquidation or termination of existence.

(o) Change in Management/Control. A change in the management of or controlling interest in the Borrower or the Guarantor without the prior written consent of the Lender.

6.2 Remedies. Upon the occurrence of an Event of Default (a) the Lender, at its option, by written notice to the Borrower, may declare all Indebtedness to the Lender to be immediately due and payable, whether such Indebtedness was incurred prior to, contemporaneous with or subsequent to the date of this Agreement and whether represented in writing or otherwise, without presentment, demand, protest or further notice of any kind, and (b) the Lender may exercise all rights and remedies available to it under the Loan Documents and applicable law. The Borrower agrees to pay all costs and expenses incurred by the Lender in enforcing any obligation under this Agreement or the other Loan Documents, including, without limitation, attorneys' fees. No failure or delay by the Lender in exercising any power or right will operate as a waiver of such power or right, nor will any single or partial exercise of any power or right preclude any other future exercise of such power or right, or the exercise of any other power or right.

6.3 Borrower to Pay Fees and Charges. The Borrower shall pay all fees and charges incurred in the procuring, making and enforcement of the Loan, including without limitation the reasonable fees and disbursements of Lender's attorneys, charges for appraisals, the fee of Lender's inspector and construction consultant, fees and expenses relating to examination of title, title insurance premiums, surveys, and mortgage recording, documentary, transfer or other similar taxes and revenue stamps, loan extension fees, if any, and the Lender's fees for the Loan.

SECTION SEVEN GENERAL PROVISIONS

7.1 Defined Terms. Each accounting term used in this Agreement, not otherwise defined, shall have the meaning given to it under GAAP applied on a consistent basis. The term "person" shall mean any individual partnership, corporation, trust, joint venture, unincorporated association, governmental subdivision or agency or any entity of any nature. The term "subsidiary" means, with respect to any person, a corporation or other person of which shares of stock or other ownership interest having ordinary voting power to elect a majority of the board of directors or other managers of such corporation or person are at the time owned, or the management of which it otherwise controlled, directly or indirectly, through one or more intermediaries, by such person. The term "affiliate" means, with respect to any specified person, any other person that, directly or indirectly, controls or is controlled by, or is under common control with, such specified person. All meanings assigned to defined terms in this Agreement shall be applicable to the singular and plural forms of the terms defined.

7.2 Notices. All notices, requests, demands and other communication with respect hereto shall be in writing and shall be delivered by hand, prepaid by Federal Express (or a comparable overnight delivery service), or sent by the United States first-class mail, certified, postage prepaid, return receipt requested, to the parties at their respective addresses set forth as follows:

If to the Lender, to:

EAGLEBANK
7815 Woodmont Avenue
Bethesda, MD 20814
Attn: Douglas Vigen, Senior Vice President

With a copy to:

Friedlander Mislner, PLLC
5335 Wisconsin Avenue, N.W., Suite 600
Washington, D.C. 20015
Attn: Leonard A. Sloan, Esq.

If to the Borrower, to:

Comstock Redland Road, L.C.
c/o Comstock Holding Companies, Inc.
1886 Metro Center Drive, 4th Floor
Reston, VA 20190
Attn: Christopher Clemente

With a copy to:

Comstock Redland Road, L.C.
c/o Comstock Holding Companies, Inc.
1886 Metro Center Drive, 4th Floor
Reston, VA 20190
Attn: Jubal Thompson, Esq.

Any notice, request, demand or other communication delivered or sent in the manner aforesaid shall be deemed given or made (as the case may be) upon the earliest of (a) the date it is actually received, (b) on the business day after the day on which it is delivered by hand, (c) on the business day after the day on which it is properly delivered by Federal Express (or a comparable overnight delivery service), or (d) on the third (3rd) business day after the day on which it is deposited in the United States mail. Any party may change such party's address by notifying the other parties of the new address in any manner permitted by this Section.

7.3 Successors and Assigns. This Agreement will be binding upon and inure to the benefit of the Lender and the Borrower and their respective successors, assigns, personal representatives, executors and administrators, provided that the Borrower may not assign or transfer its rights under this Agreement.

7.4 Entire Agreement. Except for the other Loan Documents expressly referred to in this Agreement, this Agreement represents the entire agreement between the Lender and the Borrower, supersedes all prior commitments and may be modified only by an agreement in writing.

7.5 Survival. All agreements, covenants, representations and warranties made in this Agreement and all other provisions of this Agreement will survive the delivery of this Agreement and the other Loan Documents and the making of the advances under this Agreement and will remain in full force and effect until the obligations of the Borrower under this Agreement and the other Loan Documents are indefeasibly satisfied.

7.6 Governing Law. This Agreement will be governed by and construed in accordance with the laws of the State of Maryland, without reference to conflict of laws principles.

7.7 Headings. Section headings are for convenience of reference only and shall not affect the interpretation of this Agreement.

7.8 Participations. The Lender shall have the right to sell all or any part of its rights under the Loan Documents, and the Borrower authorizes the Lender to disclose to any prospective participant in the Loan any and all financial and other information in the Lender's possession concerning the Borrower or the collateral for the Loan.

7.9 No Third Party Beneficiary. The parties do not intend the benefits of this Agreement or any other Loan Document to inure to any third party.

7.10 Waiver of Jury Trial. TO THE FULLEST EXTENT PERMITTED BY LAW, THE LENDER AND THE BORROWER KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHTS THEY MAY HAVE TO A TRIAL BY JURY BASED ON, ARISING OUT OF OR UNDER, OR IN CONNECTION WITH THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS.

7.11 Waiver. The rights of the Lender under this Agreement and the other Loan Documents shall be in addition to all other rights provided by law. No waiver of any provision of this Agreement, or any other Loan Document, shall be effective unless in writing, and no waiver shall extend beyond the particular purpose involved. No waiver in any one case shall require the Lender to give any subsequent waivers.

7.12 Severability. If any provision of this Agreement or any other Loan Document is held to be void, invalid, illegal or unenforceable in any respect, such provision shall be fully severable and this Agreement or the applicable Loan Document shall be construed as if the void, invalid, illegal or unenforceable provision were not included in this Agreement or in such Loan Document.

7.13 No Setoffs. With respect to a monetary default claimed by the Lender under the Loan Documents, no setoff, claim, counterclaim, reduction or diminution of any obligation or defense of any kind or nature that the Borrower has or may have against the Lender (other than the defenses of payment, the Lender's gross negligence or willful misconduct) shall be available against the Lender in any action, suit or proceeding brought by the Lender to enforce this Agreement or any other Loan Document. The foregoing shall not be construed as a waiver by the Borrower of any such rights or claims against the Lender, but any recovery upon any such rights or claims shall be had from the Lender separately, it being the intent of this Agreement and the other Loan Documents that the Borrower shall be obligated to pay, absolutely and unconditionally, all amounts due under this Agreement and the other Loan Documents.

7.14 No Merger. The Borrower and the Lender expressly agree that the Borrower's agreement and obligation to pay the Lender's reasonable attorneys' fees and costs, and all other litigation expenses, shall not be merged into any judgment obtained by the Lender, but shall survive the same and shall not be extinguished by any monetary judgment. It is the express intent of the parties hereto that all post-judgment collection fees and expenses (including reasonable attorneys' fees and costs) shall survive entry of a final judgment and shall be collectible by the Lender against the Borrower from time to time following entry of any final judgment obtained by the Lender against the Borrower.

7.15 Counterparts. This Agreement may be executed for the convenience of the parties in several counterparts, which are in all respects similar and each of which is to be deemed to be complete in and of itself, and any one of which may be introduced in evidence or used for any other purpose with the production of the other counterparts thereof.

7.16 Consent to Jurisdiction. The Borrower irrevocably submits to jurisdiction of any state or federal court sitting in the Commonwealth of Virginia or the State of Maryland over any suit, action or proceeding arising out of or relating to this Agreement, the Note or any other Loan Documents. The undersigned irrevocably waives, to the fullest extent permitted by law, any objection that the undersigned may now or hereafter have to the venue of any such suit, action or proceeding brought in any such court and any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. Final judgment in any such court shall be conclusive and binding and may be enforced in any court in which the undersigned is subject to jurisdiction by a suit upon such judgment provided that service of process is effected as provided herein or as otherwise permitted by applicable law.

7.17 Service of Process. The Borrower hereby consents to process being served in any suit, action or proceeding instituted in the Commonwealth of Virginia or the State of Maryland in connection with the Loan by (i) the mailing of a copy thereof by certified mail, postage prepaid, return receipt requested, to the Borrower at the address set forth in the Notices section of this Agreement and (ii)

serving a copy thereof upon the Borrower's registered agent for service of process. The undersigned irrevocably agrees that such service shall be deemed to be service of process upon the undersigned in any such suit, action or proceeding. Nothing in this Agreement shall affect the right of the Lender otherwise to bring proceedings against the undersigned in the courts of any jurisdiction or jurisdictions.

9.18 Exhibits. All exhibits referred to herein as attached hereto are incorporated in full by reference as though fully set forth in this Agreement. The Exhibits are:

- Exhibit A: Legal Description of the Property and the Housing Parcel
- Exhibit B: Form of Apartment Parcel Deed of Trust
- Exhibit C: Carve Out Obligations

[SIGNATURES ON FOLLOWING PAGES]

IN WITNESS WHEREOF, the Borrower and the Lender have caused this Agreement to be executed in their respective names by duly authorized representatives as of the day and year first above written. The Guarantor joins herein to consent and agree to the terms, conditions, provisions and covenants of those sections of this Agreement that address a covenant or obligation of the Guarantor.

WITNESS:

BORROWER:

COMSTOCK REDLAND ROAD, L.C., a Virginia limited liability company

By: Comstock Holding Companies, Inc., a Delaware corporation, its Manager

By: _____
Christopher D. Clemente
Chief Executive Officer

[SEAL]

COMMONWEALTH OF VIRGINIA

COUNTY OF _____, ss:

I, _____, a Notary Public in and for the aforesaid jurisdiction, do hereby certify that Christopher D. Clemente personally appeared before me in said jurisdiction and acknowledged that he is the Chief Executive Officer of Comstock Holding Companies, Inc., which is the Manager of Comstock Redland Road, L.C., a Virginia limited liability company, party to the foregoing instrument, and that the same is his act and deed and the act and deed of said Comstock Redland Road, L.C.

IN WITNESS WHEREOF, I have set my hand and Notarial Seal, this __ day of _____, 2013.

Notary Public

[SEAL]

My Commission expires: _____.

Notary Registration No. _____.

Witness:

GUARANTOR:

COMSTOCK HOLDING COMPANIES, INC., a
Delaware corporation

Print Name:

By:

Christopher D. Clemente
Chief Executive Officer

COMMONWEALTH OF VIRGINIA

COUNTY OF _____, ss:

I, _____, a Notary Public in and for the aforesaid jurisdiction, do hereby certify that Christopher D. Clemente personally appeared before me in said jurisdiction and acknowledged that he is the Chief Executive Officer of Comstock Holding Companies, Inc., a Delaware corporation, party to the foregoing instrument, and that the same is his act and deed and the act and deed of said Comstock Holding Companies, Inc..

IN WITNESS WHEREOF, I have set my hand and Notarial Seal, this __ day of _____, 2013.

Notary Public

[SEAL]

My Commission expires:_____.

Notary Registration No. _____.

Witness:

LENDER:

EAGLEBANK

Print Name:

By:

Douglas Vigen
Senior Vice President

[SEAL]

COMMONWEALTH OF VIRGINIA

COUNTY OF _____, ss:

I, _____, a Notary Public in and for the aforesaid jurisdiction, do hereby certify that Douglas Vigen personally appeared before me in said jurisdiction and acknowledged that he a Senior Vice President of EAGLEBANK; that he has been duly authorized to execute and deliver the foregoing instrument for the purposes therein contained and that the same is his act and deed; that the seal affixed to said instrument is such corporate seal and that it was so affixed by order of the Board of Directors of said Bank; and that he signed his name thereon by like order.

IN WITNESS WHEREOF, I have set my hand and Notarial Seal, this __ day of _____, 2013.

Notary Public

[SEAL]

My Commission expires:_____.

Notary Registration No. _____.

EXHIBIT A

Legal Description of the Property and the Housing Parcel

Parcel P-146 in Montgomery County, Maryland, being that tract of land comprising 4.24307 acres, more or less, said tract of land being bisected by Yellowstone Way.

Tax ID No. 04-001-00776834.

For metes and bounds description, see Exhibit "A" to Commitment for Title Insurance issued by Stewart Title Guaranty Company on February 13, 2013, File No. 01242 – 1549.

EXHIBIT B

FORM OF APARTMENT PARCEL DEED OF TRUST

[ATTACHED]

EXHIBIT C

CARVE OUT OBLIGATIONS

The Guarantor shall also guaranty the full and timely payment of any and all actual loss, damage, cost, expense, liability, claim or other obligation incurred by the Lender (including reasonable attorneys' fees and out-of-pocket costs actually incurred) arising out of or in connection with any one or more of the following (the "Carve Out Obligations"):

(i) Fraud, material misrepresentation or willful misconduct by Borrower or Guarantor or any of their respective members, managers, officers, principals, or any other person properly authorized to make statements or representations, or act, on behalf of Borrower or Guarantor in connection with the Loan or the Property;

(ii) physical waste committed on the Property; damage to the Property as a result of the intentional misconduct, recklessness or gross negligence of Borrower or Guarantor, or any agent or employee of any such persons; or the removal of any portion of the Property by or at the direction of Borrower or Guarantor or any direct or indirect member or manager thereof, in violation of the terms of the Loan Documents (as defined in the Loan Agreement) following a default under the Loan which is not cured within any applicable grace or cure period (an "Event of Default");

(iii) subject to any right to contest or bond off such matters, as provided in the Deed of Trust or Loan Agreement, failure to pay any valid taxes, assessments, mechanics' liens, materialmen's liens or other liens which could create liens on any portion of the Property which would be superior to the lien or security title of the Deed of Trust or the other Loan Documents, to the full extent of the amount claimed by any such lien claimant;

(iv) the breach of any representation, warranty or covenant in, and any liability under any provision in, that certain Environmental Indemnity Agreement of even date herewith given by Borrower and Guarantor to Lender or the breach of any representation, warranty or covenant relating solely to, and any liability under any provision concerning, environmental laws, hazardous substances or asbestos in the Deed of Trust;

(v) the misapplication or conversion of (A) any insurance proceeds paid to Borrower by reason of any loss, damage or destruction to the Property, (B) any awards or other amounts received by Borrower in connection with the condemnation of all or a portion of the Property, or (C) any rents from the Property following an Event of Default or collected in advance; and

(vi) failure to maintain any insurance policies required under the Loan Documents, or timely to pay or provide the amount of any insurance deductible, to the extent of the applicable deductible, following a casualty or other insured event.

List of Subsidiaries

<u>Name</u>	<u>State of Incorporation or Organization</u>
1. Buckhead Overlook, LLC	Georgia
2. Comstock Acquisitions, L.C.	Virginia
3. Comstock Aldie, L.C.	Virginia
4. Comstock Barrington Park, L.C.	Virginia
5. Comstock Bellemeade, L.C.	Virginia
6. Comstock Belmont Bay 5, L.C.	Virginia
7. Comstock Belmont Bay 89, L.C.	Virginia
8. Comstock Blooms Mill II, L.C.	Virginia
9. Comstock Brandy Station, L.C.	Virginia
10. Comstock Carter Lake, L.C.	Virginia
11. Comstock Cascades, L.C.	Virginia
12. Comstock Communities, L.C.	Virginia
13. Comstock Countryside, L.C.	Virginia
14. Comstock Delta Ridge II, L.L.C.	Virginia
15. Comstock East Capitol, L.L.C.	Virginia
16. Comstock Emerald Farm, L.C.	Virginia
17. Comstock Fairfax I, L.C.	Virginia
18. Comstock Flynn's Crossing, L.C.	Virginia
19. Comstock Hamlets of Blue Ridge, L.C.	Virginia
20. Comstock Holland Road, L.L.C.	Virginia
21. Comstock Homes of Atlanta, LLC	Georgia
22. Comstock Homes of North Carolina, L.L.C.	North Carolina
23. Comstock Homes of Raleigh, L.L.C.	North Carolina
24. Comstock Homes of Washington, L.C.	Virginia
25. Comstock James Road, L.L.C.	Georgia
26. Comstock Kelton II, L.C.	Virginia
27. Comstock Lake Pelham, L.C.	Virginia
28. Comstock Landing, L.L.C.	Virginia
29. Comstock Loudoun Condos 1, L.C.	Virginia
30. Comstock Massey Preserve, L.L.C.	Virginia
31. Comstock North Carolina, L.L.C.	North Carolina
32. Comstock Penderbrook, L.C.	Virginia
33. Comstock Potomac Yard, L.C.	Virginia
34. Comstock Realty, LLC	Georgia
35. Comstock Ryan Park, L.C.	Virginia
36. Comstock Sherbrooke, L.C.	Virginia
37. Comstock Station View, L.C.	Virginia
38. Comstock Summerland, L.C.	Virginia
39. Comstock Wakefield, L.L.C.	Virginia
40. Comstock Wakefield II, L.L.C.	Virginia
41. Culpeper Commercial, L.C.	Virginia
42. Highland Avenue Properties, LLC	Georgia
43. Highland Station Partners, LLC	Georgia
44. Mathis Partners, LLC	Georgia
45. North Shore Raleigh II, L.L.C.	Virginia
46. Post Preserve, LLC	Georgia
47. Raleigh Resolution, L.L.C.	Virginia
48. Settlement Title Services, L.L.C.	Virginia
49. TCG Debt Fund II, L.C.	Virginia
50. TCG Fund I, L.C.	Virginia
51. Tribble Road Development, LLC	Georgia
52. Comstock Cascades II, L.C.	Virginia
53. Comstock Ventures XVI, L.C.	Virginia
54. New Hampshire Ave. Ventures, L.L.C.	Virginia
55. W. Street Ventures, L.L.C.	Virginia
56. Comstock Property Management, L.C.	Virginia

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- 57. Comstock Contracting, L.C.
 - 58. Comstock Yorkshire, L.C
 - 59. Comstock Newell, L.C.
 - 60. Comstock Eastgate, L.C.
 - 61. Comstock Services, L.C.
 - 62. Comstock Redland Road, L.L.C.

Virginia
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Virginia

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-123709) of Comstock Holding Companies, Inc. of our report dated March 27, 2013 relating to the financial statements, which appears in this Form 10-K.

/ S / PRICEWATERHOUSECOOPERS LLP

McLean, Virginia

March 27, 2013

**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 annual report on Form 10-K of Comstock Holding Companies, Inc. for the fiscal year ended December 31, 2012;
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 fourth fiscal quarter of the fiscal year ended December 31, 2012 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: March 27, 2013

/s/ JOSEPH M. SQUERI
Joseph M. Squeri
Chief Financial Officer
(Principal financial 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 Annual Report on Form 10-K of Comstock Holding Companies, Inc. (the "Company") for the year ended December 31, 2012, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of Christopher Clemente, Chairman and Chief Executive Officer of the Company and Joseph M. Squeri, Chief Financial Officer of the Company, certify, to our best knowledge and belief, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (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: March 27, 2013

/S / CHRISTOPHER CLEMENTE
Christopher Clemente
Chairman and Chief Executive Officer

Date: March 27, 2013

/S / JOSEPH M. SQUERI
Joseph M. Squeri
Chief Financial Officer

