Comstock Holding Companies, Inc.
Form 10-K
March 29, 2019
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 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 001-32375

Comstock Holding Companies, Inc.

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Delaware | 20-1164345 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

1886 Metro Center Drive, 4th Floor, Reston, Virginia 20190

(Address of principal executive offices) (Zip Code)

(703) 230-1985

(Registrant's telephone number, including area code)

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

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

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

None

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).        Yes        No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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.

| | |
|---|---|
| Large accelerated filer | Accelerated filer |
| Non-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

The aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant based on the last reported sale price of the registrant’s common equity on the Nasdaq Capital Market (“NASDAQ”) on June 30, 2018, which was the last business day of the registrant’s most recently completed second fiscal quarter, was $4,405,580. For purposes of this computation, all officers, directors, and 10% beneficial owners of the registrant are deemed to be affiliates. This determination of affiliate status is not necessarily conclusive for other purposes.

As of March 20, 2019, there were 3,663,843 outstanding shares of the registrant’s Class A common stock, par value $0.01 per share, and 220,250 shares of the registrant’s Class B common stock, par value $0.01 per share.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant’s definitive Proxy Statement for the 2019 Annual Meeting of Stockholders or Annual Report on Form 10-K, to be filed within 120 days after the registrant’s fiscal year ended December 31, 2018, are incorporated by reference into Part III of this Form 10-K.

COMSTOCK HOLDING COMPANIES, INC.

ANNUAL REPORT ON FORM 10-K

For the Fiscal Year Ended December 31, 2018

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# PART I

## CAUTIONARY NOTES REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements contained in this Annual Report on Form 10-K include forward-looking statements. These forward-looking statements can be identified by the use of words such as “anticipate,” “believe,” “estimate,” “may,” “likely,” “intend,” “expect,” “will,” “should,” “seeks” or other similar expressions. Forward-looking statements are based largely on our expectations and involve inherent risks and uncertainties including certain risks described in this Annual Report on Form 10-K. When considering those forward-looking statements, you should keep in mind the risks, uncertainties and other cautionary statements made in this Annual Report on Form 10-K. You should not place undue reliance on any forward-looking statement, which speaks only as of the date made. Some factors which may affect the accuracy of the forward-looking statements apply generally to the real estate industry, while other factors apply directly to us. Any number of important factors which could cause actual results to differ materially from those in the forward-looking statements include: our ability to transition our business strategy and operating platform and secure any necessary funding for such transition and future growth; general economic and market conditions, including interest rate levels; changes in the commercial real estate market; our ability to service our debt; inherent risks in investment in real estate; our ability to attract and retain clients; our ability to compete in the markets in which we operate; regulatory actions; fluctuations in operating results; our anticipated growth strategies; shortages and increased costs of labor or building materials; the availability and cost of land in desirable areas; adverse weather conditions and natural disasters; our ability to raise debt and equity capital and grow our operations on a profitable basis and our continuing relationships with affiliates.

Our actual results could differ materially from these projected or suggested by the forward-looking statements. The Company undertakes no obligation to update publicly or revise any forward-looking statements in light of new information or future events, except as required by law. For a discussion of factors that could cause actual results to differ, please see the discussion in this Annual Report on Form 10-K under the heading “Risk Factors” in Item 1A.

## Item 1. Business

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

Financial information for each of our reportable segments is included in Note 2 to our consolidated financial statements.

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

### Overview

Comstock Holding Companies, Inc., incorporated in 2004 as a Delaware corporation, is a multi-faceted real estate asset management, development and services company primarily focused in the Washington, D.C. Metropolitan Statistical Area (“MSA”) of the United States. In 2018, the Company began to transform its operational platform from for sale production homebuilding to asset management, commercial development and complementary real estate related services. As part of the transformation, the Company now operates through two primary real estate focused platforms – CDS Asset Management, LC (“CAM”) and Comstock Real Estate Services, LC (“CRES”) and is in the process of winding down its on-balance sheet production homebuilding business. References in this Annual Report on Form

10-K to “Comstock,” “Company”, “CAM”, “CRES”, “we,” “our” and “us” refer to Comstock Holding Companies, Inc. togethe
each case with our subsidiaries and any predecessor entities unless the context suggests otherwise.

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## Available Information

We make available, as soon as reasonably practicable, on our website, www.comstockcompanies.com, all of our reports required to be filed with the Securities and Exchange Commission (SEC). The SEC maintains an internet site that contains these reports, proxy statements and other information at www.sec.gov. In addition, these reports are available free of charge on the “Investor Relations” page of our website under “SEC Filings” and include our annual and quarterly reports on Form 10-K and Form 10-Q (including related filings in XBRL format), current reports on Form 8-K, proxy statements and amendments to such reports. In addition to our SEC filings, our corporate governance documents, including our Code of Ethics for the Chief Executive Officer and senior financial officers and Code of Conduct applicable to all employees and directors are available on the “Investor Relations” page of our website under “Corporate Governance.”

Our principal executive offices are located at 1886 Metro Center Drive, 4th Floor, Reston, Virginia 20190 and our telephone number is (703) 230-1985. Information on or linked to our website is not incorporated by reference into this Annual Report on Form 10-K unless expressly noted.

## Our Business Strategy

In 2018, we began winding down our on-balance-sheet, for-sale homebuilding operation and refocusing our operations on commercial real estate development, asset management and real estate related fee-based services. As a result, the Company began operating through two real estate focused platforms, CDS Asset Management ("CAM") and Comstock Real Estate Services ("CRES"). CAM provides real estate development, asset management, and property management services, while CRES provides development supply chain services, including capital markets, real estate brokerage, environmental consulting and design services in the Washington, DC metropolitan area and in New Jersey and Pennsylvania.

We believe that Comstock's substantial experience in entitling, designing, developing, and managing a diverse range of properties including apartments, single-family homes, townhomes, mid-rise condominiums, high-rise condominiums and mixed-use (residential and commercial) properties, as well as large scale commercial parking garages and transit related projects, positions the CAM subsidiary to capitalize on commercial development and asset management opportunities in the Washington, DC region. Our CRES subsidiary is well positioned to capitalize on market opportunities related to providing development supply chain services, including capital markets, brokerage, environmental consulting and other real estate related services in the Washington, DC metropolitan area and in other parts of the Washington, D.C. MSA.

In connection with our new strategy, and anchoring the transition of our operations, the Company entered into a Master Asset Management Agreement (“AMA”), effective as of 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. The AMA covers two large-scale, transit-oriented, mixed-use developments in the Washington, DC area; Reston Station, a multi-million square foot development located in Reston, VA, and Loudoun Station, a multi-million square foot development in Ashburn, VA, as well as a mixed-use development asset located in Herndon, VA. Separately, the Company also entered fee-based management agreements with unrelated third parties concerning a mixed-use property in Tysons Corner, VA, and an affordable housing multi-family development in Rockville, MD.

Pursuant to the AMA, CDS has engaged CAM to manage and administer the CDS commercial real estate portfolio (“CRE Portfolio”) and the day to-day operations of CDS and each property-owning subsidiary of CDS. Pursuant to the terms of the AMA, CAM provides investment advisory, development and asset management services related to the build out, lease-up and stabilization, and management of the CRE Portfolio. CDS pays the Company fees for the services provided by the Company in connection with the CDS portfolio of assets under management ("AUM") calculated on a cost-plus basis, thereby protecting the Company from incurring operating costs related to asset management services being provided to CDS in excess of fees collected during the transition, while also enabling the Company to expand its operating capabilities through the addition of qualified managers with experience in growing AUM.

In addition to the asset management services provided by CAM to CDS, the Company's CRES subsidiary is focused on generating growth organically and through potential acquisitions of operating businesses that would provide complementary development and supply chain services to assets under management pursuant to the AMA as

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well as to unrelated third parties in the areas of environmental consulting, mortgage brokerage, and capital market and financial consulting services.

We believe that we have several strengths that distinguish our new business focus and strategy:

- Revenue Base. Our revenues are primarily generated from recurring fees earned under the AMA and operations of our CRES subsidiary. The AMA provides a reliable cost-plus source of revenue and cashflow to cover the Company's operating expenses related to the services being provided to CDS pursuant to the AMA, positioning the Company to enhance bottom line results and pursue additional revenue growth.
- Management Services. Our experienced asset management professionals provide management services to a wide range of real estate assets and businesses that include a variety of commercial real estate uses, including apartments, office buildings, hotels, commercial garages, leased lands, retail stores, mixed-use developments, and transit-oriented developments. Our management team has significant capabilities generated through decades of experience managing large-scale projects and portfolios of commercial real estate development, construction, and 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 of strategic corporate planning, capital markets and financial consulting services, commercial mortgage brokerage services, and environmental and design-based services. Our environmental services group provides consulting, environmental studies, remediation services and site-specific solutions for properties that may benefit from environmental due diligence, site-specific assessments, and environmental remediation. The real estate services business platform allows us to generate positive fee income from our highly qualified personnel and serves as a potential catalyst for joint venture and acquisition opportunities.
- Homebuilding. We will continue to wind-down our for-sale homebuilding operation and with the intention of completing the wind-down as quickly and efficiently as possible. In connection with the winding-down of our for-sale homebuilding operations, we may continue to develop, construct, and market individual homes and building lots for sale until we have depleted our inventory of such products or identified a means of completing the wind-down in an expediated manner. We will substantially complete our production homebuilding operations by the second quarter of 2019 but anticipate residual land development activities and finished lot sales to third party homebuilders to continue beyond 2019. Additionally, the Company may engage in homebuilding activities from time to time if self-performance of our residual lot inventory pipeline is deemed the best financial alternative. Any future homebuilding activities are 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 leverages the diverse capabilities and relationships of the management teams of the Comstock organization 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 Company pursuant to the AMA.
- Operating Efficiencies. As previously reported, the transition of our business focus and new strategy required the combination of the operating platform of the Company and the operating platform of the privately held commercial development company controlled by the Company's Chief Executive Officer. The integration of the two operating platforms has significantly enhanced the operating capabilities of the Company while providing opportunities for additional operational efficiencies and management alignment.
- Fee-Based Service Platform. Our asset-light business strategy, adopted in 2018, has contributed to our ability to materially reduce our liabilities during 2018 and we believe will contribute to our ability to produce positive results in future periods.

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The Company’s various 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 Washington, D.C. MSA provides us with a competitive advantage in sourcing and executing on investment opportunities.

While Comstock has developed numerous properties in multiple key markets throughout the southeastern United States, and our management team has experience managing large regional portfolios, we believe the Washington, DC MSA provides continued growth opportunity in the near-term for several reasons, including the following:

- Long Track Record. Comstock has been active in the Washington, DC MSA since 1985 and has developed, acquired, and managed thousands of residential units and millions of square feet of mixed-use properties, throughout the region.

- Multiple Public-Private Partnerships. Comstock has been selected by multiple local governments (Fairfax County, Loudoun County, and Town of Herndon) to develop and manage large-scale mixed-use, and transit facility developments through public-private partnerships at a time when local jurisdictions are focused on public-private partnerships as a means of leveraging private sector capabilities to meet public infrastructure development needs.

- Economic Drivers. Significant growth trends in demand for cyber security and other technology services in the government sector, as well as in the private sector, has generated growth opportunities for tech companies, generating numerous start-ups, and is attracting big tech to the region. Further, Northern Virginia’s data center market, primarily the Dulles Corridor, has seen record growth and has become the global leader in data center space while accounting for more than 40% of national data center space absorption in recent years.

- Diverse Employment Base. The diverse and well-educated employment base in the Washington, DC MSA, coupled with proximity to the federal government and the presence of well-established government contractors is contributing to the attractiveness of the region to tech companies.

- Metro’s Silver Line. Phase I of Metro’s Silver Line opened in 2014, connecting Tysons Corner and Reston to Arlington and downtown Washington, DC. Phase II is scheduled to open in early 2020 and will extend service from the terminus of Phase I located in the center of Comstock’s Reston Station development to Herndon, Dulles International Airport, and Loudoun County, terminating at Comstock’s Loudoun Station development.

- Regional Land Use Plans. Recent changes to Comprehensive Land Use Plans of Fairfax County and Loudoun County encourage high density and mixed-use development proximate to the new Silver Line Metro Stations.

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Increased Demand for Transit-Oriented and Mixed-Use Developments. Recent trends indicate commercial tenants are increasingly seeking to locate (or relocate) office to Metro Accessible sites and have demonstrated a willingness to pay premium rents for commercial space because proximity to Metro in urban, mixed-use developments has become a key recruiting tool. Additionally, demand for housing in transit-oriented, mixed-use neighborhoods has increased steadily over the past decade while home ownership rates have decreased and demand for high quality rental housing has increased.

Comstock has been focused on these emerging trends for more than a decade and the Company, through the AMA, controls the development and asset management of a significant portfolio at the forefront of the urban transformation taking place in the Dulles Corridor. With a stabilized portfolio and development pipeline that includes millions of square feet of mixed-use and transit-oriented properties located at key Metro stations in the Dulles Corridor, Comstock is well positioned to capitalize on trends that we believe will shape the future commercial real estate landscape.

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Our Operations

We believe that we are properly staffed for current market conditions and have the ability to manage growth as market conditions warrant. Our operations are focused mainly in the Washington, D.C. MSA, where we believe our over 30 years of experience provides us the best opportunity to enhance stockholder value.

Our Managed Communities

Reston Station. Reston Station is among the largest mixed-use, transit-oriented developments in the Washington D.C. MSA. Located at the terminus of phase I of Metro's Silver Line, the Reston Station neighborhood will contain approximately 4.5 million square feet of mixed-use development covering almost 40 acres spanning the highly-trafficked Dulles Toll Road and surrounding Metro's Wiehle Reston-East Metro Station, the terminus station on Phase I of the Silver Line and the only Metro rail station currently in Reston, VA. The Company is providing a wide variety of its real estate and asset management services to the project pursuant to the AMA, including development and construction management services, leasing management services, property management services, and capital markets services. The Reston Station neighborhood is being developed in four distinct districts as follows:

•Metro Plaza District. The Metro Plaza District has entitlements in place that allow for up to 1.7 million square feet of mixed-use development in five buildings on approximately 7 acres leased pursuant to a long term ground lease with Fairfax County situated directly above the Reston Station Transit Facility, a 1.8 million square foot underground transit facility that includes approximately 2,300 parking spaces operated by Fairfax County as a Metro commuter parking facility, and approximately 1,200 parking spaces operated by the Company as a parking facility for retail and office users, as well as Metro commuters. As of December 31, 2018, construction has been completed on three of the five buildings located above the Reston Station Transit Facility including a 370,000 square foot Trophy-Class office tower, a portion of which has been leased to Google and other corporate users, and the two remaining buildings containing additional Class A office space and ground floor retail are in various stages of development, construction, and leasing. The Metro Plaza District portion of the Reston Station development, including the transit facility and parking garage, is the subject of a Public-Private Partnership agreement between the Board of Supervisors of Fairfax County, Virginia and Comstock Reston Station Holdings, LC, an entity affiliated with CDS.

•Promenade District. The Promenade District has entitlements in place that allow for approximately 1.4 million square feet of mixed-use development on approximately 8 acres situated adjacent to Reston Station's Metro Plaza District and the Reston Station Transit Facility. As of December 31, 2018, the Company is providing asset management services for the existing buildings consisting of approximately 70,000 square feet of office space constructed prior to 1995, while designing new buildings that will be constructed on the site including office, retail, residential and hotel uses. Marriott International has entered into a franchise agreement with an affiliate of CDS concerning the development and operation of a Marriott Renaissance Hotel and residential tower that is planned to be developed as the first phase of the Promenade District, including approximately 240 hotel rooms, approximately 80 residential units and retail, entertainment and conference spaces.

•Commerce District. The Commerce District has entitlements in place that allow for approximately 1.5 million square feet of mixed-use development, including three existing Class-A office buildings that include a total of approximately 400,000 square feet. The Commerce District property is situated on approximately 12 acres located adjacent to the south entrance to the Wiehle Reston-East Metro Station and lies directly across the Dulles Toll Road from the Metro Plaza District of Reston Station and the Reston Station Transit Facility. Currently, Comstock is leasing and managing the three existing office buildings while it is also developing designs for new buildings that will include up to 1.1 million square feet of office, retail, hotel and residential uses. The Commerce District property was acquired by a subsidiary of CDS in 2019. The Company is providing a variety of asset management and development services related to the Commerce District property, which was acquired by an affiliate of CDS in 2019.

•Comstock District. The Comstock District at Reston Station consists of 8.5 acres of land located adjacent to the Promenade District, and currently is the home to Comstock's corporate headquarters. The Comstock

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District has entitlements in place to allow for approximately 770,000 square feet of mixed-use development, including an existing 90,000 square foot Class A office building with Comstock's corporate headquarters, an existing 418-unit residential apartment building owned by an entity not affiliated with Comstock, and entitlements for additional residential buildings and office/retail uses. The Company is providing a variety of asset management and development services related to the portion of the Comstock District property, which is owned by an affiliate of CDS.

Loudoun Station. Loudoun Station, located at the terminus of Phase II of Metro's Silver Line is Loudoun County's first Metro connected development and 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. Currently, Loudoun Station has approximately 700,000 square feet of mixed-use development completed, including approximately 357 residential units, 50,000 square feet of Class-A office space, 118,000 square feet of ground floor retail spaces, and a 1,500-space commuter parking garage. Phase II of Metro's Silver Line is under construction and expected to commence passenger service in early to mid-2020. Construction of the next phase of residential, retail and commercial space commenced in 2018 and is expected to be completed in early-2020. The Company is providing a variety of its real estate and asset management services related to the existing buildings and future development pursuant to the AMA, including development and construction management services, leasing management services, property management services, and capital markets services.

Herndon Station. On November 1, 2017, an affiliate of CDS entered into a public-private partnership with the Town of Herndon, Virginia to acquire, develop, and construct a mixed-use project in the historic downtown area of the Town of Herndon. The development will include up to approximately 500,000 square feet of residential, retail and entertainment spaces, including a performing arts center. The project will also include a large parking garage for public and private use and also anticipates improvements to existing connections to the adjacent WO&D trail. The Company is providing a variety of asset management and development services related to the Herndon Station development pursuant to the AMA.

Shady Grove Metro. In the 2nd quarter of 2018, we conveyed the building pad site for 110 multifamily dwelling units in Rockville, Maryland adjacent to the Shady Grove Metro Station to a joint venture between a subsidiary of the Company and Stratford Capital, LLC (the "JV"). The JV commenced construction of the project in late-2018 and is expected to be completed in 2019. The project is being developed as a low-income housing tax credit (LIHTC) project. The Company is providing a variety of asset management and real estate development management services to the project through its completion pursuant to an asset management agreement with the JV.

International Gateway. In 2018, CAM entered into an asset management agreement with an unaffiliated property owner to provide asset management, property management and consulting services for a portfolio of two mixed-use retail/office buildings in Tysons Corner, Virginia, known as International Gateway.

Our Recent Acquisitions to Perform Services

On July 17, 2017, JK Environmental Services, LLC ("JK"), an entity wholly owned by CDS Capital Management, L.C., a subsidiary of the Company, purchased all of the business assets of Monridge Environmental, LLC pursuant to an Asset Purchase Agreement dated July 14, 2017 for a purchase price of Two Million Forty Thousand Dollars ($2,040,000). JK has its principal office located in Conshohocken, Pennsylvania, and operates in Maryland, Pennsylvania, New Jersey, and Delaware. In August 2018, JK changed its name to Comstock Environmental Services, LC ("Comstock Environmental") which will continue to operate as an environmental services company, providing consulting, remediation, and other environmental services to its clients.

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Our Developed Homebuilding Communities

We are currently winding down the on balance sheet homebuilding projects in the Washington, D.C. MSA. The following communities remained active in the year ended December 31, 2018:

The Estates at Leeland is a community located in Fredericksburg, Virginia. The property is being developed as 24 single-family units. As of December 31, 2018, we have 1 building lot remaining in inventory, which is under contract to be sold to a third-party homebuilder pursuant to a land purchase agreement.

Marrwood East is a residential project in Loudoun County, Virginia. The property was developed as 35 single-family units. All 35 single-family units were constructed and delivered to third-party purchasers as of December 2018.

The Towns at 1333 is a townhome community located in Alexandria, Virginia. The property was developed as 18 condominium townhome units. All 18 units were constructed and delivered to third-party purchasers as of December 2018.

Richmond Station is a development located in Prince William County, Virginia. We are currently developing the land into building lots for 104 townhomes and 54 multi-family units, all of which are under contract to be sold to two separate third-party homebuilders pursuant to land purchase agreements. Land development commenced in 2018.

The Townes at Shady Grove Metro is a residential community in Rockville, Maryland, adjacent to the Shady Grove Metro rail station consisting of 36 townhomes, and 3 single-family units. As of December 31, 2018, we have constructed and delivered 30 units, including the 3 single-family units. The remaining 9 townhome lots are under contract to be sold to a third-party homebuilder pursuant to a land purchase agreement.

Momentum at Shady Grove Metro is an affordable housing residential development in Rockville, Maryland, adjacent to the Shady Grove Metro rail station consisting of 110 multi-family units. During 2018, we sold this land to a joint-venture between the Company and a third-party developer of affordable housing communities. Construction commenced in 2018 and is expected to be complete in 2019.

The Woods at Spring Ridge is a residential project in Frederick, Maryland. The property is being developed as 21 single-family units. A majority of the units were sold during 2018. As of December 31, 2018, we have closed on 9 units and we have 4 units in backlog.

Solomons Choice is a residential project located in Anne Arundel County, Maryland. The property was being developed as 56 single-family units. In the third quarter of 2018, consistent with our strategy to wind-down our for-sale homebuilding operation, we exited this project after selling 1 unit.

The Townes at Totten Mews are located in the Northeast quadrant of Washington, D.C. This property is being developed as 40 townhome units. A majority of the units were sold during 2018. As of December 31, 2018, we have closed on 24 units and there were 12 units in backlog.

Backlog

As of December 31, 2018, we had 16 units in backlog representing revenue of approximately $10.4 million, compared to 20 units in backlog representing revenue of approximately $13.9 million as of December 31, 2017.

Land/Lot Acquisition and Inventory Management

While the Company is transitioning away from homebuilding as a primary revenue source, the Company and its subsidiaries continue to have ongoing homebuilding operations. We attempt to mitigate our exposure to real estate inventory risks by utilizing land/lot option contracts, where possible, generally commencing construction of custom features or optional upgrades on homes under contract only after the buyer’s receipt of mortgage approval and receipt of satisfactory deposits from the buyer and monitoring and managing the number of speculative units built in each community. We are currently a party to several joint ventures, all of which are consolidated in our financial statements.

Going forward, with the change in strategy in 2018, the Company does not intend to acquire new homebuilding projects on balance sheet and will limit its role to providing a variety of asset management services to homebuilding projects owned by third parties and we do not anticipate such future projects to be consolidated on our financial statements.

Land Development and Home Construction

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

Our home designs are selected or prepared in each of our communities to appeal to the tastes and preferences of local homebuyers. We also offer optional interior and exterior features to allow homebuyers the opportunity to enhance the basic home design and to allow us to generate additional revenue from each home sold. Construction time for our homes depends on the weather, availability of labor, materials and supplies, size of the home, and other factors. We typically complete construction of a home within three to six months.

We typically do not maintain significant inventories of land development or home construction materials, except for work in progress materials for homes under construction. Generally, the construction materials used in our operations are readily available from numerous sources.

Marketing and Sales

We market and sell our homes primarily through commissioned employees. A significant number of our home closings also involve an independent real estate broker representing the buyer. We typically conduct home sales from sales offices and/or furnished model homes in each community. Our sales personnel assist prospective homebuyers by providing floor plans and price information, demonstrating the features and layouts of model homes and assisting with the selection of options and other custom features. We train and inform our sales personnel on the availability of financing, construction schedules, and marketing and advertising plans. As market conditions warrant, to be competitive, we may provide potential homebuyers with one or more of a variety of incentives, including closing cost assistance, discounts and free upgrades.

We market our homes and communities to prospective homebuyers and real estate brokers through electronic media, including email, social networking sites and our company website, as well as brochures, flyers, newsletters and promotional events. We attempt to position our communities in locations that are desirable to potential homebuyers and convenient to or visible from local traffic patterns, which helps to reduce advertising costs. Model homes play a substantial role in our marketing efforts, and we expend significant effort and resources to create an attractive atmosphere in our model homes.

We manage inventory to build a limited number of speculative homes in our communities. Speculative homes enhance our marketing and sales efforts to prospective homebuyers who are relocating to these markets, as well as to independent brokers, who often represent homebuyers requiring a home within a short time frame. We determine our speculative homes strategy based on local market factors, such as new job growth, the number of job relocations, housing demand and supply (including new homes), seasonality, current sales contract cancellation trends and our past experience in the local markets. We maintain a low level of speculative home inventory in each community based on our current and planned sales pace, and we monitor and adjust speculative home inventory on an ongoing basis as conditions warrant. Speculative homes help to provide us with opportunities to compete effectively with existing homes available in the market and improve our profits and returns on our inventory of owned lots.

Quality Control

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

Competition

The real estate asset management and services industry is highly competitive. Our growth will depend upon our ability to professionally manage the assets subject to the AMA and to expand our services to new clients in the markets in which we operate on a cost-efficient basis. We compete with other businesses in the real estate management and asset management businesses on the basis of price, location, experience, service and reputation. Many of these competitors are larger than us and operate on a national or global scale and they and their clients may have greater technical, marketing and financial resources than we currently provide to our clients. Such competitors may also enjoy competitive advantages that result from, among other things, lower costs of capital, greater business scale and enhanced operating efficiencies. Their larger scale and broad national or global presence may allow them to offset downturns in certain localized markets or seasonality related to certain services with increased or steady operations in other markets. We also face competitors on a local and regional basis. Certain competitors may also be subject to different regulatory requirements or rules that may allow them more flexibility or better access to pursue potential investments and raise capital for themselves or their managed companies. In addition, certain competitors may have higher risk tolerance, different risk assessments or lower return thresholds, which could allow them to consider a broader range of investments and to bid more aggressively for investment opportunities than us. Our ability to continue to compete effectively will depend in large part upon the ability to attract, retain and motivate employees, and we must compete with other companies to attract and retain employees.

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

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

Governmental Regulation and Environmental Matters

We are subject to various local, state and federal statutes, ordinances, rules and regulations concerning finance, banking, investments, zoning, building design, construction, density requirements and similar matters. We may also be subject to periodic delays or may be precluded entirely from developing in certain communities due to building moratoriums or “slow-growth” or “no-growth” initiatives that could be implemented in the future in the states where we operate. Local and state governments also have broad discretion regarding the imposition of development fees for projects in their jurisdiction.

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

Technology and Intellectual Property

We utilize our technology infrastructure to facilitate the management of our client’s projects and the marketing of our projects. We use media and internet based marketing platforms, primarily in lieu of print advertisements. We believe that the home buying population will continue to increase its reliance on information available on the internet to help guide its rental and home buying decision. Accordingly, through our marketing efforts, we will continue to seek to leverage this trend to lower per sale marketing costs while maximizing potential sales.

Our Chief Executive Officer and Chairman of the Board, Christopher Clemente, has licensed his ownership interest in the “Comstock” brand and trademark to us in perpetuity and free of charge. We routinely take steps, and occasionally take legal action, to protect it against infringement from third parties. Mr. Clemente has retained the right to continue to use the “Comstock” brand and trademark including for real estate development projects in our current or future markets that are unrelated to the Company but excluding products developed as for sale homes.

Seasonality

We experience seasonality across our business segments. With respect to our Asset Management segment, we do not expect seasonality to materially impact our operations. With respect to our Real Estate Services segment and Homebuilding segment, we do anticipate being impacted by adverse weather conditions. The markets in which we operate are four-season markets that experience significant periods of rain and snow. Construction and remediation cycles and efforts are often adversely affected by severe weather. With respect to our Homebuilding segment, the primary selling season is from January through May as well as September and October. Orders in other months typically are lower. Historically, seasonal activity has increased our working capital requirements for our homebuilding operations during the third and fourth quarters of our fiscal year. As a result of seasonal activity across our business segments, our quarterly results of operations and financial position at the end of a particular fiscal quarter are not necessarily representative of the balance of our fiscal year.

Asset Management Agreement

Our commercial development, asset management and real estate services business operates pursuant to the AMA between CAM and CDS that was entered into on March 30, 2018 with an effective date of January 2, 2018. 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 CRE 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. In connection with the execution of the AMA, CDS paid CAM a deposit in the aggregate amount of $2,500,000 pursuant to the AMA that will be credited against the Annual Fee to be paid to CAM in accordance with the AMA. The initial term of the AMA will terminate on December 31, 2022 ("Initial Term"). The AMA will automatically renew for successive additional one-year terms (each an "Extension Term") unless CDS delivers written notice of non-renewal of the AMA at least 180 days prior to the termination date of the Initial Term or any Extension Term. CDS may terminate the AMA without cause upon 180 days advance written notice to CAM. In the event of such a termination, CDS will pay CAM any accrued Annual Fees due and payable as of the termination date. If a termination by CDS without cause is effective prior to January 1, 2020, CDS will pay CAM an additional termination fee equal to $500,000. CAM may terminate the AMA without cause upon 180 days advance written notice to CDS, in which event CDS will pay CAM any accrued Annual Fees due and payable as of the termination date. CDS and CAM will indemnify each other and their affiliates and their respective directors, officers, employees, partners, members, stockholders, other equity holders agents and representatives from and against all expenses, losses, damages, liabilities and other claims incurred by any Indemnified Party related to the AMA, except for those arising from actions constituting bad faith, willful misconduct or gross negligence by an indemnified party.

Employees

At December 31, 2018, we had 82 full-time and 3 part-time employees. Our employees are not represented by any collective bargaining agreements and we have never experienced a work stoppage. We believe we have good relations with our employees. With the integration of the new business segments, we expect the number of our employees will increase in 2019.

Executive Officers of the Registrant

Our executive officers and other management employees and their respective ages and positions as of December 31, 2018 are as follows:

| Name | Age | Current Position |
|---|---|---|
| Christopher Clemente | 58 | Chairman and Chief Executive Officer |
| Christopher Guthrie | 40 | Chief Financial Officer |
| Jubal R. Thompson | 49 | General Counsel and Secretary |

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

Christopher Guthrie was named our Chief Financial Officer effective June 12, 2018. Prior to that, Mr. Guthrie served as Chief Financial Officer of Comstock Partners, the private company owned by Christopher Clemente, the Chief Executive Officer of the Company. Mr. Guthrie joined the Company in 2014 and prior to joining the Company, served as Principal at Red Zone Capital where his responsibilities included management of the accounting and finance functions.

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

## Item 1A. Risk Factors

Our business is subject to a number of risks and uncertainties. Prospective investors should carefully consider the risks described below, together with all of the other information in this Annual Report on Form 10-K. The risks described below may not be the only risks we face but are risks we believe may be material at this time. Additional risks that we do not yet know of, or that we currently think are immaterial, may also impair our business operations or financial results. If any of the events or circumstances described below occurs, our business, financial condition or results of operations and the trading price of our securities could decline. Investors and prospective investors should consider the following risks, the information contained under the heading “Warning Concerning Forward Looking Statements” and the risks described elsewhere in this Annual Report before deciding whether to invest in our securities.

Risks Relating to Our Management Fee For Services Business

Substantially all of our revenues are derived from our provision of management services to CDS, an entity that is wholly owned by our CEO. The loss or failure, or decline in business or assets, of any of the CDS assets could substantially reduce our revenues.

The fees we earn from providing management services to CDS, an entity wholly owned by our Chief Executive Officer, comprise substantially all our Asset Management revenues. Our Asset Management revenues depend in large part on the ability of CDS to raise capital to invest in real estate assets and on the positive performance of CDS investments and investor returns. The AMA with CDS is subject to a number of risks and uncertainties. Therefore, our operating results and our ability to maintain and grow our revenues currently depends upon the ability of CDS to maintain and grow its businesses. The inability of CDS to raise capital to invest in its real estate assets, reduced business activities, sales of assets, the failure of any of the CDS assets, or the termination of their management agreements with us would materially and substantially reduce our revenues and our profitability.

We expect that substantially all of our revenues will be derived from our provision of management services to a limited number of companies. The loss or failure, or decline in business or assets could substantially reduce our revenues.

We anticipate that the fees we earn from providing asset management services to our client under the AMA will comprise substantially all our revenue in the near term. Therefore, our revenues depend in large part on the ability of our largest clients to invest in real estate assets or their other respective businesses and on the positive performance of the investments or businesses of our largest clients. Our clients’ investments and businesses are subject to a number of risks and uncertainties. Therefore, our operating results and our ability to maintain and grow our revenues depends upon the ability of our clients to maintain and grow their respective businesses. Reduced business activities by, or failure of, any of the clients or certain of the projects or the termination of their management agreements, particularly with respect to the AMA, would materially reduce our revenues and our profitability.

The AMA and other agreements with clients are subject to termination, and any such termination could have a material adverse effect on our business, results of operations and financial condition.

The AMA and our other management services or consulting agreements with our clients may be terminated by a client or by us in certain circumstances. Depending upon the circumstances of a termination, we may or may not be entitled to receive a termination fee. If any of our management or consulting agreements with a client is terminated, we may be unable to replace the lost revenue. Even if we receive a termination fee upon the termination of a management agreement with a client, we would likely be unable to invest the proceeds of the termination fee we receive to replace the lost revenues. The termination of our management agreement or consulting agreement with any of our largest clients could have a material adverse impact on our business, results of operations and financial condition.

The commercial real estate industry has been and may continue to be adversely affected by economic conditions in the United States generally.

Our business and operations are significantly dependent on conditions in the commercial real estate industry, which in turn is impacted by general economic conditions in the United States. Commercial real estate markets in the United States were significantly negatively impacted during the recent recession. Although commercial real estate markets have improved, with valuations approaching, and in some cases exceeding, 2007 levels, new

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challenges have arisen, including uncertain U.S. Federal Reserve policy regarding the timing and amount of future increases in interest rates and increasing real estate development activities. Adverse conditions in the commercial real estate industry and declining real estate values could harm our business and financial condition by limiting our and our clients' access to debt and equity capital and our and their ability to grow our and their businesses. Adverse conditions may also give rise to an increase in defaults of the Company's loans and other investments. An economic slowdown or recession or declining real estate values could materially and adversely affect us and our clients.

The asset management business is highly competitive.

Our business is highly competitive and our success will be determined by a variety of factors, including, without limitation, the following:

- other asset managers may have greater financial, technical, marketing and other resources and more personnel than our clients and we do;
- our clients may not perform as well as other companies, including companies managed by other asset managers;
- other asset managers and the companies that compete with our clients may have access to more capital or access to capital at lower costs than our clients and we do;
- other asset managers and the companies that compete with our clients may have higher risk tolerance, different risk assessment or a lower return threshold, which could allow them to acquire a wider variety of assets and a broader range of investments than our clients and as a result we and our clients may grow our business less and more slowly than those competitors;
- there are few barriers to entry into the asset management business, and new entrants will result in increased competition;
- other asset managers may be willing or able to engage in aggressive pricing, marketing, or hiring practices;
- other asset managers may have more scalable platforms and may operate more efficiently than we do;
- other asset managers may have better brand recognition than we have; and
- our competitors may from time to time recruit our employees away from us.

If we fail to compete effectively, our business, results of operations and financial condition may be materially adversely impacted.

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Risks Relating to Our Homebuilding Business

Our operations historically required significant capital and our continuing operations during the transition to commercial real estate depends on the continuing availability of acquisition, construction, and development loans which may not to be available at the time it is needed or at favorable terms.

The real estate development industry is capital intensive and requires significant expenditures for operations, land purchases, land development and construction as well as potential acquisitions of other homebuilders or developers. In order to maintain our operations, we will need to obtain additional financing. These funds can be generated through public or private debt or equity financings, operating cash flow, additional bank borrowings or from strategic alliances or joint ventures. We may not be successful in obtaining additional funds in a timely manner, on favorable terms or at all. We have historically utilized construction, acquisition and development loans to finance our projects. These credit facilities tend to be project-oriented and generally have variable rates and require significant management time to administer. Further, these types of financings are typically characterized by short-term loans, which are subject to call. The availability of borrowed funds, especially for land acquisition and construction financing, has been greatly reduced, and lenders may require us to invest increased amounts of equity in a project in connection with both new loans and the extension of existing loans. In addition, we may need to further refinance all or a portion of our debt on or before maturity, which we may not be able to do on favorable terms or at all. Furthermore, if financial institutions discontinue providing these facilities to us, we would lose our primary source of financing for our operations or the cost of retaining or replacing these credit facilities could increase dramatically. If we do not have access to additional capital or funds to continue to transition our operations, we may be required to delay, scale back or abandon some or all of our operating strategies for an orderly transition of our homebuilding operations and rely more heavily on a liquidation strategy for our lot inventory that would likely cause us to experience a material adverse effect on our business, results of operations and financial condition.

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

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

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

We could be subject to significant fluctuations in the market value of our land and home inventories. The risk of owning undeveloped land, developed land and homes can be substantial. The market value of undeveloped land, buildable lots and housing inventories can fluctuate significantly as a result of changing economic and market conditions. Inventory carrying costs can be significant and can result in losses in a poorly performing development or market. Material write-downs of the estimated value of our land and home inventories could occur if market conditions deteriorate or if we purchased land or build home inventories at higher prices during stronger economic periods and the value of those land or home inventories subsequently declines during weaker economic periods. We could also be forced to sell homes, land or lots for prices that generate lower profit than we anticipated, or at a loss, and may not be able to dispose of an investment in a timely manner when we find dispositions advantageous or necessary. Furthermore, a continued decline in the market value of our land or home inventories or our transition out of homebuilding may give rise to additional impairments of our inventory and write-offs of contract deposits and feasibility cost, which may result in a breach of financial covenants contained in one or more of our credit facilities, and possibly cause a default under those credit facilities. Defaults in these credit facilities are often times the responsibility of Comstock, as Comstock is the guarantor of most of its subsidiaries debts.

During 2018 and 2017, we evaluated all of our projects, to the extent of the existence of any impairment indicators requiring evaluation to determine if carrying amounts were recoverable by evaluating discount rates, sales prices, absorption and our analysis of the best approach to marketing our projects for sale.

During 2018 and 2017, as a result of our impairment analysis, the Company wrote off $2.2 million and $0.5 million, respectively, in feasibility, site securing, predevelopment, design, carry costs and related costs for certain of our communities in the Washington, D.C. metropolitan area due to unsuccessful negotiations and changes in market conditions.

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

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

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

From time to time, certain cities and counties in which we operate have approved, and others in which we operate may approve, various “slow-growth” or “no-growth” initiatives and other similar ballot measures. Such initiatives restrict development within localities by, for example, limiting the number of building permits available in a given year. Approval of slow- or no-growth measures could reduce our ability to obtain building permits and build and sell homes in the affected markets and could create additional costs and administration requirements, which in turn could have an adverse effect on our revenues, earnings and cash flows. Increased regulation in the housing industry increases the time required to obtain the necessary approvals to begin construction and has prolonged the time between the initial acquisition of land or land options and the commencement and completion of construction. These delays increase our costs, decrease our profitability and increase the risks associated with the land inventories we maintain.

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

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

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

Limitations on, or reduction or elimination of, tax benefits associated with owning a home could have an adverse effect on the demand for our home products.

Existing tax laws generally permit significant expenses associated with owning a home, to be deducted for the purpose of calculating an individual’s federal, and in many cases, state, taxable income, primarily including mortgage interest expenses and real estate taxes. New tax laws and regulations have recently been enacted that limit mortgage interest deductions. These regulations may increase the after-tax cost of owning a home, increasing the costs for many of our potential customers and may have an adverse effect on the homebuilding industry in general, as the loss or reduction of homeowner tax deductions could decrease the demand for new homes.

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

The homebuilding industry is highly competitive and fragmented. We compete with a number of national, regional and local builders for customers, raw materials and labor. For example, in the Washington, D.C. market, we compete against multiple publicly-traded national home builders, and many privately-owned regional and local home builders.

We do not compete against all of the builders in all of our product types or submarkets, as some builders focus on particular types of projects within those markets, such as large estate homes, that are not in competition with our projects.

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

- require us to increase selling commissions and other incentives, which could reduce our profit margins;
- result in delays in construction if we experience delays in procuring materials or hiring trades people or laborers;
- result in lower sales volume, sales pricing and revenues; and
- increase our costs and reduce our earnings.

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

Increases in our cancellation rate could have a negative impact on our home sales revenue and homebuilding margins.

The cancellation rate of buyers who contracted to buy a home from us but did not close escrow (as a percentage of overall orders) was approximately 7% and 16% during the years ended December 31, 2018 and 2017, respectively. Home order cancellations negatively impact the number of closed homes, net new home orders, home sales revenue and results of operations, as well as the number of homes in backlog. Home order cancellations can result from a number of factors, including declines or slow appreciation in the market value of homes, increases in the supply of homes available to be purchased, increased competition, higher mortgage interest rates, homebuyers' inability to sell their existing homes, homebuyers' inability to obtain suitable financing, including providing sufficient down payments, and adverse changes in economic conditions including unemployment. Upon a home order cancellation, the homebuyer's escrow deposit is returned to the homebuyer (other than certain miscellaneous deposits, which we retain). An increase in the level of our home order cancellations could have a negative impact on our business, prospects, liquidity, financial condition and results of operations.

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

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

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

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

- work stoppages, labor disputes and shortages of qualified trades people, such as carpenters, roofers, electricians and plumbers;
- lack of availability of adequate utility infrastructure and services;

- increases in transportation costs for delivery of materials;

- our need to rely on local subcontractors who may not be adequately capitalized or insured; and
- shortages or fluctuations in prices of building materials.

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

We continue to depend on the availability and skill of subcontractors and their willingness to work with us as we transition out of our homebuilding operations.

Substantially all of our land development and construction work is done by subcontractors with us acting as the general contractor or by subcontractors working for a general contractor we select for a particular project. Accordingly, the timing and quality of our land development and construction depends on the availability, skill, and willingness of those subcontractors to work with us as we transition out of our homebuilding business. We do not have long-term contractual commitments with subcontractors or suppliers. Although we believe that our relationships with our suppliers and subcontractors are good, we cannot assure that skilled subcontractors will continue to be available at reasonable rates and in the areas in which we conduct our operations. The inability to contract with skilled subcontractors or general contractors at reasonable costs on a timely basis could limit our ability to build and deliver homes and could erode our profit margins and adversely affect our results of operations and cash flows.

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

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

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

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

Risks Related to our Operations and Lines of Business

We are subject to substantial regulation and numerous contractual obligations and internal policies, and failure to comply with these provisions could have a material adverse effect on our business, financial condition and results of operations.

We are subject to substantial regulation and numerous contractual obligations and internal policies. We are subject to regulation by the SEC, The Nasdaq Stock Market LLC, or Nasdaq, and other federal, state and local governmental bodies and agencies or self-regulatory organizations. We are also responsible for managing or assisting with the regulatory aspects of certain of our clients. The level of regulation and supervision to which we and our clients are subject varies from jurisdiction to jurisdiction and is based on the type of business activity involved. Our or our clients' failure to comply with any of the regulations, contractual obligations or policies may subject us to extensive investigations, as well as substantial penalties and reputational risk, and our business and operations could be materially adversely affected.

Our lack of compliance with applicable law could result in, among other things, our inability to enforce contracts, our default under contracts (including our management agreements or advisory agreements with our clients) and our ineligibility to contract with, and receive revenue from, governmental authorities and agencies, our clients or other third parties. We have numerous contractual obligations with which we must comply on a continuous basis to operate our business, the default of which could have a material adverse effect on our business and financial condition. We have established internal policies designed to ensure that we manage our business in accordance with applicable law and regulation and in accordance with our contractual obligations. These internal policies may not be effective in all regards; and, if we fail to comply with our internal policies, we could be subjected to additional risk and liability.

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

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

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

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

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Employee, vendor or other third-party misconduct could harm us by subjecting us to significant legal liability, reputational harm and loss of business.

There is a risk that our employees or vendors or other third parties that we use in our business could engage in misconduct that adversely affects our business. We are subject to a number of obligations and standards arising from our business and our authority over the companies and assets we manage. The violation of these obligations and standards by any of our employees may adversely affect our clients and us. Our business often requires that we deal with confidential matters of great significance to our clients. If our employees or any vendors or third parties improperly use or disclose confidential information, we and the affected client could suffer serious harm to our and its reputation, financial position and current and future business relationships and face potentially significant litigation. It is not always possible to detect or deter employee misconduct, and the precautions we take to detect and prevent this activity may not be effective in all cases. If any of our employees or any vendors or third parties were to engage in or be accused of misconduct, our business and our reputation could be adversely affected. Misconduct by an employee or an employee of our vendors might rise to the level of a default that would permit a client to terminate its management agreements or advisory agreements with us for cause and without paying a termination fee, which could materially adversely affect our business, results of operations and financial condition.

If we are unable to continue to access credit on acceptable terms, our business may be adversely affected.

The changing nature of the global credit markets could make it more difficult for us to access funds, refinance our existing indebtedness, enter into agreements for uncommitted bond facilities and new indebtedness, replace our existing revolving and term credit agreements or obtain funding through the issuance of our securities. We use credit facilities to support our working capital and acquisition needs. There is no guarantee that we can continue to renew our credit facility on terms as favorable as those in our existing credit facility and, if we are unable to do so, our costs of borrowing and our business may be adversely affected.

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

We currently have approximately $147 million in federal and state NOLs with a potential value of up to approximately $38 million in tax savings. These deferred tax assets are currently fully reserved. If unused, these NOLs will begin expiring in 2027. Under Internal Revenue Code Section 382 rules, if a change of ownership is triggered, our NOL asset and possibly certain other deferred tax assets may be impaired. We estimate that as of December 31, 2018, the cumulative shift in the Company’s stock would not cause an inability to utilize any of our NOLs.

The Company’s ability to use its NOLs (and in certain circumstances, future built-in losses and depreciation deductions) can be negatively affected if there is an “ownership change” as defined under Internal Revenue Code Section 382. In general, an ownership change occurs whenever there is a shift in ownership by more than 50 percentage points by one or more 5% stockholders over a specified time period (generally three years). Given Internal Revenue Code Section 382’s broad definition, an ownership change could be the unintended consequence of otherwise normal market trading in the Company’s stock that is outside of the Company’s control. In an effort to preserve the availability of these NOLs, in 2011, Comstock adopted an Internal Revenue Code Section 382 rights agreement, which expired in May 2014. In June 2015, the Company’s stockholder’s approved a new Section 382 rights agreement (the “Rights Agreement”) to protect stockholder value. The Rights Agreement expires on March 27, 2025. The Rights Agreement was adopted to reduce the likelihood of such an unintended “ownership change”, thus preserving the value of these tax benefits.

An impairment charge of goodwill could have a material adverse impact on our financial condition and results of operations.

Because we have grown in part through acquisitions, and as we continue to wind down on balance sheet homebuilding, goodwill and intangible assets-net will represent a larger portion of our assets. Under generally accepted accounting principles in the United States (GAAP), we are required to test goodwill carried in our Consolidated Balance Sheets for possible impairment on an annual basis based upon a fair value approach and whenever events occur that indicate impairment could exist. These events or circumstances could include a significant change in the business climate, including a significant sustained decline in a reporting unit's market value, legal factors, operating performance indicators, competition, sale or disposition of a significant portion of our business, a significant sustained decline in our market capitalization and other factors.

In addition, if we experience a decrease in our stock price and market capitalization over a sustained period, we would have to record an impairment charge in the future. The amount of any impairment could be significant and could have a material adverse impact on our financial condition and results of operations for the period in which the charge is taken.

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

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

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

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

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

Our Chief Executive Officer and Chairman of the Board, Christopher Clemente, has licensed his ownership interest in the "Comstock" brand and trademark to us in perpetuity and free of charge. We routinely take steps, and occasionally take legal action, to protect it against infringement from third parties. Mr. Clemente has retained the right to continue to use the “Comstock” brand and trademark individually and through his affiliates, with respect to real estate development projects in our current or future markets that are unrelated to the Company but excluding products developed as new homes for sale. We will be unable to control the quality of projects undertaken by Mr. Clemente or others using the “Comstock” brand and trademark and therefore will be unable to prevent any damage to its goodwill that may occur. Consequently, our brand’s reputation could be damaged which could have a material adverse effect on our business, operations and cash flows.

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Information technology failures or data security breaches could harm our business.

We use information technology and other computer resources to perform important operational and marketing activities and to maintain our business records. Certain of these resources are provided to us and/or maintained by data hosting facilities and third party service providers to assist in conducting our day to day operations. Our computer systems and those of our third-party providers are subject to damage or interruption from power outages, computer and telecommunication failures, computer viruses, hackers, malware, unauthorized accesses, IT security breaches, natural disasters, usage errors by our employees or contractors, etc. Any future significant compromise or breach of our data security, whether external or internal, or misuse of customer, associate, supplier or Company data, could result in significant costs, lost sales, fines, lawsuits, and damage to our reputation. Although we and our third-party service providers have implemented administrative and technical controls to address, mitigate and minimize these security issues, there is no guarantee that these measures will be adequate to safeguard against the evolving threats posed by data security breaches, system compromises and misuse of data. In addition, as the regulatory environment related to information security, data collection and use, and privacy becomes increasingly rigorous, with new and constantly changing requirements applicable to our business, compliance with those requirements could also result in additional costs.

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

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

The impact of climate change presents a risk to our business.

The potential effects of climate change could impact our operations and the operations of properties we manage or provide services to. Natural disasters and extreme weather events linked to climate change could cause damage to assets we manage. Concerns about the potential effects of climate change could increasingly impact the decisions and analysis that we make with respect to the properties we manage or consider for acquisition by clients, since climate change considerations can impact the relative desirability of locations and the cost of operating and insuring acquired properties. Around the world, many countries are enacting stricter regulations to protect the environment and preserve their natural resources. Those regulations are likely to become more rigorous over time. If the United States were to enact similar regulations, we could face additional costs and use of resources to comply with such requirements.

Acts of war or terrorism may seriously harm our business.

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

Risks Related to our Common Stock and Level of Indebtedness

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

Our consolidated indebtedness as of December 31, 2018 is approximately $18.9 million, net of discounts and deferred financing charges, and matures at different periods in fiscal years 2019 through 2023. We are in active discussions with our lenders with respect to these maturities and are seeking extensions and modifications to the credit facilities and loans as necessary. If, for any reason, we are unable to refinance, extend or modify the existing indebtedness, these projects may be in default of their existing obligations, which may result in a foreclosure on the project collateral and loss of the project. Any such events could have a material adverse effect on our business, financial condition and results of operations.

Our level of indebtedness could impact our future operations in many important ways, including, without limitation, by:

- Requiring a portion of our cash flows from operations to be dedicated to the payment of any interest or amortization required with respect to outstanding indebtedness;
- Increasing our vulnerability to adverse changes in general economic and industry conditions, as well as to competitive pressure; and
- Limiting our ability to obtain additional financing for working capital, acquisitions, capital expenditures, general corporate and other purposes.

At the scheduled maturity of our credit facilities or in the event of an acceleration of a debt facility following an event of default, the entire outstanding principal amount of the indebtedness under such facility, together with all other amounts payable thereunder from time to time, will become due and payable. It is possible that we may not have sufficient funds to pay such obligations in full at maturity or upon such acceleration. If we default and are not able to pay any such obligations due, our lenders have liens on substantially all of our assets and could foreclose on our assets in order to satisfy our obligations.

Our sources of liquidity are limited and may not be sufficient to meet our needs.

We are largely dependent on private placements of debt and equity (which rely heavily on insider participation) to cover our operating expenses and/or fund our liquidity needs. If we are unable to secure capital from private placements, we may be forced to reduce our capital expenditures, delay investments, seek other forms of financing or restructure our indebtedness. These alternative measures may not be successful or may not be on desirable terms that could have an adverse impact on our operations.

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

Our stock price has been volatile, and we expect it will continue to be volatile. During the year ended December 31, 2018, the price of our common stock ranged from a high of $5.15 to a low of $1.29. The volatility of our stock price may also be due to many factors including:

- quarterly variations in our operating results;
- general conditions in the homebuilding industry;
- interest rate changes;
- changes in the market’s expectations about our operating results;
- our operating results failing to meet the expectation of securities analysts or investors in a particular period;

- changes in financial estimates and recommendations by securities analysts concerning our Company or of the homebuilding industry in general;
- operating and stock price performance of other companies that investors deem comparable to us;
- news reports relating to trends in our markets;

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- changes in laws and regulations affecting our business;
- material announcements by us or our competitors;
- material announcements by our construction lenders or the manufacturers and suppliers we use;
- sales of substantial amounts of Class A common stock by our directors, executive officers or significant stockholders or the perception that such sales could occur; and
- general economic and political conditions such as recessions and acts of war or terrorism.

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

We may not be able to maintain compliance with The NASDAQ Capital Market's continued listing requirements.

Our Class A common stock is listed on The NASDAQ Capital Market. In order to maintain the listing of our Class A common stock on The NASDAQ Capital Market, we must meet minimum financial, operating and other requirements, including requirements for a minimum amount of capital, a minimum price per share and active operations. We may fail to satisfy certain of these listing requirements. In the past, we have at times not met the minimum trading price and stockholders' equity amount required for continued listing on the NASDAQ Capital Market. We have taken steps to remedy these deficiencies, including by completing a reverse stock split to increase our trading price. However, if we fail to satisfy these or other continued listing requirements, we would be required to take steps to satisfy the applicable continued listing requirement or suffer delisting from The NASDAQ Capital Market. A delisting of our Class A common stock could adversely affect the market liquidity of our common stock, our ability to obtain financing and our ability to fund our operations.

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

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

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

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

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

As of December 31, 2018, Mr. Christopher Clemente, our Chief Executive Officer, owned 100% of our outstanding Class B common stock, which, together with his shares of Class A common stock, represent approximately 60% of the combined voting power of all classes of our voting stock. As a result, Mr. Clemente has control over the election of our board of directors and our management and policies. Mr. Clemente, also has control over all matters requiring stockholder approval, including the amendment of certain provisions of our amended and restated certificate of incorporation, the approval of any equity-based employee compensation plans and the approval of significant corporate transactions, including mergers or acquisition transactions. In light of this control, other companies could be discouraged from initiating a potential merger, takeover or any other transaction resulting in a change of control. Such a transaction potentially could be beneficial to our business or to our stockholders. This may in turn reduce the price that investors are willing to pay in the future for shares of our Class A common stock.

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

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

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

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

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

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

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

Our board of directors has the authority to cause us to issue, without any further vote or action by the stockholders, up to 20,000,000 shares of Series A Junior Participating Preferred Stock, par value $0.01 per share, in one or more series, to designate the number of shares constituting any series, and to fix the rights, preferences, privileges and restrictions thereof, including dividend rights, voting rights, rights and terms of redemption, redemption price or prices and liquidation preferences of such series. The issuance of shares of preferred stock may have the effect of delaying, deferring or preventing a change in control of us without further action by the stockholders, even where stockholders are offered a premium for their shares. The issuance of shares of preferred stock with voting and conversion rights may adversely affect the voting power of the holders of Class A common stock, including the loss of voting control. Any issuance of this type of preferred stock could impact the perception of potential future purchasers of our Class A common stock and could depress its market price.

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During the period ended December 31, 2015, the Company authorized 3,000,000 shares of a new series of preferred stock designated as Series B Non-Convertible Preferred Stock (the “Series B Preferred Stock”). The shares of Series B Preferred Stock have a par value of $0.01 per share and a stated value of $5.00 per share. The Series B Preferred Stock has no conversion rights or voting rights other than required by applicable law. The Series B Preferred Stock earn dividends at a rate of 8.75% per annum. The dividends will accrue whether or not declared. The dividends are also cumulative and payable quarterly in arrears at the last day of each quarterly reporting period in the form of additional Series B Preferred Stock or in the sole discretion of the board of directors, in cash. On December 29, 2015, the Company issued 772,210 shares of Series B Preferred Stock in exchange for the conversion of an outstanding promissory note.

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 858,210 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.

On May 23, 2018, the Company entered into a Note Exchange and subscription 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, 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. Refer to Note 16 and Note 20 to the consolidated financial statements for further discussion of these transactions.

## Item 1B. Unresolved Staff Comments

None.

## Item 2. Properties

Since December 31, 2009, the Company, through its affiliate, Comstock Property Management, L.C., has been leasing office space located at 1886 Metro Center Drive, Reston, Virginia for its corporate headquarters from Comstock Asset Management, L.C., an affiliate wholly-owned by our Chief Executive Officer. Currently the amount of the leased space is 15,714 square feet. The term of the lease expires on September 30, 2019. See related party transactions in Note 16 in the accompanying consolidated financial statements for additional information.

On July 17, 2017, the Company, through its subsidiary, JK Environmental Services, LLC (“JK”), acquired the assets and liabilities of Monridge Environmental, LLC. On August 1, 2017, JK entered into a lease through February 29, 2020 for approximately 2,800 square feet of office space at 806 Fayette Street, Conshohocken, Pennsylvania. During 2018, JK also opened operations in the Washington, DC metropolitan area from the Company’s corporate offices.

The Company believes that its properties are adequately maintained and suitable for their intended use and the Company’s needs. For information regarding our projects, see Item 1 ‘Business – Our Developed Communities.’

## Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures

Not applicable.

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PART II

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

Our Class A common stock is traded on NASDAQ under the symbol “CHCI”.

Holders

As of December 31, 2018, there were approximately 34 record holders of our Class A common stock. As of December 31, 2018, there was one holder of our Class B common stock.

Issuer Purchases of Equity Securities

In November 2014, our board of directors approved a new share repurchase program authorizing the Company to repurchase up to 429,000 shares of our Class A common stock in one or more open market or privately negotiated transactions. During 2018 and 2017, no shares of our Class A common stock were repurchased. As of December 31, 2018, 404,000 shares remained available for purchase. The share repurchase program does not have an expiration date.

Item 6. Selected Financial Data

Not Applicable.

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## Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere in this Annual Report on Form 10-K. This discussion and analysis contains forward-looking statements that involve risks and uncertainties. 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 Annual Report on Form 10-K, particularly under the headings “Risk Factors” and “Cautionary Notes Regarding Forward-looking Statements.”

### Overview

We are a multi-faceted real estate asset management, development and services company primarily focused in the Washington, D.C. MSA. In 2018, the Company changed its focus to asset management and the 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 two real estate focused platforms – CDS Asset Management (“CAM”) and Comstock Real Estate Services (“CRES”). These business segments include asset and property management and service-oriented companies providing services to clients primarily in the real estate sector as further discussed in Note 2 of our consolidated financial statements.

### CDS Asset Management

In our Asset Management segment, we focus on providing asset management and development services to a wide range 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.

### Comstock Real Estate Services

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.

### Homebuilding

In our Homebuilding segment, we continue to wind down the homebuilder by developing, constructing, and building out the Company’s remaining homebuilding projects. The wind-down of this segment on the balance sheet should be largely accomplished by the second quarter of 2019. 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. 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 activity is expected to be provided off-balance sheet on an asset management basis.

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Recent Accounting Pronouncements

Information regarding recent accounting pronouncements is contained in Note 2 in the accompanying consolidated financial statements.

Critical Accounting Policies and Estimates

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

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

Real estate inventories

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

For assets held for development and use, a write-down to estimated fair value is recorded when the net carrying value of the property exceeds its estimated undiscounted future cash flows. Estimated fair value is based on comparable sales of real estate in the normal course of business under existing and anticipated market conditions. These evaluations are made on a property-by-property basis whenever events or changes in circumstances indicate that the net book value may not be recoverable.

Goodwill impairment

We test our goodwill for impairment on an annual basis, and more frequently when an event occurs or circumstances indicate that the carrying value of the asset may not be recoverable. We believe the methodology that we use to review impairment of goodwill, which includes a significant amount of judgment and estimates, provides us with a reasonable basis to determine whether impairment has occurred.

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Revenue recognition

We recognize revenues and related profits or losses from the sale of residential properties and units, finished lots and land sales on the settlement date at the contract sales price, when control is transferred to our customers. We consider revenue to be from homebuilding when there is a structure built or being built on the lot at closing, and control is transferred. Sales of lots occur, and are included in homebuilding revenues, when we sell raw land or finished home sites in advance of any home construction.

Revenues generated through real estate professional services such as asset management and administrative support, environmental design, engineering and remediation represent a series of daily performance obligations delivered over time due to the continuous transfer of control to our clients. For asset management and administrative support, pricing is generally in the form of monthly management fees based on a cost plus agreement, property-level cash receipts, square footage under management or some other variable metric. For Real Estate Services, pricing is generally in the form of cost-plus contracts.

Warranty reserve

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

Equity-based compensation

Compensation costs related to our equity-based compensation plans are recognized within our income statement or capitalized to real estate inventories for awards issued to employees that are involved in production. The costs recognized are based on the grant-date fair value. Compensation costs for share-based grants are recognized on a straight-line basis over the requisite service period for the entire award (from the date of grant through the period of the last separately vesting portion of the grant).

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The fair value of each option award is calculated on the date of grant using the Black-Scholes option pricing model which includes certain subjective assumptions. Expected volatilities are calculated based on our historical trading activities. We recognize forfeitures as they occur. The risk-free rate for the periods is based on the U.S. Treasury rates in effect at the time of grant. The expected term of options is based on the simplified method which assumes that the option will be exercised midway between the vesting date and the contractual term of the option. The Company is able to use the simplified method as the options qualify as "plain vanilla" options as defined by Accounting Standards Codification ("ASC") 718, Stock Compensation .

Income taxes

Income taxes are accounted for under the asset and liability method in accordance with ASC 740, Accounting for Income Taxes . Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on the deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. We provide a valuation allowance when we consider it "more likely than not" (greater than a 50% probability) that a deferred income tax asset will not be fully recovered. Adjustments to the valuation allowance are a component of the deferred income tax expense or benefit in the consolidated statement of operations.

The Tax Cuts and Jobs Act was enacted on December 22, 2017 with an effective date of January 1, 2018. The results of the Tax Act include, among others, a reduction to the corporate federal income tax rate from 35% to 21%, the repeal of the Alternative Minimum Tax, and the allowance of net operating losses arising in tax years ending after 2017 to be carried forward indefinitely, subject to limitation. The law introduces substantial changes to the Internal Revenue Code, with extensive implications for our federal current and deferred income tax provision. For further information, see Note 19 of the Notes to Consolidated Financial Statement included in this report.

Use of estimates

The preparation of the financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates. Material estimates are utilized in the valuation of real estate inventories, including estimated construction and development costs, valuation of deferred tax assets, analysis of goodwill impairment, valuation of equity-based compensation, capitalization of costs, consolidation of variable interest entities and warranty reserves.

Results of Operations

Year ended December 31, 2018 compared to year ended December 31, 2017

Revenue – asset management

Revenue from asset management for year ended December 31, 2018 was $12.5 million. Effective January 2, 2018, the Company entered into the AMA with CDS. Pursuant to the AMA, CDS will pay CAM an annual cost-plus fee in aggregate amount equal to the sum of (i) the employment expenses of the personnel dedicated to providing the services to the Comstock Real Estate 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 $1.0 million.

Revenue – real estate services

Revenue from real estate services for the year ended December 31, 2018 increased by $1.0 to $3.0 million, as compared to $2.0 million for the year ended December 31, 2017. The increase is attributable to the Company's acquisition of Comstock Environmental on July 17, 2017.

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Orders, backlog and cancellations

The following table summarizes certain information related to new orders, settlements and backlog for the twelve months ended December 31, 2018 and 2017. The table excludes seven lot sales at the Estates at Leeland project as well as the Momentum | Shady Grove land sale.

| | Twelve Months Ended December 31, | |
|---|---|---|
| | 2018 | 2017 |
| Gross new orders | 54 | 88 |
| Cancellations | 4 | 14 |
| Net new orders | 50 | 74 |
| Gross new order revenue | $37,909 | $47,863 |
| Cancellation revenue | $2,144 | $7,509 |
| Net new order revenue | $35,765 | $40,354 |
| Average gross new order price | $702 | $544 |
| Settlements | 54 | 89 |
| Settlement revenue - finished units | $37,909 | $43,399 |
| Average settlement price | $702 | $488 |
| Backlog units | 16 | 20 |
| Backlog revenue | $10,395 | $13,918 |
| Average backlog price | $650 | $696 |

Revenue – homebuilding

The number of finished units (finished units excludes lot and land sales) delivered for the year ended December 31, 2018 decreased by 34 to 54 as compared to 89 units for the year ended December 31, 2017. Average revenue per finished unit delivered increased by $214,000 to $702,000 for the year ended December 31, 2018 as compared to $488,000 for the year ended December 31, 2017. Revenue from homebuilding decreased by $2.2 million to $41.2 million for the year ended December 31, 2018 as compared to $43.4 million for the year ended December 31, 2017. Of the $41.2 million in revenue from homebuilding in 2018, $37.9 was from the sale of finished units, $496,000 was from the sale of seven lots at the Estates at Leland and $2.8 million was from the Momentum | Shady Grove land sale. For the year ended December 31, 2018, the Company settled 54 finished units (16 units at Marwood, 1 units at Emerald Farm, 4 units at Leeland Station, 14 units at The Townes at 1333, 6 units at The Woods at Spring Ridge, and 13 units at Totten Mews), as compared to 89 units (31 units at Falls Grove, 6 units at Townes at Hallcrest, 2 units at Villas at Two Rivers, 7 units at Estates at Leeland, 18 units at Marrwood East, 6 units at Emerald Farm, 4 units at Powhatan, 1 unit at Redland Road, 3 units at The Woods at Spring Ridge, and 11 units at Totten Mews) for the year ended December 31, 2017. Gross new order revenue, consisting of revenue from all finished units sold, for the year ended December 31, 2018 was $37.9 million on 54 units as compared to $47.9 million on 88 units for the year ended December 31, 2017. Net new order revenue, representing revenue for all units sold less revenue from cancellations, for the year ended December 31, 2018 was $35.8 million on 50 units as compared to $40.4 million on 74 units for the year ended December 31, 2017. The increase noted in revenue and average sales price were a result of the mix of units settled. Our total homebuilding gross margin percentage for the year ended December 31, 2018 decreased by 10.3% to (3.7)%, as compared to 6.5% for the year ended December 31, 2017. The decrease in gross margins was the result of the number of units settled and the mix of homes, which included the sales of 7 lots at Leeland Station, 110 multi-family units at Momentum | Shady Grove, and the model unit at Solomons Choice.

Cost of sales – asset management

Cost of sales – asset management for the year ended December 31, 2018 was $11.3 million compared to $0 for the year ended December 31, 2017. This increase from the year ended December 31, 2017 was a result services provided under the AMA.

Cost of sales – real estate services

Cost of sales – real estate services increased by $0.8 million to $3.1 million during the year ended December 31, 2018, as compared to $2.3 million during the year ended December 31, 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.

Cost of sales – homebuilding, excluding effects of impairment charges

Cost of sales – homebuilding for the year ended December 31, 2018 increased by $2.2 million to $42.8 million as compared to $40.6 million for the year ended December 31, 2017. The mix of homes settled during the year ended December 31, 2018 accounted for the increase in cost of sales.

Impairment charges

We evaluate all of our projects to the extent of the existence of any impairment indicators requiring evaluation to determine if recorded carrying amounts were recoverable by evaluating discount rates, sales prices, absorption and our analysis of the best approach to marketing our projects for sale.

During 2018 and 2017, as a result of our impairment analysis, the Company wrote off $2.2 million and $0.5 million, respectively, in feasibility, site securing, predevelopment, design, carry costs and related costs for certain of our communities in the Washington, D.C. metropolitan area due to unsuccessful negotiations and changes in market conditions.

General and administrative

General and administrative expenses for the year ended December 31, 2018 decreased $4.0 million to $1.3 million, as compared to $5.3 million for the year ended December 31, 2017. The year-over-year decrease is attributable to attrition in employee headcount and general overhead saving measures, in addition to the AMA, which was effective January 2, 2018. Under the AMA, 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 as they were historically presented.

Interest and real estate tax expense

Interest and real estate tax expense for the year ended December 31, 2018 increased to $171,000 from $41,000 for the year ended December 31, 2017. The primary reasons for the increase is due to one of our real estate projects having interest and taxes expensed rather than capitalized to inventory during a period of inactivity, as well as the full year inclusion of Comstock Environmental interest and real estate tax expense.

Income taxes

During the year ended December 31, 2018, the Company recognized income tax benefit of $1.0 million related to the conversion of Comstock Growth Fund I & II to Series C Preferred Stock. Refer to Note 10 – Debt to the consolidated financial statements for more information. During the year ended December 31, 2018, the Company recognized income tax benefit of $920,000 and the effective tax rate was 0.24%. During the year ended December 31, 2017, the

Company recognized income tax expense of $38,000 and the effective tax rate was 0.91%.

Liquidity and Capital Resources

We finance our Asset Management and Real Estate Services operations, capital expenditures, and business acquisitions with internally generated funds, borrowings from our credit facilities and long-term debt. The winding down of on balance sheet Homebuilding activities will require capital to develop land, to construct homes, to fund related carrying costs and overhead and to fund various advertising and marketing programs to generate sales. Homebuilding activities will continue to be funded by private equity and debt placements (which has included significant participation from Company insiders), funds derived from various secured and unsecured borrowings to finance construction on acquired land, cash flow from operations, which includes the sale and delivery of constructed homes, finished and raw building lots. 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, unrelated to the wind down of our homebuilding operations. See Note 10 in the accompanying consolidated financial statements for more details on our debt and credit facilities and Note 16 in the accompanying consolidated financial statements for details on private placement offerings in 2018 and 2017.

As of December 31, 2018, $1.8 million of the Company's secured project related notes were set to mature at various periods through the end of 2019. As of March 29, 2019, the Company has successfully extended or repaid all obligations with Lenders through March 29, 2019, as more fully described in Note 10 and Note 21, 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.

At December 31, 2018, $4.9 million of our notes payable to affiliates are set to mature prior to the end of 2019. These funds were originally obtained from entities wholly owned by our Chief Executive Officer, and the Company maintains the unilateral ability to extend the maturity dates beyond 2019 as needed. The CEO has historically provided financing in the form of debt and equity to the Company, as needed, through investment vehicles as further described in Notes 10 and 15.

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, capital raises from our private placements, current available cash on hand, and additional cash from settlement proceeds at existing and under development communities, the Company will have sufficient financial resources to sustain its operations through the next 12 months. Refer to Note 10 and 22 for further discussion regarding our debts, extension of loan maturity date and other subsequent events impacting our credit facilities.

Cash Flow

Net cash provided by operating activities was $16.2 million for the year ended December 31, 2018. The $16.2 million net cash provided by operations in 2018 was primarily due to $22.4 million of releases of real estate inventories associated with the settlements at our various communities during the year, an impairment charge of $2.2 million, offset by the net loss for the year of $4.0 million, and the deferred income tax benefit of $0.9 million recognized as a result of the conversion of the Comstock Growth Fund I & II notes payable to Series C Preferred Stock. The cash provided by operating activities was $4.7 million for the year ended December 31, 2017. The $4.7 million net cash provided by operations in 2017 was primarily due to $4.8 million of releases of real estate inventories associated with the settlements at our various communities during the year, an impairment charge of $0.5 million, increases in accounts payable and accrued liabilities of $1.4 million, amortization of loan fees and intangible assets of $1.1 million, increases in other assets of $0.8 million, issuances of stock compensation of $0.3 million, offset by the net loss for the year of $4.8 million. The increase of cash provided by releases of real estate was higher in 2018 due primarily to the wind down of our homebuilding operations.

Net cash used in investing activities was $41,000 for the year ended December 31, 2018. This was primarily attributable to the purchase of $80,000 in fixed assets, partially offset by $39,000 in principal received from a note we originated. Net cash used in investing activities was $596,000 for the year ended December 31, 2017. The greater amount of net cash used in investing activities for the year ended December 31, 2017 was primarily attributable to the cash paid for the acquisition of Monridge Environmental, LLC of $579,000.

Net cash used in financing activities was $12.1 million for the year ended December 31, 2018. This was primarily attributable to payments on notes payable, net of proceeds, of $10.2 million and distributions paid to non-

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controlling interests, net of contributions, of $1.8 million. Net cash used in financing activities was $8.2 million for the year ended December 31, 2017. This was primarily attributable to an increase in distributions paid to non-controlling interests, net of contributions, of $1.4 million and payments on notes payable, net of proceeds, of $6.4 million.

Share Repurchase Program

In November 2014, our board of directors approved a new share repurchase program authorizing the Company to repurchase up to 429,000 shares of our Class A common stock in one or more open market or privately negotiated transactions.

As of December 31, 2018 and 2017, 404,000 shares of our Class A common stock remain available for repurchase pursuant to our share repurchase program.

Inflation

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

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Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 8. Financial Statements and Supplementary Data

Reference is made to the consolidated financial statements, the notes thereto, and the report thereon, commencing on page F-1 of this Annual Report on Form 10-K.

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

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We have evaluated, with the participation of our Chief Executive Officer and our Chief Financial Officer, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act of 1934, as amended (the “Exchange Act”)) as of December 31, 2018. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded, as of December 31, 2018, that our disclosure controls and procedures were effective, and designed to ensure that (a) information required to be disclosed in our reports filed under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and instructions, and (b) information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

Limitations on the Effectiveness of Controls

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

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

Management’s Report on Internal Control Over Financial Reporting

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

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2018, based on criteria set forth in the framework in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Our management determined that, as of December 31, 2018, our internal control over financial reporting is effective.

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Changes in Internal Control Over Financial Reporting

No change has occurred in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during our last fiscal quarter ended December 31, 2018, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

The certifications of our principal executive officer and principal financial officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a) are filed with this Annual Report on Form 10-K as Exhibits 31.1 and 31.2. The certifications of our principal executive officer and principal financial officer pursuant to 18 U.S.C.1350 are furnished with this Annual Report on Form 10-K as Exhibit 32.1.

Item 9B. Other Information

None.

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# PART III

## Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item is incorporated herein by reference to the definitive Proxy Statement to be filed pursuant to Regulation 14A of the Exchange Act for our 2019 Annual Meeting of Stockholders or an amendment to this Annual Report on Form 10-K, except that the information relating to our executive officers is included in Item 1, "Business – Executive Officers" of this Annual Report on Form 10-K.

## Item 11. Executive Compensation

The information required by this Item is incorporated herein by reference to the definitive Proxy Statement to be filed pursuant to Regulation 14A of the Exchange Act for our 2019 Annual Meeting of Stockholders or an amendment to this Annual Report on Form 10-K.

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

The information required by this Item is incorporated herein by reference to the definitive Proxy Statement to be filed pursuant to Regulation 14A of the Exchange Act for our 2019 Annual Meeting of Stockholders or an amendment to this Annual Report on Form 10-K.

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

The information required by this Item is incorporated herein by reference to the definitive Proxy Statement to be filed pursuant to Regulation 14A of the Exchange Act for our 2019 Annual Meeting of Stockholders or an amendment to this Annual Report on Form 10-K.

## Item 14. Principal Accountant Fees and Services

The information required by this Item is incorporated herein by reference to the definitive Proxy Statement to be filed pursuant to Regulation 14A of the Exchange Act for our 2019 Annual Meeting of Stockholders or an amendment to this Annual Report on Form 10-K.

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## PART IV

### Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this Annual Report on Form 10-K:

(1) Consolidated Financial Statements are listed in the Index to Financial Statements on page F-1 of this Annual Report on Form 10-K.

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

(3) Exhibits

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| Exhibit Number | Exhibit |
|---|---|
| 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 | Certificate of Amendment of Amended and Restated Certificate of Incorporation of Comstock Holding Companies, Inc. (incorporated by reference to an exhibit to the Registrant's Current Report on Form 8-K filed with the Commission on February 19, 2019). |
| 3.3 | Amended and Restated Bylaws (incorporated by reference to an exhibit to the Registrant's |

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| | Annual Report on Form 10-K filed with the Commission on March 31, 2005). |
| 3.4 | 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). |
| 3.5 | 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). |
| 3.6 | Certificate of Designation of Series B |

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| | 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). |
| 3.7 | 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). |
| 3.8 | Certificate of Amendment of Certificate of Designation of Series C Non-Convertible Preferred Stock of Comstock Holding Companies, Inc. filed with the Secretary of State |

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| | of the State of Delaware on February 15, 2019 (incorporated by reference to an exhibit to the Registrant's Current Report on Form 8-K filed with the Commission on February 19, 2019). |
| 4.1 | Specimen Stock Certificate (incorporated by reference to an exhibit to the Registrant's Registration Statement on Form S-1, as amended, initially filed with the Commission on August 13, 2004 (No. 333-118193)). |
| 10.1 | Form of Indemnification Agreement (incorporated by reference to an exhibit to the Registrant's Registration Statement on Form S-1, as amended, initially filed with the Commission on August 13, 2004 (No. 333-118193)). |
| 10.2 | 2004 Long-Term Incentive Compensation Plan (incorporated |

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| | by reference to an exhibit to the Registrant's Registration Statement on Form S-1, as amended, initially filed with the Commission on August 13, 2004 (No. 333-118193)). + |
| 10.3 | Form Of Stock Option Agreement under the 2004 Long-Term Incentive Compensation Plan (incorporated by reference to an exhibit to the Registrant's Registration Statement on Form S-1, as amended, initially filed with the Commission on August 13, 2004 (No. 333-118193)). + |
| 10.4 | Form Of Restricted Stock Grant Agreement under the 2004 Long-Term Incentive Compensation Plan(incorporated by reference to an exhibit to the Registrant's Annual Report on Form 10-K filed with the Commission on March 31, 2005). + |

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| 10.5 | Employee Stock Purchase Plan (incorporated by reference to an exhibit to the Registrant's Registration Statement on Form S-1, as amended, initially filed with the Commission on August 13, 2004 (No. 333-118193)). + |

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| 10.6 | Services Agreement, dated March 4, 2005, with Comstock Asset Management, L.C. (incorporated by reference to an exhibit to the Registrant's Annual Report on Form 10-K filed with the Commission on March 31, 2005). |
| 10.7 | Employment Agreement with Christopher Clemente (incorporated by reference to an exhibit to the Registrant's Registration Statement on Form S-1, as amended, initially filed with the Commission on August 13, 2004 (No. 333-118193)). ± |
| 10.8 | Confidentiality and Non-Competition Agreement with Christopher Clemente (incorporated by reference to an exhibit to the Registrant's Registration Statement on Form S-1, as amended, initially filed with the Commission on |

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| | August 13, 2004 (No. 333-118193)). ± |
| 10.9 | Trademark License Agreement (incorporated by reference to an exhibit to the Registrant's Registration Statement on Form S-1, as amended, initially filed with the Commission on August 13, 2004 (No. 333-118193)). |
| 10.10 | Loan and Security Agreement, dated as of February 2008, by and between the Registrant and Stonehenge Funding, LC. (incorporated by reference to an exhibit to the Registrant's Annual Report on Form 10-K filed with the Commission on March 24, 2008). |
| 10.11 | Lease Agreement, dated on or about December 31, 2009, with Comstock Asset Management, L.C. by Comstock Property Management, L.C., a subsidiary of Registrant (incorporated by reference to an exhibit to the Registrant's Annual Report on Form |

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| | 10-K filed with the Commission on March 31, 2010). |
| 10.12 | Credit Enhancement and Indemnification Agreement, dated February 17, 2011, by and between Registrant and Christopher D. Clemente and Gregory V. Benson (incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on May 13, 2011). |
| 10.13 | Right of First Refusal and First Offer Agreement, dated as of July 12, 2011, between Comstock Homebuilding Companies, Inc. and BridgeCom Development I, LLC (incorporated by reference to an exhibit to the Current Report on Form 8-K filed with the Commission on July 15, 2011). |
| 10.14 | Loan agreement, dated as of March 25, 2013, by and between Eagle Commercial Ventures, LLC and Comstock Redland Road, L.C. (incorporated by |

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| | reference to an exhibit to the Registrant's Annual Report on Form 10-K filed with the Commission on March 27, 2013). |
| 10.15 | Loan agreement, dated as of March 25, 2013, by and between Eagle Commercial Ventures, LLC and Comstock Redland Road, L.C. (incorporated by reference to an exhibit to the Registrant's Annual Report on Form 10-K filed with the Commission on March 27, 2013). |
| 10.16 | Loan agreement, dated as of March 25, 2013, by and between Eagle Bank and Comstock Redland Road, L.C. (incorporated by reference to an exhibit to the Registrant's Annual Report on Form 10-K filed with the Commission on March 27, 2013). |
| 10.17 | Loan agreement, dated as of March 25, 2013, by and between Eagle Bank and Comstock Redland Road, L.C. (incorporated by reference to an exhibit to the Registrant's Annual Report on Form |

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| | 10-K filed with the Commission on March 27, 2013). |
| 10.18 | Form of Subscription Agreement, dated March 14, 2013, between Comstock Investors VII, L.C. and Subscriber, with accompanying Schedule A identifying the other Subscription Agreements (incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on May 15, 2013). |
| 10.19 | Loan agreement, dated as of May 8, 2013, by and between Cardinal Bank and Comstock Yorkshire, L.C. (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on August 13, 2013). |

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| 10.20 | Form of Subscription Agreement, dated December 12, 2013, between Comstock Investors VIII L.C., and [-], with accompanying Schedule A identifying other Subscription (incorporated by reference to an exhibit to the Registrant's Annual Report on Form 10-K filed with the Commission on March 31, 2014). |
| 10.21 | Loan agreement, dated December 30, 2013, between Comstock Hall Road, L.C. and Cardinal Bank (incorporated by reference to an exhibit to the Registrant's Annual Report on Form 10-K filed with the Commission on March 31, 2014). |
| 10.22 | |

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| | Guidance Line of Credit and Security Agreement, dated July 15, 2014 between the Registrant and Eagle Bank (incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on November 13, 2014). |
| 10.23 | Revolving Line of Credit Note, dated July 15, 2014, between the Registrant and Eagle Bank (incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on November 13, 2014). |
| 10.24 | Revolving Line of Credit Note, dated July 23, 2014, between Comstock Yorkshire, L.C. and Cardinal Bank |

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| | (incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on November 13, 2014). |
| 10.25 | Amended and Restated Promissory Note, dated December 18, 2014, between Comstock Holding Companies, Inc. and Comstock Growth Fund, L.C. (incorporated by reference to an exhibit to the Registrant's Annual Report on Form 10-K filed with the Commission on April 14, 2015). |
| 10.26 | Form of warrant issued in connection with private placement by Comstock Growth Fund, L.C. (incorporated by reference to an exhibit to the Registrant's Annual Report on Form 10-K filed with the |

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| | Commission on April 14, 2015). |
| 10.27 | Loan agreement, dated December 19, 2014, between Comstock Two Rivers II, L.C. and Cardinal Bank (incorporated by reference to an exhibit to the Registrant's Annual Report on Form 10-K filed with the Commission on April 14, 2015). |
| 10.28 | Section 382 Rights Agreement between Comstock Holding Companies, Inc. and American Stock Transfer & Trust Company, LLC dated March 27, 2015 (incorporated by reference to an Exhibit to the current report on Form 8-K filed with the Commission on March 27, 2015). |
| 10.29 | |

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| | Loan agreement, dated February 20, 2015, between Comstock Stone Ridge, L.C. and Cardinal Bank (incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on May 15, 2015). |
| 10.30 | Loan agreement, dated March 17, 2015, between Comstock Two Rivers I, L.C. and Eagle Bank (incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on May 15, 2015). |
| 10.31 | Subscription Agreement and Operating Agreement, dated June 26, 2015, between Comstock Investors IX, L.C., and [-], |

with accompanying Schedule A identifying other Subscription (incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on August 14, 2015).

10.32 Note Exchange and Subscription Agreement, dated December 29, 2015, between Comstock Holding Companies, Inc. and Stonehenge Funding, LC (incorporated by reference to an exhibit to the Registrant's Annual Report on Form 10-K filed with the Commission on April 4, 2016).

10.33 Revolving Line of Credit Promissory Note, dated December 29, 2015, between Comstock Holding Companies, Inc. and Comstock Growth Fund II, L.C. (incorporated by reference to an exhibit to the Registrant's Annual Report on Form 10-K filed with the Commission on April 4, 2016).

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| 10.34 | Form of Subscription Agreement and Operating Agreement dated August 15, 2016, between Comstock Investors X, L.C. and [-], with accompanying Schedule A identifying subscribers (incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on November 14, 2016). |
| 10.35 | Form of Warrant issued in connection with private placement by Comstock Investors X, L.C. (incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on November 14, |

| | |
|---|---|
| | 2016). |
| 10.36 | Land Purchase Agreement, between Comstock Sixth Street, LLC and Thos. Somerville Co. (incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on November 14, 2016). |
| 10.37 | Membership Interests Agreement, between Comstock Beshers, L.C. and Dresden, LLC (incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on November 14, 2016). |
| 10.38 | Loan agreement, between Dresden, LLC, Comstock Emerald Farm, L.C. and Cardinal Bank (incorporated by reference to |

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| | an exhibit to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on November 14, 2016). |
| 10.39 | Promissory note, between Comstock Beshers, L.C. and Year 2003 Trust for Descendants, Pleasants Associates Limited Partnership, and CJC, LLC (incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on November 14, 2016). |
| 10.40 | Loan agreement, between Comstock Powhatan, L.C. and Cardinal Bank (incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on November 14, |

| | |
|---|---|
| | 2016). |
| 10.41 | Purchase and Sale Agreement, dated October 24, 2016, between Comstock Redland Road II, L.C. and Momentum Apartments, LLC (incorporated by reference to an exhibit to the Registrant's Annual Report on Form 10-K filed with the Commission on April 17, 2017). |
| 10.42 | Operating Agreement, dated October 24, 2016, between Comstock Redland Road III, L.C. and SCG Development Partners, LLC to form Momentum General Partners, LLC (incorporated by reference to an exhibit to the Registrant's Annual Report on Form 10-K filed with the Commission on April 17, 2017). |
| 10.43 | |

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|---|---|
| | Share Exchange Agreement between Comstock Holding Companies, Inc. and Investor Management, L.C., Christopher Clemente and Teresa A. Schar dated 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). |
| 10.44 | Loan agreement between Comstock Sixth Street, LLC and Eagle Bank (incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on May 15, 2017). |
| 10.45 | Series C Repurchase Agreement between the Company and Investor Management, L.C. (incorporated by reference to |

| | |
|---|---|
| | an exhibit to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on May 15, 2017). |
| 10.46 | Asset Purchase Agreement, dated July 14, 2017, between CDS Capital Management, L.C., and Monridge Environmental, LLC (incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on November 16, 2017). |
| 10.47 | Amendment to the Operating Agreement, dated October 13, 2017, between Comstock Investors X, L.C. and Comstock Development Services, L.C. (incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on November |

| | |
|---|---|
| | 16, 2017). |
| 10.48 | Form of Warrant, dated October 13, 2017, between Comstock Investors X, L.C. and Comstock Development Services, L.C. (incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q filed on November 16, 2017). |

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| 10.49 | Master Asset Management Agreement, dated January 2, 2018, between CDS Asset Management, L.C. and Comstock Development Services, LC (incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q filed on May 16, 2018). |
| 10.50 | Third Amended and Restated Promissory Note, dated May 22, 2018, between Comstock Holding Companies, Inc. and Comstock Growth Fund, L.C. (incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q filed on August 14, 2018). |
| 10.51 | Second Amended and Restated Operating |

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|---|---|
| | Agreement of Comstock Growth Fund, L.C., dated May 22, 2018 (incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q filed on August 14, 2018). |
| 10.52 | 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 (incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q filed on August 14, 2018). |
| 10.53 | Note Exchange and Subscription Agreement, dated May 23, 2018, between Comstock Holding Companies, Inc. and Comstock |

| | |
|---|---|
| | Growth Fund II, L.C. (incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q filed on August 14, 2018). |
| 10.54 | Comstock Holding Companies, Inc. 2019 Omnibus Incentive Plan (incorporated by reference to Annex B to the Registrant's Definitive Proxy Statement on Schedule 14A filed on January 22, 2019).+ |
| 14.1(2) | Code of Ethics (incorporated by reference to an exhibit to the Registrant's Annual Report on Form 10-K filed with the Commission on March 31, 2005). |
| 21.1* | List of subsidiaries |
| 23.1* | Consent of BDO USA, LLP |
| 31.1* | Certification of Chief Executive Officer pursuant to Section 302 of Sarbanes-Oxley |

| | |
|---|---|
| | Act of 2002 |
| 31.2* | Certification of Chief Financial Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002 |
| 32.1* | Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of Sarbanes-Oxley Act of 2002 |
| 101* | The following materials from the Company’s Annual Report on Form 10-K for the year ended December 31, 2018, formatted in eXtensible Business Language (XBRL): (i) the Consolidated Balance Sheet, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Changes in Stockholder’s Equity, (iv) the Consolidated Statement of Cash Flows and (v) the Notes to the Consolidated |

Financial
Statements.

* Filed herewith.
+ Management contracts or compensatory plans, contracts or arrangements

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

| | |
|---|---|
| | COMSTOCK HOLDING COMPANIES, INC. |
| Date: March 29, 2019 | By: /s/ Christopher Clemente<br>Christopher Clemente<br>Chairman and Chief Executive Officer |

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

| Signature | Capacity | Date |
|---|---|---|
| /s/ Christopher Clemente<br>Christopher Clemente | Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer) | March 29, 2019 |
| /s/ Christopher Guthrie<br>Christopher Guthrie | Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer) | March 29, 2019 |
| /s/ David Guernsey<br>David M. Guernsey | Director | March 29, 2019 |
| /s/ James MacCutcheon<br>James A. MacCutcheon | Director | March 29, 2019 |
| /s/ Norman Chirite<br>Norman D. Chirite | Director | March 29, 2019 |
| /s/ Robert Pincus<br>Robert P. Pincus | Director | March 29, 2019 |

| | | |
|---|---|---|
| /s/ Socrates Verses<br>Socrates Verses | Director | March 29, 2019 |
| /s/ Joseph Squeri<br>Joseph M. Squeri | Director | March 29, 2019 |

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INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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## Report of Independent Registered Public Accounting Firm

Stockholders and Board of Directors

Comstock Holding Companies, Inc.

Reston, Virginia

### Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Comstock Holding Companies, Inc. (the "Company") and subsidiaries as of December 31, 2018 and 2017, the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2018, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and subsidiaries at December 31, 2018 and 2017, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ BDO USA, LLP

We have served as the Company's auditor since 2016.

McLean, Virginia

March 29, 2019

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COMSTOCK HOLDING COMPANIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

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

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| ASSETS | | |
| Cash and cash equivalents | $ 5,780 | $ 1,806 |
| Restricted cash | 1,231 | 1,141 |
| Trade receivables | 1,329 | 491 |
| Trade receivables - related parties | 2,950 | 145 |
| Real estate inventories | 20,253 | 44,711 |
| Fixed assets, net | 221 | 309 |
| Goodwill | 1,702 | 1,702 |
| Intangible assets, net | 170 | 237 |
| Other assets, net | 1,464 | 616 |
| TOTAL ASSETS | $ 35,100 | $ 51,158 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Accounts payable and accrued liabilities | $ 7,614 | $ 9,116 |
| Deferred revenue | 1,875 | — |
| Notes payable - secured by real estate inventories, net of deferred financing charges | 13,432 | 23,215 |
| Notes payable - due to affiliates, unsecured, net of discount | 4,903 | 14,893 |
| Notes payable - unsecured, net of deferred financing charges | 595 | 1,285 |
| Income taxes payable | 51 | 39 |
| TOTAL LIABILITIES | 28,470 | 48,548 |
| Commitments and contingencies (Note 11) | | |
| STOCKHOLDERS' EQUITY | | |
| Series C preferred stock, $0.01 par value, 3,000,000 shares authorized, 2,799,848 and 579,158 shares issued and outstanding with a liquidation preference of $13,999 and $2,896 at December 31, 2018 and 2017, respectively | $ 7,193 | $ 442 |
| Class A common stock, $0.01 par value, 11,038,071 shares authorized, 3,703,513 and 3,295,518 issued and 3,617,943 and 3,209,948 outstanding at December 31, 2018 and 2017, respectively | 37 | 33 |
| Class B common stock, $0.01 par value, 220,250 shares authorized, issued and outstanding at December 31, 2018 and 2017 | 2 | 2 |

| | | |
|---|---|---|
| Additional paid-in capital | 180,673 | 177,612 |
| Treasury stock, at cost (85,570 shares Class A common stock) | (2,662) | (2,662) |
| Accumulated deficit | (194,319) | (189,803) |
| TOTAL COMSTOCK HOLDING COMPANIES, INC. DEFICIT | (9,076) | (14,376) |
| Non-controlling interests | 15,706 | 16,986 |
| TOTAL EQUITY | 6,630 | 2,610 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | $ 35,100 | $ 51,158 |

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

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COMSTOCK HOLDING COMPANIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Amounts in thousands, except per share data)

| | For the years ended December 31, | |
|---|---|---|
| | 2018 | 2017 |
| Revenues | | |
| Revenue—homebuilding | $41,245 | $43,399 |
| Revenue—asset management | 12,473 | — |
| Revenue—real estate services | 3,031 | 2,031 |
| Total revenue | 56,749 | 45,430 |
| Expenses | | |
| Cost of sales—homebuilding, excluding impairment charges | 42,799 | 40,585 |
| Cost of sales—asset management | 11,291 | — |
| Cost of sales—real estate services | 3,090 | 2,297 |
| Impairment charges | 2,232 | 526 |
| Sales and marketing | 1,005 | 1,490 |
| General and administrative | 1,262 | 5,297 |
| Interest and real estate tax expense | 171 | 41 |
| Operating loss | (5,101) | (4,806) |
| Other income, net | 135 | 66 |
| Loss before income tax benefit (expense) | (4,966) | (4,740) |
| Income tax benefit (expense) | 920 | (38) |
| Net loss | (4,046) | (4,778) |
| Net income attributable to non-controlling interests | 470 | 247 |
| Net loss attributable to Comstock Holding Companies, Inc. | (4,516) | (5,025) |
| Paid-in-kind dividends on Series B Preferred Stock | — | 78 |
| Extinguishment of Series B Preferred Stock | — | (1,011) |
| Net loss attributable to common stockholders | $(4,516) | $(4,092) |
| Basic loss per share | $(1.22) | $(1.21) |
| Diluted loss per share | $(1.22) | $(1.21) |
| Basic weighted average shares outstanding | 3,705 | 3,370 |
| Diluted weighted average shares outstanding | 3,705 | 3,370 |

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

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COMSTOCK HOLDING COMPANIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(Amounts in thousands, except per share data)

| | Series B Preferred Stock | | Series C Preferred Stock | | Class A | | Class B | | Additional paid-in | Treasury | Accumulated | Non-controlling | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Shares | Amount | Shares | Amount | capital | stock | deficit | interest | Total |
| Balance at January 1, 2017 | 842 | $1,280 | — | — | 3,035 | $30 | 390 | $4 | $176,251 | $(2,662) | $(184,778) | $18,252 | $8,377 |
| Stock compensation and issuances | — | — | — | — | 90 | 1 | — | — | 531 | — | — | — | 532 |
| Series B conversion to Series C | (858) | (1,304) | 772 | 589 | — | — | — | — | 715 | — | — | — | — |
| Stock repurchases and issuances | — | — | (193) | (147) | 170 | 2 | (170) | (2) | 58 | — | — | — | (89) |
| Dividends paid in-kind | 16 | 24 | — | — | — | — | — | — | (24) | — | — | — | — |
| Non-controlling interest contributions | — | — | — | — | — | — | — | — | 81 | — | — | 4,919 | 5,000 |
| Non-controlling interest distributions | — | — | — | — | — | — | — | — | — | — | — | (6,432) | (6,432) |
| Net (loss) income | — | — | — | — | — | — | — | — | — | — | (5,025) | 247 | (4,778) |
| Balance at December 31, 2017 | — | $— | 579 | $442 | 3,295 | $33 | 220 | $2 | $177,612 | $(2,662) | $(189,803) | $16,986 | $2,610 |
| Stock compensation and issuances | — | — | — | — | 427 | 4 | — | — | 257 | — | — | — | 261 |
| Accrued Liability settled through issuance of stock | — | — | — | — | — | — | — | — | 131 | — | — | — | 131 |
| Shares withheld related to net share | — | — | — | — | (19) | — | — | — | (38) | — | — | — | (38) |

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| settlement of restricted stock awards | | | | | | | | | | | | | |
| Series C preferred stock conversion of CGF I & II | — | — | 2,221 | 6,751 | — | — | — | — | 2,711 | — | — | — | 9,462 |
| Non-controlling interest distributions | — | — | — | — | — | — | — | — | — | — | — | (1,750) | (1,750) |
| Net (loss) income | — | — | — | — | — | — | — | — | — | — | (4,516) | 470 | (4,046) |
| Balance at December 31, 2018 | — | $— | 2,800 | $7,193 | 3,703 | $37 | 220 | $2 | $180,673 | $(2,662) | $(194,319) | $15,706 | $6,630 |

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

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COMSTOCK HOLDING COMPANIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands, except per share data)

| | For the years ended December 31, | |
|---|---|---|
| | 2018 | 2017 |
| Cash flows from operating activities: | | |
| Net loss | $(4,046) | $(4,778) |
| Adjustment to reconcile net loss to net cash provided by operating activities | | |
| Amortization of loan discount, loan commitment and deferred financing fees | 318 | 1,105 |
| Deferred income tax benefit | (936) | — |
| Depreciation expense | 168 | 181 |
| Earnings from unconsolidated joint venture, net of distributions | 48 | 30 |
| Stock compensation | 234 | 346 |
| Impairment charges | 2,232 | 526 |
| Changes in operating assets and liabilities: | | |
| Trade receivables | (3,643) | 271 |
| Real estate inventories | 22,399 | 4,778 |
| Other assets | (935) | 787 |
| Accrued interest | (103) | 107 |
| Accounts payable and accrued liabilities | 504 | 1,356 |
| Income taxes payable | 12 | 20 |
| Net cash provided by operating activities | 16,252 | 4,729 |
| Cash flows from investing activities: | | |
| Business acquisition, net of cash acquired | — | (579) |
| Purchase of fixed assets | (80) | |