

Comstock Homebuilding Companies, Inc.

Form 10-Q

November 12, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **Quarterly Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended September 30, 2010

.. **Transition Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from _____ to _____

Commission File Number 1-32375

Comstock Homebuilding Companies, Inc.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

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

11465 Sunset Hills Road

4th Floor

Reston, Virginia 20190

(703) 883-1700

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every interactive data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

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

Large Accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

As of November 15, 2010, 16,925,954 shares of the Class A common stock, par value \$.01 per share, and 2,733,500 shares of Class B common stock, par value \$0.01, of the Registrant were outstanding.

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COMSTOCK HOMEBUILDING COMPANIES, INC. AND SUBSIDIARIES

FORM 10-Q

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(Amounts in thousands, except per share data)

| | September 30, 2010 | December 31, 2009 |
|--|-----------------------|----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 759 | \$ 1,085 |
| Restricted cash | 3,093 | 3,249 |
| Real estate held for development and sale | 35,953 | 70,890 |
| Property, plant and equipment, net | 57 | 144 |
| Other assets | 1,862 | 1,963 |
| TOTAL ASSETS | \$ 41,724 | \$ 77,331 |
| LIABILITIES AND SHAREHOLDERS EQUITY | | |
| Accounts payable and accrued liabilities | \$ 3,825 | \$ 5,579 |
| Notes payable - secured by real estate held for development and sale | 20,478 | 50,530 |
| Notes payable - due to affiliates, unsecured | 5,008 | 12,743 |
| Notes payable - unsecured | 4,493 | 4,346 |
| TOTAL LIABILITIES | 33,804 | 73,198 |
| Commitments and contingencies (Note 8) | | |
| SHAREHOLDERS EQUITY | | |
| Class A common stock, \$0.01 par value, 77,266,500 shares authorized, 16,995,031 and 15,608,438 issued and outstanding, respectively | 170 | 156 |
| Class B common stock, \$0.01 par value, 2,733,500 shares authorized, 2,733,500 issued and outstanding | 27 | 27 |
| Additional paid-in capital | 166,417 | 157,418 |
| Treasury stock, at cost (391,400 Class A common stock) | (2,439) | (2,439) |
| Accumulated deficit | (156,255) | (151,029) |
| TOTAL EQUITY | 7,920 | 4,133 |
| TOTAL LIABILITIES AND SHAREHOLDERS EQUITY | \$ 41,724 | \$ 77,331 |

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

Table of Contents**COMSTOCK HOMEBUILDING COMPANIES, INC. AND SUBSIDIARIES****UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS**

(Amounts in thousands, except per share data)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|-----------|------------------------------------|-------------|
| | 2010 | 2009 | 2010 | 2009 |
| Revenues | | | | |
| Revenue - homebuilding | \$ 5,153 | \$ 11,116 | \$ 16,766 | \$ 17,053 |
| Revenue - other | 436 | 679 | 4,390 | 2,304 |
| Total revenue | 5,589 | 11,795 | 21,156 | 19,357 |
| Expenses | | | | |
| Cost of sales - homebuilding | 5,774 | 10,459 | 17,138 | 15,908 |
| Cost of sales - other | 382 | 508 | 3,666 | 1,458 |
| Impairments and write-offs | 1,548 | | 1,548 | 15,351 |
| Selling, general and administrative | 1,341 | 1,095 | 4,202 | 4,984 |
| Interest, real estate taxes and indirect costs related to inactive projects | 143 | 421 | 1,812 | 3,015 |
| Operating loss | (3,599) | (688) | (7,210) | (21,359) |
| Gain on troubled debt restructuring | | (2,803) | | (2,803) |
| Other (income) loss, net | (171) | (86) | (1,047) | (358) |
| (Loss) income from continuing operations before income taxes | (3,428) | 2,201 | (6,163) | (18,198) |
| Income tax expense | | | | |
| (Loss) income from continuing operations | (3,428) | 2,201 | (6,163) | (18,198) |
| Discontinued operations: | | | | |
| Income (loss) from discontinued operations, net of taxes | | 78 | | (9,910) |
| Net (loss) income | \$ (3,428) | \$ 2,279 | \$ (6,163) | \$ (28,108) |
| Basic (loss) income per share | | | | |
| Continuing operations | \$ (0.18) | \$ 0.13 | \$ (0.34) | \$ (1.04) |
| Discontinued operations | | | | (0.56) |
| Net (loss) income per share | \$ (0.18) | \$ 0.13 | \$ (0.34) | \$ (1.60) |
| Diluted (loss) income per share | | | | |
| Continuing operations | \$ (0.18) | \$ 0.12 | \$ (0.34) | \$ (1.04) |
| Discontinued operations | | | | (0.56) |
| Net (loss) income per share | \$ (0.18) | \$ 0.12 | \$ (0.34) | \$ (1.60) |
| Basic weighted average shares outstanding | 18,567 | 17,618 | 18,299 | 17,575 |
| Diluted weighted average shares outstanding | 18,567 | 19,467 | 18,299 | 17,575 |

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

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COMSTOCK HOMEBUILDING COMPANIES, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN

SHAREHOLDERS EQUITY

(Amounts in thousands, except per share data)

| | Class A | | Class B | | Additional paid-in capital | Treasury stock | Noncontrolling interest | Retained earnings (deficit) | Total |
|--|---------------|---------------|--------------|--------------|----------------------------------|-------------------|----------------------------|-----------------------------------|-----------------|
| | Shares | Amount | Shares | Amount | | | | | |
| Balance at December 31, 2009 | 15,608 | \$ 156 | 2,733 | \$ 27 | \$ 157,418 | \$ (2,439) | \$ | \$ (151,029) | \$ 4,133 |
| Cumulative effect of a change in accounting principle | | | | | | | | 937 | 937 |
| Stock compensation and issuances | 369 | 4 | | | 610 | | | | 614 |
| Stonehenge capital contribution | | | | | 7,689 | | | | 7,689 |
| Warrants | 1,018 | 10 | | | 700 | | | | 710 |
| Net loss | | | | | | | | (6,163) | (6,163) |
| Balance at September 30, 2010 | 16,995 | \$ 170 | 2,733 | \$ 27 | \$ 166,417 | \$ (2,439) | \$ | \$ (156,255) | \$ 7,920 |
| Balance at December 31, 2008 | 15,608 | \$ 156 | 2,733 | \$ 27 | \$ 157,058 | | | | |