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

FORM 10-Q

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

For the quarterly period ended **June 30, 2018**

or

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

For the transition period from _____ to _____

Commission File Number **1-32375**

Comstock Holding Companies, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

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

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

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

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

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

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by checkmark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of August 14, 2018, 3,690,693 shares of Class A common stock, par value \$0.01 per share, and 220,250 shares of Class B common stock, par value \$0.01 per share, of the registrant were outstanding.

COMSTOCK HOLDING COMPANIES, INC. AND SUBSIDIARIES

FORM 10-Q
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PART I – FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****COMSTOCK HOLDING COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except share and per share data)**

| | <u>June 30, 2018</u> (unaudited) | <u>December 31, 2017</u> |
|--|---|------------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 5,725 | \$ 1,806 |
| Restricted cash | 1,237 | 1,141 |
| Trade receivables | 596 | 491 |
| Trade receivables - related parties | 11 | 145 |
| Real estate inventories | 34,915 | 44,711 |
| Fixed assets, net | 262 | 309 |
| Goodwill and intangibles | 1,906 | 1,939 |
| Other assets, net | 1,266 | 616 |
| TOTAL ASSETS | <u>\$ 45,918</u> | <u>\$ 51,158</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Accounts payable and accrued liabilities | \$ 4,886 | \$ 9,116 |
| Accounts payable - related parties | 687 | — |
| Deferred revenue | 2,812 | — |
| Notes payable - secured by real estate inventories, net of deferred financing charges | 20,188 | 23,215 |
| Notes payable - due to affiliates, unsecured, net of discount and deferred financing charges | 4,874 | 14,893 |
| Notes payable - unsecured, net of deferred financing charges | 1,096 | 1,285 |
| Income taxes payable | 57 | 39 |
| TOTAL LIABILITIES | <u>34,600</u> | <u>48,548</u> |
| Commitments and contingencies (Note 13) | | |
| STOCKHOLDERS' EQUITY (DEFICIT) | | |
| Series C preferred stock \$0.01 par value, 3,000,000 shares authorized, 2,799,848 and 579,158 shares issued and outstanding and liquidation preference of \$13,999 and \$2,896, at June 30, 2018 and December 31, 2017, respectively | \$ 7,193 | \$ 442 |
| Class A common stock, \$0.01 par value, 11,038,071 shares authorized, 3,690,693 and 3,295,518 issued, and outstanding, respectively | 37 | 33 |
| Class B common stock, \$0.01 par value, 220,250 shares authorized, issued, and outstanding, respectively | 2 | 2 |
| Additional paid-in capital | 181,009 | 177,612 |
| Treasury stock, at cost (85,570 shares Class A common stock) | (2,662) | (2,662) |
| Accumulated deficit | (191,528) | (189,803) |
| TOTAL COMSTOCK HOLDING COMPANIES, INC. DEFICIT | (5,949) | (14,376) |
| Non-controlling interests | 17,267 | 16,986 |
| TOTAL EQUITY | <u>11,318</u> | <u>2,610</u> |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | <u>\$ 45,918</u> | <u>\$ 51,158</u> |

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

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|-----------|---------------------------|-----------|
| | 2018 | 2017 | 2018 | 2017 |
| Revenues | | | | |
| Revenue—homebuilding | \$ 10,709 | \$ 10,235 | \$ 16,270 | \$ 20,299 |
| Revenue—asset management | 2,960 | — | 5,751 | — |
| Revenue—real estate services | 631 | 285 | 1,078 | 489 |
| Total revenue | 14,300 | 10,520 | 23,099 | 20,788 |
| Expenses | | | | |
| Cost of sales—homebuilding | 11,543 | 9,221 | 17,038 | 18,322 |
| Cost of sales—asset management | 2,606 | — | 5,147 | — |
| Cost of sales—real estate services | 676 | 296 | 853 | 520 |
| Impairment charges | 216 | — | 774 | — |
| Sales and marketing | 209 | 340 | 428 | 721 |
| General and administrative | 368 | 1,226 | 728 | 2,472 |
| Interest and real estate taxes | 24 | — | 109 | — |
| Operating loss | (1,342) | (563) | (1,978) | (1,247) |
| Other income, net | 41 | 28 | 55 | 48 |
| Loss before income tax benefit | (1,301) | (535) | (1,923) | (1,199) |
| Income tax benefit | 484 | — | 478 | — |
| Net loss | (817) | (535) | (1,445) | (1,199) |
| Net income (loss) attributable to non-controlling interests | 185 | (922) | 280 | (939) |
| Net (loss) income attributable to Comstock Holding Companies, Inc. | (1,002) | 387 | (1,725) | (260) |
| Paid-in-kind dividends on Series B Preferred Stock | — | — | — | 78 |
| Extinguishment of Series B Preferred Stock | — | — | — | (1,011) |
| Net (loss) income attributable to common stockholders | \$ (1,002) | \$ 387 | \$ (1,725) | \$ 673 |
| Basic net (loss) income per share | \$ (0.27) | \$ 0.12 | \$ (0.47) | \$ 0.20 |
| Diluted net (loss) income per share | \$ (0.27) | \$ 0.11 | \$ (0.47) | \$ 0.20 |
| Basic weighted average shares outstanding | 3,759 | 3,359 | 3,684 | 3,351 |
| Diluted weighted average shares outstanding | 3,759 | 3,397 | 3,684 | 3,403 |

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

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

| | Six Months Ended June 30, | |
|--|---------------------------|-----------------|
| | 2018 | 2017 |
| Cash flows from operating activities: | | |
| Net loss | \$ (1,445) | \$ (1,199) |
| Adjustment to reconcile net loss to net cash provided by operating activities | | |
| Amortization of loan discount, loan commitment and deferred financing fees | 217 | 637 |
| Deferred income tax benefit | (495) | — |
| Depreciation expense | 111 | 74 |
| Earnings from unconsolidated joint venture, net of distributions | 26 | 31 |
| Stock compensation | 155 | 122 |
| Impairment charges | 774 | — |
| Changes in operating assets and liabilities: | | |
| Trade receivables | 29 | (135) |
| Real estate inventories | 9,189 | 257 |
| Other assets | (694) | 717 |
| Accrued interest | (280) | 271 |
| Accounts payable and accrued liabilities | (658) | 1,285 |
| Income taxes payable | 18 | (19) |
| Net cash provided by operating activities | <u>6,947</u> | <u>2,041</u> |
| Cash flows from investing activities: | | |
| Purchase of fixed assets | (64) | (13) |
| Principal received on note receivable | 19 | 18 |
| Net cash (used in) provided by investing activities | <u>(45)</u> | <u>5</u> |
| Cash flows from financing activities: | | |
| Proceeds from notes payable | 8,276 | 11,768 |
| Payments on notes payable | (11,086) | (13,613) |
| Loan financing costs | (77) | (71) |
| Distributions to non-controlling interests | — | (2,908) |
| Repurchase of Series C preferred stock | — | (89) |
| Net cash used in financing activities | <u>(2,887)</u> | <u>(4,913)</u> |
| Net increase (decrease) in cash, restricted cash and cash equivalents | 4,015 | (2,867) |
| Cash, restricted cash and cash equivalents, beginning of period | 2,947 | 6,999 |
| Cash, restricted cash and cash equivalents, end of period | <u>\$ 6,962</u> | <u>\$ 4,132</u> |
| Supplemental cash flow information: | | |
| Interest paid, net of interest capitalized | \$ 922 | \$ 457 |
| Supplemental disclosure for non-cash activity: | | |
| Seller's note payable | \$ — | \$ 115 |
| Accrued liability settled through issuance of stock | \$ 71 | \$ 63 |
| Increase in Series B preferred stock value in connection with dividends paid in-kind | \$ — | \$ 24 |
| Conversion of Class B common stock to Class A common stock | \$ — | \$ 2 |
| Extinguishment of Series B Preferred Stock | \$ — | \$ 1,011 |
| Increase in Series C Preferred Stock upon conversion of CGF I & II | \$ 6,751 | — |
| Extinguishment of Notes payable-due to affiliates, net of discount | \$ (10,402) | — |

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

COMSTOCK HOLDING COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. ORGANIZATION AND BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of Comstock Holding Companies, Inc. and subsidiaries (“Comstock” or the “Company”) have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and in accordance with the instructions to Form 10-Q and Article 8 of Regulation S-X. Such financial statements do not include all of the disclosures required by GAAP for complete financial statements. In our opinion, all adjustments, consisting only of normal recurring adjustments, considered necessary for a fair presentation have been included in the accompanying consolidated financial statements. For further information and a discussion of our significant accounting policies, other than discussed below, refer to our audited consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Comstock Holding Companies, Inc., incorporated in 2004 as a Delaware corporation, is a multi-faceted real estate development and services company primarily focused in the mid-Atlantic region of the United States. In 2018, the Company has made a strategic decision to transform its operational platform from for sale production homebuilding to asset management, commercial development and complementary real estate related services. Moving forward, along with the buildout of the existing homebuilding pipeline, the Company will operate through two primary real estate focused platforms – CDS Asset Management, LC (“CAM”) and Comstock Real Estate Services, LC (“CRES”). Concurrently, the Company will wind down its on-balance sheet production homebuilding. References in these consolidated financial statements on Form 10-Q to “Comstock,” “Company”, “CAM”, “CRES”, “we,” “our” and “us” refer to Comstock Holding Companies, Inc. together in each case with our subsidiaries and any predecessor entities unless the context suggests otherwise.

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

Throughout this quarterly report on Form 10-Q, amounts are in thousands, except per share data, number of units, or as otherwise noted.

For the three and six months ended June 30, 2018 and 2017, comprehensive loss equaled net loss; therefore, a separate statement of comprehensive loss is not included in the accompanying consolidated financial statements.

Liquidity and Capital Resources

The Company requires capital to operate, manage assets, provide real estate services, develop land, construct homes, and fund carrying costs and overhead. These expenditures include payroll, engineering, entitlement, utilities and interest as well as the construction costs of our projects. Its sources of capital include fees generated from various asset management agreements, private equity and debt placements (which has included significant participation from Company insiders), funds derived from various secured and unsecured borrowings to finance acquisition, development and construction on acquired land, cash flow from operations, which includes fees generated from service agreements and the sale and delivery of constructed homes, and the potential sale of public debt and equity securities. The Company is involved in ongoing discussions with lenders and equity sources in an effort to provide additional growth capital to fund various new business opportunities.

The Company has outstanding borrowings with various financial institutions and other lenders that have been used to finance the acquisition of new service business opportunities, as well as acquisition, development and construction of real estate projects. It has generally financed its development and construction activities on a single or multiple project basis so it is not uncommon for each of our projects or collection of our projects to have a separate credit facility. Accordingly, the Company typically has had numerous credit facilities and lenders.

As of June 30, 2018, \$8.7 million of the Company’s outstanding credit facilities and project related loans mature at various periods through the end of 2018. Active discussions are taking place with our lenders to seek long term extensions and modifications to these loans. These debt instruments impose certain restrictions on our operations, including speculative unit construction limitations, curtailment obligations, and financial covenant compliance. If the Company fails to comply with any of these restrictions, an event of default could occur. Additionally, events of default could occur if we fail to make required debt service payments or if we fail to come to agreement on an extension on a certain facility prior to a given loan’s maturity date. Any event of default would likely render the obligations under these instruments due and payable as of that event. Any such event of default would allow certain of our lenders to exercise cross default provisions in our loan agreements with them, such that all debt with that institution could be called into default. Refer to Note 12 – *Debt* for further discussion regarding the Company’s credit facilities and Note 23 – *Subsequent Events* for other subsequent events impacting our credit facilities’ extensions.

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Recent Developments

Our business strategy to transition to a full-service asset manager and real estate services company involves the initial integration of our existing homebuilding operating platform with the commercial development operating platform of the Chief Executive Officer's private company and thereafter to grow our assets under management and expand our service based relationships. To anchor our new business focus, on March 30, 2018, the Company entered into an initial Master Asset Management Agreement ("AMA") effective January 2, 2018, through its CAM subsidiary, with Comstock Development Services, LC ("CDS"), an entity wholly owned by the Chief Executive Officer of the Company. Under the AMA, CDS will pay CAM an annual cost-plus fee in an aggregate amount equal to the sum of (i) the employment expenses of personnel dedicated to providing services to CDS' private portfolio pursuant to the AMA, (ii) the costs and expenses of the Company related to maintaining the listing of its shares on a securities exchange and complying with regulatory and reporting obligations as a public company, and (iii) a fixed annual payment of \$1,000,000 (the "Annual Fee"). In connection with the execution of the AMA, CDS paid CAM a deposit in the aggregate amount of \$2,500,000 pursuant to the Agreement that will be credited against the Annual Fee to be paid to CAM in accordance with the Agreement. The initial term of the Agreement will terminate on December 31, 2022 ("Initial Term"). The Agreement will automatically renew for successive additional one-year terms (each an "Extension Term") unless CDS delivers written notice of non-renewal of the Agreement at least 180 days prior to the termination date of the Initial Term or any Extension Term.

Entering into the initial AMA is part of the Company's strategic plan to transform its business model from for-sale homebuilding to asset management and commercial development. In addition to the AMA, CRES continues to organically grow and pursue acquisitions of businesses and assets that provide supply chain services to assets under management pursuant to AMA as well as to unrelated third parties in the areas of environmental consulting, mortgage brokerage, and capital market services.

Use of Estimates

Our consolidated financial statements have been prepared in accordance with GAAP. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts for the reporting periods. We base these estimates and judgments on historical experience and on various other factors that we believe to be reasonable under the circumstances. We evaluate these estimates and judgements on an ongoing basis. Actual results may differ from those estimates under different assumptions or conditions. Material estimates are utilized in the valuation of real estate inventories, valuation of deferred tax assets, analysis of goodwill impairment, valuation of equity-based compensation, valuation of preferred stock issuances, capitalization of costs, consolidation of variable interest entities, fair value of debt instruments and warranty reserves.

Reclassifications

Certain amounts in the prior year consolidated financial statements have been reclassified to the current year presentation. The impact of the reclassifications made to prior year amounts is not material and did not affect net loss.

Recently Adopted Accounting Standards

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09"). ASU 2014-09 provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU No. 2014-09 will require an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14, which deferred the effective date of ASU 2014-09 for one year, which would make the guidance effective for the Company's first fiscal year beginning after December 15, 2017. The Company adopted this standard using the modified retrospective method effective January 1, 2018. There were no material adjustments to the financial statements as a result of this adoption. Refer to Note 9 – *Revenue* for further information regarding revenue from contracts with customers.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"). ASU 2016-15 reduces the existing diversity in practice in financial reporting across all industries by clarifying certain existing principles in ASC 230, *Statement of Cash Flows*, including providing additional guidance on how and what an entity should consider in determining the classification of certain cash flows. Additionally, in November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash* ("ASU 2016-18"). ASU 2016-18 clarifies certain existing principles in ASC 230, *Statement of Cash Flows*, including providing additional guidance related to transfers between cash and restricted cash and how entities present, in their statement of cash flows, the cash receipts and cash payments that directly affect the restricted cash accounts. Both ASU 2016-15 and ASU 2016-18 were adopted for the Company's fiscal year beginning January 1, 2018. The adoption resulted in presentation reclassification of cash and restricted cash for the six months ended June 30, 2018 and 2017 of \$1.2 million and \$1.5 million, respectively, in its consolidated statement of cash flows.

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In January 2017, the FASB issued ASU 2017-01, “Business Combinations (Topic 805), Clarifying the Definition of a Business”, which provides a more robust framework to use in determining when a set of assets and activities (collectively referred to as a “set”) is a business. The standard requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. ASU 2017-01 is effective for public business entities for annual periods beginning after December 15, 2017, including interim periods within those periods. The amendments in ASU 2017-01 will be applied prospectively beginning January 1, 2018. The adoption of ASU 2017-01 did not have a material effect on our consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, “Compensation—Stock Compensation (Topic 718)—Scope of Modification Accounting.” The amendments in this update provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. ASU 2017-09 is effective for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2017. The amendments in this update will be applied prospectively to an award modified on or after the adoption date, January 1, 2018. The adoption of ASU 2017-09 did not have a material effect on our consolidated financial statements.

Recently Issued Accounting Standards

In March 2018, the FASB issued ASU 2018-05, “Income Taxes (Topic 740), Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118. The Tax Cuts and Jobs Act (the “Act”) changes existing United States tax law and includes numerous provisions that will affect businesses. The Act, for instance, introduces changes that impact U.S. corporate tax rates, business-related exclusions, and deductions and credits. ASC Topic 740 provides accounting and disclosure guidance regarding the recognition of taxes payable or refundable for the current year and the recognition of deferred tax liabilities and deferred tax assets for the future tax consequences of events that have been recognized in an entity’s financial statements or tax returns. In accordance with SEC Staff Accounting Bulletin (SAB) 118, entities that elect to record provisional amounts must base them on reasonable estimates and may adjust those amounts for a period of up to a year after the December 22, 2017 enactment date. We do not expect the amendments of ASU 2018-05 to have a material effect on our consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, “Simplifying the Test for Goodwill Impairment,” which removes Step 2 from the goodwill impairment test and replaces the qualitative assessment. Impairment will be measured using the difference between the carrying amount and the fair value of the reporting unit. Under this revised guidance, failing Step 1 will always result in a goodwill impairment. The amendments in this update should be applied prospectively for annual and interim periods in fiscal years beginning after December 15, 2019. Early adoption is permitted for goodwill impairment tests with measurement dates after January 1, 2017. We do not expect the adoption of ASU 2017-04 to have a material effect on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, “Leases”. The core principle of the standard is that a lessee should recognize the assets and liabilities that arise from leases. A lessee should recognize in its statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. ASU 2016-02 is effective for public companies for annual reporting periods beginning after December 15, 2018 and interim periods within those fiscal years. Early adoption is permitted. We are currently evaluating the impact this new standard will have on our consolidated financial statements.

We assessed other accounting pronouncements issued or effective during the three and six months ended June 30, 2018 and deemed they were not applicable to us and are not anticipated to have a material effect on our consolidated financial statements.

2. TRADE RECEIVABLES

Trade receivables include amounts due from real estate services, asset management, commercial development, home sales transactions and amounts due from related parties with whom we have service arrangements. There is no allowance for doubtful accounts recorded.

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| | June 30, 2018 | December 31, 2017 |
|-------------------------------|------------------|----------------------|
| Trade | \$ 466 | \$ 432 |
| Due from settlement attorneys | — | — |
| Related parties | 11 | 145 |
| Other | 130 | 59 |
| | <u>\$ 607</u> | <u>\$ 636</u> |

3. REAL ESTATE INVENTORIES

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

| | June 30, 2018 | December 31, 2017 |
|---|------------------|----------------------|
| Land and land development costs | \$18,484 | \$ 24,304 |
| Cost of construction (including capitalized interest and real estate taxes) | 16,431 | 20,407 |
| | <u>\$34,915</u> | <u>\$ 44,711</u> |

As a result of our impairment analysis, for the three and six months ended June 30, 2018, the Company expensed \$0.2 and \$0.8 million, respectively, of feasibility, site securing, predevelopment, design, carry costs and related costs for two of its communities in the Washington, D.C. metropolitan area due to unsuccessful negotiations and market conditions. There were no impairment charges recorded during the three and six months ended June 30, 2017.

4. NOTE RECEIVABLE

The Company originated a note receivable to a third party in the amount of \$180 in September 2014. This note has a maturity date of September 2, 2019 and is payable in monthly installments of principal and interest. This note bears a fixed interest rate of 6% per annum. As of June 30, 2018, and December 31, 2017, the outstanding balance of the note was \$47 and \$66, respectively, and is included within 'Other assets' in the accompanying consolidated balance sheets. Interest income, which is included in 'Other income, net' in the consolidated statements of operations, for the three and six months ended June 30, 2018 was \$1 and \$2, respectively. For the three and six months ended June 30, 2017, interest income was \$2 and \$3, respectively.

5. GOODWILL & INTANGIBLES

On July 17, 2017, JK Environmental Services, LLC, ("JK") an entity wholly owned by CDS Capital Management, L.C., a subsidiary of Comstock, purchased all of the business assets of Monridge Environmental, LLC for \$2.3 million. JK has its principal office located in Conshohocken, Pennsylvania, and operates in Maryland, Pennsylvania, New Jersey, and Delaware. JK Operates as an environmental services company, providing consulting, remediation, and other environmental services.

Goodwill represents the excess of the acquisition purchase price over the fair value of assets acquired and liabilities assumed, and it is not deductible for income tax purposes. As of the acquisition date, goodwill consisted primarily of synergies resulting from the combination, expected expanded opportunities for growth and production, and savings in corporate overhead costs.

Intangible assets include customer relationships which has an amortization period of four years.

| | June 30, 2018 | December 31, 2017 |
|---------------------------------|------------------|----------------------|
| Goodwill | \$ 1,702 | \$ 1,702 |
| Intangibles | 268 | 268 |
| | 1,970 | 1,970 |
| Less : accumulated amortization | (64) | (31) |
| | <u>\$ 1,906</u> | <u>\$ 1,939</u> |

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As of June 30, 2018, the future estimated amortization expense related to these intangible assets was:

| | Amortization Expense |
|-------|---------------------------------|
| 2018 | \$ 34 |
| 2019 | 67 |
| 2020 | 67 |
| 2021 | 36 |
| Total | <u>\$ 204</u> |

6. OTHER ASSETS

Other assets consist of the following:

| | June 30, 2018 | December 31, 2017 |
|---------------------------------|--------------------------|------------------------------|
| Bonds and escrow deposits | \$ 628 | \$ 380 |
| Prepaid Insurance | 579 | 486 |
| Other | 343 | 419 |
| | 1,550 | 1,285 |
| Less : accumulated amortization | (284) | (669) |
| | <u>\$ 1,266</u> | <u>\$ 616</u> |

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

| | June 30, 2018 | December 31, 2017 |
|------------------------------------|--------------------------|------------------------------|
| Trade and accrued payables | \$ 3,600 | \$ 8,279 |
| Accounts payable - related parties | 687 | — |
| Warranty | 206 | 258 |
| Customer deposits | 1,080 | 575 |
| Other | — | 4 |
| | <u>\$ 5,573</u> | <u>\$ 9,116</u> |

8. CONTRACT ASSETS AND CONTRACT LIABILITIES

Contract assets consist of unbilled receivables, net, which represent the balance of recoverable costs and accrued profit, comprised principally of revenue recognized on contracts for which billings have not been presented to the customer. Progress payment balances in excess of revenue recognized, as well as advance payments received from customers, are classified as deferred contract liabilities on the consolidated balance sheet in the financial statement line item titled "Deferred revenue." Homebuilding purchase deposits are classified as deferred contract liabilities on the consolidated balance sheet in the financial statement line item titled "Accounts payable and accrued liabilities."

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Contract assets and liabilities consisted of the following:

| | <u>June 30,</u> <u>2018</u> | <u>December 31,</u> <u>2017</u> |
|---|--------------------------------|------------------------------------|
| Contract Assets: Accounts Receivable | | |
| Asset Management | \$ 97 | \$ — |
| Real Estate Services | 369 | 432 |
| Total Contract Assets | <u>\$ 466</u> | <u>\$ 432</u> |
| Contract Liabilities: Customer Deposits and Deferred Revenue | | |
| Homebuilding - Customer deposits | \$ 1,080 | \$ 575 |
| Asset Management - Deferred revenue | 2,812 | — |
| Total Contract Liabilities | <u>\$ 3,892</u> | <u>\$ 575</u> |

The increases of Accounts Receivable - Asset Management and Deferred Revenue – Asset Management relate to the AMA executed on March 30, 2018 and effective January 2, 2018. See Note 18 – *Related Party Transactions* for details regarding this transaction.

The Company’s other contract liabilities, that consist of deposits received from customers (“Customer deposits”) on homes not settled, were \$1.1 million and \$0.6 million as of June 30, 2018 and December 31, 2017, respectively. During the three and six months ended June 30, 2018, the Company recognized in revenue approximately \$0.3 and \$0.4 million, respectively, of the customer deposits held as of December 31, 2017.

Refer to Note 2 – *Trade Receivables* and Note 4 – *Note Receivable* for complete details regarding amounts due to the Company. Customer deposits are also included in Note 7 – *Accounts Payable and Accrued Liabilities*.

9. REVENUE

The Company’s revenues consist primarily of 1) buildout of the remaining projects under the homebuilding platform, 2) recurring fees earned under the AMA, and 3) real estate management and consulting services. All of the Company’s revenue streams are U.S. based and substantially all are accounted for as short-term contracts. As such, the performance obligations required to complete contracts have an expected duration of less than one year. As a result, the Company does not disclose the value of unsatisfied performance obligations for contracts in accordance with the optional exemptions related to the disclosure of transaction price allocation under ASC 606. Additionally, incremental costs of obtaining a contract are recognized as an expense when incurred because the amortization period of the asset would have been recognized in one year or less. See Note 22 - *Segment Disclosures* for further information on the Company’s operating segments and their nature of operations.

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The following table presents the Company's sales from contracts with customers disaggregated by categories which best represents how the nature, amount and timing and uncertainty of sales are affected by economic factors.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--------------------------------|-----------------------------|------------------|---------------------------|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Revenue by customer | | | | |
| Individual customers | \$ 10,709 | \$ 10,235 | \$ 16,270 | \$ 20,299 |
| Related party | 2,960 | 285 | 5,751 | 489 |
| Commercial | 631 | — | 1,078 | — |
| Total Revenue by customer | <u>\$ 14,300</u> | <u>\$ 10,520</u> | <u>\$ 23,099</u> | <u>\$ 20,788</u> |
| Revenue by contract type | | | | |
| Fixed-price | \$ 10,709 | \$ 10,235 | \$ 16,270 | \$ 20,299 |
| Cost-plus | 2,960 | 285 | 5,751 | 489 |
| Time and Material | 631 | — | 1,078 | — |
| Total Revenue by contract type | <u>\$ 14,300</u> | <u>\$ 10,520</u> | <u>\$ 23,099</u> | <u>\$ 20,788</u> |

Revenue and related profits or losses from homebuilding contracts: the sale of residential properties and units, finished lots and land sales is recognized when closing has occurred, full payment has been received by the Company or its settlement attorney, title and possession of the property has transferred to the buyer and we have no significant continuing involvement in the property. These contracts meet the criteria for recognizing revenue at a point in time, when control of the home has been passed to the customer at settlement, cash has been received by the Company or its settlement attorney, and the title of ownership is transferred to the home buyer. As such, these revenues are disaggregated in 'Individual customers' and 'Fixed-price' in the tables above.

Under the recently executed AMA and the Company's real estate services contracts, performance obligations are satisfied over time. For performance obligations satisfied over time, the objective is to measure progress in a manner which depicts the performance of transferring control to the customer. As such, the company recognizes revenue over time using the percentage of completion cost-to-cost revenue recognition model, which includes cost-plus and fixed-prices contracts, as this depicts when control of the promised goods and/or services are transferred to the customer. Sales are recognized as the ratio of actual costs of work performed to the estimated costs at completion of the performance obligation (cost-to-cost). As such, these revenues are disaggregated in 'Related party' and 'Cost-plus' in the tables above.

Other revenue earned from management, consulting and administrative support services provided, which may or may not be covered by a formal contract, are generally time and material based. Revenue from these contracts is recognized as the services are provided. As such, these revenues are disaggregated in 'Commercial' and 'Time and Material' in the tables above.

10. WARRANTY RESERVE

Warranty reserves for units settled are established to cover potential costs for materials and labor with regard to warranty-type claims expected to arise during the typical one-year warranty period provided by the Company or within the two-year statutorily mandated structural warranty period for condominiums. Because the Company typically subcontracts its homebuilding work, subcontractors are required to provide the Company with an indemnity and a certificate of insurance prior to receiving payments for their work. Claims relating to workmanship and materials are generally the primary responsibility of the subcontractors and product manufacturers. The Company is following the practical expedient for warranties under ASC 606. The warranty reserve is established at the time of closing, and is calculated based upon historical warranty cost experience and current business factors. This reserve is an estimate and actual warranty costs could vary from these estimates. Variables used in the calculation of the reserve, as well as the adequacy of the reserve based on the number of homes still under warranty, are reviewed on a periodic basis. Warranty claims are directly charged to this reserve as they arise.

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The following table is a summary of warranty reserve activity which is included in 'Accounts payable and accrued liabilities' within the consolidated balance sheets:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|----------------------------------|-----------------------------|---------------|---------------------------|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| Balance at beginning of period | \$ 227 | \$ 278 | \$ 258 | \$ 288 |
| Additions | 22 | 46 | 38 | 96 |
| Releases and/or charges incurred | (43) | (42) | (90) | (102) |
| Balance at end of period | <u>\$ 206</u> | <u>\$ 282</u> | <u>\$ 206</u> | <u>\$ 282</u> |

11. CAPITALIZED INTEREST AND REAL ESTATE TAXES

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

The following table is a summary of interest and real estate taxes incurred and capitalized and interest and real estate taxes expensed for units settled:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|-----------------|---------------------------|-----------------|
| | 2018 | 2017 | 2018 | 2017 |
| Interest incurred and capitalized | \$ 346 | \$ 1,249 | \$ 1,242 | \$ 2,275 |
| Real estate taxes incurred and capitalized | 100 | 139 | 166 | 179 |
| Total interest and real estate taxes incurred and capitalized | <u>\$ 446</u> | <u>\$ 1,388</u> | <u>\$ 1,408</u> | <u>\$ 2,454</u> |
| Interest expensed as a component of cost of sales | \$ 694 | \$ 558 | \$ 1,212 | \$ 1,009 |
| Real estate taxes expensed as a component of cost of sales | 65 | 57 | 113 | 117 |
| Interest and real estate taxes expensed as a component of cost of sales | <u>\$ 759</u> | <u>\$ 615</u> | <u>\$ 1,325</u> | <u>\$ 1,126</u> |

The amount of interest from entity level borrowings that we are able to capitalize in accordance with Accounting Standards Codification ("ASC") 835 is dependent upon the average accumulated expenditures that exceed project specific borrowings. For the three and six months ended June 30, 2018, the Company expensed \$24 and \$48, respectively, of interest from entity level borrowings. The Company did not expense any interest from entity level borrowings for the three and six months ended June 30, 2017.

Additionally, when a project becomes inactive, its interest, real estate taxes and indirect production overhead costs are no longer capitalized but rather expensed in the period they are incurred. For the three and six months ended June 30, 2018, the Company expensed \$0 and \$61, respectively, of interest and real estate taxes related to inactive projects. For the three and six months ended June 30, 2017, there were no inactive projects, therefore, no interest or real estate taxes were expensed.

12. DEBT

Notes payable consisted of the following:

| | June 30, 2018 | December 31, 2017 |
|---|------------------|----------------------|
| Construction revolvers | \$ 4,288 | \$ 7,237 |
| Development and acquisition notes | 11,053 | 9,533 |
| Mezzanine notes | 2,030 | 3,253 |
| Line of credit | 1,807 | 2,123 |
| Secured - other | 1,010 | 1,069 |
| Total secured notes | 20,188 | 23,215 |
| Unsecured financing, net of unamortized deferred financing charges of \$22 and \$55 | 1,096 | 1,285 |
| Notes payable- due to affiliates, unsecured, net of \$0.9 million and \$2.0 million discount and unamortized deferred financing charges, respectively | 4,874 | 14,893 |
| Total notes payable | <u>\$26,158</u> | <u>\$ 39,393</u> |

As of June 30, 2018, maturities and/or curtailment obligations of all borrowings are as follows:

| | |
|---------------------|-----------------|
| 2018 | \$ 8,706 |
| 2019 | 15,725 |
| 2020 | 122 |
| 2021 | — |
| 2022 and thereafter | 1,605 |
| Total | <u>\$26,158</u> |

As of June 30, 2018, the Company had \$8.7 million of its credit facilities and project related loans scheduled to mature during the remainder of 2018. As of August 14, 2018, the Company has successfully extended or repaid all obligations with lenders through August 14, 2018, and it is actively engaging its lenders seeking long term extensions and modifications to the loans where necessary. See Note 23 – *Subsequent Events* for further discussion on repayments and extensions subsequent to June 30, 2018.

Construction, development and mezzanine debt – secured

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

As of June 30, 2018, and December 31, 2017, the Company had secured construction revolving credit facilities with a maximum loan commitment of \$24.8 million and \$24.7 million, respectively. The Company may borrow under these facilities to fund its home building activities. The amount the Company may borrow is subject to applicable borrowing base provisions and the number of units under construction, which may also limit the amount available or outstanding under the facilities. The facilities are secured by deeds of trust on the real property and improvements thereon, and the borrowings are repaid with the net proceeds from the closings of homes sold, subject to a minimum release price. As of June 30, 2018, and December 31, 2017, the Company had approximately \$20.5 million and \$17.5 million, respectively, of unused construction loan commitments. The Company had \$4.3 million and \$7.2 million of outstanding construction borrowings as of June 30, 2018 and December 31, 2017, respectively. Interest rates charged under these facilities include the London Interbank Offered Rate (“LIBOR”) and prime rate pricing options, subject to minimum interest rate floors. At June 30, 2018 and December 31, 2017, the weighted average interest rate on the Company’s outstanding construction revolving facilities was 4.7 and 4.6% per annum, respectively. The construction credit facilities have maturity dates ranging from September 2018 to June 2020, including extensions subject to the Company meeting certain conditions.

As of June 30, 2018, and December 31, 2017, the Company had approximately \$34.8 million of aggregate acquisition and development maximum loan commitments of which \$11.1 million and \$9.5 million, respectively, were outstanding. These loans have maturity dates ranging from September 2018 to June 2020, including extensions subject to certain conditions, and bear interest at a rate based on LIBOR and prime rate pricing options, with interest rate floors ranging from 4.5% to 12.0% per annum. As of June 30, 2018 and December 31, 2017, the weighted average interest rate was 7.2% and 7.1% per annum, respectively.

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During 2018, the Company had a mezzanine loan that is being used to finance the development of the Momentum | Shady Grove project. This mezzanine loan was paid in full during the three months ended June 30, 2018. The maximum principal commitment amount of this loan was \$1.1 million, of which \$1.3 million of principal and accrued interest was outstanding at December 31, 2017. This financing carried an annual interest rate of 12%, of which 6% was paid monthly with the remaining 6% being accrued and paid at maturity.

As of June 30, 2018, the Company also had a mezzanine loan that is being used to finance the development of finished lots at its Richmond Station project located in Prince William County, Virginia. The maximum principal commitment amount of this loan is \$2.0 million, of which \$2.0 million of principal and accrued interest was outstanding at June 30, 2018 and December 31, 2017, respectively. This financing carries an annual interest rate of 12% annually. This financing has a maturity date of September 30, 2018, and is guaranteed by the Company and our Chief Executive Officer. Subsequent to June 30, 2018, this financing was refinanced. Refer to Note 23 – *Subsequent Events* for further discussion of this refinancing.

Line of credit – secured

At June 30, 2018 and December 31, 2017, the Company utilized a secured revolving line of credit with a maximum capacity of \$3.0 million, of which \$1.8 million was outstanding at June 30, 2018 and December 31, 2017. This line of credit is secured by the first priority security interest in the Company's wholly owned subsidiaries' in the Washington, D.C. metropolitan area and guaranteed by our Chief Executive Officer. The Company uses this line of credit to finance the predevelopment related expenses and deposits for current and future projects and bears a variable interest rate tied to a one-month LIBOR plus 3.25% per annum, with an interest rate floor of 5.0%. At June 30, 2018 and December 31, 2017, the interest rate was 5.34% and 5.00%, respectively. This line of credit also calls for the Company to adhere to financial covenants such as, minimum net worth and minimum liquidity, measured quarterly and minimum EBITDA, as defined in the agreement, measured on a twelve-month basis. As of June 30, 2018, the Company was in compliance with all financial covenants dictated by the line of credit agreement. This line of credit is guaranteed by our Chief Executive Officer. Subsequent to June 30, 2018, this financing was repaid in full. Refer to Note 23 – *Subsequent Events* for further discussion of this repayment.

Other – secured

As of June 30, 2018 and December 31, 2017, the Company had one secured loan related to JK Environmental, LLC ("JK"). The loan was used to finance the acquisition of JK, and carries a fixed interest rate of 6.0%, with a maturity date of October 17, 2022. At June 30, 2018 and December 31, 2017, this financing had an outstanding balance of \$1.0 million and \$1.1 million, respectively. This financing is secured by the assets of JK and is guaranteed by our Chief Executive Officer.

Unsecured financing

As of June 30, 2018, and December 31, 2017, the Company had \$0.4 million and \$0.6 million, respectively, in outstanding balances under a 10-year unsecured note with a bank. Interest is charged on this financing on an annual basis at the Overnight LIBOR rate plus 2.2%. At June 30, 2018 and December 31, 2017, the interest rate was 4.3% and 3.6% per annum, respectively. The maturity date of this financing is December 28, 2018. The Company is required to make monthly principal and interest payments through maturity.

As of June 30, 2018, and December 31, 2017, the Company had two unsecured seller-financed promissory notes with outstanding balances totaling \$0.7 million. The first note, in the amount of \$0.1 million, carries an annual interest rate of the prime rate plus 5%. At June 30, 2018 and December 31, 2017, the interest rate was 10.0% and 9.5%, respectively. This financing has a maturity date of February 27, 2020, and is guaranteed by our Chief Executive Officer. The second note has an outstanding balance of \$0.6 million as of June 30, 2018 and December 31, 2017. This financing carries an annual interest rate of LIBOR plus 3% and has a maturity date of July 17, 2022. At June 30, 2018 and December 31, 2017, the interest rate was 5.66% and 4.56%, respectively.

Notes payable to affiliate – unsecured

Comstock Growth Fund

On October 17, 2014, CGF entered into a subscription agreement with CDS, pursuant to which CDS purchased membership interests in CGF for a principal amount of \$10.0 million (the "CGF Private Placement"). Other investors who subsequently purchased interests in the CGF Private Placement included members of the Company's management and board of directors and other third party accredited investors for an additional principal amount of \$6.2 million.

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On October 17, 2014, the Company entered into an unsecured promissory note with CGF whereby CGF made a loan to the Company in the initial principal amount of \$10.0 million and a maximum amount available for borrowing of up to \$20.0 million with a three-year term. On December 18, 2014, the loan agreement was amended and restated to provide for a maximum capacity of \$25 million. On May 23, 2018, Comstock Holding Companies, Inc. (“Comstock”, “CHCI” or the “Company”) entered into a Membership Interest Exchange and Subscription Agreement (the “Membership Exchange Agreement”), together with a revised promissory note agreement, in which a note (“CGF Note”) with an outstanding principal and accrued interest balance of \$7.7 million was exchanged for 1,482,300 shares of the Company’s Series C Non-Convertible Preferred Stock, par value \$0.01 per share and a stated liquidation value of \$5.00 per share (the “Series C Preferred Stock”), issued by the Company to Comstock Development Services, LLC (“CDS”), a Company wholly owned by our Chief Executive Officer. The Company exchanged the preferred equity for 91.5% of CDS membership interest in the Comstock Growth Fund promissory note. Concurrently, the face amount of the CGF Note was reduced to \$5.7 million as of the Effective Date. The loan bears interest at a fixed rate of 10% per annum. Interest payments will be made monthly in arrears. There is a principal curtailment requirement of 10% annually based on the average outstanding balance for the prior year. The Company is the administrative manager of CGF but does not own any membership interests. The Company had approximately \$4.9 million and \$11.3 million of outstanding borrowings and accrued interest under the CGF loan, net of discounts, as of June 30, 2018 and December 31, 2017, respectively. As of June 30, 2018, and December 31, 2017, the interest rate was 10.0% and 11.9% per annum, respectively. The maturity date for the CGF loan is April 16, 2019.

For the three and six months ended June 30, 2018, the Company made interest payments of \$0.3 million. For the three and six months ended June 30, 2017, the Company made interest payments of \$0.4 million and \$0.8 million, respectively.

During the three and six months ended June 30, 2018, the Company did not make principal payments to CGF. During the three months ended June 30, 2017, the Company made principal payments to CGF of \$1.5 million.

Comstock Growth Fund II

On December 29, 2015, the Company entered into a revolving line of credit promissory note with Comstock Growth Fund II (“CGF II”) whereby CGF II made a loan to the Company in the initial principal amount of \$5.0 million and a maximum amount available for borrowing of up to \$10.0 million with a two-year term, which may be extended an additional year. The interest rate is 10% per annum, and interest payments will be accrued and paid in kind monthly for the first year, and then paid current monthly in arrears beginning December 31, 2016. The funds obtained from the loan are being used by the Company (i) to capitalize the Company’s current and future development pipeline, (ii) to repay all or a portion of the Company’s prior private placements, and (iii) for general corporate purposes. Effective December 31, 2017, the CGF II loan was extended one year to December 31, 2018. On May 23, 2018, Comstock Holding Companies, Inc. (“Comstock”, “CHCI” or the “Company”) entered into a Note Exchange and Subscription Agreement (the “Note Exchange Agreement”) in which a note (“CGF2 Note”) with an outstanding principal and accrued interest balance of \$3.7 million was exchanged for 738,390 shares of the Company’s Series C Non-Convertible Preferred Stock, par value \$0.01 per share and a stated liquidation value of \$5.00 per share (the “Series C Preferred Stock”), issued by the Company to Comstock Growth Fund II, L.C. (“CGF2”), a Company wholly owned by our Chief Executive Officer. The CGF2 Note was cancelled in its entirety effective as of the Effective Date. As a result of the conversion of CGF & CGF2, the Company recognized a gain of \$3.7 million, which was recorded in ‘Additional paid-in capital’ in the consolidated balance sheet and an income tax benefit of \$0.5 million, which was recorded in the consolidated statement of operations for the three and six months ended June 30, 2018. Refer to Note 14 – *Fair Value Disclosure* for further information regarding the assumptions and methods utilized in determining the fair value of the Preferred Stock issued. As of December 31, 2017, \$3.6 million, was outstanding in principal and accrued interest under the CGF II loan.

13. COMMITMENTS AND CONTINGENCIES

Litigation

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

Letters of credit, performance bonds and compensating balances

The Company has commitments as a result of contracts with certain third parties, primarily local governmental authorities, to meet certain performance criteria outlined in such contracts. The Company is required to issue letters of credit and performance bonds to these third parties as a way of ensuring that the commitments entered into are met. These letters of credit and performance bonds issued in favor of the Company and/or its subsidiaries mature on a revolving basis, and if called into default, would be deemed material if assessed against the Company and/or its subsidiaries for the full amounts claimed. In some circumstances, we have negotiated with our lenders in connection with foreclosure agreements for the lender to assume certain liabilities with respect to the letters of credit and performance bonds. We cannot accurately predict the amount of any liability that could be imposed upon the Company with respect to maturing or defaulted letters of credit or performance bonds. At June 30, 2018, and 2017, the Company had \$1.1 million in outstanding letters of credit. At June 30, 2018, and 2017, the Company had \$4.4 million and \$4.2 million in outstanding performance bonds, respectively. No amounts have been drawn against the outstanding letters of credit or performance bonds.

We are required to maintain compensating balances in escrow accounts as collateral for certain letters of credit, which are funded upon settlement and release of units. The cash contained within these escrow accounts is subject to withdrawal and usage restrictions. As of June 30, 2018, and December 31, 2017, we had approximately \$1.0 million in these escrow accounts, which are included in ‘Restricted cash’ in the accompanying consolidated balance sheets.

14. FAIR VALUE DISCLOSURES

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable, and accounts payable are reasonable estimates of their fair values based on their short maturities. The fair value of fixed and floating rate debt is based on unobservable market rates (Level 3 inputs). The fair value of the fixed and floating rate debt was estimated using a discounted cash flow analysis on the blended borrower rates currently available to the Company for loans with similar terms. The following table summarizes the carrying amount and the corresponding fair value of fixed and floating rate debt.

| | June 30, 2018 | December 31, 2017 |
|-----------------|------------------|----------------------|
| Carrying amount | \$26,158 | \$ 39,393 |
| Fair value | \$25,714 | \$ 38,899 |

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

In connection with the CGF I & II conversions discussed in Note 12 – *Debt* and Note 18 – *Related Party Transactions*, we issued 2,220,690 shares of Series C Non-Convertible Preferred Stock with a liquidation preference of \$5.00 per share. The Series C Preferred Stock has a discretionary dividend feature, as opposed to the mandatory dividend feature in the Series B Preferred Stock. The Company recorded these shares based on the fair value calculation on the effective date of the agreement. The Company used various assumptions and inputs such as current market condition and financial position in calculating the fair value of the Series C Preferred Stock by back solving from the Company’s equity value using the option pricing and the probability-weighted expected return models, adjusted for marketability of the Series C Preferred Stock.

The Company may also value its non-financial assets and liabilities, including items such as real estate inventories and long-lived assets, at fair value on a non-recurring basis if it is determined that impairment has occurred. Such fair value measurements use significant unobservable inputs and are classified as Level 3.

Resulting from impairment analysis conducted during the three and six months ended June 30, 2018, the Company expensed \$0.2 million and \$0.8 million, respectively, of feasibility, site securing, predevelopment, design, carry costs and related costs for two of its communities in the Washington, D.C. metropolitan area due to unsuccessful negotiations and market conditions. There were no impairment charges recorded during the three and six months ended June 30, 2017.

15. RESTRICTED STOCK, STOCK OPTIONS AND OTHER STOCK PLANS

For the three and six months ended June 30, 2018, the Company issued 60,000 stock options to employees. No restricted stock awards were issued during the three and six months ended June 30, 2018.

During the three months ended June 30, 2017, the Company issued 45,000 restricted stock awards. During the six months ended June 30, 2017, the Company issued 157,000 stock options and 245,000 restricted stock awards to employees.

Stock-based compensation expense associated with restricted stock and stock options is recognized based on the grant date fair value of the award over its vesting period. The following table reflects the consolidated balance sheets and statements of operations line items for stock-based compensation for the periods presented:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|---------------|---------------------------|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| Assets - Real Estate Inventories | \$ 4 | \$ 19 | \$ 18 | \$ 24 |
| Cost of sales - Asset Management and Real Estate Services | — | 34 | 86 | 43 |
| Expense - General and administrative | 69 | 56 | 69 | 79 |
| | <u>\$ 73</u> | <u>\$ 109</u> | <u>\$ 173</u> | <u>\$ 146</u> |

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

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As of June 30, 2018, the weighted-average remaining contractual term of unexercised stock options was 8 years. As of June 30, 2018, and December 31, 2017, there was \$0.5 million and \$0.6 million, respectively, of unrecognized compensation cost related to stock grants. As of June 30, 2017, the weighted-average remaining contractual term of unexercised stock options was 7 years. As of June 30, 2017, there was \$0.7 million of unrecognized compensation cost related to stock grants.

The Company intends to issue new shares of its common stock upon vesting of restricted stock grants or the exercise of stock options.

16. LOSS PER SHARE

The weighted average shares and share equivalents used to calculate basic and diluted earnings per share for the three and six months ended June 30, 2018 and 2017 are presented in the accompanying consolidated statements of operations. Restricted stock awards, stock options and warrants for the three and six months ended June 30, 2018 and 2017 are included in the diluted earnings per share calculation using the treasury stock method and average market prices during the periods, unless their inclusion would be anti-dilutive.

As a result of the net loss attributable to common stockholders for the three months ended June 30, 2018, approximately 122 restricted stock awards, 30 stock options, and 65 warrants were excluded from the computation of dilutive earnings per share. As a result of the net loss attributable to common stockholders for the six months ended June 30, 2018, approximately 105 restricted stock awards, 4 stock options, and 34 warrants were excluded from the computation of dilutive earnings per share.

As a result of the net income attributable to common stockholders for the three months ended June 30, 2017, approximately 23 restricted stock awards and 15 warrants were included in the computation of dilutive earnings per share. As a result of the net income attributable to common stockholders for the six months ended June 30, 2017, approximately 32 restricted stock awards and 20 warrants were included in the computation of dilutive earnings per share.

17. VARIABLE INTEREST ENTITIES

Consolidated Real Estate Inventories

Included within the Company's real estate inventories at June 30, 2018 and December 31, 2017 are several projects that are determined to be variable interest entities ("VIEs"). These entities have been established to own and operate real estate property and were deemed VIEs primarily based on the fact that the equity investment at risk is not sufficient to permit the entities to finance their activities without additional financial support. Because of the Company's majority voting rights and complete operational control of these entities, the Company determined that it was the primary beneficiary of these VIEs.

In December 2013, Comstock Investors VIII, L.C. ("Comstock VIII") entered into subscription agreements with certain accredited investors ("Comstock VIII Class B Members"), pursuant to which Comstock VIII Class B Members purchased membership interests in Comstock VIII for an aggregate amount of \$4.0 million (the "Comstock VIII Private Placement"). In connection with the Comstock VIII Private Placement, the Company issued 14,573 warrants for the purchase of shares of the Company's Class A common stock to the non-affiliated accredited investors, having an aggregate fair value of \$131. Comstock VIII Class B Members included unrelated third-party accredited investors along with members of the Company's board of directors and the Company's former Chief Operating Officer and the former Chief Financial Officer. The Comstock VIII Class B Members are entitled to a cumulative, preferred return of 20% per annum, compounded annually on their capital account balances. The Company has the right to repurchase the interests of the Comstock VIII Class B Members at any time, provided that (i) all of the Comstock VIII Class B Members' interests are acquired, (ii) the purchase is made in cash and (iii) the purchase price equals the Comstock VIII Class B Members' capital accounts plus an amount necessary to cause the preferred return to equal a cumulative cash on cash return equal to 20% per annum. The proceeds from the Comstock VIII Private Placement have been used for the construction of the following projects: The Townes at HallCrest in Sterling, Virginia consisting of 42 townhome units, and Townes at Maxwell Square Condominium in Frederick, Maryland consisting of 45 townhome condominium units (collectively, the "Investor VIII Projects"). The Company evaluated Comstock VIII and determined that the equity investment at risk is not sufficient to permit the entity to finance its activities without additional financial support and the Company was the primary beneficiary as a result of its complete operational control of the activities that most significantly impact the economic performance and its obligation to absorb losses, or receive benefits accordingly, the Company consolidates this entity. In January 2017, the Company fully redeemed the remaining equity interest of Class B Members in Comstock VIII after paying \$1.9 million in distributions.

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In June 2015, Comstock Investors IX, L.C. (“Comstock IX”) entered into subscription agreements with third-party accredited investors (“Comstock IX Class B Members”), pursuant to which Comstock IX Class B Members purchased membership interests in Comstock IX for an aggregate amount of \$2.5 million (the “Comstock IX Private Placement”). The Comstock IX Class B Members are entitled to a cumulative, preferred return of 20% per annum, compounded annually on their capital account balances. The Company has the right to repurchase the interests of the Comstock IX Class B Members at any time, provided that (i) all of the Comstock IX Class B Members’ interests are acquired, (ii) the purchase is made in cash and (iii) the purchase price equals the Comstock IX Class B Members’ capital accounts plus any amount necessary to cause the preferred return to equal a cumulative cash on cash return equal to 20% per annum. The Company evaluated Comstock IX and determined that the equity investment at risk is not sufficient to permit the entity to finance its activities without additional financial support and the Company was the primary beneficiary as a result of its complete operational control of the activities that most significantly impact the economic performance and its obligation to absorb losses or receive benefits. Accordingly, the Company consolidates this entity. No distributions were made during the three and six months ended June 30, 2018 and 2017.

In August 2016, Comstock Investors X, L.C. (“Comstock X”) entered into a subscription agreement with an accredited investor (“Comstock X Class B Member”), pursuant to which the Comstock X Class B Member purchased membership interests in Comstock X for an initial amount of \$5.0 million, which is part of an aggregate capital raise of \$14.5 million (the “Comstock X Private Placement”). The Comstock X Class B Member is Comstock Development Services, LC (“CDS”), an entity wholly owned by Christopher Clemente, our Chief Executive Officer. In October 2016, the Comstock X Class B Member purchased additional interests in the Comstock X Private Placement in an amount of \$9.5 million resulting in an aggregate subscription amount of \$14.5 million. In connection with the Comstock X Private Placement, the Company issued a total of 150,000 warrants for the purchase of shares of the Company’s Class A common stock, having an aggregate fair value of \$258. The Comstock X Member is entitled to a cumulative, preferred return of 6% per annum, compounded annually on the capital account balance. The Company has the right to repurchase the interest of the Comstock X Class B Member at any time, provided that (i) all of the Comstock X Class B Members’ interest is acquired, (ii) the purchase is made in cash and (iii) the purchase price equals the Comstock X Class B Members’ capital account plus accrued priority return. In October 2017, the Operating Agreement for Comstock X was amended to increase the maximum capital raise to \$19.5 million. Additionally, in October 2017, Comstock X received proceeds of \$5.0 million under the amended Operating Agreement to be used for the planned construction of the Company’s Totten Mews, Towns at 1333, Richmond Station, and Marwood East projects. As part of this additional contribution, 50,000 warrants for the purchase of the Company’s Class A common stock, having an aggregate fair value of \$81. The Company evaluated Comstock X and determined that the equity investment at risk is not sufficient to permit the entity to finance its activities without additional financial support and the Company was the primary beneficiary of the VIE as a result of its complete operational control of the activities that most significantly impact the economic performance and its obligation to absorb losses, or receive benefits. Accordingly, the Company consolidates this entity. No distributions were made during the three and six months ended June 30, 2018. During the six months ended June 30, 2017, the Company paid distributions of \$1.0 million to its non-controlling interest member.

At June 30, 2018 and December 31, 2017, the distributions and contributions for the VIEs discussed above are included within the ‘Non-controlling interest’ classification in the consolidated balance sheets.

At June 30, 2018 and December 31, 2017, total assets of these VIEs were approximately \$27.6 million and \$30.6 million, respectively, and total liabilities were approximately \$15.5 million and \$15.9 million, respectively. The classification of these assets is primarily within ‘Real estate inventories’ and the classification of liabilities are primarily within ‘Accounts payable and accrued liabilities’ and ‘Notes payable – secured by real estate inventories’ in the accompanying consolidated balance sheets.

18. RELATED PARTY TRANSACTIONS

The Company leases its corporate headquarters from an affiliated entity that is wholly-owned by our Chief Executive Officer. Future minimum lease payments under this lease, which expires in 2018, is \$0.1 million. For the three months ended June 30, 2018 and 2017, total payments made under this lease agreement were \$53 and \$52, respectively. For the six months ended June 30, 2018 and 2017, total payments were \$107 and \$104, respectively.

On February 23, 2009, Comstock Homes of Washington, L.C., a wholly-owned subsidiary of the Company, entered into a Services Agreement with Comstock Asset Management, L.C., an entity wholly-owned by our Chief Executive Officer, to provide services related to real estate development and improvements, including legal, accounting, marketing, information technology and other additional support services. For the three months ended June 30, 2018 and 2017, the Company billed Comstock Asset Management, L.C. \$12 and \$285, respectively, for services and out-of-pocket expenses. For the six months ended June 30, 2018 and 2017, Comstock Asset Management, L.C. was billed \$12 and \$488, respectively. Revenues from this arrangement are included within ‘Revenue – real estate services’ in the accompanying consolidated statements of operations. As of June 30, 2018, and December 31, 2017, the Company was owed \$12 and \$145, respectively, under this contract, which is included in ‘Trade receivables’ in the accompanying consolidated balance sheets.

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

Simultaneously, on October 17, 2014, the Company entered into an unsecured promissory note with CGF whereby CGF made a loan to the Company in the initial principal amount of \$10 million and a maximum capacity of up to \$20 million. On December 18, 2014, the loan agreement was amended and restated to provide for a maximum capacity of \$25 million. The Company borrowed an additional principal loan amount of \$6.2 million under the amended and restated CGF promissory note bringing the total aggregate principal amount borrowed to \$16.2 million. The CGF loan initially had a three year term carrying a floating interest rate of LIBOR plus 9.75% with a 10% floor. The loan requires an annual principal repayment in the amount of 10% of the average outstanding balance and a monthly interest payment that will be made in arrears. See Note 12 – *Debt* for further discussion of transactions entered into with CGF.

On December 18, 2014, CGF entered into amended and restated subscription agreements with CDS, members of the Company’s management and board of directors and the other third party accredited investors who participated in the CGF Private Placement (the “Amended CGF Private Placement”). Under the Amended CGF Private Placement, in addition to the warrants described above, the Company entered into a commitment to grant 226,857 shares of our Class A common stock to the purchasers in the Amended CGF Private Placement. On May 12, 2015, the Company issued 226,857 un-registered shares of its Class A common stock to the purchasers in the Amended CGF Private Placement. The Amended CGF Private Placement was closed for additional investments on May 15, 2015. On May 23, 2018, Comstock Holding Companies, Inc. (“Comstock”, “CHCI” or the “Company”) entered into a Membership Interest Exchange and Subscription Agreement (the “Membership Exchange Agreement”), together with a revised promissory note agreement, in which a note (“CGF Note”) with an outstanding principal and accrued interest balance of \$7.7 million was exchanged for 1,482,300 shares of the Company’s Series C Non-Convertible Preferred Stock, par value \$0.01 per share and a stated liquidation value of \$5.00 per share (the “Series C Preferred Stock”), issued by the Company to Comstock Development Services, LLC (“CDS”), a Company wholly owned by our Chief Executive Officer. The Company exchanged the preferred equity for 91.5% of CDS membership interest in the Comstock Growth Fund promissory note. Concurrently, the face amount of the CGF Note was reduced to \$5.7 million as of the Effective Date.

On December 29, 2015, the Company and Stonehenge Funding, L.C. (“Stonehenge”), an entity wholly owned by our Chief Executive Officer, entered into a Note Exchange and Subscription Agreement pursuant to which the note in the original principal amount of \$4.5 million issued to the Company by Stonehenge was cancelled in its entirety and exchanged for 772,210 shares of the Company’s Series B Non-Convertible Preferred Stock, par value \$0.01 per share and a stated value of \$5.00 per share (the “Series B Preferred Stock”). The number of shares of Series B Preferred Stock received by Stonehenge in exchange for the note represented the principal amount outstanding plus accrued interest under the note as of December 29, 2015, which was \$3.9 million. The holders of Series B Preferred Stock earn dividends at a rate of 8.75% per annum accruing from the effective date of the Note Exchange and Subscription Agreement.

On December 29, 2015, Comstock Growth Fund II, L.C. (“CGF II”), an administrative entity managed by the Company was created for the purpose of extending loans to the Company. CGF II entered into a subscription agreement with CDS pursuant to which CDS purchased membership interests in CGF II for an initial aggregate principal amount of \$5.0 million (the “CGF II Private Placement”). Also on December 29, 2015, the Company entered into a revolving line of credit promissory note with CGF II whereby CGF II made a loan to the Company in the initial principal amount of \$5.0 million and a maximum amount available for borrowing of up to \$10.0 million with a two-year term, which may be extended an additional year. The interest rate is 10% per annum, and interest payments will be accrued and paid in kind monthly for the first year, and then paid current monthly in arrears beginning December 31, 2016. On December 29, 2017, the CGF II loan was extended one year to December 31, 2018. On May 23, 2018, Comstock Holding Companies, Inc. (“Comstock”, “CHCI” or the “Company”) entered into a Note Exchange and Subscription Agreement (the “Note Exchange Agreement”) in which a note (“CGF2 Note”) with an outstanding principal and accrued interest balance of \$3.7 million was exchanged for 738,390 shares of the Company’s Series C Non-Convertible Preferred Stock, par value \$0.01 per share and a stated liquidation value of \$5.00 per share (the “Series C Preferred Stock”), issued by the Company to Comstock Growth Fund II, L.C. (“CGF2”), a Company wholly owned by our Chief Executive Officer. The CGF2 Note was cancelled in its entirety effective as of the Effective Date. As a result of the conversion of CGF & CGF2, the Company recognized a gain of \$3.7 million, which was recorded in ‘Additional paid-in capital’ in the consolidated balance sheet and an income tax benefit of \$0.5 million, which was recorded in the consolidated statement of operations for the three and six months ended June 30, 2018. As of December 31, 2017, \$3.6 million, was outstanding in principal and accrued interest under the CGF II loan.

On March 22, 2017, the Company entered into a Share Exchange Agreement with the holders of the Company’s Series B Preferred Stock pursuant to which the Company exchanged 772,210 shares of the Company’s Series B Preferred Stock for 772,210 shares of the Company’s newly created Series C Non-Convertible Preferred Stock, par value \$0.01 per share and a stated value of \$5.00 per share. The Series C Preferred Stock has a discretionary dividend feature, as opposed to the mandatory dividend feature in the Series B Preferred Stock. The Series B Preferred Stock, together with all accrued dividends earned through the conversion date, was retired upon re-acquisition and the fair value of the Series C Preferred Stock is recorded in ‘Stockholders’ equity’ in the accompanying consolidated balance sheets. The difference in fair value from the extinguishment of the Series B Preferred Stock and issuance of the Series C Preferred Stock of \$1,011 was recorded in the accompanying consolidated statement of operations. For the three and six months ended June 30, 2018, no shares of Series B Preferred Stock were issued. For the six months ended June 30, 2017, 15,663 shares of the Series B Preferred Stock, with a liquidation value of \$78, were paid-in-kind, and were retired in the conversion.

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On March 30, 2018, CDS Asset Management, L.C. (“CAM”), an entity wholly owned by the Company, entered into a master asset management agreement (“the Agreement”) with Comstock Development Services LC (“CDS”), an entity wholly owned by Christopher Clemente, the Chief Executive Officer of the Company. The effective date of this agreement is January 2, 2018. Entering into the Agreement is part of the Company’s strategic plan to transform its business model from for-sale homebuilding to commercial development, asset management and real estate services. The Company intends to concurrently wind down its current for-sale homebuilding business.

Pursuant to the Agreement, CDS will pay CAM an annual cost-plus fee (the “Annual Fee”) in an aggregate amount equal to the sum of (i) the employment expenses of personnel dedicated to providing services to the Comstock Real Estate Portfolio pursuant to the Agreement, (ii) the costs and expenses of the Company related to maintaining the listing of its shares on a securities exchange and complying with regulatory and reporting obligations as a public company, and (iii) a fixed annual payment of \$1,000,000. During the three and six months ended June 30, 2018, the Company invoiced \$2.5 million and \$8.5 million, respectively. Additionally, the Company recorded revenue of \$2.8 million and \$5.6 million for the three and six months ended June 30, 2018, respectively, which is included in ‘Revenue-asset management’ in the consolidated statement of operations.

19. WARRANTS

As part of the Comstock VII Private Placement discussed in Note 17 – *Variable Interest Entities*, the Company issued warrants to purchase shares of the Company’s Class A common stock to the Comstock VII Class B Members who are not officers, directors or affiliates of the Company and who purchased membership interests in the offering that equaled or exceeded an initial investment amount of \$250. The warrants represent the right to purchase an aggregate amount of up to 16,572 shares of the Company’s Class A common stock. The warrants have an initial exercise price which is equal to the average of the closing price of the Company’s Class A common stock of the 20 trading days preceding the issuance of the warrants. 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. The warrants have expiration dates ranging from March 14, 2023 and April 5, 2023 and may be exercised at any time prior to those dates.

In addition, as part of the Comstock VIII Private Placement discussed in Note 17 – *Variable Interest Entities*, the Company issued warrants to purchase shares of the Company’s Class A common stock to the Comstock VIII Class B Members who are not officers, directors or affiliates of the Company and who purchased membership interests that equaled or exceeded an initial investment amount of \$250. The warrants represent the right to purchase an aggregate amount of up to 14,573 shares of the Company’s Class A common stock. The warrants have an initial exercise price which is equal to the average of the closing price of the Company’s Class A common stock of the 20 trading days preceding the issuance of the warrants. 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. The warrants have expiration dates ranging from December 12, 2023 and December 17, 2023 and may be exercised at any time prior to those dates.

Also, as part of the Comstock X Private Placement discussed in Note 17 – *Variable Interest Entities*, the Company issued warrants to purchase shares of the Company’s Class A common stock to the Comstock X Class B Member. The warrants represent the right to purchase an aggregate amount of up to 150,000 shares of the Company’s Class A common stock. The warrants have an initial exercise price which is equal to the average of the closing price of the Company’s Class A common stock of the 20 trading days preceding the issuance of the warrants. 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. The warrants may be exercised at any time prior to August 15, 2026.

As part of the additional \$5.0 million contribution received from Comstock X in October 2017, an additional 50,000 warrants to purchase the Company’s Class A common stock were issued. These warrants have the same terms and provisions as the original 150,000 warrants issued in August 2016. These warrants may be exercised any time prior to October 13, 2027.

As discussed in Note 18 – *Related Party Transactions*, as part of the CGF Private Placement, depending upon the investment amount, purchasers of interests in CGF other than CDS received warrants that represent the right to purchase a certain number of shares of the Company’s Class A common stock. For purchasers who are not affiliates or insiders, the warrants have initial exercise prices ranging from \$4.91 to \$7.63. The exercise prices of the warrants to affiliates and insiders range from \$7.30 to \$7.63. The warrants contain a cashless exercise provision. In the event a purchaser exercises the warrant on a cashless basis, the Company will not receive any proceeds. The warrants may be exercised at any time within ten years from the date of issuance. As of June 30, 2018, the warrants represent the right to purchase an aggregate amount of up to 76,244 shares of our Class A common stock. The warrants have expiration dates ranging from November 12, 2024 and May 12, 2025 and may be exercised at any time prior to those dates.

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In connection with entering into the SunBridge (“SunBridge”) loan agreement in 2011, the Company issued warrants to purchase shares of the Company’s Class A common stock to BridgeCom Development I, LLC, an affiliate of SunBridge. The warrants represent the right to purchase an aggregate amount of up to 142,857 shares of the Company’s Class A common stock. The warrants have an initial exercise price of \$7.21. 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. The warrants may be exercised at any time prior to July 12, 2021. On May 29, 2012, the Company repaid the SunBridge loans in full and the SunBridge warrants remain unexercised as of June 30, 2018.

20. UNCONSOLIDATED JOINT VENTURE

The Company accounts for its interest in its title insurance joint venture using the equity method of accounting and periodically adjusts the carrying value for its proportionate share of earnings, losses and distributions. The carrying value of the investment is included within ‘Other assets’ in the accompanying consolidated balance sheets and our proportionate share of the earnings from the investment are included in ‘Other income, net’ in the accompanying consolidated statements of operations for the periods presented.

Our share of the earnings for the three months ended June 30, 2018 and 2017 are \$35 and \$6, respectively. Earnings for the six months ended June 30, 2018 and 2017 are \$49 and \$24, respectively. During the three months ended June 30, 2018 and 2017, the Company collected total distributions of \$13 and \$36, respectively, as a return on investment. During the six months ended June 30, 2018 and 2017, the Company collected total distributions of \$23 and \$54, respectively.

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|--------------|---------------------------|--------------|
| | 2018 | 2017 | 2018 | 2017 |
| Statement of Operations: | | | | |
| Total net revenue | \$ 101 | \$ 41 | \$ 159 | \$ 107 |
| Total expenses | <u>31</u> | <u>30</u> | <u>61</u> | <u>60</u> |
| Net income | <u>\$ 70</u> | <u>\$ 11</u> | <u>\$ 98</u> | <u>\$ 47</u> |
| Comstock Holding Companies, Inc. share of net income | <u>\$ 35</u> | <u>\$ 6</u> | <u>\$ 49</u> | <u>\$ 24</u> |

21. INCOME TAXES

For the three and six months ended June 30, 2018, the Company recognized income tax benefit of \$0.5 million related to the conversion of CGF I & II to Series C Preferred Stock. The effective tax rate at June 30, 2018 is 0.90%. The Company did not recognize income tax expense for the three and six months ended June 30, 2017.

The Company currently has approximately \$143 million in federal and state Net Operating Losses (“NOL”s). If unused, these NOLs will begin expiring in 2027. Under 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 June 30, 2018, the three-year cumulative shift in ownership of the Company’s stock has not triggered an impairment of our NOL asset. However, if an ownership change were to occur, the Section 382 limitation would not be expected to materially impact the Company’s financial position or results of operations as of June 30, 2018, because the Company has recorded a full valuation allowance on substantially all of its net deferred tax assets.

The Company has not recorded any accruals related to uncertain tax positions as of June 30, 2018 and 2017. We file U.S. and state income tax returns in jurisdictions with varying statutes of limitations. The 2014 through 2016 tax years remain subject to examination by federal and most state tax authorities.

22. SEGMENT DISCLOSURES

During 2017 we operated our business through three segments: Homebuilding, Multi-family, and Real Estate Services. We focused on the Washington, D.C. market. In 2018, we revised our business strategy and have transitioned our business operations to three main operating segments focused in the mid-Atlantic region of the United States: Asset Management through CAM, Real Estate Services through CRES, and Homebuilding.

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In our Asset Management segment, we focus on providing management services to a wide range of real estate assets and businesses that include a variety of commercial real estate uses, including apartments, hotels, office buildings, commercial garages, leased lands, retail stores, mixed-use developments, and urban transit oriented developments. We have significant experience with construction, development, property and asset management services. The properties and businesses we currently manage are located primarily along the Washington, D.C. Metro Silver Line in Fairfax and Loudoun Counties, but also include projects in Montgomery County, Maryland and the Town of Herndon, Virginia.

In our Real Estate Services segment, our experienced real estate services based management team provides a wide range of real estate services in the areas of strategic corporate planning, capital markets, brokerage services, and environmental and design based services. Our environmental services group provides consulting, environmental studies, remediation services and provide site specific solutions for any project that may have an environmental impact, from environmental due diligence to site-specific assessments and remediation. 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.

In our Homebuilding segment, we will continue to develop, construct, and build out the Company's existing homebuilding projects and winding down of this on balance sheet business segment being largely accomplished by the last quarter of 2018 or the first quarter of 2019. We anticipate residual land development activities and finished lot sales to regional or national homebuilders continuing beyond 2019 and the Company may engage in homebuilding activities from time to time if self-performance of our residual lot pipeline is deemed the best financial alternative. Any future homebuilding activities is expected to be provided off balance sheet on an asset management basis.

The Asset Management and Homebuilding segments operate solely within the Company's Washington, D.C. area reportable geographic area. The Real Estate Services segment operates in the Washington, D.C, New Jersey, and Pennsylvania geographic area. The following table includes the Company's three reportable segments of Asset Management, Real Estate Services, and Homebuilding for the three and six months ended June 30, 2018 and 2017.

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| | Homebuilding | Asset Management | Real Estate Services | Total |
|---|--------------|---------------------|-------------------------|----------|
| Three Months Ended June 30, 2018 | | | | |
| Gross revenue | \$ 10,709 | \$ 2,960 | \$ 631 | \$14,300 |
| Gross profit (loss) | (834) | 354 | (45) | (525) |
| Net (loss) income | (607) | 354 | (564) | (817) |
| Depreciation and amortization | 62 | — | 36 | 98 |
| Interest expense | — | — | 24 | 24 |
| Total assets | 38,543 | 3,730 | 3,645 | 45,918 |
| Three Months Ended June 30, 2017 | | | | |
| Gross revenue | \$ 10,235 | \$ — | \$ 285 | \$10,520 |
| Gross profit (loss) | 1,014 | — | (11) | 1,003 |
| Net loss | (524) | — | (11) | (535) |
| Depreciation and amortization | 112 | — | 34 | 146 |
| Interest expense | — | — | — | — |
| Total assets | 55,590 | — | 233 | 55,823 |
| Six Months Ended June 30, 2018 | | | | |
| Gross revenue | \$ 16,270 | \$ 5,751 | \$ 1,078 | \$23,099 |
| Gross profit (loss) | (768) | 604 | 225 | 61 |
| Net (loss) income | (1,288) | 604 | (761) | (1,445) |
| Depreciation and amortization | 62 | — | 73 | 135 |
| Interest expense | 61 | — | 48 | 109 |
| Total assets | 38,543 | 3,730 | 3,645 | 45,918 |
| Six Months Ended June 30, 2017 | | | | |
| Gross revenue | \$ 20,299 | \$ — | \$ 489 | \$20,788 |
| Gross profit (loss) | 1,977 | — | (31) | 1,946 |
| Net loss | (1,168) | — | (31) | (1,199) |
| Depreciation and amortization | 177 | — | 43 | 220 |
| Interest expense | — | — | — | — |
| Total assets | 55,590 | — | 233 | 55,823 |

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

23. SUBSEQUENT EVENTS

On July 25, 2018, the Company refinanced its mezzanine loan related to its Richmond Station project, which had an outstanding balance as of June 30, 2018 of \$2.0 million of principal and accrued interest. The loan was refinanced as a secured development loan, with a variable interest rate of LIBOR plus 3.50%, with a floor of 5.00%. The loan has an initial maturity date of July 25, 2021. Simultaneously, the Company repaid its secured line of credit obligation, which had an outstanding balance of \$1.8 million of principal and accrued interest.

COMSTOCK HOLDING COMPANIES, INC. AND SUBSIDIARIES
MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS

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

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

Cautionary Notes Regarding Forward-looking Statements

This report includes forward-looking statements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by the use of words such as “anticipate,” “believe,” “estimate,” “may,” “likely,” “intend,” “expect,” “will,” “should,” “seeks” or other similar words or expressions. Forward-looking statements are based largely on our expectations and involve inherent risks and uncertainties, many of which are beyond our control. You should not place undue reliance on any forward-looking statement, which speaks only as of the date made. Some factors which may affect the accuracy of the forward-looking statements apply generally to the real estate industry, while other factors apply specifically to us. Any number of important factors could cause actual results to differ materially from those in the forward-looking statements including, without limitation: general economic and market conditions, including interest rate levels; our ability to service our debt; inherent risks in investment in real estate; our ability to compete in the markets in which we operate; economic risks in the markets in which we operate, including actions related to government spending; delays in governmental approvals and/or land development activity at our projects; regulatory actions; our ability to maintain compliance with stock market listing rules and standards; fluctuations in operating results; our anticipated growth strategies; shortages and increased costs of labor or building materials; the availability and cost of land in desirable areas; natural disasters; our ability to raise debt and equity capital and grow our operations on a profitable basis; and our continuing relationships with affiliates.

Additional information concerning these and other important risk and uncertainties can be found under the heading “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017. Our actual results could differ materially from those projected or suggested by the forward-looking statements. The Company undertakes no obligation to update publicly or revise any forward-looking statements in light of new information or future events, except as required by law.

We make available, free of charge, on our website, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, as soon as reasonably practicable after these forms are filed with, or furnished to, the SEC. The information on or accessible through our website, www.comstockcompanies.com, is not incorporated by reference into this Quarterly Report on Form 10-Q.

Overview

We are a multi-faceted real estate development and services company primarily focused in the mid-Atlantic region of the United States. In 2018, the Company has changed its focus to commercial development, asset management, and provision of complementary real estate related services, transitioning from its primary reliance upon revenue generated by production-oriented, for-sale homebuilding. To accomplish the transition from homebuilding to the new lines of business, the Company will operate through three real estate focused platforms – Asset Management, Real Estate Services, and Homebuilding. These business segments include construction, asset and property management, including the remaining homebuilding projects, and service-oriented companies providing services clients primarily in the real estate sector. Financial information for each of our reportable segments is included in Note 22 – *Segment Disclosures* of our consolidated financial statements.

Our Business Strategy

Our business strategy to transition to a full-service asset manager and real estate services company involves the initial integration of our existing homebuilding operating platform with the commercial development operating platform of the Chief Executive Officer's private company and thereafter to grow our assets under management and expand our service based relationships.

To anchor our new business focus, on March 30, 2018, the Company entered into an initial Master Asset Management Agreement ("AMA") effective January 2, 2018, through its CAM subsidiary, with Comstock Development Services, LC ("CDS"), an entity wholly owned by the Chief Executive Officer of the Company. Under the AMA, CDS will pay CAM an annual cost-plus fee in an aggregate amount equal to the sum of (i) the employment expenses of personnel dedicated to providing services to CDS' private portfolio pursuant to the AMA, (ii) the costs and expenses of the Company related to maintaining the listing of its shares on a securities exchange and complying with regulatory and reporting obligations as a public company, and (iii) a fixed annual payment of \$1,000,000 (the "Annual Fee"). In connection with the execution of the AMA, CDS paid CAM a deposit in the aggregate amount of \$2,500,000 pursuant to the Agreement that will be credited against the Annual Fee to be paid to CAM in accordance with the Agreement. The initial term of the Agreement will terminate on December 31, 2022 ("Initial Term"). The Agreement will automatically renew for successive additional one-year terms (each an "Extension Term") unless CDS delivers written notice of non-renewal of the Agreement at least 180 days prior to the termination date of the Initial Term or any Extension Term.

Entering into the initial AMA is part of the Company's strategic plan to transform its business model from for-sale homebuilding to asset management and commercial development. In addition to the AMA, CRES continues to organically grow and pursue acquisitions of businesses and assets that provide supply chain services to assets under management pursuant to AMA as well as to unrelated third parties in the areas of environmental consulting, mortgage brokerage, and capital market services.

We believe that we have several strengths that distinguish our updated business strategy:

- **Revenue Base.** Our revenues are primarily from recurring fees earned under the AMA, operations of CRES businesses and acquisitions and the buildout of the remaining projects under the homebuilding platform. The AMA provides a reliable source of revenue and cashflow to cover the Company's operating expenses, positioning the Company to enhance bottom line results and growth.
- **Management Services.** Our experienced asset management team provides management services to a wide range of real estate assets and businesses that include a variety of commercial real estate uses, including apartments, hotels, office buildings, commercial garages, leased lands, retail stores, mixed-use developments, and urban transit oriented developments. We have significant experience with construction, development, property and asset management services. The properties and businesses we currently manage are located primarily along the Dulles Corridor section of the Washington DC Metro Silver Line in Fairfax and Loudoun Counties.
- **Real Estate Services.** Our experienced real estate services based management team provides a wide range of real estate services in the areas strategic corporate planning, capital markets, brokerage services, and environmental and design based services. Our environmental services group provides consulting, environmental studies, remediation services and provide site specific solutions for any project that may have an environmental impact, from environmental due diligence to site-specific assessments and remediation. 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.
- **Homebuilding.** We will continue to develop, construct, and build out the Company's existing homebuilding projects (more particularly identified below); the winding down of this on balance sheet business segment being largely accomplished by the last quarter of 2018 or the first quarter of 2019. We anticipate residual land development activities and finished lot sales to regional or national homebuilders continuing beyond 2019 and the Company may engage in homebuilding activities from time to time if self-performance of our residual lot pipeline is deemed the best financial alternative. Any future homebuilding activities is expected to be provided off balance sheet on an asset management basis.
- **Quality and Depth of Management.** We have a highly qualified and experienced management team providing a broad base of deep expertise and a proven track record to our clients. The combination of the new platforms leverage the diverse capabilities and relationships of the management teams of two companies developed over more than thirty years.
- **Alignment of Interests.** We believe our new business strategy fosters a strong economic alignment of interests with our shareholders due to our Chief Executive Officer's large economic interest in the Company and in the portfolio being managed by the initial AMA. Additionally, the integration of the two operating platforms provides opportunities for additional operational efficiencies and management alignment.

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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. We believe that our business network in the mid-Atlantic market provides us with a competitive advantage in sourcing and executing investment opportunities.

Homebuilding

Our Developed Communities

We are currently operating, or developing in multiple counties throughout the Washington, D.C. area market. The following table summarizes certain information for our owned or controlled communities as of June 30, 2018:

| Pipeline Report as of June 30, 2018 | | | | | | | | | | |
|-------------------------------------|-------|------------------|-------------------------------|---------------|-------------|--------------------|-------------------------|--|--|--|
| Project | State | Product Type (1) | Estimated Units at Completion | Units Settled | Backlog (8) | Units Owned Unsold | Units Under Control (2) | Total Units Owned, Unsettled and Under Control | Average New Order Revenue Per Unit to Date | |
| City Homes at the Hampshires | DC | SF | 38 | 38 | — | — | — | — | \$ 747 | |
| Townes at the Hampshires (3) | DC | TH | 73 | 73 | — | — | — | — | \$ 551 | |
| Estates at Falls Grove | VA | SF | 19 | 19 | — | — | — | — | \$ 545 | |
| Townes at Falls Grove | VA | TH | 110 | 110 | — | — | — | — | \$ 304 | |
| Townes at Shady Grove Metro | MD | TH | 36 | 27 | — | 9 | — | 9 | \$ 583 | |
| Townes at Shady Grove Metro (4) | MD | SF | 3 | 3 | — | — | — | — | \$ — | |
| Momentum Shady Grove Metro (5) | MD | Condo | 110 | 110 | — | — | — | — | \$ 26 | |
| Estates at Emerald Farms | MD | SF | 84 | 84 | — | — | — | — | \$ 426 | |
| Townes at Maxwell Square | MD | TH | 45 | 45 | — | — | — | — | \$ 421 | |
| Townes at Hallcrest | VA | TH | 42 | 42 | — | — | — | — | \$ 465 | |
| Estates at Leeland | VA | SF | 24 | 17 | 4 | 3 | — | 7 | \$ 379 | |
| Villas Preserve at Two Rivers 28' | MD | TH | 6 | 6 | — | — | — | — | \$ 458 | |
| Villas Preserve at Two Rivers 32' | MD | TH | 10 | 10 | — | — | — | — | \$ 504 | |
| Marrwood East (7) | VA | SF | 35 | 30 | 4 | 1 | — | 5 | \$ 645 | |
| Townes at Totten Mews (6) | DC | TH | 40 | 13 | 18 | 9 | — | 27 | \$ 589 | |
| The Towns at 1333 | VA | TH | 18 | 7 | 6 | 5 | — | 11 | \$ 928 | |
| The Woods at Spring Ridge | MD | SF | 21 | 5 | 7 | 9 | — | 16 | \$ 681 | |
| Solomons Choice | MD | SF | 56 | — | 1 | 55 | — | 56 | \$ 653 | |
| Townes at Richmond Station | VA | TH | 104 | — | — | 104 | — | 104 | \$ — | |
| Condominiums at Richmond Station | VA | MF | 54 | — | — | 54 | — | 54 | \$ — | |
| Total | | | 928 | 639 | 40 | 249 | — | 289 | | |

- (1) "SF" means single family home, "TH" means townhouse, "Condo" means condominium, "MF" means multi-family.
- (2) Under land option purchase contract, not owned.
- (3) 3 of these units are subject to statutory affordable dwelling unit program.
- (4) Units are subject to statutory moderately priced dwelling unit program; not considered a separate community.
- (5) 16 of these units are subject to statutory moderately priced dwelling unit program.
- (6) 5 of these units are subject to statutory affordable dwelling unit program.
- (7) 1 of these units is subject to statutory affordable dwelling unit program.
- (8) "Backlog" means we have an executed order with a buyer but the settlement did not occur prior to report date.

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Settlements, orders, cancellations and backlog

The following table summarizes certain information related to new orders, settlements, and backlog for the three and six-month periods ended June 30, 2018 and 2017:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|-------------------------------|-----------------------------|-----------|---------------------------|-----------|
| | 2018 | 2017 | 2018 | 2017 |
| Gross new orders | 22 | 23 | 41 | 62 |
| Cancellations | 1 | 5 | 2 | 10 |
| Net new orders | 21 | 18 | 39 | 52 |
| Gross new order revenue | \$ 12,992 | \$ 10,980 | \$ 25,695 | \$ 30,537 |
| Cancellation revenue | \$ 671 | \$ 2,555 | \$ 1,292 | \$ 5,068 |
| Net new order revenue | \$ 12,321 | \$ 8,425 | \$ 24,403 | \$ 25,469 |
| Average gross new order price | \$ 591 | \$ 477 | \$ 627 | \$ 493 |
| Settlements | 15 | 23 | 23 | 48 |
| Revenue - homebuilding(1) | \$ 7,870 | \$ 10,235 | \$ 13,430 | \$ 20,299 |
| Average settlement price | \$ 525 | \$ 445 | \$ 584 | \$ 423 |
| Backlog units | 40 | 39 | 40 | 39 |
| Backlog revenue | \$ 25,434 | \$ 22,378 | \$ 25,434 | \$ 22,378 |
| Average backlog price | \$ 636 | \$ 574 | \$ 636 | \$ 574 |

(1) Revenue from homebuilding above excludes \$2.8 million of revenue recognized in conjunction with the sale of Momentum | Shady Grove land.

Asset Management

Under the Asset Management business segment, we manage projects ranging from approximately 100-500 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 also provide management services to a wide range of real estate assets and businesses that include apartments, hotels, office buildings, leased lands, retail stores, mixed-use developments, and urban developments. We have significant experience with construction and development management, property management, and asset management.

Although we intend to transition away from on-balance sheet homebuilding operations, our expertise in developing various housing products enables us to focus on a wide range of opportunities and provide a wide range of services to clients within our core market. For our remaining homebuilding inventory, we will continue to develop properties with the intent that they be sold either as fee-simple properties or condominiums to individual unit buyers or we may sell raw or finished lot inventories to third party developers or homebuilders who will then develop or build out the homes in our remaining projects. For the inventory which we will continue with our homebuilding operations, we will continue to focus on for-sale products designed to attract first-time, early move-up, and secondary move-up buyers. We focus on products that we offer for sale in the middle price points within the markets where we operate, avoiding the very low-end and high-end products.

Our Managed Communities

Reston Station. Reston Station is among the largest mixed-use, transit oriented developments in the Washington, D.C. region. Located at the terminus of phase I of Metrorail's Silver Line, Reston Station is already home to more than 1,000 residents, numerous businesses, multiple retail establishments, and several restaurants. With more than 1 million square feet of completed and stabilized buildings, more than 2 million square feet of additional development in various states of entitlement, development and construction, and a 3,500-space underground parking garage and transit facility adjacent to the Wiehle Reston-East Metro Station, the Company is providing a wide variety of its real estate management services to the project under the AMA. For more information about Reston Station, visit: www.RestonStation.com.

Loudoun Station. Loudoun Station represents Loudoun County's first Metrorail connected development and has approximately 700,000 square feet of mixed-use development completed, including hundreds of rental apartments, approximately 150,000 square feet of retail, restaurants, and entertainment venues, 50,000 square feet of Class-A office space, and a 1,500-space commuter parking garage. Loudoun Station represents Loudoun County's beginning transformation into a transit connected community with direct metro rail connectivity to Dulles International Airport, Reston, Tysons Corner, and downtown Washington, D.C. Located at the terminus of Metrorail's Silver Line and with more than 2 million square feet of additional development stated for Loudoun Station; construction of its next phase of apartments and commercial space will commence in the second quarter of 2018, with the Company providing a variety of its real estate management services to the project under the AMA. For more information about Loudoun Station, visit: www.LoudounStation.com.

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Hemdon. On November 1, 2017, a subsidiary of CDS entered into an agreement to acquire, develop, and construct a mixed-use project in downtown Town of Hemdon. The project upon completion is anticipated to consist of approximately 500,000 square feet of mixed use development. The Company will provide a variety of its real estate management services to the project under the AMA.

Shady Grove Metro. In June 2018, we conveyed 110 multifamily dwelling units in Rockville, Maryland adjacent to the Shady Grove metro rail station to a joint venture for a purchase price of \$2.8 million. The Company will be providing a variety of real estate management services to the project on an on-going basis.

Real Estate Services

We can provide a wide range of real estate services through our experienced management team. We continue to engage in providing third party services focused on strategic planning, land development, land acquisitions, environmental, entitlement, and general construction management activities. Our real estate and environmental services, including consulting, studies, and remediation activities, provide site specific solutions for any project that may have an environmental impact, from environmental due diligence to site-specific assessments and remediation. 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 future acquisition opportunities that are complementary to the services provided by CRES and the real estate focused clients of CAM.

Results of Operations

Three and six months ended June 30, 2018 compared to three and six months ended June 30, 2017

Revenue – homebuilding

Revenue from homebuilding decreased by \$2.3 million to \$7.9 million for the three months ended June 30, 2018 as compared to \$10.2 million for the three months ended June 30, 2017. Revenue from homebuilding decreased by \$6.9 million to \$13.4 million for the six months ended June 30, 2018 as compared to \$20.3 million for the six months ended June 30, 2017. For the three months ended June 30, 2018, the Company settled 15 units (7 units at Marrwood, 4 units at Leeland Station, 1 unit at The Towns at 1333, 2 units at The Woods at Spring Ridge, and 1 unit at Totten Mews), as compared to 23 units (12 units at Falls Grove, 1 unit at Emerald Farm, 3 units at Marrwood, 4 units at Leeland, 2 units at Two Rivers and 1 unit at The Towns at 1333) for the three months ended June 30, 2017. For the six months ended June 30, 2018, the Company settled 23 units (11 units at Marrwood, 5 units at Leeland Station, 3 units at The Towns at 1333, 2 units at The Woods at Spring Ridge, and 2 units at Totten Mews), as compared to 48 units (24 units at Falls Grove, 6 units at Hallcrest, 5 units at Emerald Farm, 4 unit at Marrwood, 5 units at Leeland, 1 unit at Shady Grove, 2 units at Two Rivers, and 1 unit at The Towns at 1333) for the six months ended June 30, 2017. Our homebuilding gross margin percentage for the three months ended June 30, 2017 decreased by 17.7% to (7.8)%, as compared to 9.9% for the three months ended June 30, 2017. Our homebuilding gross margin percentage for the six months ended June 30, 2018 decreased by 14.4% to (4.7)%, as compared to 9.7% for the six months ended June 30, 2017. The overall decrease in gross margins was the result of the number of units settled and the mix of homes, which included the sales of 4 lots at Leeland Station, and 110 multi-family units at Momentum | Shady Grove.

Backlog, which reflects revenue from sales contracts the Company entered into with homebuyers for future delivery, increased by \$3.0 million to \$25.4 million as of June 30, 2018, as compared to \$22.4 million as of June 30, 2017.

Gross new order revenue, consisting of revenue from all units sold, for the three months ended June 30, 2018 was \$13.0 million on 22 units as compared to \$11.0 million on 23 units for the three months ended June 30, 2017. Gross new order revenue, consisting of revenue from all units sold, for the six months ended June 30, 2018 was \$25.7 million on 41 units as compared to \$30.5 million on 62 units for the six months ended June 30, 2017. Net new order revenue, representing revenue for all units sold less cancellations, for the three months ended June 30, 2018 was \$12.3 million on 21 units as compared to \$8.4 million on 18 units for the three months ended June 30, 2017. Net new order revenue, representing revenue for all units sold less cancellations, for the six months ended June 30, 2018 was \$24.4 million on 39 units as compared to \$24.5 million on 52 units for the six months ended June 30, 2017. The changes are attributable to the number and mix of homes sold.

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Revenue – asset management

Revenue from asset management for the three and six months ended June 30, 2018 was \$3.1 million and \$5.9 million, respectively. Effective January 2, 2018, the Company entered into a master asset management agreement (“the Agreement”) with Comstock Development Services LC (“CDS”), an entity wholly owned by Christopher Clemente, the Chief Executive Officer of the Company. Pursuant to the Agreement, CDS will pay CAM an annual cost-plus fee (the “Annual Fee”) in an aggregate amount equal to the sum of (i) the employment expenses of personnel dedicated to providing services to the Comstock Real Estate Portfolio pursuant to the Agreement, (ii) the costs and expenses of the Company related to maintaining the listing of its shares on a securities exchange and complying with regulatory and reporting obligations as a public company, and (iii) a fixed annual payment of \$1,000,000.

Revenue – real estate services

Revenue from real estate services for the three months ended June 30, 2018 increased by \$0.3 to \$0.6 million, as compared to \$0.3 million during the three months ended June 30, 2017. Revenue from real estate services for the six months ended June 30, 2018 increased by \$0.6 to \$1.1 million, as compared to \$0.5 million for the six months ended June 30, 2017. The increase is attributable to the Company’s acquisition of JK Environmental on July 17, 2017.

Cost of sales – homebuilding

Cost of sales – homebuilding increased by \$2.3 million to \$11.5 million during the three months ended June 30, 2018, as compared to \$9.2 million during the three months ended June 30, 2017. Cost of sales – homebuilding decreased by \$1.3 million to \$17.0 million during the six months ended June 30, 2018, as compared to \$18.3 million during the six months ended June 30, 2017. The changes were primarily attributable to the number of units settled and the mix of homes settled during the three and six months ended June 30, 2018.

Cost of sales – asset management

Cost of sales – asset management for the three and six months ended June 30, 2018 was \$3.1 million and \$5.9 million, respectively. This increase from the three and six months ended June 30, 2017 was a result of the master asset management agreement that became effective for the Company January 2, 2018.

Cost of sales – real estate services

Cost of sales – real estate services increased by \$0.4 million to \$0.7 million during the three months ended June 30, 2018, as compared to \$0.3 million during the three months ended June 30, 2017. Cost of sales – real estate services increased by \$0.4 million to \$0.9 million during the six months ended June 30, 2018, as compared to \$0.5 million during the six months ended June 30, 2017. The increase primarily relates to our new initiatives within our real estate services segment to expand our footprint in the real estate consulting and environmental study fields.

Impairment charges

During the three and six months ended June 30, 2018, as a result of our impairment analysis, the Company expensed \$0.2 million and \$0.8 million, respectively, of feasibility, site securing, predevelopment, design, carry costs and related costs for two of its communities in the Washington, D.C. metropolitan area due to unsuccessful negotiations and market conditions. There were no impairment charges recorded during the three and six months ended June 30, 2017.

Sales and marketing

Selling and marketing expenses for the three months ended June 30, 2018 decreased by \$0.1 million to \$0.2 million, as compared to \$0.3 million for the three months ended June 30, 2017. Selling and marketing expenses for the six months ended June 30, 2018 decreased by \$0.3 million to \$0.4 million, as compared to \$0.7 million for the six months ended June 30, 2017. The decrease is attributable to continued benefit from the cost saving measures, in addition to the master asset management agreement, which was effective January 2, 2018.

General and administrative

General and administrative expenses for the three months ended June 30, 2018 decreased by \$0.8 million to \$0.4 million, as compared to \$1.2 million for the three months ended June 30, 2017. General and administrative expenses for the six months ended June 30, 2018 decreased by \$1.8 million to \$0.7 million, as compared to \$2.5 million for the six months ended June 30, 2017. The year-over-year decrease is attributable to attrition in employee head count and general overhead cost saving measures, in addition to the master asset management agreement, which was effective January 2, 2018. Under the master asset management agreement, the costs and expenses of the Company related to maintaining the listing of its shares on a securities exchange and complying with regulatory and reporting obligations as a public company, along with the employment expenses of personnel are to be included as Cost of sales – Asset Management, as opposed to General and administrative expenses historically.

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Income taxes

For the three and six months ended June 30, 2018, the Company recognized income tax benefit of \$0.5 million related to the conversion of Comstock Growth Fund I & II to Series C Preferred Stock. Refer to Note 12 – *Debt* to the consolidated financial statements for more information. As of June 30, 2018, the effective tax rate is 0.90%. There were no income tax expenses for the three and six months ended June 30, 2017.

Liquidity and Capital Resources

We require capital to operate, to post deposits on new potential acquisitions, 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 we believe will continue to include, private equity and debt placements (which has included significant participation from Company insiders), funds derived from various secured and unsecured borrowings to finance acquisition, development and construction on acquired land, cash flow from operations, which includes the sale and delivery of constructed homes, finished and raw building lots and the potential sale of public debt and equity securities. We are involved in ongoing discussions with lenders and equity sources in an effort to provide additional growth capital to fund various new business opportunities.

We have outstanding borrowings with various financial institutions and other lenders that have been used to finance the acquisition, development and construction of real estate projects. The Company has generally financed its development and construction activities on a single or multiple project basis so it is not uncommon for each of our projects or collection of our projects to have a separate credit facility. Accordingly, the Company typically has had numerous credit facilities and lenders.

As of June 30, 2018, \$6.5 million of our secured project related notes were set to mature at various periods through the end of 2018. As of August 14, 2018, we have successfully extended or repaid all obligations with lenders through August 14, 2018, and we are actively engaging our lenders seeking long term extensions and modifications to the loans where necessary. These debt instruments impose certain restrictions on our operations, including speculative unit construction limitations, curtailment obligations and financial covenant compliance. If we fail to comply with any of these restrictions, an event of default could occur. Additionally, events of default could occur if we fail to make required debt service payments or if we fail to come to agreement on an extension on a certain facility prior to a given loan's maturity date. Any event of default would likely render the obligations under these instruments due and payable as of that event. Any such event of default would allow certain of our lenders to exercise cross default provisions in our loan agreements with them, such that all debt with that institution could be called into default.

The current performance of our projects has met all required servicing obligations required by the facilities. We are anticipating that with successful resolution of the debt extension discussions with our lenders, the recently completed capital raises from our private placements, current available cash on hand, and additional cash from settlement proceeds at existing and under development communities, we will have sufficient financial resources to sustain its operations through the next 12 months, though no assurances can be made that we will be successful in its efforts.

Refer to Note 12 – *Debt* and Note 23 – *Subsequent Events* for further discussion regarding our debts, extension of loan maturity date and other subsequent events impacting our credit facilities. See Note 18 – *Related Party Transactions* in the accompanying consolidated financial statements for details on private placement offerings.

Cash Flow

Net cash provided by operating activities was \$6.9 million for the six months ended June 30, 2018 compared to the net cash provided by operating activities of \$1.9 million for the six months ended June 30, 2017. The \$6.9 million net cash provided by operations for the six months ended June 30, 2018 was primarily attributable to releases of inventories associated with units settled and land sold of \$9.2 million, offset by the net loss of \$1.4 million, the deferred income tax benefit of \$0.5 million recognized as a result of the conversion of the Comstock Growth Fund I & II notes payable to Series C Preferred Stock, and decreases in accounts payable and accrued liabilities of \$0.7 million. The \$1.9 million net cash provided by operations for the six months ended June 30, 2017 was primarily attributable to increases in accounts payable of \$1.3 million, \$0.3 million of releases of inventories associated with units settled, increases in accrued interest of \$0.3 million, capitalization of feasibility costs for new projects of \$0.7 million, and the amortization of loan discounts and other financing fees of \$0.6 million, offset by the net loss of \$1.2 million.

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Net cash used in financing activities was \$2.9 million for the six months ended June 30, 2018. This was primarily attributable to the pay downs on notes payable of \$11.1 million, offset by borrowings of \$8.3 million. Net cash used in financing activities was \$4.9 million for the six months ended June 30, 2017. This was primarily attributable to the distributions of \$1.9 million to the Comstock Investor VIII Class B Members to fully redeem their equity interest and a distribution to the Comstock Investor X Class B Members of \$1.0 million, along with the pay downs on notes payable of \$13.6 million, offset by borrowings of \$11.8 million.

Seasonality

The homebuilding industry usually experiences seasonal fluctuations in quarterly operating results and capital requirements. Our business is affected by seasonality with respect to homebuilding 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. We expect this seasonal pattern to continue; however, it may also be affected by volatility in the homebuilding industry and the general economy.

Recently Issued Accounting Standards

See Note 1 - *Organization and Basis of Presentation* to the accompanying consolidated financial statements included in this Quarterly Report on Form 10-Q.

Critical Accounting Policies and Estimates

Contract Liability – Deferred Revenue

As of June 30, 2018, the Company has recorded deferred revenue of \$2.8 million. Deferred revenue refers to payments received in advance for services which have not yet been performed. These payments resulted from the Agreement executed by CAM as described in Note 1 – *Organization and Basis of Presentation* and Note 18 – *Related Party Transactions* in the accompanying notes to the consolidated financial statements. These deferred revenues are classified on the Company’s balance sheet as a liability. Refer to Note 8 – *Contract Assets and Contract Liabilities* in the accompanying notes to the consolidated financial statements.

There have been no other significant changes to our critical accounting policies and estimates during the three and six months ended June 30, 2018 from those discussed above or disclosed in Item 7 included in our Annual Report on Form 10-K for the year ended December 31, 2017.

Off Balance Sheet Arrangements

None.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We have evaluated, with the participation of our Chief Executive Officer and our Chief Financial Officer, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of June 30, 2018. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of June 30, 2018.

Limitations on the Effectiveness of Controls

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

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

Changes in Internal Control

No changes have occurred in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the quarter ended June 30, 2018, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information regarding legal proceedings is incorporated by reference from Note 13 - *Commitments and Contingencies* to the accompanying consolidated financial statements included in Part I of this Quarterly Report on Form 10-Q.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed under “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2017.

ITEM 6. EXHIBITS

- 3.1 [Amended and Restated Certificate of Incorporation \(incorporated by reference to an exhibit to the Registrant’s Quarterly Report on Form 10-Q filed with the Commission on November 16, 2015\).](#)
- 3.2 [Amended and Restated Bylaws \(incorporated by reference to an Exhibit 3.2 to the Registrant’s Annual Report on Form 10-K filed with the Commission on March 31, 2005\).](#)
- 3.3 [Certificate of Elimination of the Series A Junior Participating Preferred Stock of the Company filed with the Secretary of State of the State of Delaware on March 26, 2015 \(incorporated by reference to an exhibit to the Registrant’s Current Report on Form 8-K filed with the Commission on March 27, 2015\).](#)
- 3.4 [Certificate of Designation of Series A Junior Participating Preferred Stock of the Company filed with the Secretary of State of the State of Delaware on March 26, 2015 \(incorporated by reference to an exhibit to the Registrant’s Current Report on Form 8-K filed with the Commission on March 27, 2015\).](#)
- 3.5 [Certificate of Designation of Series B Non-Convertible Preferred Stock of the Company filed with the Secretary of State of the State of Delaware on December 29, 2015 \(incorporated by reference to an exhibit to the Registrant’s Current Report on Form 8-K filed on January 4, 2016\).](#)
- 3.6 [Certificate of Designation of Series C Non-Convertible Preferred Stock of Comstock Holding Companies, Inc., filed with the Secretary of the State of Delaware on March 22, 2017 \(incorporated by reference to an exhibit to the Registrant’s Current Report on Form 8-K filed with the Commission on March 28, 2017\).](#)
- 4.1 [Specimen Stock Certificate \(incorporated by reference to Exhibit 4.1 to the Registrant’s Registration Statement on Form S-1, as amended, initially filed with the Commission on August 13, 2004 \(File No. 333-118193\)\).](#)
- 10.66* [Third Amended and Restated Promissory Note, dated May 22, 2018, between Comstock Holding Companies, Inc. and Comstock Growth Fund, L.C.](#)
- 10.67* [Second Amended and Restated Operating Agreement of Comstock Growth Fund, L.C., dated May 22, 2018.](#)
- 10.68* [Membership Interest Exchange and Subscription Agreement, dated May 23, 2018, between Comstock Holding Companies, Inc., Comstock Growth Fund, L.C., and certain members of Comstock Growth Fund.](#)
- 10.69* [Note Exchange and Subscription Agreement, dated May 23, 2018, between Comstock Holding Companies, Inc. and Comstock Growth Fund II, L.C.](#)
- 31.1* [Certification of Chief Executive Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002](#)
- 31.2* [Certification of Chief Financial Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002](#)
- 32.1* [Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of Sarbanes-Oxley Act of 2002](#)
- 101* The following materials from the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, formatted in eXtensible Business Reporting Language (XBRL): (i) the Consolidated Balance Sheet, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Cash Flows and (iv) the Notes to the Consolidated Financial Statements.

* Filed herewith.

**THIRD AMENDED AND RESTATED
PROMISSORY NOTE**

\$5,690,250.00**May 22, 2018**

FOR VALUE RECEIVED, the undersigned, **COMSTOCK HOLDING COMPANIES, INC.**, a Delaware corporation (the “**Maker**”), promises to pay to the order of **COMSTOCK GROWTH FUND, L.C.**, a Virginia limited liability company (the “**Lender**”), at 1886 Metro Center Drive, Suite 400, Reston, Virginia 20190, or at such other place as the holder hereof may from time to time designate in writing, the lesser of the principal sum of (i) the Capital Loan Availability advanced in accordance with Section 8.1(a) of the Second Amended and Restated Operating Agreement of the Lender, as amended, or (ii) Five Million Six Hundred Ninety Thousand Two Hundred Fifty and No/100 Dollars (\$5,690,250.00)(the “**Commitment**”), or such sum as may otherwise be advanced and outstanding from time to time, with interest on the unpaid principal balance at the rate and on the terms provided in this Note (including all renewals, extensions or modifications hereof, this “**Note**”). This Note replaces and supersedes that certain Second Amended and Restated Promissory Note dated April 16, 2018 and the Amended and Restated Promissory Note dated December 17, 2014, as amended by the Allonge to Amended and Restated Promissory Note dated October 17, 2015, as amended by the Second Allonge to Amended and Restated Promissory Note dated October 10, 2017.

1. Interest. As of the date of this Note, the principal balance of this Note outstanding during any calendar month or portion thereof shall be charged at a fixed rate of interest equal to ten percent (10.00%) per annum.

2. Payments/Maturity Date. Principal and interest payments shall be due and payable hereunder as follows:

A. This Note shall be due and payable in monthly payments in arrears of accrued interest only, commencing on November 30, 2014, and continuing on the same day of each month thereafter until fully paid. In any event, all principal and accrued interest shall be due and payable on April 16, 2019, as may be extended or modified as provided herein (the “**Maturity**”). At the option of Borrower, the Maturity may be extended one (1) year by written notice and payment by Borrower to Lender of the extension fee equal to one half of one percent of the outstanding balance of the Note on the Maturity date (the “**Extension Fee**”). If any payment comes due on a day which is a not a Business Day, such payment shall be due on the next succeeding Business Day, together with interest accruing during such extension.

B. The Maker may borrow up to the Commitment amount referenced in this Note and shall be responsible for the payment of the Origination Fee to Lender, as that term is defined in the operating agreement of the Lender. Once payments of principal are made under this Note by Maker, Lender is not obligated to make any re-advances hereunder.

C. Intentionally Deleted.

D. All payments of principal and/or interest hereon shall be payable in lawful money of the United States and in immediately available funds. All payments received hereon shall be applied, at the Lender's option, first to accrued interest, if any, then to principal, then to escrow items, if any, then to late charges, if any, then to attorney fees and then to principal. All payments hereunder shall be made without offset, demand, counterclaim, deduction, abatement, defense, or recoupment, each of which Maker hereby waives. If any payment received by Lender under this Note is rescinded, avoided or for any reason returned by Lender because of any adverse claim or threatened action, the returned payment shall remain payable as an obligation of the Maker as though such payment had not been made.

E. Except for normal and recurring payments of principal and interest under this Note, the Note may be pre-paid, in whole or part, provided Maker provides Lender with 10-days' advance written notice that the maker intends to pay this Note in full.

F. Contemporaneous with the execution of this Note, Borrower shall pay the Extension Fee to the Lender concurrent and Lender shall be responsible for the disbursement of the Extension Fee in the same manner as the Origination Fee, as that term is defined in the operating agreement of the Lender.

3. Late Charges. In the event that any payment of interest is not actually received by the holder hereof within five (5) days of the date such payment is due and payable hereunder, the Maker agrees to pay a late charge equal to four percent (4%) of the late payment.

4. Events of Default. The failure to pay any principal or interest payment at the times stated herein or the resignation or removal of Christopher Clemente as the Chief Executive Officer of the Maker shall constitute an "**Event of Default**" hereunder. Upon any such Event of Default, the entire principal balance hereof, all accrued and unpaid interest thereon, and all other applicable fees, costs and charges, if any, shall at once become due and payable at the option of the holder of this Note. Failure to exercise this option shall not constitute a waiver of the right to the later exercise thereof or to exercise the same in the event of any subsequent Event of Default.

5. Default Interest. Notwithstanding the entry of any decree, order, judgment or other judicial action under, pursuant to, in connection with, or otherwise concerning this Note, upon the occurrence of an Event of Default of this Note (whether by acceleration, declaration, extension or otherwise), the Maker promises to pay to the Lender whenever demanded by the Lender interest on this Note and all other amounts then and thereafter due and payable hereunder at a per annum rate of interest (the "**Default Rate**") equal to the lesser of (i) two and one half percent (2.5%) per annum in excess of the interest rate set forth in Section 1 above, or (ii) the highest rate allowable by law from the date of such Event of Default for so long as such Event of Default continues until payment in full of the unpaid principal balance of this Note, all accrued and unpaid interest thereon and any and all other amounts due or payable hereunder. Notwithstanding the foregoing, upon the occurrence of an Event of Default after the Maturity of this Note, the Maker promises to pay to the Lender whenever demanded by the Lender interest on this Note and all other amounts then and thereafter due and payable hereunder at a per annum rate of interest (the "**Default Rate**") equal to the lesser of (i) five percent (5.0%) per annum in excess of the interest rate set forth in Section 1 above, or (ii) the highest rate allowable by law from the date of such Event of Default for so long as such Event of Default continues until payment in full of the unpaid principal balance of this Note, all accrued and unpaid interest thereon and any and all other amounts due or payable hereunder.

6. Waiver of Notice. Each party liable hereon in any capacity, whether as maker, endorser, surety, guarantor or otherwise, (i) waives presentment, demand, protest and notice of presentment, notice of protest and notice of dishonor of this debt and each and every other notice of any kind respecting this Note (except as otherwise expressly provided for herein), (ii) agrees that the holder hereof, at any time or times, without notice to it or its consent, may grant extensions of time, without limit as to the number or the aggregate period of such extensions, for the payment of any principal and/or interest due hereon, and (iii) to the extent not prohibited by law, waives the benefit of any law or rule of law intended for its advantage or protection as an obligor hereunder or providing for its release or discharge from liability hereon, in whole or in part, on account of any facts or circumstances other than full and complete payment of all amounts due hereunder.

7. Waiver of Jury Trial. **THE LENDER, THE MAKER AND ANY OTHER PARTY LIABLE HEREON IN ANY CAPACITY, WHETHER AS SURETY, GUARANTOR, OR OTHERWISE, EACH WAIVES TRIAL BY JURY WITH RESPECT TO ANY ACTION, CLAIM, SUIT OR PROCEEDING IN RESPECT OF OR ARISING OUT OF THE LOAN EVIDENCED HEREBY AND/OR THE CONDUCT OF THE RELATIONSHIP BETWEEN THE LENDER, THE MAKER AND/OR ANY OTHER PARTY LIABLE HEREON IN ANY CAPACITY, WHETHER AS SURETY, GUARANTOR, OR OTHERWISE. THIS WAIVER IS KNOWINGLY, WILLINGLY AND VOLUNTARILY MADE BY MAKER, AND MAKER HEREBY REPRESENTS THAT NO ORAL OR WRITTEN STATEMENTS HAVE BEEN MADE BY ANY PARTY TO INDUCE THIS WAIVER OF TRIAL BY JURY OR TO IN ANY WAY MODIFY OR NULLIFY ITS STATED EFFECT. MAKER FURTHER REPRESENTS THAT IT HAS BEEN REPRESENTED BY INDEPENDENT COUNSEL OF ITS CHOICE IN THE SIGNING OF THIS NOTE AND IN THE MAKING OF THIS WAIVER AND THAT IT HAS HAD THE OPPORTUNITY TO DISCUSS THIS WAIVER WITH SUCH COUNSEL.**

8. Costs of Collection. The Maker promises to pay all third-party costs and expenses incurred in connection with collection hereof or in the protection or realization of any collateral now or hereafter given as security for the repayment hereof, including reasonable attorneys' fees, upon the occurrence of an Event of Default in the payment of the principal of this Note or interest hereon when due, whether at Maturity, as herein provided, or by reason of acceleration of Maturity under the terms hereof, whether suit be brought or not.

9. Lender's Rights and Remedies. The failure of the Lender to exercise the option for acceleration of Maturity, foreclosing, or either, following any Event of Default as aforesaid or to exercise any other option granted to it hereunder, in any one or more instances, or the acceptance by the Lender of partial payments or partial performance, shall not constitute a waiver of any such Event of Default, but such options shall remain continuously in force. Acceleration of Maturity, once claimed hereunder by the Lender, may at its option be rescinded 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. The rights, remedies and powers of the Lender, as provided in this Note, are cumulative and concurrent, and may be pursued singly, successively, or together against the Maker, and/or any security given at any time to secure the payment hereof, all at the sole discretion of the Lender.

10. Lawful Interest. Notwithstanding anything to the contrary contained herein, the effective rate of interest on the obligation evidenced by this Note shall not exceed the lawful maximum rate of interest permitted to be paid. Without limiting the generality of the foregoing, in the event the interest charged hereunder results in an effective rate of interest higher than that lawfully permitted to be paid, then such charges shall be reduced by the sum sufficient to result in an effective rate of interest permitted by law and any amount which would exceed the highest lawful rate already received and held by the Lender shall be applied to a reduction of principal and not to the payment of interest.

11. Partial Invalidity. In the event any one or more of the provisions contained in this Note shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Note, but this Note shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein or therein.

12. Amendment. 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.

13. Patriot Act Notice. To help fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. For purposes of this section, account shall be understood to include loan accounts.

14. Business Purpose. The Maker warrants and represents that the loan evidenced hereby is being made for business or commercial purposes.

15. Governing Law. This Note shall be governed in all respects by the laws of the Commonwealth of Virginia and shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns. The Maker hereby consents to be sued in an appropriate court in the Commonwealth of Virginia in any action to enforce the provisions of this Note. The Maker waives any objection to the venue of any action filed by the holder of this Note against the Maker in any court in the Commonwealth of Virginia and waives any claim of forum non conveniens or for transfer of any such action to any other court.

16. Limitation on Issuance of Debt. The Company hereby agrees not to, without the prior written consent of the holders of a Majority of Interests of the Lender, as that term is defined in the operating agreement of the Lender, to issue any new corporate indebtedness of the Company unless such indebtedness shall be expressly subordinate by its terms to the repayment of this Note; provided however, nothing herein shall limit the Company from (i) providing its corporate guarantee related to its normal and recurring project indebtedness, or (ii) making payments under its existing corporate indebtedness, or making any modifications thereto that may occur from time to time.

17. Notice. Any notice, demand or request under this Note shall be provided in writing and shall be delivered as follows:

To Lender: Comstock Growth Fund, L.C.
1886 Metro Center Drive, Suite 400
Reston, Virginia 20190
Attn: Christopher Clemente

With a copy to: Comstock Growth Fund, L.C.
1886 Metro Center Drive, Suite 400
Reston, Virginia 20190
Attn: General Counsel

To Maker: Comstock Holding Companies, Inc.
1886 Metro Center Drive, Suite 410
Reston, Virginia 20190
Attn: CFO

With a copy to: Comstock Holding Companies, Inc.
1886 Metro Center Drive, Suite 410
Reston, Virginia 20190
Attn: Jubal Thompson

IN WITNESS WHEREOF, the undersigned has executed, sealed and delivered this Note effective as of the day and year first written above.

MAKER:
COMSTOCK HOLDING COMPANIES, INC., a Delaware corporation

By: _____ (Seal)
Name:
Title:

ACKNOWLEDGEMENT OF LENDER:

LENDER:

COMSTOCK GROWTH FUND, L.C.

A Virginia limited liability company

By: Comstock Holding Companies, Inc., Manager

By: _____
Christopher Clemente
Chief Executive Officer

SECOND AMENDED AND RESTATED OPERATING AGREEMENT

OF

COMSTOCK GROWTH FUND, L.C.

EFFECTIVE DATE: May 22, 2018

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

**SECOND AMENDED AND RESTATED OPERATING AGREEMENT
OF
COMSTOCK GROWTH FUND, L.C.**

May 22, 2018

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**SECOND AMENDED AND RESTATED OPERATING AGREEMENT
OF COMSTOCK GROWTH FUND, L.C.**

THIS SECOND AMENDED AND RESTATED OPERATING AGREEMENT is made effective for all purposes and in all respects as of May 22, 2018, by and among the undersigned persons and entities and all persons or entities who execute a counterpart of this Agreement and become a Member (as hereinafter defined) in accordance with the provisions hereof.

WHEREAS, the Company (as hereinafter defined) was established by execution of the Operating Agreement of Comstock Growth Fund, L.C. dated October 8, 2014, which was later amended by the Amended and Restated Operating Agreement of Comstock Growth Fund, L.C. dated December 18, 2014 (collectively, the "Original Operating Agreement"); and

WHEREAS, the parties hereto constituting all of the Members of the Company desire to enter into this Second Amended and Restated Operating Agreement to provide for the operation, regulation and management of the Company pursuant to Section 13.1-1023 of the Annotated Code of Virginia, as amended from time to time, which will replace and supersede the Original Operating Agreement.

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

ARTICLE 1. DEFINITIONS.

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

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

"Additional Member" shall mean those Persons, other than those designated on Schedule 1, admitted to the Company pursuant to the terms hereof.

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

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

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

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

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

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

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

(a) In furtherance of and consistent with the foregoing, a Member's Capital Account shall include generally, without limitation, the Capital Contribution of a Member (as of any particular date) along with the Origination Fee unless the same is deducted from a Member's Capital Contribution in accordance with Section 8.1, (i) increased by the Member's allocable share of Profit (as defined in Section 10.1 hereof), income, and gain of the Company (including, if such date is not the close of the Company Accounting Year, the allocable share of Profit, income and gain of the Company for the period from the close of the last Company Accounting Year to such date); and (ii) decreased by the Member's allocable share of Loss and deductions of the Company and distributions by the Company to such Member (including, if such date is not the close of the Company Accounting Year, the allocable share of Loss and deductions of the Company and distributions by the Company during the period from the close of the last Company Accounting Year to such date). For purposes of the foregoing, distributions of property shall result in a decrease in a Member's Capital Account equal to the Gross Asset Value of such property distributed (less the amount of indebtedness, if any, of the Company which is assumed by such Member and/or the amount of indebtedness, if any, to which such property is subject, as of the date of distribution) by the Company to such Member.

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

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

"Capital Contribution" or "Capital Contributions" shall mean the aggregate amount of cash and/or the Gross Asset Value of property including, but not limited to, the Origination Fee, and any other amounts paid by or for a Member (less the amount of indebtedness, if any, of such Member that is assumed by the Company and/or the amount of indebtedness, if any, to which such property is subject, as of the date of contribution (without regard to the provisions of Code § 7701(g)) contributed by a Member to the capital of the Company, as well as any additional contributions made to (or for the benefit of) the Company pursuant to this Agreement, including, but not limited to, any amounts paid by a Member (except to the extent (a) indemnification is made by another Member, or (b) such other Member has a claim of contribution against any other Member) in respect of any claims, liabilities or obligations against the Company and/or pursuant to any guaranty of Company indebtedness by such Member. It is agreed that as of the date of this Agreement, each Member has committed to make, or has previously made, the Capital Contribution set forth next to his or its name on **Schedule 1** attached hereto.

"Capital Loan Availability" shall mean the aggregate amount of all Capital Contributions made to the Company, less the Origination Fee and Member Reimbursements.

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

“CGF II Loan” shall mean that certain promissory note dated December 29, 2015 in the current outstanding principal balance of \$3,000,000 between Comstock as the borrower and Comstock Growth Fund II, L.C. as the lender.

“Class A Members” shall mean those Members who have (i) a current Capital Account balance in the amount set forth on Schedule 1-A, and (ii) have elected to receive cash interest payments under the Loan from Distributable Cash Flow of the Company.

“Class B Members” shall mean those Members who have (i) a current Capital Account balance in the amount set forth on Schedule 1-B, and (ii) have elected to receive 1,852 shares of Comstock Class A Common Stock for each \$50,000 of Capital Account balance, on a pro rata basis, in lieu of an annual cash interest payment from Distributable Cash Flow of the Company, concurrent with the Effective Date of the Agreement.

“Comstock Class A Common Stock” shall mean the Class A common stock, par value \$0.01 per share, of Comstock owned by the Company.

“Comstock Class B Common Stock” shall mean the Class B common stock, par value \$0.01 per share, of Comstock owned by the Company.

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

“Company” shall mean Comstock Growth Fund, L.C., a Virginia limited liability company, as said limited liability company may from time to time be constituted.

“Company Accounting Year” shall mean the accounting year of the Company, ending December 31 of each year, unless the Manager shall reasonably determine that it is in the best interests of the Company to have a different accounting year.

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

“Company Business” shall have the meaning set forth in Article 5 herein.

“Company Interest” or “Membership Interest” or “Percentage Interest” shall mean each Member’s percentage of ownership interest in the Company, as reflected on either **Schedule 1-A** or **Schedule 1-B** attached hereto, subject to any adjustment made under the terms of this Agreement (including, without limitation, any dilution made in accordance with Section 6.13, 8.1(b) and (c)).

“Comstock” shall mean Comstock Holding Companies, Inc., a Delaware corporation.

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

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

“Gross Asset Value” shall mean, with respect to any asset of the Company, the asset’s adjusted basis for federal income tax purposes; *provided*, that (a) the Gross Asset Value of any asset contributed or deemed contributed by a Member to the Company or distributed or deemed distributed to a Member by the Company shall be the gross fair market value of such asset (without taking into account Code § 7701(g)), as reasonably determined by the contributing or distributee Member, as the case may be, and the Company; (b) the Gross Asset Values of all Company assets shall be adjusted to equal their respective gross fair market values (without taking into account Code § 7701(g)), as reasonably determined by the Manager, upon the termination of the Company for federal income tax purposes pursuant to Code § 708(b)(1)(B); and (c) the Gross Asset Values of all Company assets may be adjusted to equal their respective gross fair market values (taking into account Code § 7701(g)), as reasonably determined by the Manager, as of (i) the date of the acquisition of an additional interest in the Company by any new or existing Member in exchange for more than a de minimis contribution to the capital of the Company, or (ii) upon the distribution by the Company to a retiring or continuing Member of more than a de minimis amount of Company property other than money in reduction of such Member’s interest in the Company. Any adjustments made to the Gross Asset Value of Company assets pursuant to this Section shall be reflected in the Members’ Capital Account balance in the manner set forth in Treasury Regulation § 1.704-1(b) and this Agreement.

“Initial Closing” shall mean the execution of the Agreement by the Manager upon the collection by the Manager of initial Capital Contributions equal to \$10,000,000, or such lesser amount as it estimates may be required by the Company to adequately fund the Loan.

“Loan” shall mean a loan in the current amount of Thirteen Million One Hundred Seven Thousand, One Hundred Fifty and No/100 Dollars (\$13,107,150.00) made by the Company to Comstock but in no event to exceed the Capital Loan Availability. The Loan shall bear interest at three and eighty-nine one-hundredths percent (3.89%), with interest calculated monthly commencing on the date of execution of the Note and due and payable monthly in arrears commencing on the last date of the first month after the execution of the Loan (the first payment shall include all unpaid interest accrued).

“Major Decision” shall mean a decision relating to a modification of the Loan or a material and fundamental change in the business of the Company from the business described in Article 5 hereof.

“Majority of Members” shall mean the Members who, in the aggregate, own more than 51% of the Company Interest as of the Effective Date of this Agreement.

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

“Member(s)” shall mean collectively those Persons designated as a Class A Member or Class B Member on **Schedules 1-A and 1-B** attached hereto and any amendment thereof.

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

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

“Member Reimbursement” shall mean reimbursement to a Member by the Manager of the Company of any reasonable documented third party legal, tax, accounting or banking costs and expenses directly attributable to the making of its Capital Contribution by a Member to the Company, as determined by the Manager in its reasonable discretion.

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

“Net Capital Investment” shall, as to each Member as of any particular date, mean an amount (but not below zero) equal to (a) such Member’s Capital Contributions actually made to the Company, less (b) any distributions actually made to such Member pursuant to Article 9 hereof.

“Note” shall mean the Second Amended and Restated Promissory Note dated April 16, 2018 entered into by the Company evidencing the Loan, replacing and superseding that certain Amended and Restated Promissory Note dated December 17, 2014, as amended by the Allonge to Amended and Restated Promissory Note dated October 17, 2015, as amended by the Second Allonge to Amended and Restated Promissory Note dated October 10, 2017.

“Origination Fee” shall mean one percent (1%) of the Loan paid by Comstock to the Company. The Origination Fee was allocated to each Member based on its Capital Contribution either as an addition to a Member’s Capital Account and distributed as determined by the Manager or as a deduction from a Member’s Initial Capital Contribution with an appropriate credit to its Capital Account.

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

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

“Target Capital Account” shall, with respect to each Member as of any particular date, mean the sum of (a) such Member’s Capital Account, plus (b) the amount that such Member is deemed to be obligated to restore with respect to any deficit balance in its Capital Account pursuant to the next to last sentences of each of Treasury Regulation § 1.704-2(g)(1) (that is, the Member’s share of the Company minimum gain) and Treasury Regulation § 1.7042(i)(5) (that is, the Member’s share of the minimum gain attributable to Member Nonrecourse Debt).

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

“Total Capital Contribution” shall mean the aggregate amount of Capital Contributions made to the Company, as may be adjusted from time to time in accordance with the terms of this Agreement, but in no event to exceed \$25,000,000.

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

“Warrants” means the warrants to purchase shares of Comstock Class A Common Stock, the terms and conditions of which are set forth in separate warrant agreements, held by the Company.

ARTICLE 2. FORMATION; NAME OF THE COMPANY.

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

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

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

ARTICLE 3. PRINCIPAL OFFICE AND PLACE OF BUSINESS.

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

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

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

ARTICLE 4. TERM.

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

ARTICLE 5. BUSINESS OF THE COMPANY.

5.1 Purposes. The purposes of the Company are (a) to make the Loan to Comstock, the proceeds of which may be used in the discretion of Comstock to fund Comstock’s strategic growth initiatives and for general corporate purposes; (b) to take such other actions, or do such other things, as are necessary or appropriate (in the sole discretion of the Members or of the Manager) to carry out the provisions of this Agreement; and (c) to engage in any other lawful act or activity for which limited liability companies may be organized under the Act, and by such statement all lawful acts and activities shall be within the purposes of the Company, except for express limitations, if any.

5.2 Powers. In furtherance of its purposes, but subject to all of the provisions of this Agreement, the Company shall have the power and is hereby authorized to (a) acquire by purchase, lease, contribution of property, or otherwise, own, sell, convey, transfer, assign or dispose of any real property or personal property that may be necessary, convenient, or incidental to the accomplishment of the purposes of the Company; (b) operate, purchase, maintain, finance, improve, own, sell, convey, assign, mortgage, lease, demolish, or otherwise dispose of any real or personal property, including the Comstock Class A Common Stock and the Warrants, that may be necessary, convenient or incidental to the accomplishment of the purposes of the Company; (c) borrow money and issue evidences of indebtedness in furtherance of any or all of the purposes of the Company, and secure the same by mortgage, pledge, or other lien on any assets of the Company; (d) invest or lend, on such terms as are acceptable to the Manager, any funds of the Company pending distribution or payment of the same pursuant to the provisions of this Agreement; (e) prepay in whole or in part, refinance, recast, increase, modify, or extend any indebtedness of the Company and, in connection therewith, execute any extensions, renewals, or modifications of any mortgage or security agreement securing such indebtedness; (f) enter into, perform, and carry out contracts of any kind, including, without limitation, contracts with any Person affiliated with any of the Members, necessary to, in conjunction with, or incidental to the accomplishment of the purposes of the Company; (g) establish reserves for capital expenditures, working capital, debt service, taxes, assessments, insurance premiums, repairs, improvements, depreciation, depletion, obsolescence, and general maintenance of buildings and other property out of the rents, profits, or other income received; (h) employ or otherwise engage employees, managers, contractors, advisors and consultants and pay reasonable compensation for such services; (i) enter into partnerships or other ventures with other Persons in furtherance of the purposes of the Company; and (j) do such other things and engage in such other activities related to the foregoing as may be necessary, convenient, or advisable with respect to the conduct of the business of the Company, and have and exercise all of the powers and rights conferred upon limited liability companies formed pursuant to the Act.

ARTICLE 6. MEMBERS.

6.1. Identity. The names, Capital Contributions and Company Interests of the Members are set forth on **Schedules 1-A and 1-B** attached hereto, which shall be modified by the Manager, from time to time, as necessary to effect the addition or withdrawal of Members or any commitment by a Member to make additional Capital Contributions. Each Class A Member acknowledges and agrees that such Class A Member has elected to receive cash interest payments under the Loan from Distributable Cash Flow of the Company in accordance with this Agreement. Each Class B Member acknowledges and agrees that such Class B Member has elected to receive 1,852 shares of Comstock Class A Common Stock for each \$50,000 of such Member's Capital Contribution in lieu of an annual cash interest payment from Distributable Cash Flow of the Company. Upon the prior written request of a Member, a Member shall be entitled to Member Reimbursements upon submission of appropriate documentation to the Manager to support such Member Reimbursement.

6.2. Liability of Members.

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

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

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

(d) Neither the Manager nor any of its Affiliates shall have any personal liability for the return or repayment of the Capital Contribution of any Member, provided however, nothing herein shall limit the liability of Comstock as a Borrower under the Loan. The Manager shall not be liable to any Member by reason of any change in the federal income tax laws as they apply to the Company and the Members, whether such change occurs through legislative, judicial, or administrative action, so long as the Manager has acted in good faith and in a manner reasonably believed to be in the best interest of the Members.

(e) Notwithstanding anything contained in this Agreement to the contrary, upon the dissolution and termination of the Company, no Member and neither the Manager, nor any of its Affiliates, shall have any personal liability to repay to the Company any portion or all of any Member's Negative Capital Account.

6.3. Meetings. Meetings of the Members may be called at any time by the Manager. A meeting shall be called by the Manager, promptly upon receipt of a written request therefor by Members holding in the aggregate Company Interests representing a Majority of Interests. If the Manager shall fail to call such meeting within 20 days after receipt of such request, any Member executing such request may call such meeting. Such meetings of the Members shall be held at such places, within or without the Commonwealth of Virginia, as shall be specified in the respective notices or waivers of notice thereof.

6.4. Notice of Meetings; Waiver.

(a) The Manager shall cause written or telephonic notice of the place, date, and hour of each meeting of the Members, and the purpose or purposes for which such meeting is called, to be given personally or by telephone, facsimile, other electronic transmission, or mail, not less than five nor more than 60 days prior to the meeting, to each Member entitled to vote at such meeting. If such notice is mailed, it shall be deemed to have been given to a Member when deposited in the United States mail, postage prepaid, directed to the Member at his, her, or its address as it appears on the record of Members of the Company, or, if he, she, or it shall have filed with the Manager a written request that notices to him, her, or it be mailed to some other address, then directed to such other address. Such further notice shall be given as may be required by law.

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

6.5. Quorum. Except as otherwise required by law, the presence in person or by proxy of Members holding in the aggregate a majority of the Company Interests entitled to vote, shall constitute a quorum for the transaction of business at such meeting.

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

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

6.8. Proxies.

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

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

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

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

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

6.12. Company Interests Generally. Ownership of a Company Interest (and any fraction thereof) shall not entitle a Member to call for a partition or division of any property of the Company or for any accounting. Members specifically acknowledge that the terms of the Company Interest held by one Member may not be identical to the terms of the Company Interest held by another Member; more specifically, certain Members may be entitled to or have received: (i) a priority distribution of Distributable Cash Flow of the Company, and/or (ii) the Warrants, the terms of which may vary based on a number of factors, including but not limited to the date on which an investment is received by the Company and based on a minimum investment threshold, and/or (iii) a distribution of Comstock Class A Common Stock, the value of which may vary based on a number of factors, including but not limited to, the date on which an investment is received by the Company, based on a minimum investment threshold and based on elections made by such Member in accordance with the terms of this Agreement.

6.13. Intentionally Deleted.

6.14. Repurchase and Redemption of Company Interests.

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

(i) Comstock must purchase all of the Company Interests of each of the Class A Members at one time;

(ii) Comstock shall be allowed to purchase less than all or all of the Company Interests of a Class B Member at one time if the consideration for such purchase is not in the form of cash;

(iii) The purchase price ("Purchase Price") to be paid to each of the Class A or Class B Members for each such Member's Company Interest shall be paid in cash or if a Class B Member such other consideration as may be agreed to by a Member at settlement and closing on the purchase of the Member's Company Interest;

(iv) The Purchase Price shall be equal to the Member's unreturned Capital Contributions and any Distributable Cash Flow.

Notwithstanding any other terms, conditions or provisions of this Agreement, Comstock and a Class B Member shall be entitled, without the consent of any other Members, to convert its Class B Membership Interest into an equity interest security herein and thereafter amend this Agreement and the Note to reflect the modifications required to accurately depict the transaction, as modified, provided it does not affect the priority distributions of Class A Members.

ARTICLE 7. MANAGER AND MANAGEMENT OF THE COMPANY.

7.1. Number, General Powers and Restrictions Thereon.

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

7.2. Term of Office. The Manager shall hold office throughout the term of the Company until the earlier of the time of his, her or its earlier death or dissolution, resignation, or removal, or the expiration of the term of the Company as set forth in Article 4 hereof.

7.3. Election of Managers. The Manager shall be elected by the vote of a Majority of Members. The election of the Manager shall be subject to the Manager executing a written consent to be bound by the terms and conditions of this Agreement or by a joinder hereto. The Members hereby elect Comstock as the Manager of the Company for the purpose of exercising all of the rights granted to the Manager pursuant to this Agreement.

7.4. Action by the Manager. The Manager shall take action in such manner and at such time and place as he, she or it desires. No action of the Manager need be in writing; provided that the Manager maintains adequate records to indicate the action so taken on behalf of the Company and the action taken is undertaken in accordance with the terms and conditions of this Agreement.

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

7.6. Resignations; Removal. The Manager may resign at any time upon 60 days prior written notice to the Company. The Manager may be removed, with or without cause at any time, by a vote of a Majority of Members. The removal of the Manager may be taken at any meeting of Members called for such purpose, or by written consent of the Members without a meeting, as permitted by Section 6.10 hereof. Upon an uncured Event of Default as that term is defined in accordance with the Loan, the Member holding the largest Percentage Interest in the Company shall automatically be appointed the Manager without further action by the Company and without the written consent of Comstock.

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

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

7.9. Reserves. The Manager may from time to time, in his, her or its discretion, establish reasonable cash reserves, in such amounts and on such terms as he, she or it determines are necessary and appropriate for the operations of the Company's business and affairs.

7.10. Authority, Rights and Duties of the Manager.

(a) The Manager shall have full, complete, and exclusive discretion to manage and control the business of the Company within the authority granted under this Agreement and subject to the express limitations expressly set forth herein. The Manager, in extension and not in limitation of this Agreement, shall have all of the rights and powers of a manager under the Act and the laws of the Commonwealth of Virginia and the right, power, and authority, acting at all times for and on behalf of the Company, to enter into and execute any agreement or agreements, promissory note or notes, and any other instruments or documents; and to undertake and do all other acts necessary to carry out the purposes for which the Company was formed. Notwithstanding anything to the contrary in this Agreement, Comstock shall not have the ability to modify the Loan without the consent of the Majority of Members.

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

(c) In furtherance, and not in limitation, of the foregoing provisions of this Section and of the other provisions of this Agreement, and subject to the provisions of Section 7.11, but otherwise without the necessity of the consent of any Member, the Manager is specifically authorized, directed to use its best efforts as necessary, and empowered to:

(i) employ and dismiss from employment any and all employees and agents, and obtain all management, legal, accounting, and other services necessary in connection with the Company Business;

(ii) maintain adequate staff and facilities to carry out the Company Business;

(iii) make any and all decisions that the Company may be entitled and/or required to make under the terms of any and all documents, agreements, or other instruments relative to operating the Company Business;

(iv) generally bind the Company and execute and deliver any and all documents and instruments on the Company's behalf;

(v) negotiate and close the Loan with Comstock;

(vi) execute any and all instruments or documents required by any third party dealing with the Company in connection with any other Company Business including, but not limited to, executing any mortgage, note, contract, bank resolution and signature card, release, discharge, or any other document or instrument in any way related thereto or necessary or appropriate in connection therewith;

(vii) to the extent that funds of the Company are available therefore, pay all taxes, assessments and other impositions applicable to the Company;

(viii) to the extent that funds of the Company are available therefore, pay all debts and other obligations of the Company;

(ix) prepare and distribute, or cause to be prepared and distributed, the books of account and other statements and reports described in Article 17 hereof;

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- (x) apply for, make proffers and commitments with regard to and obtain any and all governmental permits, approvals, licenses necessary and appropriate in connection with or in any way related to the Company Business;
 - (xi) place and carry public liability, workmen's compensation, fire, extended coverage, business interruption, errors and omissions and such other insurance as may be necessary, in the Manager's discretion, for the protection of the interests and property of the Company;
 - (xii) establish, negotiate and document an equity investment by or in the Company;
 - (xiii) sell, convey, transfer, assign or dispose of any shares of Comstock Class A Common Stock not required to be distributed by the Company to the Members pursuant to Section 9.2 and any shares of Comstock Class B Common Stock;
 - (xiv) generally, in accordance with this Agreement, do all things in connection with any of the foregoing, manage and administer the day-to-day business and affairs of the Company and execute all documents on behalf of the Company; pay all costs or expenses connected with the operation or management of the Company and sign or accept all checks, notes and drafts on the Company's behalf;
 - (xv) generally, to enhance and develop the interests of the Company; and
 - (xvi) generally, do all things consistent with any and all of the foregoing on behalf of the Company.

7.11. Limitations of Authority.

(a) The Manager shall not have the authority to (i) do any act in contravention of this Agreement; (ii) do any act that would make it impossible to carry on the ordinary business of the Company (iii) amend this Agreement except as permitted by Section 19.7, except that the Manager shall have the authority, without the consent of any Member, to amend this Agreement based on the admission of an additional or substitute Member (pursuant to Section 6.13, Section 8.1(b), Section 14.1(h) or as otherwise permitted herein), the withdrawal of a Member, the change in the Company Interest of a Member, or a change in the Capital Contribution of a Member, but only when and as any such changes have otherwise been approved or authorized in the manner set forth in the applicable provisions of this Agreement; (iv) fundamentally alter the business of the Company; or (v) approve the sale, assignment, transfer, or other disposition of all or substantially all of the assets of the Company, including the Loan, or the merger of the Company with and/or into any other entity, except as otherwise provided in Section 11.4.

(b) The Manager shall be required to obtain the prior written consent of the Majority of Members for all Major Decisions. A Member who fails to deliver a timely written response to a notice seeking consent to a Major Decision, in accordance with Section 7.16 hereof, shall be deemed to have consented in writing to such Major Decision for purposes of this Section.

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

(d) The Manager acknowledges and agrees that it is the manager of Comstock Growth Fund II, L.C. ("CGFII"). Other than payments of interest only, the Manager hereby covenants it shall not make any distributions to any members of CGFII until all of the Unreturned Capital Contributions of the Class A Members hereunder have been paid in full.

7.12. Reimbursements; Compensation to Manager.

The Manager shall not be entitled to any compensation or reimbursements by the Company for any fees and expenses associated with the operation of the Company or the administration of the Loan. Additionally, Comstock shall be solely responsible for the payment of all accounting, tax, legal and all other expenses of the Company.

7.13. Tax Matters Member.

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

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

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

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

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

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

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

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

(c) Comstock shall be liable for and indemnify and reimburse the Tax Matters Member, to the extent it is not Comstock, for all expenses, including legal and accounting fees, claims, liabilities, losses and damages incurred in connection with any administrative or judicial proceeding with respect to the tax liability of the Members. Notwithstanding the foregoing, neither the Manager, if not Comstock, nor any other person shall have any obligation to provide funds for such purpose other than their proportionate share of such expenses as a Member of the Company. The taking of any action and the incurring of any expense by the Tax Matters Member in connection with any such proceeding, except to the extent required by law, is a matter in the sole discretion of the Tax Matters Member.

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

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

7.16. Consent and Approval. Except as otherwise provided herein, whenever the Manager desires to take any action which requires the consent or approval of all or any portion of the Members (including any Major Decision), or for which the Manager seeks consent or approval even if such consent or approval is not required, the Manager shall give written notice thereof to each Member from whom any such consent or approval is required, describing the proposed action in sufficient detail (in the reasonable opinion of the Manager) to enable such Member or Members to exercise an informed judgment with respect thereto. Within ten (10) days after delivery of such notice in accordance with Article 18 hereof, such Member shall give written notice to the Manager consenting to or opposing the proposed action, and setting forth its reasons therefore, if opposed to the proposed action, except with respect to a decision to modify the terms of the Loan, for which consent is required in accordance with Section 7.10(a). If any such Member does not respond within said ten (10) day period, such Member shall be conclusively presumed to have consented to such action. The ten (10) day period set forth above may be reduced to a shorter time period, to be determined by the Manager and to be specified in the notice, if in the reasonable opinion of the Manager a shorter time period is necessary because the circumstances require it. The foregoing requirements do not apply to the Loan; such rights being governed by the terms and conditions of the Note.

7.17. Ratification of Manager’s Actions. In furtherance, and not in limitation, of the foregoing provisions of this Article 7 and of the other provisions of this Agreement, each and every act and action taken by the Manager on behalf of the Company prior to the Effective Date hereof, and each and every agreement and document entered into for or on behalf of the Company, is hereby ratified and confirmed as a proper and bona fide act of the Company.

ARTICLE 8. CAPITAL CONTRIBUTIONS.

8.1. Capital Contributions.

(a) Each Member has contributed to the capital of the Company, in immediately available funds or property acceptable to the Manager, the amount set forth opposite such Member's name on either **Schedule 1-A or 1-B** attached hereto as its current Capital Contribution to the Company and shall receive appropriate credit to his or her respective Capital Account therefore. Additionally, the Manager shall adjust **Schedules 1-A and 1-B** as appropriate to reflect the appropriate treatment of the Origination Fee and Member Reimbursements in accordance with the other terms of this Agreement and shall immediately thereafter make the appropriate advance under the Loan to Comstock. Notwithstanding anything to the contrary set forth in this Agreement, the Manager shall be permitted to amend **Schedules 1-A and 1-B** without the permission of the other Members of the Company, (i) to reflect the admission of Members subsequent to the Initial Closing, (ii) to permit a later reduction of a Member's Percentage Interest or to reduce a Capital Contribution of a Member at the Initial Closing in order to permit the admission of additional Members to the Company, or (iii) to reflect the proper amendment of **Schedules 1-A and 1-B** to reflect modifications made in accordance with the repurchase, redemption and other rights related to Company Interests set forth in Section 6.14.

(b) No Member has agreed to make or is obligated to advance any additional funds to the Company in excess of such Member's committed Capital Contribution. If, at any time (or from time to time), additional funds in excess of the aforesaid committed Capital Contributions of the Members are required by the Company for or in respect of its business or any of its obligations, expenses, costs, liabilities, or expenditures, the Manager may, at its sole option, notify each Member of such fact and provide each Member the opportunity to make an additional Capital Contribution to the Company (such additional Capital Contribution shall initially be offered to the Members in proportion to their respective Company Interest and on such terms as the Manager determines) in the aggregate of the total amount of funds required, or Manager or an Affiliate may loan to the Company all or a part of the funds then required by the Company upon such terms as are reasonably determined by the Manager. If Manager or an Affiliate elects not to make such a loan and the Members do not commit to make the entire additional Capital Contribution sought by the Manager, or if Manager and/or an Affiliate elects to make such a loan for a portion of the funds required and the Members do not commit to make the balance of the additional Capital Contribution, in either case within ten days of the date on which such offer is made to them, the Manager shall be entitled to seek the uncommitted portion of such additional Capital Contribution in the form of loans, secured or unsecured, based upon the best terms then available, or from third parties and admit such third parties as additional Members; *provided*, that no third party may be offered the opportunity to make a capital investment on terms and conditions that are more favorable than those that were offered to the Members pursuant to this Section. If, as a result of this process, any Person is admitted to the Company as an Additional Member or any Member makes an additional Capital Contribution, the terms of this Agreement shall be amended and the Percentage Interest of the Members shall be reduced proportionately, as applicable, in accordance with this Agreement and the terms and conditions on which such Additional Member is admitted or an additional Capital Contribution is obtained.

(c) Should the Manager admit Additional Members, pursuant to Section 8.1(b), such Additional Members must sign an acknowledgement indicating their agreement in full to the terms of this Agreement in all respects, as it may be amended pursuant to the terms of Section 8.1(b). The Additional Members, commencing from the date their respective funds are received by the Company, shall participate in the distribution of Distributable Cash Flow pro rata in respect to their respective Company Interest, and any other distributions as set forth in Article 9.

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

8.3. Return of Capital Contributions. Except as otherwise provided herein, the Capital Account of any Member shall be returned to it on the date the Loan is repaid by Comstock or when the Company is terminated pursuant to Article 13 hereof and the Company Assets have been liquidated for cash; *provided*, that the assets of the Company are then sufficient to cover all of its liabilities and reasonable reserve requirements including liabilities to Members in respect of their Capital Accounts. To the extent the Company Assets cannot, in the reasonable opinion of the Manager or the liquidating trustee (if one has been appointed as per Section 13.2), be readily liquidated for cash, the Capital Accounts may be returned in whole or in part in the form of a dividend of Company Assets. Under no circumstances shall the Manager, nor any of its Affiliates, officers, directors, employees or agents have any personal liability whatsoever with respect to the return to any Member of its Capital Account, provided this does not limit the liability of Comstock with respect to the Loan. . No Member shall have any right to demand and receive property, in lieu of cash, in return of his Capital Account. A Member's demand for return of his Capital Account, if otherwise proper hereunder, shall be for cash only.

8.4. Members' Loans. In addition to the Capital Contributions provided for in this Agreement, at any time and from time to time after the date hereof, any Member may (but shall not be obligated to) make Members' Loans to the Company, if in the opinion of the Manager such Loans are needed by the Company in furtherance of a Company purpose. Such Loans shall be on terms and conditions acceptable to the Manager. The amount of such Members' Loans shall be a debt due from the Company to that Member and shall be on such terms as determined by the Manager and the lending Member and may be repaid prior to other distributions to Members. No Member shall have personal liability for repayment of any Member's Loan and repayment on default of a Member's Loan shall be limited to assets of the Company.

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

ARTICLE 9. DISTRIBUTIONS.

9.1. Distributions from Distributable Cash Flow. Distributable Cash Flow, if any, realized by or available to the Company, may be distributed to the Members pro rata in proportion to their Company Interests at the discretion of the Manager.

(a) First, to the Class A Members as a group, *pro rata*, in proportion to their respective Unreturned Capital Contributions until their respective Unreturned Capital Contributions have been reduced to zero.

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

(c) Finally, all remaining Distributable Cash Flow shall be distributed to the Members *pro rata* in proportion to their Company Interest.

9.2. Special Distribution. In connection with each Member's Initial Capital Contribution and the subscription agreement executed by such Member and the Company in connection with such purchase, certain of the Members received through a special distribution by the Company the Warrants and the shares of Comstock Class A Common Stock in the amounts set forth next to each Member's name on Schedules 1-A and 1-B attached hereto. In connection with each Member's election to become a Class A Member or Class B Member as provided herein, the Company will make a special distribution to Class B Members of the Class A Common Stock of the Company within ninety (90) days of ratification of this Agreement. The Class A Common Stock of the Company shall be subject to a Rule 144 six month trading restriction.

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

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

ARTICLE 10. PROFITS AND LOSSES; ALLOCATIONS.

10.1. Determination of Profits and Losses. Profit and Loss shall be allocated to the Members as set forth in Section 10.2. "Profit" and "Loss" shall mean, for each Company Accounting Year or other period, an amount equal to the Company's taxable income or loss for such year or period, determined by the Company's certified public accountants in accordance with Code § 703(a) (for this purpose, all items of income, gain, loss or deduction required to be stated separately pursuant to Code § 703(a)(1) shall be included in taxable income or loss), with the following adjustments:

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

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

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

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

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

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

(a) Profit (computed after any allocation of gross income, gain, loss or deduction required by Section 10.3 hereof) shall be allocated to the Members *pro-rata*, in accordance with the respective Company Interest of the Members.

(b) Losses (computed after any allocation of gross income, gain, loss or deduction required by Section 10.3 hereof) shall, subject to the provisions of Section 10.2(c) hereof, be allocated to the Members, *pro rata*, in accordance with the respective Company Interest of the Members.

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

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

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

(ii) After the application of Section 10.3 (a) (i) hereof (to the extent applicable), in the event that, during any Company taxable year, there is a net decrease in the "minimum gain attributable to a Member Nonrecourse Debt" (as determined in accordance with Treasury Regulation § 1.704-2(i)(5)) then any Member with a share (as of the beginning of such Company taxable year) of such minimum gain attributable to such Member Nonrecourse Debt shall, prior to any other allocation pursuant to this Article 10 other than an allocation pursuant to Section 10.3(a)(i) hereof, be specially allocated items of income and gain (including items of gross income, if necessary) for such Company taxable year (and, if necessary, subsequent years) in proportion to, and to the extent of, an amount equal to that portion of such Member's share (as determined in accordance with Treasury Regulation § 1.704-2(i)(5)) of the net decrease in the minimum gain attributable to such Member Nonrecourse Debt during such Company taxable year that is allocable to any disposition of Company property secured by such Member Nonrecourse Debt; *provided*, that a Member shall not be subjected to the allocation under this Section 10.3(a)(ii) to the extent set forth in Treasury Regulation § 1.704-2(i)(4). It is the intent of the parties hereto that any allocation pursuant to this Section 10.3(a)(ii) shall constitute a "minimum gain chargeback attributable to Member Nonrecourse Debt" under Treasury Regulation § 1.704-2(i)(4).

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

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

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

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

(c) The allocations set forth in this Section 10.3 (the "Special Allocations") are intended to comply with certain requirements of Treasury Regulations §§ 1.704-1(b) and 1.704-2. Notwithstanding the good faith efforts and intentions of the parties to conform the Special Allocations to the economic agreements of the parties hereto, it is understood and acknowledged that the Special Allocations may not be consistent with the manner in which the Members intend to share distributions of the Company. Accordingly, except as otherwise required by this Section 10.3, the Manager is hereby authorized, in its reasonable discretion, with the review and concurrence of the certified public accountants of the Company, to allocate the Profit, Loss, and other Company items among the Members to the extent necessary to ensure that the Members' Capital Accounts are in accordance with the amounts to be distributed under Sections 9.1 and 13.

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

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

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

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

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

10.5. Contributed or Revalued Property.

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

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

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

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

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

ARTICLE 11. ASSIGNMENT OF COMPANY INTERESTS.

11.1. Assignment.

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

(b) No Member (the “Transferring Member”) may transfer, sell, assign, or otherwise dispose of such Member’s Company Interest or any part thereof unless and until:

(i) the assignee executes a statement that he is acquiring the Company Interest or a part thereof for his own account for investment and not with a view to the distribution or resale thereof;

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

(iii) the assignee agrees to pay any filing fees, reasonable counsel fees, and other reasonable expenses in connection with the assignment;

(iv) the Manager has consented to such transfer (which consent may be withheld for any reason);

(v) a Majority of Members other than the Transferring Member have consented to such transfer (which consent may be withheld for any reason);

(vi) at the request of the Manager, in its sole and absolute discretion to so request, the transferring Member has delivered an acceptable opinion of legal counsel to the Company that the transfer, sale, or assignment is exempt from registration under applicable securities laws, including compliance with any applicable suitability standards.

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

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

ARTICLE 12. ADMISSION OF NEW MEMBERS.

12.1. Additional Members. The Manager may admit Members to the Company only in the following circumstances:

(a) In the case of an event described in Section 6.13, 8.1(b) and/or Section 14.1(h); or

(b) Upon the written consent of a Majority of Members.

12.2. Substituted Member. A Person to whom a Company Interest has been transferred pursuant to Article 11 may be admitted to the Company as a substituted Member only if all of the applicable requirements of Sections 11.1 and 12.3 hereof have been complied with. Upon such admission of a substituted Member, the transferor of such Member's Company Interest shall be treated as having withdrawn from the Company for all purposes with respect to the interest so transferred.

12.3. Requirements for Admission.

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

(i) elects to become a Member by delivering written notice of such election to the Manager;

(ii) executes, acknowledges, and delivers to the Manager such other instruments as the Manager may deem necessary or advisable to effect the admission of such person as a Member, including, without limitation, the written acceptance and adoption by such person of the provisions of this Agreement (which may be by way of an amendment to this Agreement); and

(iii) pays a fee to the Company in an amount determined by the Manager to be sufficient to cover all reasonable costs and expenses connected with the admission of such person as a Member.

(b) The Manager shall amend **Schedule 1** from time to time to reflect the admission of additional or substituted Members.

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

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

ARTICLE 13. DISSOLUTION, TERMINATION, AND LIQUIDATION OF COMPANY.

13.1. Events Causing Dissolution.

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

- (i) The affirmative vote or written consent of a Majority of Members that the Company be dissolved; or
- (ii) The repayment in full of the Loan or the sale of all or substantially all of the Company Assets; or
- (iii) The occurrence of any other event causing the dissolution of a limited partnership under the laws of the Commonwealth of

Virginia.

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

13.2. Liquidation.

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

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

(c) In connection with the dissolution of the Company, Profits and Losses shall be allocated among the Members in the manner provided for in Article 10. The assets of the Company (including the proceeds of the liquidation of such assets) shall be paid out in the following order: (i) to third-party creditors (whether by payment or by making of reasonable provision for payment thereof), in the order of priority provided for by law; (ii) to Member creditors (whether by payment or by making reasonable provision for payment thereof) and (iii) the balance to each Member in proportion to the positive amount of his or its Capital Account on the date of distribution (determined after giving effect to all allocations of Profit and Loss pursuant to this Section and Article 10).

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

ARTICLE 14. REPRESENTATIONS AND COVENANTS OF MEMBERS.

14.1. Representations of the Members. Each Member represents and warrants as follows:

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

(b) Neither the execution, delivery, or performance of this Agreement nor the consummation of any of the transactions contemplated hereby by the Member: (i) will violate any law, rule, regulation, judgment, order, or decree of any court or other governmental body; (ii) will conflict with or result in any breach of or default under, permit any party to accelerate any rights under or terminate, or result in the creation of any lien, charge, or encumbrance pursuant to, any provision of any material contract, indenture, mortgage, lease, franchise, license, permit, authorization, instrument or agreement of any kind to which the Member is a party or by which the Member is bound or to which the properties or assets of the Member are subject; or (iii) will require the consent or approval of any other person other than such consents or approvals as have already have obtained.

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

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

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

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

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

(h) The Member fully understands that the Total Capital Contribution will not have been committed to the Company as of the Effective Date of this Agreement. As such, each Member acknowledges and agrees that the Manager may admit as Additional Members those Persons who in the future make Capital Contributions to the Company and may take additional Capital Contributions from existing Members, until twelve months from the date of the Initial Closing. Each Member further understands that as those Persons who make such Capital Contributions are admitted as Additional Members of the Company or as additional Capital Contributions may be accepted, the Company Interest of the Members shall be reduced to a percentage determined by dividing the Member's Capital Contribution by the then total Capital Contribution to the Company.

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

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

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

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

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

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

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

15.1. Appointment and Powers.

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

(i) the Certificate;

(ii) all other certificates and instruments and amendments thereto which the Manager deems appropriate to qualify or continue the Company as a limited liability company (or a Company in which the Members will have a limited liability comparable to that provided by the Act) in any jurisdiction in which the Company may conduct business;

(iii) all instruments that the Manager deems appropriate to reflect a change or modification of the Company in accordance with the terms of this Agreement (including but not limited to an amendment reflecting the admission of Additional Members pursuant to Section 8.1(c) hereof);

(iv) all conveyances and other instruments which the Manager deems appropriate to reflect the dissolution and termination of the Company;

(v) all fictitious or assumed name certificates required or permitted to be filed on behalf of the Company;

(vi) any and all amendments and certificates of the Company necessary to admit Members to the Company, or to reflect any change or transfer of a Member's Percentage Interest, or relating to the admission or increased Capital Contribution of a Member; or relating to a modification of the Note or to memorialize the actions permitted by Section 6.14, and

(vii) all other instruments which may be required or permitted by law to be filed on behalf of the Company and which are not inconsistent with this Agreement.

(b) The authority herein granted:

(i) is a special power of attorney coupled with an interest, is irrevocable, and shall not be affected by the subsequent incapacity or disability of any Member;

(ii) may be exercised by a signature for each Member or by listing the names of all of the Members executing this Agreement with a single signature of any such Person acting on behalf of the Manager as attorney-in-fact for all of them;

(iii) shall survive the delivery of an assignment by a Member of the whole or any portion of his Company Interest; provided that if the Assignee thereof has been approved by the Manager for admission to the Company as an Additional Member, this special power of attorney shall survive such Assignment for the sole purpose of enabling the Manager to execute, acknowledge and file any instrument necessary to effect such substitution and shall thereafter terminate.

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

ARTICLE 16. INDEMNIFICATION.

16.1 Exculpation. Except as otherwise provided herein (Comstock and the Members hereby acknowledging that nothing herein limits the liability of Comstock with respect to the Loan), no Indemnitee (as such term is defined below in Section 16.2) will be liable to the Company or to any Member for any act or failure to act pursuant to this Agreement or otherwise if such Person acted in good faith and if the actions of such Person did not constitute gross negligence, willful misconduct or fraud, to the maximum extent permitted by law or equity. No Indemnitee will be liable to the Company or to any Member for such Person's good faith reliance on the provisions of this Agreement, the records of the Company, and upon any information, opinions, reports or statements presented to the Company by any of its Members, officers, employees, or by any other Person, as to matters such Person reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Company, including information, opinions, reports, or statements as to the value and amount of the assets, liabilities, profits or losses of the Company or any other facts pertinent to the existence and amount of assets from which distributions to Members may be paid.

16.2 Indemnification.

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

ARTICLE 17. BANK ACCOUNTS AND BOOKS OF ACCOUNT.

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

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

17.3. Reports to Members. The Manager shall endeavor to furnish to the Members on or before forty five (45) days after the close of each fiscal quarter, internally generated investment reports indicating the then current status of a Member's investment.

ARTICLE 18. NOTICE.

Notices provided for herein (which term shall include any responses by Members answering a request for consent) may be made by hand delivery, with receipt therefore, sent by certified or registered mail, return receipt requested, sent by first-class mail postage prepaid, delivered by recognized overnight delivery service or, except for notices to the Manager, sent by facsimile during normal business hours with confirmation of receipt, to the address of the recipient as shown on Schedule 1 attached hereto, unless notice of a change of address is given to the Company pursuant to the provisions of this Article, in which event such new address shall apply. Time periods shall commence on the date that notices are effective. Notices shall be deemed to be effective as follows: (i) upon delivery during normal business hours if by hand delivery, facsimile (other than to the Manager) or overnight delivery service; (ii) three (3) days after postmark, if sent by first class mail; and (iii) upon sending, if sent by facsimile or e-mail, unless a return or error message is generated within four hours thereafter. Notices to the Manager shall not be deemed provided or otherwise be effective if sent by facsimile or e-mail. Notices to Comstock as Manager shall be sent to the following address:

Comstock Holding Companies, Inc.
1886 Metro Center Drive, Suite 410
Reston, Virginia 20190
Attn: Chief Financial Officer

With a copy to:

Comstock Holding Companies, Inc.
1886 Metro Center Drive, Suite 410
Reston, Virginia 20190
Attn: Jubal Thompson

ARTICLE 19. MISCELLANEOUS PROVISIONS.

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

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

19.3. Governing Law. This Agreement shall be construed in accordance with, and enforced under, the laws of the Commonwealth of Virginia.

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

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

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

19.7. Amendments. This Agreement may be amended only upon the consent of the Manager and Members owning at least eighty percent (80%) of all Company Interest in the Company, except as otherwise provided in this Agreement.

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

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

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

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

MANAGER:

Manager, by its execution and joinder hereof, agrees to be bound by all terms and conditions of this Agreement.

Comstock Holding Companies, Inc.

By: _____
Name: Christopher Conover, Chief Financial Officer
Date: _____

MEMBERS:

By: _____
Name: _____
Date: _____

Individual Member Execution Sheets Follow

**SCHEDULE OF CAPITAL CONTRIBUTIONS AND COMPANY INTERESTS
OF CLASS A MEMBERS**

**SCHEDULE OF CAPITAL CONTRIBUTIONS AND COMPANY INTERESTS
OF CLASS B MEMBERS**

MEMBERSHIP INTEREST EXCHANGE AND SUBSCRIPTION AGREEMENT

THIS MEMBERSHIP INTEREST EXCHANGE AND SUBSCRIPTION AGREEMENT (this "Agreement") is effective as of May 23, 2018 (the "Effective Date"), by Comstock Holding Companies, Inc., a Delaware corporation (the "Company"), Comstock Growth Fund, L.C. ("CGF") and the member whose signatures appear on the last page hereto (the "Member"). The Company, CGF and the Member are sometimes referred to herein individually as a "Party" or collectively as the "Parties."

ARTICLE I**EXCHANGE OF CLASS B MEMBERSHIP FOR PREFERRED STOCK**

1.01 Exchange. Subject to the terms and conditions of this Agreement, on the Effective Date, the Member hereby exchanges 98.765% of its Class B membership interest in CGF (as amended, extended, supplemented or otherwise modified, the "Interest") with a value equal to \$8,000,000 for 1,600,000 shares of the Company's Series C Non-Convertible Preferred Stock, par value \$0.01 per share and a stated value of \$5.00 per share (the "Preferred Stock"). The number of shares of Preferred Stock received by the Member in exchange for the Interest hereunder represents all outstanding amounts that are owed or could be owed by the Company to the Member, plus all accrued but unpaid interest as of the Effective Date. The Interest shall be delivered to the Company on the Effective Date and cancelled. The residual membership interest held by the Member shall be reflected in an amended Schedule 1-B to CGF's operating agreement. CGF enters into this Agreement to acknowledge the transaction contemplated hereby and to agree to be bound by the provisions of Section 5.04 herein.

1.02 Fair Market Values for Tax Reporting; Tax Indemnity.

(a). The Parties agree that the fair market value of the Interest exchanged under this Agreement is \$_____ and that the fair market value of each share of Preferred Stock exchanged under this Agreement is \$5.00. The balance due under the Interest, as of May 1, 2018 is \$8,000,000. Each Party agrees that all federal, state and local tax filings and reportings made by such Party in connection with the transactions contemplated by this Agreement shall be consistent with the foregoing agreed-upon fair market values.

(b) In consideration of the exchange of the Interest for the Preferred Stock pursuant to this Agreement, the Company shall indemnify the Member against, and reimburse the Member for, any and all taxes imposed upon or incurred by the Member or such participants solely as a result of the exchange and cancellation of the Interest as provided in this Agreement. The Company shall reimburse the Member as soon as practicable following the payment of such taxes by the Member, but in any event no later than 30 days after the Company receives a written demand for said reimbursement from the Member.

ARTICLE II
REPRESENTATIONS, WARRANTIES AND UNDERSTANDINGS OF THE MEMBER

The Member hereby represents and warrants to the Company as follows:

2.01 Ownership. The Member is the sole record holder and beneficial owner of the Interest. The Member owns the Interest free and clear of all liens, pledges, mortgages, charges, security interests or encumbrances of any kind whatsoever. The Member is not a party to any agreement or arrangement which will impose any such encumbrance upon the Interest as a result of the transactions contemplated hereby.

2.02 Power and Authority; Enforceability. The Member has the power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. This Agreement constitutes a legal, valid, and binding obligation of the Member, and is enforceable against the Member in accordance with its terms.

2.03 Approvals. No consent, approval, authorization or order of any person, entity, court, administrative agency or governmental authority is required for the execution, delivery or performance of this Agreement by the Member.

2.04 Conflicts. The execution, delivery and performance of this Agreement by the Member will not (a) conflict with, or result in a breach of, or constitute a default under, or result in violation of, any agreement or instrument to which the Member is a party or by which the property of the Member is bound, or (b) result in the violation of any applicable law or order, judgment, writ, injunction, decree or award of any court, administrative agency or governmental authority.

2.05 Acquiring for Investment. The Member is acquiring the Preferred Stock for its own account, for investment purposes only and not with a view towards or in connection with the public sale or distribution thereof in violation of the Securities Act of 1933, as amended (the "Securities Act"). The Member will not, directly or indirectly, offer, sell, pledge or otherwise transfer its Preferred Stock, or any interest therein, except pursuant to transactions that are exempt from the registration requirements of the Securities Act and/or sales registered under the Securities Act. The Member understands and acknowledges that there is no public market for the Preferred Stock and it is unlikely that any public market will develop. There can be no assurance that the Member will be able to sell or otherwise dispose of the Preferred Stock. The Member acknowledges that it must bear the economic risk of the Member's investment in the Preferred Stock indefinitely, unless the Preferred Stock is registered pursuant to the Securities Act and any applicable state securities laws or an exemption from such registration is available, and that the Company has no present intention of registering any such Securities or any obligation to do so in the future.

2.06 Accredited Investor Status. The Member is: (a) an "accredited investor" within the meaning of Rule 501 of Regulation D under the Securities Act; (b) experienced in making investments of the kind contemplated by this Agreement; and (c) capable, by reason of its business and financial experience, of evaluating the relative merits and risks of an investment in the Preferred Stock.

2.07 Access to Information; Advice. The Member has had the opportunity to discuss the transactions contemplated hereby with the management of the Company and has had the opportunity to obtain such information pertaining to the Company as has been requested. The Member understands that an investment in the Company involves substantial risks. The Member (a) can bear the economic risk of losing its entire investment in the Company and has adequate means for providing for its current financial needs and contingencies, and (b) has the financial acumen and sophistication to make an informed investment decision with respect to the transactions contemplated hereby and the Preferred Stock to be issued hereunder. The Member is relying solely upon the advice of its own legal, tax and financial advisers with respect to the tax and other legal aspects of an investment in the Preferred Stock.

2.08 Exemption of Offering. The Member understands that the Preferred Stock is being issued in reliance upon an exemption from the registration requirements of the Securities Act, and applicable state securities laws, and that the Company is relying upon the accuracy of, and the Member's compliance with, the Member's representations, warranties and covenants set forth in this Agreement to determine the availability of such exemption.

ARTICLE III REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company hereby represents and warrants to the Member as follows:

3.01 Organization. The Company is duly formed and validly existing under the laws of the State of Delaware, with full power and authority to conduct its business as it is currently being conducted and to own its assets; and has secured any other authorizations, approvals, permits and orders required by law for the conduct by the Company of its business as it is currently being conducted.

3.02 Power and Authority; Enforceability. The Company has the power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. This Agreement constitutes a legal, valid, and binding obligation of the Company, and is enforceable against the Company in accordance with its terms.

3.03 Approvals. Subject to the accuracy of the Member's representations and warranties herein, no consent, approval, authorization or order of, or filing or registration with, any governmental authority or other person is required to be obtained or made by the Company for the execution, delivery and performance of this Agreement or the consummation of any of the transactions contemplated hereby.

3.04 No Default. The Company and its subsidiaries are not, and, immediately after the consummation of the transactions contemplated hereby, none will be, in material default of (whether upon the passage of time, the giving of notice or both) any term of its certificate of incorporation or its bylaws or any provision of any equity security issued by the Company.

3.05 Securities Laws. All notices, filings, registrations, or qualifications under state securities or "blue sky" laws, that are required in connection with the offer, issuance, sale and delivery of the Preferred Stock pursuant to this Agreement, have been, or will be, completed by the Company.

**ARTICLE IV
TRANSFER RESTRICTIONS**

4.01 Transfer Restriction. Except as permitted by Section 1.01, the Preferred Stock may not be transferred without the consent of the Company.

4.02 Transfer of Preferred Stock. The Member acknowledges that the shares of Preferred Stock are restricted securities and in addition to the restriction contained in Section 4.01 may be transferred only pursuant to: (a) an effective registration statement under the Securities Act and applicable state securities laws pertaining to such securities or an available exemption therefrom; and (b) Rule 144 of the Securities and Exchange Commission (or any similar rule or rules then in force) if such rule or rules are available.

4.03 Restrictive Legend. The Member acknowledges and agrees that, upon issuance pursuant to this Agreement, the certificates representing the Preferred Stock shall have endorsed thereon a legend in substantially the following form:

“THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR THE SECURITIES LAWS OF ANY STATE, AND ARE BEING OFFERED AND SOLD PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND SUCH LAWS. THESE SECURITIES MAY NOT BE SOLD OR TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OR SUCH OTHER LAWS. TRANSFER OR THESE SECURITIES IS FURTHER RESTRICTED BY THE TERMS OF THE MEMBERSHIP INTEREST EXCHANGE AND SUBSCRIPTION AGREEMENT EFFECTIVE AS OF MAY 23, 2018.”

**ARTICLE V
MISCELLANEOUS PROVISIONS**

5.01 Survival of Representations; Entire Agreement. All representations and warranties made by the Parties pursuant to this Agreement shall survive the execution and delivery of this Agreement. This Agreement and the related documents referred to herein constitute the entire understanding between the Parties with respect to the subject matter contained herein and therein and supersede any prior or contemporaneous understandings and agreements among them respecting such subject matter. Except as specifically set forth herein or therein, neither the Company nor the Member makes any representation, warranty, covenant or undertaking with respect to such matters.

5.02 Governing Law; Jurisdiction. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia, without regard to its conflict of laws principles. Any suit brought hereunder shall be brought in the state or federal courts sitting in Fairfax County, Virginia, and the Parties hereby waive any claim or defense that such forum is not convenient or proper.

5.03 Amendments; Counterparts. This Agreement may be amended only by a written instrument duly executed by each of the Parties. This Agreement may be executed in counterparts, each of which when executed and delivered shall be deemed to be an original and all of which counterparts taken together shall constitute but one and the same instrument. In order to facilitate execution of this Agreement, this Agreement may be duly executed and delivered by facsimile or other electronic transmission.

5.04 Further Assurances. The Parties agree to (a) furnish upon request to each other such further information, (b) execute and deliver to each other such other documents, and (c) do such other acts and things, all as the other Party may reasonably request for the purpose of carrying out the intent of this Agreement and the transactions contemplated by this Agreement.

5.05 Notices. All notices or other communications given or made hereunder shall be in writing and shall be delivered or mailed by registered or certified mail, return receipt requested, postage prepaid, to the Parties at their respective addresses set forth below:

If to the Company:

C/O Comstock Holding Companies, Inc.
1886 Metro Center Drive, 4th Floor
Reston, Virginia 20190
Attn: Chief Financial Officer

If to the Holder:

Comstock Development Services, LC
1886 Metro Center Drive, 4th Floor
Reston, Virginia 20190
Attn: Chistopher Clemente

If to CGF:

Comstock Growth Fund, L.C.
1886 Metro Center Drive, 4th Floor
Reston, Virginia 20190
Attn: General Counsel

5.06 Headings. The headings of this Agreement are for convenience of reference and shall not form part of, or affect the interpretation of, this Agreement.

5.07 Severability. If any provision of this Agreement shall be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remainder of this Agreement or the validity or enforceability of this Agreement in any other jurisdiction.

IN WITNESS WHEREOF, the Parties have duly executed this Agreement as of the Effective Date.

COMPANY:

Comstock Holding Companies, Inc.

By: _____
Name: Christopher Conover
Title: Chief Financial Officer

MEMBER:

Comstock Development Services, LC

By: _____
Name: Christopher Clemente
Title: Manager

CGF:

Comstock Growth Fund, L.C.

BY: Comstock Holding Companies, Inc., Manager

By: _____
Name: Christopher Conover
Title: Chief Financial Officer

NOTE EXCHANGE AND SUBSCRIPTION AGREEMENT

THIS NOTE EXCHANGE AND SUBSCRIPTION AGREEMENT (this "Agreement") is effective as of May 23, 2018 (the "Effective Date") by Comstock Holding Companies, Inc., a Delaware corporation (the "Company"), and Comstock Growth Fund II, L.C. (the "Noteholder"). The Company and the Noteholder are sometimes referred to herein individually as a "Party" or collectively as the "Parties."

**ARTICLE I
EXCHANGE OF NOTE FOR PREFERRED STOCK**

1.01 Exchange. Subject to the terms and conditions of this Agreement, on the Effective Date, the Noteholder hereby exchanges the Revolving Line of Credit Promissory Note dated December 29, 2015 in the original maximum principal amount of \$10,000,000 issued by the Company to the Noteholder (as amended, extended, supplemented or otherwise modified, the "Note") for 738,390 shares of the Company's existing Series C Non-Convertible Preferred Stock (the "Preferred Stock"). The number of shares of Preferred Stock received by the Noteholder in exchange for the Note hereunder represents the principal amount outstanding plus all accrued but unpaid interest under the Note as of March 31, 2018. The balance due under the Note, as of March 31, 2018, was \$3,691,948.26. Interest accrued under the Note from April 1, 2018 through the Effective Date hereof is to be paid by the Company in cash and the Note shall be delivered to the Company on the Effective Date and cancelled. Following the Effective Date, the Noteholder agrees to deliver a portion of the shares of the Preferred Stock, or other evidence of ownership of such shares of the Preferred Stock, to any party holding a participation interest in the Note.

1.02 Fair Market Values for Tax Reporting; Tax Indemnity.

(a). The Parties agree that the fair market value of the Note exchanged under this Agreement is \$ _____ and that the fair market value of each share of Preferred Stock exchanged under this Agreement is \$5.00. The balance due under the Note, as of March 31, 2018, was \$3,691,948.26. Interest accrued under the Note from April 1, 2018 through the Effective Date hereof is to be paid by the Company in cash. Each Party agrees that all federal, state and local tax filings and reportings made by such Party in connection with the transactions contemplated by this Agreement shall be consistent with the foregoing agreed-upon fair market values.

(b) In consideration of the conversion of the Note to the Preferred Stock pursuant to this Agreement, the Company shall indemnify the Noteholder and any participants in the Note against, and reimburse the Noteholder and any participants in the Note for, any and all taxes imposed upon or incurred by the Noteholder or such participants solely as a result of the exchange and cancellation of the Note as provided in this Agreement. The Company shall reimburse the Noteholder and any participants as soon as practicable following the payment of such taxes by the Noteholder or such participant, but in any event no later than 30 days after the Company receives a written demand for said reimbursement from the Noteholder or such participant.

ARTICLE II
REPRESENTATIONS, WARRANTIES AND UNDERSTANDINGS OF THE NOTEHOLDER

The Noteholder hereby represents and warrants to the Company as follows:

2.01 Ownership. The Noteholder is the sole record holder and beneficial owner of the Note bearing its name as payee. The Noteholder owns the Note free and clear of all liens, pledges, mortgages, charges, security interests or encumbrances of any kind whatsoever, except for certain participation interests in the Note sold to third parties. Except for any loan participation agreements with respect to the Note, the Noteholder is not a party to any agreement or arrangement which will impose any such encumbrance upon the Note as a result of the transactions contemplated hereby.

2.02 Power and Authority; Enforceability. The Noteholder has the power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. This Agreement constitutes a legal, valid, and binding obligation of the Noteholder, and is enforceable against the Noteholder in accordance with its terms.

2.03 Approvals. No consent, approval, authorization or order of any person, entity, court, administrative agency or governmental authority is required for the execution, delivery or performance of this Agreement by the Noteholder.

2.04 Conflicts. The execution, delivery and performance of this Agreement by the Noteholder will not (a) conflict with, or result in a breach of, or constitute a default under, or result in violation of, any agreement or instrument to which the Noteholder is a party or by which the property of the Noteholder is bound or (b) result in the violation of any applicable law or order, judgment, writ, injunction, decree or award of any court, administrative agency or governmental authority.

2.05 Acquiring for Investment. The Noteholder is acquiring the Preferred Stock for its own account, for investment purposes only and not with a view towards or in connection with the public sale or distribution thereof in violation of the Securities Act of 1933, as amended (the "Securities Act"). The Noteholder will not, directly or indirectly, offer, sell, pledge or otherwise transfer its Preferred Stock, or any interest therein, except pursuant to transactions that are exempt from the registration requirements of the Securities Act and/or sales registered under the Securities Act. The Noteholder understands and acknowledges that there is no public market for the Preferred Stock and it is unlikely that any public market will develop. There can be no assurance that the Noteholder will be able to sell or otherwise dispose of the Preferred Stock. The Noteholder acknowledges that it must bear the economic risk of the Noteholder's investment in the Preferred Stock indefinitely, unless the Preferred Stock is registered pursuant to the Securities Act and any applicable state securities laws or an exemption from such registration is available, and that the Company has no present intention of registering any such Securities or any obligation to do so in the future.

2.06 Accredited Investor Status. The Noteholder is: (a) an “accredited investor” within the meaning of Rule 501 of Regulation D under the Securities Act; (b) experienced in making investments of the kind contemplated by this Agreement; and (c) capable, by reason of its business and financial experience, of evaluating the relative merits and risks of an investment in the Preferred Stock.

2.07 Access to Information; Advice. The Noteholder has had the opportunity to discuss the transactions contemplated hereby with the management of the Company and has had the opportunity to obtain such information pertaining to the Company as has been requested. The Noteholder understands that an investment in the Company involves substantial risks. The Noteholder (a) can bear the economic risk of losing its entire investment in the Company and has adequate means for providing for its current financial needs and contingencies and (b) has the financial acumen and sophistication to make an informed investment decision with respect to the transactions contemplated hereby and the Preferred Stock to be issued hereunder. The Noteholder is relying solely upon the advice of its own legal, tax and financial advisers with respect to the tax and other legal aspects of an investment in the Preferred Stock.

2.08 Exemption of Offering. The Noteholder understands that the Preferred Stock is being issued in reliance upon an exemption from the registration requirements of the Securities Act, and applicable state securities laws, and that the Company is relying upon the accuracy of, and the Noteholder’s compliance with, the Noteholder’s representations, warranties and covenants set forth in this Agreement to determine the availability of such exemption.

ARTICLE III REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company hereby represents and warrants to the Noteholder as follows:

3.01 Organization. The Company is duly formed and validly existing under the laws of the State of Delaware, with full power and authority to conduct its business as it is currently being conducted and to own its assets; and has secured any other authorizations, approvals, permits and orders required by law for the conduct by the Company of its business as it is currently being conducted.

3.02 Power and Authority; Enforceability. The Company has the power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. This Agreement constitutes a legal, valid, and binding obligation of the Company, and is enforceable against the Company in accordance with its terms.

3.03 Approvals. Subject to the accuracy of the Noteholder’s representations and warranties herein, no consent, approval, authorization or order of, or filing or registration with, any governmental authority or other person is required to be obtained or made by the Company for the execution, delivery and performance of this Agreement or the consummation of any of the transactions contemplated hereby.

3.04 No Default. The Company and its subsidiaries are not, and, immediately after the consummation of the transactions contemplated hereby, none will be, in material default of (whether upon the passage of time, the giving of notice or both) any term of its certificate of incorporation or its bylaws or any provision of any equity security issued by the Company.

3.05 Securities Laws. All notices, filings, registrations, or qualifications under state securities or “blue sky” laws, that are required in connection with the offer, issuance, sale and delivery of the Preferred Stock pursuant to this Agreement, have been, or will be, completed by the Company.

ARTICLE IV TRANSFER RESTRICTIONS

4.01 Transfer Restriction. Except as permitted by Section 1.01, the Preferred Stock may not be transferred without the consent of the Company.

4.02 Transfer of Preferred Stock. The Noteholder acknowledges that the shares of Preferred Stock are restricted securities and in addition to the restriction contained in Section 4.01 may be transferred only pursuant to: (a) an effective registration statement under the Securities Act and applicable state securities laws pertaining to such securities or an available exemption therefrom; and (b) Rule 144 of the Securities and Exchange Commission (or any similar rule or rules then in force) if such rule or rules are available.

4.03 Restrictive Legend. The Noteholder acknowledges and agrees that, upon issuance pursuant to this Agreement, the certificates representing the Preferred Stock shall have endorsed thereon a legend in substantially the following form:

“THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR THE SECURITIES LAWS OF ANY STATE, AND ARE BEING OFFERED AND SOLD PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND SUCH LAWS. THESE SECURITIES MAY NOT BE SOLD OR TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OR SUCH OTHER LAWS. TRANSFER OR THESE SECURITIES IS FURTHER RESTRICTED BY THE TERMS OF THE NOTE EXCHANGE AND SUBSCRIPTION AGREEMENT EFFECTIVE AS OF MAY 23, 2018.”

ARTICLE V MISCELLANEOUS PROVISIONS

5.01 Survival of Representations; Entire Agreement. All representations and warranties made by the Parties pursuant to this Agreement shall survive the execution and delivery of this Agreement. This Agreement and the related documents referred to herein constitute the entire understanding between the Parties with respect to the subject matter contained herein and therein and supersede any prior or contemporaneous understandings and agreements among them respecting such subject matter. Except as specifically set forth herein or therein, neither the Company nor the Noteholder makes any representation, warranty, covenant or undertaking with respect to such matters.

5.02 Governing Law; Jurisdiction. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia, without regard to its conflict of laws principles. Any suit brought hereunder shall be brought in the state or federal courts sitting in Fairfax County, Virginia, and the Parties hereby waive any claim or defense that such forum is not convenient or proper.

5.03 Amendments; Counterparts. This Agreement may be amended only by a written instrument duly executed by each of the Parties. This Agreement may be executed in counterparts, each of which when executed and delivered shall be deemed to be an original and all of which counterparts taken together shall constitute but one and the same instrument. In order to facilitate execution of this Agreement, this Agreement may be duly executed and delivered by facsimile or other electronic transmission.

5.04 Further Assurances. The Parties agree to (a) furnish upon request to each other such further information, (b) execute and deliver to each other such other documents, and (c) do such other acts and things, all as the other Party may reasonably request for the purpose of carrying out the intent of this Agreement and the transactions contemplated by this Agreement.

5.05 Notices. All notices or other communications given or made hereunder shall be in writing and shall be delivered or mailed by registered or certified mail, return receipt requested, postage prepaid, to the Parties at their respective addresses set forth below:

If to the Company:

Comstock Holding Companies, Inc.
1886 Metro Center Drive, 4th Floor
Reston, Virginia 20190
Attn: Chief Financial Officer

If to the Holder:

Comstock Growth Fund II, LC
1886 Metro Center Drive, 4th Floor
Reston, Virginia 20190
Attn: Christopher Clemente

5.06 Headings. The headings of this Agreement are for convenience of reference and shall not form part of, or affect the interpretation of, this Agreement.

5.07 Severability. If any provision of this Agreement shall be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remainder of this Agreement or the validity or enforceability of this Agreement in any other jurisdiction.

IN WITNESS WHEREOF, the Parties have duly executed this Agreement as of the Effective Date.

COMPANY:

Comstock Holding Companies, Inc.

By: _____
Name: Christopher Conover
Title: Chief Financial Officer

HOLDER:

Comstock Growth Fund II, L.C.

Comstock Development Services, LC, Sole Member

By: _____
Name: Christopher Clemente
Title: Manager

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

I, Christopher Clemente, certify that:

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

Date: August 14, 2018

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

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

I, Christopher Guthrie, certify that:

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

Date: August 14, 2018

/s/ Christopher Guthrie

Christopher Guthrie
Chief Financial Officer
(Principal Financial Officer and Principal Accounting
Officer)

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

In connection with the Quarterly Report on Form 10-Q of Comstock Holding Companies, Inc. (the "Company") for the quarter ended June 30, 2018, 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 Christopher Guthrie, Chief Financial Officer of the Company, certifies, to his best knowledge and belief, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that

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

Date: August 14, 2018

/s/ Christopher Clemente

Christopher Clemente
Chairman and Chief Executive Officer

Date: August 14, 2018

/s/ Christopher Guthrie

Christopher Guthrie
Chief Financial Officer

