Comstock Homebuilding Companies, Inc.
Form S-1/A
June 16, 2005

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As filed with the Securities and Exchange Commission on June 16, 2005

Registration No. 333-125166

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Amendment No. 2
to the
FORM S-1

REGISTRATION STATEMENT
Under the Securities Act of 1933

COMSTOCK HOMEBUILDING COMPANIES, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**1531**	**20-1164345**
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

11465 Sunset Hills Road, Suite 510
Reston, Virginia 20190
(703) 883-1700
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Christopher Clemente
Chief Executive Officer
Comstock Homebuilding Companies, Inc.
11465 Sunset Hills Road, 5th Floor
Reston, Virginia 20190
(703) 883-1700
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

Copies to:

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the Prospectus is expected to be made pursuant to Rule 434, please check the following box. o

Title of Each Class of Securities to be Registered	**Amount to be Registered**	**Proposed Maximum Offering Price Per Unit**	**Proposed Maximum Offering Price(1)**	**Amount of Registration Fee**
Class A common stock, par value $0.01 per share	3,340,750	$23.58	$78,774,885	$9,272(2)

(1) Includes 435,750 shares that the underwriters have the option to purchase from certain selling stockholders, which may include Christopher Clemente, our Chairman and Chief Executive Officer to cover over-allotments, if any. Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) promulgated under the Securities Act of 1933.

(2) Previously paid.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to such Section 8(a), may determine.

The information in this preliminary prospectus is not complete and may change. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion, dated June 16, 2005

Preliminary Prospectus

2,905,000 Shares

Comstock Homebuilding Companies, Inc.

Class A Common Stock

Comstock Homebuilding Companies, Inc. and certain selling stockholders are offering 2,255,000 shares and 650,000 shares, respectively, of Class A common stock.

Our Class A common stock is quoted on the Nasdaq National Market under the symbol "CHCI." The last reported sale price of our Class A common stock on the Nasdaq National Market on June 15, 2005 was $23.91.

Investing in our common stock involves a high degree of risk. See "Risk Factors" beginning on page 7.

	Per Share	Total
Offering price	$	$
Discounts and commissions to underwriters	$	$
Offering proceeds to Comstock Homebuilding Companies, Inc., before expenses	$	$
Offering proceeds to the selling stockholders	$	$

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

Certain selling stockholders, which may include Christopher Clemente, our Chairman and Chief Executive Officer, have granted the underwriters the right to purchase up to 435,750 additional shares of common stock to cover any over-allotments. The underwriters can exercise this right at any time within 30 days after the offering. The underwriters expect to deliver the shares of common stock to investors on or about , 2005.

Banc of America Securities LLC **BB&T Capital Markets**

Robert W. Baird & Co. **Ferris, Baker Watts**

Incorporated

, 2005.

SUMMARY

This summary highlights selected information contained elsewhere in this prospectus. This summary does not contain all of the information that may be important to you. You should read the following summary together with the more detailed information regarding us, the common stock being sold in this offering and our combined consolidated financial statements, including the notes to those statements, appearing elsewhere in this prospectus.

When we refer to:

the "Consolidation," we are referring to the restructuring of our corporate organization completed on December 17, 2004;

the "Company," "we," "us" or "our," for periods prior to the completion of the Consolidation, we are referring to Comstock Holding Company, Inc., Comstock Homes, Inc., Sunset Investment Corp., Inc. and Comstock Service Corp., Inc., and as of the completion of the Consolidation and thereafter, we are referring to Comstock Homebuilding Companies, Inc., together in each case with our subsidiaries and any predecessor entities unless the context suggests otherwise;

the "Predecessor," we are referring to Comstock Holding Company, Inc., Comstock Homes, Inc. and Sunset Investment Corp., Inc., in each case together with their respective subsidiaries as they existed prior to the Consolidation;

"Comstock Service," we are referring to Comstock Service, Inc. as it existed prior to the Consolidation;

"homes," we are referring to single-family homes, townhouses and condominium units;

the "Washington, D.C. market," we are referring to the Washington, D.C. Primary Metropolitan Statistical Area, as defined by the U.S. Census Bureau, which includes the District of Columbia, 17 counties and cities in northern Virginia, five counties in Maryland and the surrounding areas and Berkeley and Jefferson counties in the eastern panhandle of West Virginia;

the "Raleigh, North Carolina market," we are referring to the six counties included in the Raleigh-Durham-Chapel Hill, North Carolina Metropolitan Statistical Area, as defined by the U.S. Census Bureau;

"orders" or "sales," we are referring to fully executed contracts with buyers of our homes, excluding contracts that were executed and cancelled;

"settlements" or "deliveries," we are referring to the transfer of title of a home to a buyer; and

"backlog," we are referring to orders for homes for which there has not yet been a settlement.
Our backlog equals total orders less total deliveries.

Our Business

We are a production home builder that has substantial experience building a diverse range of homes from single-family homes to townhouses and mixed-use condominium developments in both high density and urban infill areas as well as suburban communities. We focus on geographic areas, products and price points where we believe there is significant demand for new housing and high profit potential. We currently operate in the Washington, D.C. and Raleigh, North Carolina markets where we target a diverse range of buyers, including first-time, early move-up, secondary move-up, empty nester move-down and active adult home buyers. We believe that these demographics represent a significant and stable segment of home buyers in our markets. Since our founding in 1985, we have built and delivered over 2,650 homes valued at over $625 million.

Over the past several years we have successfully expanded our business model to include the development of land for our home building operations as a complement to the purchase of finished building lots developed by others. In addition, we have recently expanded into the development, redevelopment and construction of residential high-rise and mid-rise condominium complexes. We are currently experiencing the benefits of these expansions. For the three months ended March 31, 2005, our revenue and operating income increased over the same period in 2004 by 60.7% and 103.2%, respectively. The book value of our real estate held for development and sale has increased by $106.9 million from $104.3 million at December 31, 2004, to $211.2 million at March 31, 2005. On March 31, 2005, our backlog was $248.3 million.

Our Markets

We operate in the Washington, D.C. and Raleigh, North Carolina markets. We believe that in the home building industry, local economic trends and influences have a more significant impact on supply and demand, and therefore on profitability, than national economic trends and influences. While national economic indicators are influential, they may not show a direct correlation to the performance of a home builder in a particular market. According to the National Association of Home Builders, the Washington, D.C. and Raleigh, North Carolina metropolitan areas are both ranked in the top 25 housing markets in the country, based upon total residential building permits issued in 2004.

Washington, D.C. Market. Our current and anticipated projects for the Washington, D.C. market are in Arlington, Culpeper, Fairfax, Fauquier, Loudoun, Prince William and Stafford counties in Virginia, Anne Arundel, Frederick, Howard, Montgomery and Prince Georges counties in Maryland and in the District of Columbia. The Washington, D.C. metropolitan area has typically experienced strong population and economic growth. The strength of this employment market and the stability and resilience of the local economy result in part from the size of the federal government workforce. The presence of the federal government historically has served as a buffer for the local economy against market downturns in the private sector. The Washington, D.C. new home buying market is characterized by strong demand and a limited supply of available housing inventory. Demand in the Washington, D.C. area is strong because of a low unemployment rate and relatively high household incomes, among other factors. The supply of new homes in the market has been constrained in part by slow-growth and environmental preservation initiatives in many counties in the metropolitan area. According to the Bureau of Labor Statistics in 2004, the Washington, D.C. market is also characterized by a large professional and business services sector, such as legal, consulting and lobbying services, that employs about 21.5% of the metropolitan workforce. According to the U.S. Department of Commerce, the Washington, D.C. market enjoyed the second highest median household income among metropolitan areas in the country in 2004 63% above the national median household income.

Raleigh, North Carolina Market. Our current and anticipated projects for the Raleigh, North Carolina market are in Durham, Franklin, Johnston and Wake counties, which includes the city of Raleigh. From 1990 to 2000, the Raleigh, North Carolina market was the 12th fastest growing metropolitan area in the United States and was the second fastest growing area in the Southeast in terms of population growth, according to the U.S. Census Bureau. The area experienced population growth of 38.9% during that period, according to the U.S. Census Bureau. Similar to the Washington, D.C. market, the local economy in the Raleigh, North Carolina market is relatively stable and less sensitive to national economic trends because of large public sector employment. Raleigh is the state capital of North Carolina. According to the Bureau of Labor Statistics, the state and local governments constitute 18.0% of the area's aggregate employment. The area is home to Research Triangle Park, a public/private, planned research park containing over nine million square feet of office space, and the headquarters of many technology and research companies. Duke University, the University of North Carolina-Chapel Hill and North Carolina State University are also located in the Raleigh, North Carolina market. According to the U.S. Department of Commerce, the Raleigh, North Carolina market ranked 40th among 361 metropolitan areas in 2003 in terms of per capita income, or 106.8% of the national per capita income.

Our Growth Strategy

Our business strategy is to focus on geographic areas, products and price points where we believe there is significant demand for new housing and high profit potential. Our strategy has the following key elements:

Build in and expand within the strong growth markets in which we currently operate. We plan to maintain and expand our business in the Washington, D.C. and Raleigh, North Carolina markets to capitalize on their robust economies and continued population growth.

Acquire and develop a high-margin land inventory. We believe that our market knowledge and experience in land entitlement and development enable us to successfully identify attractive land acquisition opportunities, efficiently manage the process of obtaining development rights and maximize land value.

Create opportunities in areas overlooked by our competitors. We believe that our townhouse and condominium products, along with our substantial experience in dealing with both the market and regulatory requirements of urban mixed-use developments, enable us to identify and create value in land parcels often overlooked by larger production home builders.

Focus on a broad segment of the home buying market. Our single-family homes, townhouses and condominiums are designed and priced to appeal to a wide segment of the home buying market, including first-time, early move-up, secondary move-up, empty nester move-down and active adult home buyers.

Expand into selected new geographic markets within our region. We intend to expand into selected new geographic markets in the eastern United States through both start-up operations and acquisitions of other home builders that have strategic land positions, strong local management teams and sound operating principles.

Expand into the growing active adult market. We expect the large and aging baby boom population in the United States to fuel growth in the active adult market of the home building industry, and we believe that we are well positioned to take advantage of this growing market.

Maximize our economies of scale. As a production home builder, we are able to realize economies of scale in the purchase of raw materials, supplies, manufactured inputs and labor.

Our Company

We were incorporated in May 2004. Our business was started in 1985 by Christopher Clemente, our Chairman and Chief Executive Officer, as a residential land developer and home builder focused on the upscale home market in the Northern Virginia suburbs of Washington, D.C. Prior to our initial public offering in December 2004, we operated our business through four primary holding companies. In connection with our initial public offering, these primary holding companies were consolidated and merged into Comstock Homebuilding Companies, Inc.

Our principal executive offices are located at 11465 Sunset Hills Road, 5th Floor, Reston, Virginia 20190, and our telephone number is (703) 883-1700. Our Web site is *www.comstockhomebuilding.com*. Information contained on our Web site does not constitute a part of this prospectus.

The Offering

Class A common stock offered by us	2,255,000 shares
Class A common stock offered by the selling stockholders	650,000 shares
Class A common stock to be outstanding after this offering	11,415,837 shares
Class B common stock to be outstanding after this offering	2,733,500 shares
Voting and conversion rights	Our Class A and Class B common stock generally have identical rights, except for voting and conversion rights. The holders of Class A common stock are entitled to one vote per share and the holders of Class B common stock are entitled to 15 votes per share. Holders of Class A common stock have no conversion rights. Holders of Class B common stock may convert some or all of their shares into the same number of shares of Class A common stock at any time. Under certain circumstances, a share of Class B common stock may automatically convert into a share of Class A common stock. For more information, please see "Description of Capital Stock" on page 78.
Use of proceeds	We intend to use the net proceeds of the sale of shares of Class A common stock by us in this offering for general corporate purposes, including working capital, and to fund new projects and acquisitions of assets and/or companies. We will not receive any proceeds from the sale of shares by the selling stockholders. See "Use of Proceeds."
Nasdaq National Market symbol for Class A common stock	CHCI

Except as otherwise noted, the number of shares to be outstanding after this offering excludes:

- 107,143 shares of Class A common stock issuable upon the exercise of outstanding options, none of which are exercisable prior to December 31, 2006;
- 1,170,000 shares of Class A common stock reserved for future issuance under our equity incentive plan; and
- 198,675 shares of Class A common stock reserved for future issuance under our employee stock purchase plan.

Except as otherwise noted, all information in this prospectus is based on the assumption that the underwriters do not exercise their over-allotment option.

SUMMARY HISTORICAL AND PRO FORMA
FINANCIAL AND OTHER DATA

We derived the selected historical financial data shown below from our audited financial statements for the fiscal years 2000, 2001, 2002, 2003 and 2004 and from our unaudited financial statements for the three months ended March 31, 2004 and 2005. You should read the following financial information in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Our Business" and our combined consolidated financial statements and the related notes, included elsewhere in this prospectus. Operating results for the three months ended March 31, 2005 and 2004 are not necessarily indicative of operating results to be expected for the fiscal year.

	Years Ended December 31,					Three Months Ended March 31,	
	Actual					Actual	
	2000	2001	2002	2003	2004	2004	2005
	Predecessor					Predecessor	
	($ in thousands, except share data)						
Operating Data:							
Revenues	$ 49,439	$ 50,929	$ 34,752	$ 55,521	$ 96,045	$ 17,881	$ 28,729
Cost of sales	43,199	40,853	26,820	41,756	63,993	12,461	17,602
Selling, general and administrative	1,603	3,900	3,725	5,712	11,940	2,431	5,052
Operating income	4,637	6,176	4,207	8,053	20,112	2,989	6,075
Other (income) expense, net	(62)	(302)	10	(44)	908	63	(36)
Income before minority interests and equity in earnings of real estate partnerships	4,699	6,478	4,197	8,097	19,204	2,926	6,111
Minority interest	1,861	1,965	664	2,297	5,260	848	1
Income before equity in earnings of real estate partnerships	2,838	4,513	3,533	5,800	13,944	2,078	6,110
Equity in earnings of real estate partnerships		6	51	139	118	28	30
Income before income taxes	2,838	4,519	3,584	5,939	14,062	2,106	6,140
Income tax provision (benefit)(a)					(241)		2,331
Net income	$ 2,838	$ 4,519	$ 3,584	$ 5,939	$ 14,303	$ 2,106	$ 3,809
Historical earnings per share:							
Historical basic earnings per share	$ 0.47	$ 0.74	$ 0.59	$ 0.84	$ 1.95	$ 0.30	$ 0.33
Historical basic weighted-average common shares outstanding(b)	6,074	6,074	6,074	7,067	7,347	7,067	11,621
Historical diluted earnings per share	$ 0.47	$ 0.74	$ 0.59	$ 0.84	$ 1.95	$ 0.30	$ 0.32
Historical diluted weighted-average common shares outstanding(b)	6,074	6,074	6,074	7,067	7,351	7,067	11,769
Pro forma earnings per share:							
Pro forma basic earnings per share					$ 1.49		$ 0.27
Pro forma basic weighted-average common shares outstanding					9,602		13,876
Pro forma diluted earnings per share					$ 1.49		$ 0.27
Pro forma diluted weight-average common shares outstanding					9,606		14,024

	Years Ended December 31,					Three Months Ended March 31,	
Supplemental Data:							
New sales contracts, net of cancellations (homes)	305	161	101	216	608	132	246
New sales contracts, value net of cancellations	$ 57,161	$ 36,251	$ 28,918	$ 69,086	$ 224,200	$ 47,097	$ 103,300
Average sales price per home ordered	$ 187	$ 225	$ 286	$ 320	$ 369	$ 357	$ 420
Homes delivered (homes)	234	220	124	162	263	46	78
Homes delivered, settlement revenue	$ 41,009	$ 48,058	$ 29,397	$ 49,081	$ 87,003	$ 15,136	$ 28,465
Average settlement revenue of homes delivered	$ 175	$ 218	$ 237	$ 303	$ 328	$ 329	$ 365
Backlog at end of period, contract value (homes)	$ 23,680	$ 12,259	$ 11,480	$ 31,526	$ 174,600	$ 63,487	$ 248,300

	December 31,					March 31,	
	Actual					Actual	As Adjusted(c)
	2000	2001	2002	2003	2004	2005	2005
	Predecessor						
	($ in thousands)						
Balance Sheet Data:							
Cash and cash equivalents	$ 6,664	$ 7,086	$ 8,695	$ 17,160	$ 67,559	$ 37,337	$ 87,689
Real estate held for development and sale	12,889	8,573	20,192	65,272	104,326	211,210	211,210
Total assets	20,959	18,402	33,971	90,184	304,507	299,213	349,565
Notes payable	11,855	9,439	17,203	61,062	76,628	161,625	161,625
Total liabilities	17,033	13,035	21,574	71,746	239,586	232,277	232,277
Minority interest	1,318	2,390	8,790	11,413	2,695	366	366
Stockholders' equity	2,608	2,937	3,607	7,025	62,226	66,570	116,922

(a) Historical data does not reflect any provision for income taxes. The Predecessor was a group of S corporations during the periods indicated and therefore was not subject to corporate income tax.

(b) Shares outstanding for prior years have been adjusted to account for shares issued in connection with the initial public offering of our Class A common stock.

(c) The adjusted balance sheet data reflect the estimated net proceeds to be received by us from this offering.

RISK FACTORS

This offering and an investment in our Class A common stock involve a high degree of risk. You should carefully consider the following risks and all other information contained in this prospectus before purchasing our Class A common stock. If any of the following risks actually occur, our business, financial condition and results of operations could be materially and adversely affected, the value of our stock could decline, and you may lose all or part of your investment. The risks and uncertainties described below are those that we currently believe may materially affect us. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations.

Risks Relating to Our Business

We engage in construction and real estate activities which are speculative and involve a high degree of risk.

The home building industry is speculative and is significantly affected by changes in economic and other conditions, such as:

- employment levels;
- availability of financing;
- interest rates; and
- consumer confidence.

These factors can negatively affect the demand for and pricing of our homes and our margin on sale. We are also subject to a number of risks, many of which are beyond our control, including:

- delays in construction schedules;
- costs overruns;
- changes in governmental regulations (such as slow- or no-growth initiatives);
- increases in real estate taxes and other local government fees;
- labor strikes;
- transportation costs for delivery of materials; and
- increases and/or shortages in raw materials and labor costs.

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

We are subject to the potential for significant fluctuations in the market value of our land and home inventories. We must constantly locate and acquire new tracts of undeveloped and developed land to support our home building operations. There is a lag between the time we acquire control of undeveloped land or developed home sites and the time that we can bring the communities built on that land to market and deliver our homes. This lag time varies from site to site as it is impossible to determine in advance the length of time it will take to obtain governmental approvals and building permits. The risk of owning undeveloped land, developed land and homes can be substantial. The market value of undeveloped land, buildable lots and housing inventories can fluctuate significantly as a result of changing economic and market conditions. Inventory carrying costs can be significant and can result in losses in a poorly performing development or market. Material write-downs of the estimated value of our land and home inventories could occur if market conditions deteriorate or if we purchase land or build home inventories at higher prices during stronger economic periods and the value of those land or home inventories subsequently declines during weaker economic periods. We could also be forced to sell homes, land or lots for prices that generate lower profit than we anticipate, 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 decline in the market value of our land or home inventories may give rise to a breach of financial covenants contained in one or more of our credit facilities, which could cause a default under those credit facilities.

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

Due to increased demand for new homes, we have experienced an increase in competition for available land and developed home sites in the Washington, D.C. and Raleigh, North Carolina markets. In these markets, we have experienced competition for home sites from other, sometimes better capitalized, home builders. In the Raleigh, North Carolina market, we have recently experienced competition from large, national home builders entering the market. Our ability to continue our home building activities over the long term depends upon our ability to locate and acquire suitable parcels of land or developed home sites to support our home building operations. As competition for land increases, the cost of acquiring it may rise, and the availability of suitable parcels at acceptable prices may decline. The increased cost of land requires us to increase the prices of our homes. This increased pricing could reduce demand for our homes and, consequently, reduce the number of homes we sell and lead to a decrease in our revenues and earnings.

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

We are subject to extensive and complex laws and regulations that affect the land development and home building process, including laws and regulations related to zoning, permitted land uses, levels of density (number of dwelling units per acre), building design, access to water and other utilities, water and waste disposal and use of open spaces. In addition, we and our subcontractors are subject to laws and regulations relating to worker health and safety. We also are subject to a variety of local, state and federal laws and regulations concerning the protection of health and the environment. In some of our markets, we are required to pay environmental impact fees, use energy saving construction materials and give commitments to provide certain infrastructure such as roads and sewage systems. We must also obtain permits and approvals from local authorities to complete residential development or home construction. The laws and regulations under which we and our subcontractors operate, and our and their obligations to comply with them, may result in delays in construction and development, cause us to incur substantial compliance and other increased costs, and prohibit or severely restrict development and home building activity in certain areas in which we operate. If we are unable to continue to develop communities and build and deliver homes as a result of these restrictions or if our compliance costs increase substantially, our revenues and earnings may be reduced and we may not be able to continue our current level of growth.

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 and earnings.

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

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 and earnings.

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

Most home buyers finance their purchases through third-party mortgage financing. Real estate demand is generally adversely affected by:

- increases in interest rates and/or related fees;
- increases in real estate transaction closing costs;
- decreases in the availability of mortgage financing;
- increasing housing costs;
- unemployment; and
- changes in federally sponsored financing programs.

Increases in interest rates or decreases in the availability of mortgage financing could depress the market for new homes because of the increased monthly mortgage costs or the unavailability of financing to potential home buyers. Even if potential home buyers do not need financing, increases in interest rates and decreased mortgage availability could make it harder for them to sell their homes. This could adversely affect our operating results and financial condition.

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

The home building industry is highly competitive and fragmented. We compete in each of our markets with a number of national, regional and local builders for customers, undeveloped land and home sites, raw materials and labor. In the Washington, D.C. market, we compete against approximately 15 to 20 publicly-traded national home builders, approximately 10 to 15 privately-owned regional home builders, and many local home builders, some of whom are very small and may build as few as five to 25 homes per year. In the Raleigh, North Carolina market, we compete against approximately 10 to 15 publicly-traded national home builders, approximately 10 to 15 privately-owned regional home builders, and a large number of small, local home builders. We do not compete against all of the builders in our geographic markets in all of our product types or submarkets, as some builders focus on particular types of projects within those markets, such as large estate homes, that are not in competition with our projects.

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

- make it difficult for us to acquire suitable land or home sites in desirable locations at acceptable prices and terms, which could adversely affect our ability to build homes;

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

We also compete with resales of existing homes and available rental housing. An oversupply of competitively priced resale or rental homes in our markets could adversely affect our ability to sell homes profitably.

Our business is concentrated in two geographic areas which increases our exposure to localized risks.

We currently develop and sell homes in the Washington, D.C. and Raleigh, North Carolina markets. Our limited geographic diversity means that adverse general economic, weather or other conditions in either of these markets could adversely affect our results of operations or our ability to grow our business.

Our growth strategy to expand into new geographic areas poses risks.

We may expand our business to new geographic areas outside of the Washington, D.C. and Raleigh, North Carolina markets. We will face additional risks if we develop communities in geographic areas or climates in which we do not have experience or if we develop a different size or style of community than those currently being developed, including:

- adjusting our construction methods to different geographies and climates;
- obtaining the necessary construction materials and labor in sufficient amounts and on acceptable terms;
- obtaining necessary entitlements and permits under unfamiliar regulatory regimes;
- attracting potential customers in a market in which we do not have significant experience; and
- the cost of hiring new employees and increased infrastructure costs.

We may not be able to successfully manage the risks of such an expansion, which could have a material adverse effect on our revenues, earnings and financial condition.

We may not be able to successfully identify, complete or integrate acquisitions.

As part of our business strategy, we expect to review acquisition prospects in our existing markets and in new markets in the Mid-Atlantic region or elsewhere that would complement our existing business, or that might otherwise offer growth opportunities. We have not currently identified any acquisition targets, and we may not be successful in identifying suitable acquisition targets or in completing acquisitions. Further, to the extent we complete acquisitions, we may be unable to realize the anticipated benefits because of operational factors or difficulties in integrating the acquisitions with our existing business. Acquisitions entail numerous risks, including, but not limited to:

- difficulties in assimilating acquired management and operations;
- risks associated with investing the necessary resources in order to achieve profitability;

the incurrence of significant due diligence expenses relating to acquisitions that are not completed;

- unforeseen expenses and liabilities;
- risks associated with entering new markets or sub-markets in which we have limited or no prior experience;
- the diversion of our management's attention from our current business;
- the potential loss of key employees of acquired organizations; and
- risks associated with transferred assets and liabilities.

We may not be able to acquire or manage profitably additional businesses, or to integrate successfully any acquired businesses, properties or personnel into our business, without substantial costs, delays or other operational or financial difficulties. Our failure to do so could have a material adverse effect on our business, financial condition and results of operations.

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 our Chairman and Chief Executive Officer, Christopher Clemente, Gregory Benson, our President and Chief Operating Officer, and Bruce Labovitz, our Chief Financial Officer. Our continued success also depends on our ability to attract and retain qualified personnel. We believe that Messrs. Clemente, Benson and Labovitz each possesses valuable industry knowledge, experience and leadership abilities that would be difficult in the short term to replicate. The loss of these or other key employees could harm our operations and business plans.

Mr. Clemente may devote a portion of his time to his personal business interests, which may reduce the amount of time he devotes to the Company.

Mr. Clemente retains certain personal business interests. We may be disadvantaged to the extent that Mr. Clemente does not devote substantially all of his working time to our business as required under his employment agreement.

Our significant level of debt could adversely affect our financial condition and prevent us from fulfilling our debt service obligations.

We currently have a significant amount of debt, and our ability to meet our debt service obligations will depend on our future performance. Numerous factors outside of our control, including changes in economic or other business conditions generally, such as employment levels, population growth and consumer confidence, or in the markets or industry in which we do business, may adversely affect our operating results and cash flows, which in turn may affect our ability to meet our debt service obligations. As of March 31, 2005, we had $161.6 million aggregate principal amount of total debt outstanding (including our distribution payable to our pre-initial public offering stockholders), or 242.8% of our total shareholders' equity as of that date. We may incur additional debt to fund our operations.

For the three months ended March 31, 2005, our interest payments on account of outstanding indebtedness totaled $2.6 million, or 9.1% of our total revenues for that period. If we are unable to meet our debt service obligations, we may need to restructure or refinance our debt, seek additional equity financing or sell assets. We may be unable to restructure or refinance our debt, obtain additional equity financing or sell assets on satisfactory terms or at all. In addition, a substantial portion of our cash flow from operations must be dedicated to the repayment of debt, including interest, thereby reducing the funds available to us for other purposes. Our level of debt may limit our flexibility to adjust to changing economic or market conditions, reduce our ability to withstand competitive pressures and make us more vulnerable to a downturn in general economic conditions.

Our growth requires additional capital, which may not be available.

The real estate development industry is capital intensive and requires significant expenditures for land purchases, land development and construction. We intend to pursue a strategy of continued investment in additional real estate related projects. We anticipate that we will need to obtain additional financing as we expand our operations. These funds may be obtained through public or private debt or equity financings, 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. Moreover, certain of our bank financing agreements contain provisions that limit the type and amount of debt we may incur in the future without our lenders' consent. In addition, the availability of borrowed funds, especially for land acquisition and construction financing, may be 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. If we do not have access to additional capital, we may be required to delay, scale back or abandon some or all of our acquisition plans or growth strategies or reduce capital expenditures and the size of our operations.

Our growth depends on the availability of construction, acquisition and development loans.

Currently, we have multiple construction, acquisition and development loans. We plan to replace these credit facilities with one or more larger facilities, which is expected to reduce our aggregate debt financing costs. If we are unable to obtain a larger facility, we will need to continue to rely on our smaller credit facilities. These smaller credit facilities generally have higher costs and require significant management time to administer them. Additionally, if financial institutions decide to discontinue providing these facilities to us, we would lose our primary source of financing our operations or the cost of retaining or replacing these credit facilities could increase dramatically. Further, this type of financing is typically characterized by short-term loans which are subject to call. If our primary financing becomes unavailable or accelerated repayment is demanded, we may not be able to meet our obligations.

Our bank credit facilities impose restrictions on our operations, which, if violated, could result in our indebtedness being immediately due and payable and the loss of our assets.

Our bank credit facilities impose restrictions on our operations and activities. The most significant restrictions relate to debt incurrence, lien incurrence, sales of significant assets and cash distributions and require us to comply with certain financial covenants. If we fail to comply with any of these restrictions or covenants, the banks could cause our debt to become payable immediately. In addition, some of our debt instruments contain cross-default provisions, which could cause a default under a number of debt instruments if we default on only one debt instrument. Most of our credit facilities are secured by the land, improvements and fixtures owned by the entity that is party to the facility. If we were unable to repay indebtedness owed to our secured creditors, they could foreclose on the collateral securing that indebtedness.

A significant portion of our business plan involves construction of mixed-use developments and high-rise projects with which we have relatively less experience.

We expect to increase our construction and development of mixed-use and high-rise residential projects. Our experience is largely based on smaller wood-framed structures that are less complex than high-rise construction or the development of mixed-use projects. A mixed-use project is one that integrates residential and non-residential uses in the same structure or in close proximity to each other, on the same land. As we expand into these new product types, we expect to encounter operating, marketing, customer service, warranty and management challenges with which we have less familiarity. Although we have expanded our management team to include individuals with significant experience in this type of real estate development, we have not completed any projects managed by these persons. If we are unable to successfully manage the challenges of this portion of our business, we may incur additional costs and our results of operations could be adversely affected.

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

We and the home building industry 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;
- transportation cost increases;
- our need to rely on local subcontractors who may not be adequately capitalized or insured; and
- shortages or fluctuations in prices of building materials.

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

We depend on the availability and skill of subcontractors.

Substantially all of our construction work is done by subcontractors with us acting as the general contractor or by subcontractors working for a general contractor we select for a particular project. Accordingly, the timing and quality of our construction depends on the availability and skill of those subcontractors. We do not have long-term contractual commitments with subcontractors or suppliers. Although we believe that our relationships with our suppliers and subcontractors are good, we cannot assure you 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.

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.

Our home building business is subject to construction defect and product liability claims arising in the ordinary course of business. These claims are common in the home building industry and can be costly. Among the claims for which developers and builders have financial exposure are property damage, environmental claims and bodily injury claims. 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. 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 product liability and similar claims, claims in excess of the limits under our insurance policies and the costs of obtaining insurance to cover such claims could have a material adverse effect on our revenues and earnings.

Increased insurance risk could negatively affect our business.

Insurance and surety companies have reassessed many aspects of their business and, as a result, may take actions that could negatively affect our business. These actions could include increasing insurance premiums, requiring higher self-insured retentions and deductibles, requiring additional collateral on surety bonds, reducing limits, restricting coverages, 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 on occasion these surety bonds are unavailable. These factors can delay commencement of development projects and adversely affect revenue and earnings.

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

We provide service warranties on our homes for a period of one year or more post closing and a structural warranty for five years post closing. We self-insure all of our warranties and reserve an amount we believe will be sufficient to satisfy any warranty claims on homes we sell. We also attempt to pass much of the risk associated with potential defects in materials and workmanship on to the subcontractors performing the work and the suppliers and manufacturers of the materials. In such cases, we still may incur unanticipated costs if a subcontractor, supplier or manufacturer 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 and/or the amounts we can recover from our subcontractors and suppliers, our operating results would be adversely affected.

Our business, revenues and earnings may be adversely affected by adverse weather conditions or natural disasters.

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

We are subject to certain environmental laws and the cost of compliance could adversely affect our business.

As a current or previous owner of real property, or an operator of a facility on such 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, and delays associated with, investigating, remediating or removing such hazardous or toxic substances may be substantial. The presence of any such substance, or the failure promptly to remediate any such substance, may adversely affect our ability to sell the property, to use the property for our intended purpose, or to borrow funds using the property as collateral. In addition, the construction process involves the use of hazardous and toxic materials. We could be held liable under environmental laws for the costs of removal or remediation of such materials. In addition, our existing credit facilities also restrict our access to the loan proceeds if the properties that are used to collateralize the loans are contaminated by hazardous substances and require us to indemnify the bank against losses resulting from such occurrence for significant periods of time, even after the loan is fully repaid.

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

If we are not able to develop our communities successfully, our earnings could be diminished.

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, if ever. Our inability to develop and market our communities successfully and to generate positive cash flows from these operations in a timely manner would have a material adverse effect on our ability to service our debt and to meet our working capital requirements.

Our operating results may vary.

We expect to experience variability in our revenues and net income. Factors expected to contribute to this variability include, among other things:

- the uncertain timing of real estate closings;
- our ability to continue to acquire additional land or options thereon on acceptable terms and the timing of all necessary regulatory approvals required for development;
- the condition of the real estate market and the general economy in the Washington D.C. and Raleigh, North Carolina markets, and other markets we may enter;
- the cyclical nature of the home building industry;
- our dependence in any particular period on a small number of projects;
- the changing regulatory environment concerning real estate development, permitting and home building;
- changes in prevailing interests rates and the availability of mortgage financing; and
- costs of material and labor and delays in construction schedules.

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, 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 homesites 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.

Acts of war or terrorism may seriously harm our business.

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

Being a public company increases our administrative costs.

We completed our initial public offering in December 2004. As a public company, we incur significant legal, accounting and other expenses that we did not incur as a private company. In addition, the Sarbanes-Oxley Act of 2002, as well as new rules subsequently implemented by the Securities and Exchange Commission, have required changes in corporate governance practices of public companies. In addition to final rules and rule proposals already made by the Securities and Exchange Commission, the National Association of Securities Dealers, or NASD, has adopted revisions to its requirements for companies that are listed on the Nasdaq National Market. These new rules and regulations have increased our legal and financial compliance costs, will continue to increase such costs, and will make some activities more time consuming and/or costly. For example, in anticipation of becoming a public company we added personnel, particularly accounting staff, added independent directors, created board committees, adopted additional internal controls and disclosure controls and procedures, retained a transfer agent and a financial printer, adopted an insider trading policy and other corporate governance policies, and will have all of the internal and external costs of preparing and distributing periodic public reports in compliance with our obligations under the securities laws. We also expect these new rules and regulations to make it more expensive for us to maintain director and officer liability insurance. These new rules and regulations could also make it more difficult for us to attract and retain qualified members of our board of directors and qualified executive officers.

Being a public company will require us to significantly enhance our controls over the preparation of financial statements in order to ensure the detection, in a timely manner, of misstatements that could occur in our financial statements in amounts that may be material.

Our independent registered public accounting firm has in the past reported material weaknesses in our internal controls that, if not remedied, could result in material misstatements in our financial statements, cause investors to lose confidence in our reported financial information and have a negative effect on the trading price of our stock. In connection with the audits of the combined consolidated financial statements of the Predecessor for the three years ended December 31, 2003, in July 2004 our independent registered public accounting firm reported to our board of directors several matters that were "reportable conditions" and "material weaknesses" that existed in our internal controls as defined in standards established by the American Institute of Certified Public Accountants. In general, the reportable conditions were significant deficiencies in our internal controls that, if not addressed, could adversely affect our ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A material weakness is a reportable condition in which internal controls do not reduce to a low level the risk that undetected misstatements caused by error or fraud may occur in amounts that are material to audited financial statements.

The conditions resulting in the material weaknesses gave rise to a number of adjustments under generally acceptable accounting principles, and adjustments relating to the completeness and accuracy of certain underlying data, which materially changed our 2003 financial statements between initial presentation and issued audit. We have employed additional qualified personnel and adopted and implemented policies and procedures to address the reported material weaknesses. However, the process of designing and implementing effective internal controls and procedures is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to expend significant resources to maintain a system of internal controls that is adequate to satisfy our reporting obligations as a public company.

We have had limited operating experience with the remedial measures we have made to date and we cannot be certain that the measures we have taken to date or any future measures will adequately remediate the material weaknesses reported by our independent registered public accounting firm or that the measures we implement will enable us to maintain adequate controls over our financial processes and reporting in the future. In addition, we cannot be certain that additional material weaknesses or significant deficiencies in our internal controls will not be discovered in the future. Any failure to remediate the material weaknesses reported by our independent registered public accounting firm or to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results, cause us to fail to meet our reporting obligations, subject us to increased risk of errors and fraud related to our financial statements or result in material misstatements in our financial statements. Any such failure also could adversely affect the results of the periodic management evaluations and annual auditor attestation reports regarding the effectiveness of our "internal control over financial reporting" that will be required when the Securities and Exchange Commission's rules under Section 404 of the Sarbanes-Oxley Act of 2002 become applicable to us beginning with our Annual Report on Form 10-K for the year ending December 31, 2005 to be filed in early 2006. Inadequate internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our stock.

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 Chairman and Chief Executive Officer.

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

Risks Related to this Offering

Volatility of our stock price could adversely affect stockholders.

The market price of our Class A common stock could fluctuate significantly as a result of:

- quarterly variations in our operating results;

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

Fluctuations in the price of our Class A common stock could contribute to the loss of all or part of your investment. Furthermore, any of the factors listed above could have a material adverse effect on your investment in our Class A common stock and our Class A common stock may trade at prices significantly below the offering price.

Investors in our Class A common stock may experience dilution with the future exercise of stock options and the grant of restricted stock.

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 three-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.

Future sales, or the availability for sale, of our common stock may cause our stock price to decline.

In connection with this offering, we, along with the officers, directors and selling stockholders, will have agreed prior to the commencement of this offering, subject to limited exceptions, not to sell or transfer any shares of common stock for 90 days after the date of this prospectus without the underwriters' consent. However, the underwriters may release these shares from these restrictions at any time. In evaluating whether to grant such a request, the underwriters may consider a number of factors with a view toward maintaining an orderly market for, and minimizing volatility in the market price of, our Class A common stock. These factors include, among others, the number of shares involved, recent trading volume and prices of the stock, the length of time before the lock-up expires and the reasons for, and the timing of, the request. In addition, in connection with our initial public offering, we, along with our officers, directors and certain of our stockholders agreed not to sell or otherwise dispose of any shares of Class A common stock for a period of 180 days after December 14, 2004. Notwithstanding this offering, upon the anticipated expiration on June 12, 2005 of the lock-up agreements from our initial public offering, approximately 4.3 million additional shares of Class A common stock will be available for sale in the public market. We cannot predict what effect, if any, 18

market sales of shares held by any stockholder or the availability of these shares for future sale will have on the market price of our Class A common stock.

Commencing December 15, 2005, our pre-initial public offering stockholders may begin selling a portion of their shares of Class A common stock in the public market in accordance with the provisions of Rule 144 under the Securities Act. As of the date of completion of the initial public offering, these stockholders held approximately 4.3 million shares of Class A common stock. Sales of substantial amounts of our Class A common stock in the public market after the completion of this offering, or the perception that such sales could occur, could adversely affect the market price of our Class A common stock and could materially impair our future ability to raise capital through offerings of our common stock. See "Shares Eligible for Future Sale" on page 82 for a more detailed description of the restrictions on selling shares of our common stock after this offering.

There may be conflicts of interest arising out of relationships and transactions between us and third-party entities in which certain of our directors and officers have interests.

We have entered into a number of transactions with related parties, including with entities in which certain of our directors and executive officers have interests. For example, effective October 1, 2004 we lease our corporate headquarters facility from an entity in which Christopher Clemente, our Chairman and Chief Executive Officer, owns a 100% interest. We have also entered into other transactions with related parties. These related party transactions could cause conflicts of interest between us and the other parties to the transaction, which could lead to less favorable results than if the transactions had been with unrelated parties. See "Certain Relationships and Related Transactions."

The holders of our Class B common stock will continue to control us after this offering, which will limit your ability to influence corporate matters.

After this offering, Messrs. Clemente and Benson will continue to own 100% of our outstanding Class B common stock, which, together with their shares of Class A common stock, will represent 83.1% of the combined voting power of all classes of our voting stock, or 82.6% of the combined voting power of all classes of our voting stock if the underwriters exercise their over-allotment option in full. As a result, Messrs. Clemente and Benson, acting together, will continue to have control over us, the election of our board of directors and our management and policies. Messrs. Clemente and Benson, acting together, will also continue to have control over all matters requiring stockholder approval, including the amendment of certain provisions of our certificate of incorporation and bylaws, the approval of any equity-based employee compensation plans and the approval of fundamental corporate transactions, including mergers. In light of this control, other companies could be discouraged from initiating a potential merger, takeover or any other transaction resulting in a change of control. Such a transaction potentially could be beneficial to our business or to our stockholders. This may in turn reduce the price that investors are willing to pay in the future for shares of our Class A common stock.

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

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

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

We are subject to the Delaware anti-takeover laws regulating corporate takeovers. These anti-takeover laws prevent Delaware corporations from engaging in business combinations with any stockholder, including all affiliates and employees of the 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, as further described in "Description of Capital Stock."

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

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

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

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

We have broad discretion to use the offering proceeds and our investment of those proceeds may not yield a favorable return.

The net proceeds of this offering are not allocated for specific uses. Our management has broad discretion to spend the net proceeds from this offering in ways with which our stockholders may not agree. The failure of our management to apply these funds effectively could result in unfavorable returns or losses. This could harm our business and could cause the price of our common stock to decline.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements contained in this prospectus include forward-looking statements. These forward-looking statements can be identified by the use of words such as "anticipate," "believe," "estimate," "may," "intend," "expect," "plan," "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 prospectus. When considering those forward-looking statements, you should keep in mind the risks, uncertainties and other cautionary statements made in this prospectus. You should not place undue reliance on any forward-looking statement, which speaks only as of the date made. Some factors which may affect the accuracy of the forward-looking statements apply generally to the real estate industry, while other factors apply directly to us. Any number of important factors which could cause actual results to differ materially from those in the forward-looking statements include:

- general economic and market conditions, including interest rate levels;
- our ability to service our substantial debt;
- inherent risks in investment in real estate;
- our ability to compete in the Washington, D.C. and Raleigh, North Carolina real estate and home building markets;
- regulatory actions;
- fluctuations in operating results;
- our anticipated growth strategies;
- shortages and increased costs of labor or building materials;
- the availability and cost of land in desirable areas;
- natural disasters;
- our ability to raise debt and equity capital and grow our operations on a profitable basis;
- our continuing relationship with affiliates;
- unanticipated litigation or legal proceedings; and
- the other risks described under the heading "Risk Factors."

Many of these factors are beyond our control. For a discussion of factors that could cause actual results to differ, please see the discussion in the section of this prospectus entitled "Risk Factors."

USE OF PROCEEDS

We expect to receive approximately $51.5 million in net proceeds from the sale by us of 2,255,000 shares of Class A common stock in this offering, at an assumed offering price of $24.15 per share and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. We will not receive any of the proceeds from the sale of shares of Class A common stock by the selling stockholders or exercise of the underwriters' over-allotment option.

We intend to use the net proceeds of this offering for general corporate purposes, including working capital, and to fund new real estate acquisition and development projects.

We may also use a portion of the net proceeds of this offering to acquire companies or to establish joint ventures that we believe will complement our current or future business. However, we have no specific plans, agreements or commitments, oral or written, to do so. We are not currently engaged in any substantive negotiations for any acquisition of another company or joint venture. The amounts that we actually expend for working capital purposes will vary significantly depending on a number of factors, including future revenue growth, if any, and the amount of cash we generate from operations. As a result, we will retain broad discretion in the allocation of the net proceeds of this offering.

Pending the uses described above, we will invest the net proceeds of this offering in short-term, interest-bearing, investment-grade securities.

PRICE RANGE OF COMMON STOCK AND DIVIDEND POLICY

Our Class A common stock has been traded on the Nasdaq National Market under the symbol "CHCI" since our initial public offering on December 14, 2004. The following table sets forth for the indicated periods the high and low sale prices of our Class A common stock as listed on the Nasdaq National Market:

	Price Range of Class A Common Stock	
	High	**Low**
Fiscal year ended December 31, 2004		
Fourth quarter	$ 22.10	$ 16.00
Fiscal year ended December 31, 2005		
First quarter	$ 31.00	$ 18.39
Second quarter (through June 1, 2005)	27.03	18.80

On March 31, 2005, the last reported sale price of our Class A common stock on the Nasdaq National Market was $21.29 per share. On March 31, 2005, there were approximately 18 record holders and approximately 2,000 beneficial owners of our Class A common stock.

We have never paid dividends on our Class A common stock and we do not currently anticipate paying dividends on our Class A common stock.

Future dividends on our Class A common stock, if any, will be at the discretion of our board of directors and will depend on, among other things, our results of operations, cash requirements and surplus, financial condition, contractual restrictions and other factors that our board of directors may deem relevant.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and our capitalization as of March 31, 2005. We present capitalization on an actual basis and as adjusted to give effect to the sale by us of 2,255,000 shares of Class A common stock at an assumed offering price of $24.15 per share, after deducting underwriting discounts and commissions and estimated offering expenses.

	As of March 31, 2005	
	Actual	As Adjusted
	($ in thousands, except share data)	
Cash and cash equivalents	$ 37,337	$ 87,689
Minority interest	$ 366	$ 366
Notes payable	161,625	161,625
Stockholders' equity:		
Common stock		
Class A common stock, $0.01 par value, 77,266,500 shares authorized; 9,160,837 shares issued and outstanding; and 11,415,837 shares issued and outstanding, as adjusted	92	114
Class B common stock, $0.01 par value, and 2,733,500 shares authorized and 2,733,500 shares issued and outstanding	27	27
Preferred stock, $0.01 par value, 20,000,000 shares authorized and no shares issued and outstanding		
Additional paid-in capital	75,535	125,865
Unearned compensation	(3,804)	(3,804)
Retained earnings (accumulated deficit)	(5,280)	(5,280)
Total stockholders' equity	66,570	116,922
Total capitalization	$ 228,561	$ 278,913

Our capitalization information represented above excludes:

107,143 shares of Class A common stock issuable upon the exercise of outstanding options, none of which are exercisable prior to December 31, 2006;

1,170,000 shares of Class A common stock reserved for future issuance under our equity incentive plan; and

198,675 shares of Class A common stock reserved for future issuance under our employee stock purchase plan.

SELECTED FINANCIAL AND OTHER DATA

We derived the selected historical financial data shown below from our audited financial statements for the fiscal years 2000, 2001, 2002, 2003 and 2004, and from our unaudited financial statement for the three months ended March 31, 2004 and 2005. You should read the following financial information in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Our Business" and our combined consolidated financial statements and the related notes, included elsewhere in this prospectus. Operating results for the three months ended March 31, 2005 and 2004 are not necessarily indicative of operating results to be expected for the fiscal year.

	Years Ended December 31,					Three Months Ended March 31,	
	2000	2001	2002	2003	2004	2004	2005
	Predecessor					Predecessor	
	($ in thousands)						
Operating Data:							
Revenues	$ 49,439	$ 50,929	$ 34,752	$ 55,521	$ 96,045	$ 17,881	$ 28,729
Cost of sales	43,199	40,853	26,820	41,756	63,993	12,461	17,602
Selling, general and administrative	1,603	3,900	3,725	5,712	11,940	2,431	5,052
Operating income	4,637	6,176	4,207	8,053	20,112	2,989	6,075
Other (income) expense, net	(62)	(302)	10	(44)	908	63	(36)
Income before minority interests and equity in earnings of real estate partnerships	4,699	6,478	4,197	8,097	19,204	2,926	6,111
Minority interest	1,861	1,965	664	2,297	5,260	848	1
Income before equity in earnings of real estate partnerships	2,838	4,513	3,533	5,800	13,944	2,078	6,110
Equity in earnings of real estate partnerships		6	51	139	118	28	30
Income before income taxes	2,838	4,519	3,584	5,939	14,062	2,106	6,140
Income taxes provision (benefit)(a)					(241)		2,331
Net income	$ 2,838	$ 4,519	$ 3,584	$ 5,939	$ 14,303	$ 2,106	$ 3,809
Historical earnings per share:							
Historical basic earnings per share	$ 0.47	$ 0.74	$ 0.59	$ 0.84	$ 1.95	$ 0.30	$ 0.33
Historical basic weighted average common shares outstanding(b)	6,074	6,074	6,074	7,067	7,347	7,067	11,621
Historical diluted earnings per share	$ 0.47	$ 0.74	$ 0.59	$ 0.84	$ 1.95	$ 0.30	$ 0.32
Historical diluted weighted average common shares outstanding	6,074	6,074	6,074	7,067	7,351	7,067	11,769
Pro forma earnings per share:							
Pro forma basic earnings per share					$ 1.49		$ 0.27

	Years Ended December 31,	Three Months Ended March 31,
Pro forma basic weighted average common shares outstanding	9,602	13,876
Pro forma diluted earnings per share	$ 1.49	$ 0.27
Pro forma diluted weighted average common shares outstanding	9,606	14,024

	Years Ended December 31,					Three Months Ended March 31,	
	2000	2001	2002	2003	2004	2004	2005
	Predecessor					Predecessor	
	($ in thousands)						
Supplemental Data:							
New sales contracts, net of cancellations (homes)	305	161	101	216	608	132	246
New sales contracts, value net of cancellations	$ 57,161	$ 36,251	$ 28,918	$ 69,086	$ 224,200	$ 47,097	$ 103,300
Average sales price per home ordered	$ 187	$ 225	$ 286	$ 320	$ 369	$ 357	$ 420
Homes delivered (homes)	234	220	124	162	263	46	78
Homes delivered, settlement revenue	$ 41,009	$ 48,058	$ 29,397	$ 49,081	$ 87,003	$ 15,136	$ 28,465
Average settlement revenue of homes delivered	$ 175	$ 218	$ 237	$ 303	$		