EATON VANCE INSURED MUNICIPAL BOND FUND
Form DEF 14A
November 30, 2009

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant [X]

Filed by a Party other than the Registrant [ ]

Check the appropriate box:

[ ] Preliminary Proxy Statement

[ ] Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

[X] Definitive Proxy Statement

[ ] Definitive Additional Materials

[ ] Soliciting Material Pursuant to Section 240.14a-12

Eaton Vance Insured Municipal Bond Fund
Eaton Vance Insured Municipal Bond Fund II
Eaton Vance Insured California Municipal Bond Fund
Eaton Vance Insured California Municipal Bond Fund II
Eaton Vance Insured Massachusetts Municipal Bond Fund
Eaton Vance Insured Michigan Municipal Bond Fund
Eaton Vance Insured New Jersey Municipal Bond Fund
Eaton Vance Insured New York Municipal Bond Fund
Eaton Vance Insured New York Municipal Bond Fund II
Eaton Vance Insured Ohio Municipal Bond Fund
Eaton Vance Insured Pennsylvania Municipal Bond Fund

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[X] No fee required.

[ ] Fee computed on table below per Exchange Act Rules 14a-6(i) (1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the

filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

[ ] Fee paid previously with preliminary materials.

[ ] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee

was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount previously paid:

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(2) Form, Schedule or Registration Statement no.:

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(3) Filing Party:

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(4) Date Filed:

EATON VANCE INSURED CALIFORNIA MUNICIPAL BOND FUND
EATON VANCE INSURED CALIFORNIA MUNICIPAL BOND FUND II
EATON VANCE INSURED MASSACHUSETTS MUNICIPAL BOND FUND
EATON VANCE INSURED MICHIGAN MUNICIPAL BOND FUND
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EATON VANCE INSURED MUNICIPAL BOND FUND II
EATON VANCE INSURED NEW JERSEY MUNICIPAL BOND FUND
EATON VANCE INSURED NEW YORK MUNICIPAL BOND FUND
EATON VANCE INSURED NEW YORK MUNICIPAL BOND FUND II
EATON VANCE INSURED OHIO MUNICIPAL BOND FUND
EATON VANCE INSURED PENNSYLVANIA MUNICIPAL BOND FUND
(collectively, the Funds)

Two International Place
Boston, Massachusetts 02110

November 30, 2009

Dear Shareholder:

We cordially invite you to attend a joint Special Meeting of Shareholders of the Funds on Friday, January 29, 2010. At the meeting, the shareholders of each Fund will consider a proposal to modify the Fund s investment policy to eliminate the requirement that the Fund invest at least 80 percent of its net assets in insured municipal obligations. If approved, each Fund would thereafter be required, under normal market conditions, to invest at least 80 percent of its net assets in municipal obligations rated A or better by credit rating agencies and each Fund would eliminate Insured from its name. This modification is intended to give the Funds additional investment flexibility and improve their ability to pursue investment opportunities. Pursuant to each Fund s prospectus, any modification of the policy requires shareholder approval.

We realize that most shareholders will not be able to attend the meeting and vote their shares in person. However, the Funds need your vote. You can vote by *mail*, *telephone*, or over the *internet*, as explained in the enclosed material. If you later decide to attend the meeting, you may revoke your proxy and vote your shares in person. By voting promptly, you can help the Funds avoid the expense of additional mailings.

If you would like additional information concerning this proposal, please call one of our service representatives at 1-800-262-1122 Monday through Friday between 8:00 A.M. and 6:00 P.M. (Eastern Time). Your participation in this vote is extremely important.

Sincerely,

/s/ Cynthia J. Clemson	/s/ Robert B. MacIntosh
Cynthia J. Clemson	Robert B. MacIntosh
Co-Director	Co-Director
Municipal Investments	Municipal Investments

YOUR VOTE IS IMPORTANT PLEASE RETURN YOUR PROXY CARD PROMPTLY.
SHAREHOLDERS ARE URGED TO SIGN AND MAIL THE ENCLOSED PROXY IN THE ENCLOSED POSTAGE PREPAID ENVELOPE OR VOTE BY TELEPHONE OR OVER THE INTERNET BY FOLLOWING THE ENCLOSED INSTRUCTIONS. YOUR VOTE IS IMPORTANT WHETHER YOU OWN A FEW SHARES OR MANY SHARES.

QUESTIONS AND ANSWERS

Regarding the Recommended Change to each Fund s 80 Percent Investment Policy

Answers to questions about the proposed change to the Funds investment policy should be reviewed along with the enclosed proxy materials.

Q: Why did I receive a Proxy Statement?

A: You are being asked to vote on an important matter related to your Fund. The Trustees of your Fund voted to recommend a change to the requirement that the Fund invest at least 80 percent of its assets in obligations that are insured as to payment of principal and interest (the 80% policy). Fund shareholders are being asked to approve this change at a special meeting scheduled to be held on Friday, January 29, 2010 at 2:00 p.m. Eastern time.

The Trustees of your Fund recommend that you vote **FOR** the proposal.

Q: What changes to the Funds investment policies are being recommended?

A: The Trustees of each Fund recommend the modification of each Fund s investment policies to eliminate the requirement that the Fund invest at least 80 percent of its net assets in insured municipal obligations.

Q: What are the potential benefits of the proposed changes?

A: The proposed change is intended to give the Funds additional investment flexibility and improve their ability to pursue investment opportunities. If approved, each Fund would thereafter be required, under normal market conditions, to invest at least 80 percent of net assets in municipal obligations rated A or better by credit rating agencies. Eaton Vance Management (Eaton Vance), each Fund s investment adviser, believes the proposed change is consistent with each Fund s original purpose of providing investors with a quality municipal bond fund.

Q: Is my Fund s investment objective changing?

A: No, the investment objective will not be changed.

Q: Who do I call with any questions?

A: If you need assistance, or have questions regarding the proposal or how to vote your shares, please call Computershare Fund Services, Inc. (Computershare), your Fund s proxy solicitor, toll-free at 866-525-2664. Please have your proxy materials available when you call.

Q: Why should I vote?

A: Your vote is very important. We encourage you to return your vote as soon as possible. If your Fund does not receive enough votes, it will have to spend money on additional mailings and to solicit votes by telephone so that the meeting can take place. In this event, you may receive telephone calls from the proxy solicitor in an attempt to obtain your vote. If you vote promptly, you likely will not receive

such calls.

Q: How do I vote my shares?

A: You can vote your shares by completing and signing the enclosed proxy card, then mailing it in the postage-paid envelope provided. Alternatively, you can vote by telephone by calling the toll-free number on your proxy card or by computer by going to the internet address provided on your proxy card, and following the instructions given, using your proxy card as a guide.

Q: Will Eaton Vance contact shareholders?

A: Eaton Vance or its agents may contact shareholders directly. Computershare is the proxy solicitor and may call you, the shareholder, to verify that you have received proxy materials, to answer any questions that you may have and to offer to record your vote by telephone. If you vote promptly, you likely will not receive such calls.

EATON VANCE INSURED CALIFORNIA MUNICIPAL BOND FUND
EATON VANCE INSURED CALIFORNIA MUNICIPAL BOND FUND II
EATON VANCE INSURED MASSACHUSETTS MUNICIPAL BOND FUND
EATON VANCE INSURED MICHIGAN MUNICIPAL BOND FUND
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EATON VANCE INSURED PENNSYLVANIA MUNICIPAL BOND FUND
(collectively, the Funds)

Two International Place
Boston, Massachusetts 02110

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

Important Notice Regarding the Availability of Proxy Materials for the Special Meeting of Shareholders to be Held on Friday, January 29, 2010: The Notice of Special Meeting of Shareholders, Proxy Statement and Proxy Card are available on the Eaton Vance website at www.eatonvance.com, by selecting "Individual Investors" followed by Investor Resources and then Closed-End Funds.

A joint Special Meeting of Shareholders of the Funds will be held at the principal office of the Funds, Two International Place, Boston, Massachusetts 02110, on Friday, January 29, 2010 at 2:00 P.M. (Eastern Time), for the following purposes:

1. To consider and act upon a proposal to modify each Fund s investment policy to eliminate the requirement that the Fund invest at least 80 percent of its net assets in municipal obligations that are insured as to the payment of principal and interest.

2. To consider and act upon any other matters which may properly come before the meeting and any adjourned or postponed session thereof.

The proposal is discussed in greater detail in the following pages.

The meeting is called pursuant to the By-Laws applicable to the Funds. The Boards of Trustees have fixed the close of business on November 18, 2009 as the record date for the determination of the shareholders of the Funds entitled to notice of and to vote at the meeting and any adjournments or postponements thereof.

By Order of the Boards of Trustees

/s/ Maureen A. Gemma

Maureen A. Gemma
Secretary and Chief Legal Officer

November 30, 2009
Boston, Massachusetts

IMPORTANT

Shareholders can help the Boards of Trustees of the Funds avoid the necessity and additional expense of further solicitations, which may be necessary to obtain a quorum, by promptly returning the enclosed proxy or voting by telephone or over the internet. The enclosed addressed envelope requires no postage if mailed in the United States and is intended for your convenience.

EATON VANCE INSURED CALIFORNIA MUNICIPAL BOND FUND
EATON VANCE INSURED CALIFORNIA MUNICIPAL BOND FUND II
EATON VANCE INSURED MASSACHUSETTS MUNICIPAL BOND FUND
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EATON VANCE INSURED PENNSYLVANIA MUNICIPAL BOND FUND
(collectively, the Funds)

Two International Place
Boston, Massachusetts 02110

PROXY STATEMENT

A proxy is enclosed with the foregoing Notice of a joint Special Meeting of the Funds to be held on January 29, 2010 at 2:00 P.M. (Eastern Time) at Two International Place, Boston, Massachusetts 02110 for the benefit of shareholders who wish to vote, but do not expect to be present at the meeting. Shareholders may also vote by telephone or over the internet. The proxy is solicited on behalf of the Boards of Trustees of the Funds. A written proxy is revocable by the person giving it prior to exercise by a signed writing filed with the Funds proxy tabulator, Broadridge Investor Communication Solutions, 60 Research Road, Hingham, Massachusetts 02043, by executing and delivering a later dated proxy, by the receipt of a subsequent telephonic or internet proxy, or by attending the meeting and voting the shares in person. If you attend the meeting in person, please be prepared to present photo identification. Each proxy will be voted in accordance with its instructions; if no instruction is given, an executed proxy will authorize the persons named as proxies, or any of them, to vote in favor of each matter. This proxy and accompanying material is initially being mailed to shareholders on or about November 30, 2009. Supplementary solicitations may be made by mail, telephone, facsimile or electronic means.

The Trustees have fixed the close of business on November 18, 2009 as the record date for the determination of the shareholders entitled to notice of and to vote at the meeting and any adjournments or postponements thereof. Shareholders at the close of business on the record date will be entitled to one vote for each share held. The number of Common Shares, $.01 par value per share, and the number of Auction Preferred Shares, $.01 par value per share, liquidation preference $25,000 per share ("APS"), of each Fund outstanding on November 18, 2009, were as follows:

Fund	Common Shares Outstanding	APS Shares Outstanding
Eaton Vance Insured California Municipal Bond Fund	21,694,830	
Eaton Vance Insured California Municipal Bond Fund II	3,870,026	1,028
Eaton Vance Insured Massachusetts Municipal Bond Fund	1,758,815	543
Eaton Vance Insured Michigan Municipal Bond Fund	1,511,977	533
Eaton Vance Insured Municipal Bond Fund	67,856,071	
Eaton Vance Insured Municipal Bond Fund II	9,955,402	1,788
Eaton Vance Insured New Jersey Municipal Bond Fund	2,575,445	784
Eaton Vance Insured New York Municipal Bond Fund	15,796,386	
Eaton Vance Insured New York Municipal Bond Fund II	2,558,694	530
Eaton Vance Insured Ohio Municipal Bond Fund	2,520,799	680
Eaton Vance Insured Pennsylvania Municipal Bond Fund	2,947,113	869

The persons who held of record more than 5% of the outstanding shares of any class of shares of a Fund as of November 18, 2009 are set forth in Exhibit A. To the knowledge of the Funds, no other person owns (of record or beneficially) 5% or more of the outstanding shares of any class of shares of the Funds. The Trustees and executive officers of the Funds individually and as a group own beneficially less than 1% of the outstanding shares of each Fund as of November 18, 2009. Shareholders of all classes of shares of each Fund will vote together as a single class; however, each Fund s shareholders will vote separately for that Fund.

The Trustees know of no business other than the business mentioned in Proposal One of the Notice of Meeting that will be presented for consideration. If any other matters are properly presented, it is the intention of the persons named as proxies in the enclosed proxy to vote the proxies in accordance with their judgment on such matters.

The Funds have previously sent their respective Annual Reports and Semiannual Reports to their shareholders. The Funds will furnish without charge a copy of their most recent Annual Report and the most recent Semiannual Report to any shareholder upon request. Shareholders desiring to obtain a copy of such reports should: (i) access them on Eaton Vance s website at www.eatonvance.com; (ii) write to their respective Fund c/o Eaton Vance Management, Two International Place, Boston, MA 02110, Attn: Proxy Coordinator Mutual Fund Operations, or (iii) call 1-800-262-1122 Monday through Friday between 8:00 A.M. and 6:00 P.M. (Eastern Time).

PROPOSAL ONE. Modifying each Fund s 80 Percent Policy

Each Fund currently has a policy of investing at least 80 percent of its net assets in municipal obligations that are (i) exempt from federal income tax, including alternative minimum tax, and, in the cases of the State Funds[1], from applicable state taxes and (ii) insured as to principal and interest payments (insured obligations) (together, the 80 percent policy). Pursuant to each Fund s prospectus, a change to the foregoing policy requires the approval of a majority of the Fund s shareholders. As described in more detail below, each Fund is proposing to change the 80 percent policy to eliminate the requirement to invest at least 80 percent of net assets in insured obligations. The Funds would thereafter be required, under normal market conditions, to invest at least 80 percent of net assets in municipal obligations rated A or better by Moody's Investors Service, Inc., Standard & Poor's Ratings Group or Fitch Ratings. In connection with this change, each Fund would eliminate Insured from its name. Please see the attached Exhibit B for a statement of each Fund s existing 80 percent policy compared to the proposed policy.

Reason for the Proposal. Historically, issuers of certain municipal obligations purchased insurance from a bond insuring company to insure such obligations as to principal and interest until maturity. Bond insurers generally had higher credit rating than the issuer purchasing the insurance, allowing the issuer to raise its credit rating and reduce interest rates paid. Today, due to the declining credit quality and downgrades in credit ratings of bond insurers, the focus has turned to the credit rating of the underlying issue. The spread (being the difference in yield) between insured and uninsured municipal obligations has been narrowing and many insured obligations are now trading at prices similar to or less than obligations that are not insured. As a result of these market changes, there has been limited new insured bond issuance and the overall pool of municipal obligations in which the Funds may invest in accordance with their current investment policies has been significantly reduced, limiting available investment opportunities for the Funds.

Eaton Vance has a robust credit analysis process and, despite downgrades in ratings of bond insurers, the creditworthiness of the issuers of insured obligations held by the Funds generally has not suffered. Eaton Vance believes that the proposed changes to each Fund s 80 percent policy will provide portfolio managers with additional flexibility in managing the Funds and improve their ability to pursue additional investment opportunities, consistent with the original purpose of the Funds of providing a quality municipal bond fund. If this proposal is approved, the Funds will no longer be required to be primarily

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[1] State Funds include Eaton Vance Insured California Municipal Bond Fund, Eaton Vance Insured California Municipal Bond Fund II, Eaton Vance Insured Massachusetts Municipal Bond Fund, Eaton Vance Insured Michigan Municipal Bond Fund, Eaton Vance Insured New Jersey Municipal Bond Fund, Eaton Vance Insured New York Municipal Bond Fund, Eaton Vance Insured New York Municipal Bond Fund II, Eaton Vance Insured Ohio Municipal Bond Fund and Eaton Vance Insured Pennsylvania Municipal Bond Fund.

invested in insured obligations and, as such, payment of principal and interest will be the sole responsibility of the issuer of the obligations and may be more dependent on such issuer s creditworthiness.

Required Vote for Proposal One

The change to each Fund s 80 percent policy requires the approval of a majority of the outstanding voting securities of that Fund, which term as used in this Proxy Statement means the vote of the lesser of (a) 67% of the shares of the Fund present at the meeting if holders of more than 50% of the outstanding shares of the Fund are present or represented by proxy at the meeting; or (b) more than 50% of the outstanding shares of the Fund.

The shareholders of each Fund will vote separately to approve or disapprove the change to the 80 percent policy. Approval of the change by shareholders of any other Fund is not required for a Fund to make the change to its 80 percent policy, and if one or more of the Funds does not receive shareholder approval for the change, the change will nonetheless be effective for those of the Funds that do receive shareholder approval. If shareholders of a Fund approve Proposal One, the Fund s 80 percent policy will be modified as described in Exhibit B. The Fund would thereafter be required, under normal market conditions, to invest at least 80 percent of net assets in municipal obligations rated A or better by credit rating agencies. Each Fund also would eliminate Insured from its name. If shareholders of a Fund do not approve Proposal One, its existing 80 percent policy described in Exhibit B will remain the same and the Trustees may consider other options.

Each Fund s Trustees recommend that Fund shareholders vote FOR the modification to the Fund s 80 percent policy described in this Proposal.

NOTICE TO BANKS AND BROKER/DEALERS

The Funds have previously solicited all Nominee and Broker/Dealer accounts as to the number of additional proxy statements required to supply owners of shares. Should additional proxy material be required for beneficial owners, please forward such requests to Eaton Vance Management, Two International Place, Boston, MA 02110, Attn: Proxy Coordinator Mutual Fund Operations.

ADDITIONAL INFORMATION

Investment Adviser, Administrator and Underwriter

Eaton Vance Management (Eaton Vance) serves as administrator and investment adviser to each Fund. Eaton Vance Distributors, Inc. (EVD) acts as the principal underwriter for each Fund. The business address of Eaton Vance and EVD is Two International Place, Boston, Massachusetts 02110.

Proxy Solicitation and Tabulation

The expense of preparing, printing and mailing this Proxy Statement and enclosures and the costs of soliciting proxies on behalf of the Trustees will be borne by the Funds, collectively, on a *pro rata* basis. Proxies will be solicited by mail and may be solicited in person or by telephone, facsimile or other electronic means by Fund officers, by personnel of Eaton Vance, by each Fund s transfer agent, American Stock Transfer & Trust Company (AST), by broker-dealer firms or by a professional solicitation organization. The Funds have retained Computershare Fund Services, Inc. (Computershare) to assist in the solicitation of proxies, for which the Funds will pay an estimated fee of approximately $530,000[2] (including tabulation) plus out-of-pocket expenses to be allocated to the Funds *pro rata*. The expenses connected with the solicitation of these proxies and with any further proxies which may be solicited by Fund officers, by Eaton Vance personnel, by the transfer agent, by broker-dealer firms or by Computershare, in person, or by telephone, by facsimile or other electronic means, will be borne by the Funds. A written proxy may be delivered to the Funds prior to the meeting by facsimile machine, graphic communication equipment or other electronic transmission. The Funds will reimburse banks, broker-dealer firms, and other entities or persons holding shares registered in

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2 Estimates assume a moderate level of solicitation activity. If a greater solicitation effort is required, the solicitation costs would be higher.

their names or in the names of their nominees, for their expenses incurred in sending proxy material to and obtaining proxies from the beneficial owners of such shares. Total proxy costs are estimated to be $550,000.

Shareholders may also choose to give their proxy votes through the internet or by telephone using automated telephonic voting rather than return their proxy cards. Please see the proxy card for details. The Funds may arrange for Eaton Vance, its affiliates or agents to contact shareholders who have not returned their proxy cards and offer to have votes recorded by telephone. If the Funds record votes over the internet or by telephone, it will use procedures designed to authenticate shareholders identities, to allow shareholders to authorize the voting of their shares in accordance with their instructions, and to confirm that their instructions have been properly recorded. If the enclosed proxy card is executed and returned, or an internet or telephonic vote is delivered, that vote may nevertheless be revoked at any time prior to its use by written notification received by a Fund, by the execution of a later-dated proxy card, by a Fund s receipt of a subsequent valid internet or telephonic vote, or by attending the meeting and voting in person.

All proxy cards solicited by the Board of Trustees that are properly executed and telephone and internet votes that are properly delivered and received by the Secretary prior to the meeting, and which are not revoked, will be voted at the meeting. Shares represented by such proxies will be voted in accordance with the instructions thereon. If no specification is made on the proxy card with respect to Proposal One, it will be voted FOR the matters specified on the proxy card. For purposes of determining the presence or absence of a quorum and for determining whether sufficient votes have been received for approval of any matter to be acted upon at the meeting, abstentions and broker non-votes (*i.e.*, proxies from brokers or nominees indicating that such persons have not received instructions from the beneficial owner or other person entitled to vote shares on a particular matter with respect to which the brokers or nominees do not have discretionary power) will be treated as shares that are present at the meeting, but which have not been voted. Accordingly, abstentions and broker non-votes will assist a Fund in obtaining a quorum, but may have the effect of a No vote on the Proposal.

Under the By-laws applicable to each Fund, a quorum to transact business at the joint Special Meeting of Shareholders requires the presence, in person or by proxy, of the holders of a majority of the then issued and outstanding shares of each Fund. In the event that a quorum is not present at the meeting, or if a quorum is present at the meeting but sufficient votes by the shareholders of a Fund in favor of Proposal One set forth in the Notice of this meeting are not received by the meeting date, the persons named as proxies in the enclosed proxy may propose one or more adjournments of the meeting to permit further solicitation of proxies. Any such adjournment will require the affirmative vote of the holders of a majority of the shares of the affected Fund present in person or by proxy at the session of the meeting to be adjourned. The persons named as proxies in the enclosed proxy will vote in favor of such adjournment those proxies that they are entitled to vote in favor of the Proposal for which further solicitation of proxies is to be made. They will vote against any such adjournment those proxies required to be voted against such Proposal. The costs of any such additional solicitation and of any adjourned session will be borne by the affected Fund(s) as described above.

Shareholder Proposals

Shareholders wishing to submit proposals for consideration at a subsequent shareholders meeting should send their written proposals to: Secretary, Eaton Vance Group of Funds, Two International Place, Boston, MA 02110. Proposals must be received in advance of a proxy solicitation to be considered and the mere submission of a proposal does not guarantee inclusion in the proxy statement or consideration at the meeting. As indicated in the proxy materials for the Funds 2009 Annual Meetings of Shareholders, to be considered for presentation at a Fund s 2010 Annual Meeting of Shareholders, a shareholder proposal submitted pursuant to Rule 14a-8 under the Securities Exchange Act of 1934 is required to be received at the Fund s principal office c/o the Secretary of the Fund no later than the close of business January 27, 2010. Written notice of a shareholder proposal submitted outside of the processes of Rule 14a-8 must be delivered to the Fund s principal office c/o the Secretary of the Fund no later than the close of business April 26, 2010 and no earlier than March 26, 2010. In order to be included in the Fund s proxy statement and form of proxy, a shareholder proposal must comply with all applicable legal requirements. Timely submission of a proposal does not guarantee that such proposal will be included.

Householding

One Proxy Statement may be delivered to multiple shareholders at the same address unless you request otherwise. You may request that we do not household proxy statements and/or obtain additional copies of the Proxy Statement by calling 1-800-262-1122 Monday through Friday 8:00 a.m. to 6:00 p.m. Eastern time or writing to Eaton Vance Management, Attn: Proxy Coordinator Mutual Fund Operations, Two International Place, Boston, Massachusetts 02110.

November 30, 2009

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Exhibit A

To the best of the Fund s knowledge, as of November 18, 2009, the following owner(s) of each class of the Fund held the number of shares and the share percentages indicated below, which were owned either (i) beneficially by such person(s) or (ii) of record by such person(s) on behalf of customers who are the beneficial owners of such shares and as to which such record owner(s) may exercise voting rights under certain limited circumstances.

Eaton Vance Insured California Municipal Bond Fund II			
Auction Preferred Shares	UBS Securities LLC	Zurich, Switzerland	574 shares (55.84%)[1,2]
Eaton Vance Insured Massachusetts Municipal Bond Fund			
Auction Preferred Shares	UBS Securities LLC	Zurich, Switzerland	385 shares (70.90%) [1,2]
Eaton Vance Insured Michigan Municipal Bond Fund			
Auction Preferred Shares	UBS Securities LLC	Zurich, Switzerland	273 shares (51.22%) [1,2]
	Merrill Lynch, Pierce, Fenner & Smith, Inc.	New York, New York	91 shares (16.90%) [1,3]
Eaton Vance Insured Municipal Bond Fund II			
Auction Preferred Shares	UBS Securities LLC	Zurich, Switzerland	878 shares (49.11%) [1,2]
	Bank of America Corporation; Blue Ridge Investments, L.L.C.	Charlotte, North Carolina	137 shares (7.60%) [1,4]
Eaton Vance Insured New Jersey Municipal Bond Fund			
Auction Preferred Shares	UBS Securities LLC	Zurich, Switzerland	443 shares (56.51%) [1,2]
Eaton Vance Insured New York Municipal Bond Fund II			
Auction Preferred Shares	UBS Securities LLC	Zurich, Switzerland	194 shares (34.09%) [1,2]
	Merrill Lynch, Pierce, Fenner & Smith, Inc.	New York, New York	31 shares (5.8%) [1,4]
Eaton Vance Insured Ohio Municipal Bond Fund			
Auction Preferred Shares	UBS Securities LLC	Zurich, Switzerland	405 shares (59.56%) [1,2]
	Merrill Lynch, Pierce, Fenner & Smith, Inc.	New York, New York	68 shares (10.0%) [1,4]
Eaton Vance Insured Pennsylvania Municipal Bond Fund			
Auction Preferred Shares	UBS Securities LLC	Zurich, Switzerland	346 shares (39.82%)[1,2]

[1] The Fund has received notice of filings on Schedule 13G, indicating that a shareholder owned more than 5% of the Fund s Auction Preferred Shares. The Fund is unable to verify such ownership as of November 18, 2009.

[2] As of 1/31/09.

[3] As of 1/30/09.

[4] As of 12/31/08.

Exhibit B

Comparison of the Funds existing 80 percent policies and the proposed revised policies

Fund	***Existing 80 Percent Investment Policy***	***Proposed 80 Percent Investment Policy***
Eaton Vance Insured California Municipal Bond Fund Eaton Vance Insured Municipal Bond Fund Eaton Vance Insured New York Municipal Bond Fund	During normal market conditions, at least 80% of each Fund's net assets will be invested in municipal obligations, the interest on which is exempt from federal income tax, including alternative minimum tax, and, in the cases of the California Fund and the New York Fund, applicable state taxes ("municipal obligations" or "municipal bonds") and that are insured as to principal and interest payments. Such insurance will be from insurers having a claims-paying ability rated at least Baa by Moody's Investors Service, Inc. ("Moody's") or BBB by Standard & Poor's Ratings Group ("S&P") or Fitch Ratings ("Fitch"). Ratings of Baa or higher by Moody's or BBB or higher by S&P or Fitch are considered to be of "investment grade" quality. Each Fund may invest up to 20% of its net assets in unrated obligations deemed by the investment adviser to be of investment grade and obligations that are uninsured.	During normal market conditions, at least 80% of each Fund's net assets will be invested in municipal obligations, the interest on which is exempt from federal income tax, including alternative minimum tax, and, in the cases of the California Fund and the New York Fund, applicable state taxes ("municipal obligations" or "municipal bonds") and that rated at least A by Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Ratings Group ("S&P") or Fitch Ratings ("Fitch). Each Fund may invest up to 20% of its net assets in unrated obligations deemed by the investment adviser to be of investment grade quality (i.e., rated Baa or higher by Moody s or BBB or higher by S&P or Fitch).
Eaton Vance Insured California Municipal Bond Fund II Eaton Vance Insured Massachusetts Municipal Bond Fund Eaton Vance Insured Michigan Municipal Bond Fund Eaton Vance Insured New Jersey Municipal Bond Fund Eaton Vance Insured Municipal Bond Fund II Eaton Vance Insured New York Municipal Bond Fund II Eaton Vance Insured Ohio Municipal Bond Fund Eaton Vance Insured Pennsylvania Municipal Bond Fund	During normal market conditions, at least 80% of each Fund's net assets will be invested in municipal obligations, the interest on which is exempt from federal income tax, including alternative minimum tax, and, in the cases of the California Fund, the Massachusetts Fund, the Michigan Fund, the New Jersey Fund, the New York Fund, the Ohio Fund and the Pennsylvania Fund, applicable state taxes ("municipal obligations" or "municipal bonds") and that are insured as to principal and interest payments. Such insurance will be from insurers having a claims-paying ability rated at least Baa by Moody's Investors Service, Inc. ("Moody's") or BBB by Standard & Poor's Ratings Group ("S&P") or Fitch Ratings ("Fitch). Ratings of Baa or higher by Moody's or BBB or higher by S&P or Fitch are considered to be of "investment grade" quality.	During normal market conditions, at least 80% of each Fund's net assets will be invested in municipal obligations, the interest on which is exempt from federal income tax, including alternative minimum tax, and, in the cases of the California Fund, the Massachusetts Fund, the Michigan Fund, the New Jersey Fund, the New York Fund, the Ohio Fund and the Pennsylvania Fund, applicable state taxes ("municipal obligations" or "municipal bonds") and that rated at least A by Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Ratings Group ("S&P") or Fitch Ratings ("Fitch). Each Fund may invest up to 20% of its net assets in unrated obligations deemed by the investment adviser to

Each Fund may invest up to 20% of its net assets in unrated obligations deemed by the investment adviser to be of investment grade quality and obligations that are uninsured.

be of investment grade quality (i.e., rated Baa or higher by Moody s or BBB or higher by S&P or Fitch).

EVERY SHAREHOLDER'S VOTE IS IMPORTANT
***** 3 EASY WAYS TO VOTE YOUR PROXIES *****

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FARMINGDALE, NY 11735

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TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS: [X]

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

EATON VANCE INSURED CALIFORNIA MUNICIPAL BOND FUND
THE BOARD OF TRUSTEES RECOMMENDS A VOTE FOR THE FOLLOWING:

	For	Against	Abstain
1. To consider and act upon a proposal to modify the Fund's investment policy to eliminate the requirement that the Fund invest at least 80 percent of its net assets in municipal obligations that are insured as to the payment of principal and interest.	0	0	0

Note: Please sign this proxy as your name appears on the books of the Fund. Joint owners should each sign personally. Trustees and other fiduciaries should indicate the capacity in which they sign, and where more than one name appears, a majority must sign. If a corporation, this signature should be that of an authorized officer who should state his or her title.

For address changes and/or comments, please check this box and write them on the back where indicated. 0

	Yes	**No**
Mark the box to the right if you plan to attend the Special Meeting. If you plan to attend the Special Meeting in person, please be prepared to present photo identification.	0	0

Notice of Internet Availability of Proxy Material:
The Notice of Special Meeting of Shareholders, Proxy Statement and Proxy Card are available on the Eaton Vance website, www.eatonvance.com, by selecting "Individual Investors" followed by "Investor Resources" and then "Closed-End Funds."

SPECIAL MEETING OF SHAREHOLDERS
January 29, 2010
PROXY SOLICITED ON BEHALF OF BOARD OF TRUSTEES

The undersigned holder of shares of beneficial interest of the referenced Fund (the "Fund"), hereby appoints CYNTHIA J. CLEMSON, ROBERT B. MACINTOSH, BARBARA E. CAMPBELL, MAUREEN A. GEMMA AND DEBORAH A. CHLEBEK and each of them, with full power of substitution and revocation, as proxies to represent the undersigned at the Special Meeting of Shareholders of the Fund to be held at the principal office of the Fund, Two International Place, Boston, Massachusetts 02110, on Friday, January 29, 2010 at 2:00 P.M., Eastern Time, and at any and all adjournments thereof, and to vote all shares of beneficial interest of the Fund which the undersigned would be entitled to vote, with all powers the undersigned would possess if personally present, in accordance with the instructions on this proxy.

WHEN THIS PROXY IS PROPERLY EXECUTED, THE SHARES REPRESENTED HEREBY WILL BE VOTED AS SPECIFIED. **IF NO SPECIFICATION IS MADE, THIS PROXY WILL BE VOTED FOR THE PROPOSAL SET FORTH BELOW AND IN THE DISCRETION OF THE PROXIES WITH RESPECT TO ALL OTHER MATTERS WHICH MAY PROPERLY COME BEFORE THE SPECIAL MEETING AND ANY ADJOURNMENTS THEREOF.** THE UNDERSIGNED ACKNOWLEDGES RECEIPT OF THE ACCOMPANYING NOTICE OF SPECIAL MEETING AND PROXY STATEMENT.

PLEASE VOTE, DATE, SIGN AND PROMPTLY RETURN IN THE ACCOMPANYING ENVELOPE IF YOU ARE NOT VOTING BY PHONE OR INTERNET.
NO POSTAGE REQUIRED IF MAILED IN THE U.S.

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EATON VANCE INSURED CALIFORNIA MUNICIPAL BOND FUND II

THE BOARD OF TRUSTEES RECOMMENDS A VOTE FOR THE FOLLOWING:	**For**	**Against**	**Abstain**
1. To consider and act upon a proposal to modify the Fund's investment policy to eliminate the requirement that the Fund invest at least 80 percent of its net assets in municipal obligations that are insured as to the payment of principal and interest.	0	0	0

Note: Please sign this proxy as your name appears on the books of the Fund. Joint owners should each sign personally. Trustees and other fiduciaries should indicate the capacity in which they sign, and where more than one name appears, a majority must sign. If a corporation, this signature should be that of an authorized officer who should state his or her title.

For address changes and/or comments, please check this box and write them on the back where indicated. 0

	Yes	No
Mark the box to the right if you plan to attend the Special Meeting. If you plan to attend the Special Meeting in person, please be prepared to present photo identification.	0	0

Notice of Internet Availability of Proxy Material:
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SPECIAL MEETING OF SHAREHOLDERS
January 29, 2010
PROXY SOLICITED ON BEHALF OF BOARD OF TRUSTEES

The undersigned holder of shares of beneficial interest of the referenced Fund (the "Fund"), hereby appoints CYNTHIA J. CLEMSON, ROBERT B. MACINTOSH, BARBARA E. CAMPBELL, MAUREEN A. GEMMA AND KRISTIN S. ANAGNOST and each of them, with full power of substitution and revocation, as proxies to represent the undersigned at the Special Meeting of Shareholders of the Fund to be held at the principal office of the Fund, Two International Place, Boston, Massachusetts 02110, on Friday, January 29, 2010 at 2:00 P.M., Eastern Time, and at any and all adjournments thereof, and to vote all shares of beneficial interest of the Fund which the undersigned would be entitled to vote, with all powers the undersigned would possess if personally present, in accordance with the instructions on this proxy.

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EATON VANCE INSURED MASSACHUSETTS MUNICIPAL BOND FUND

THE BOARD OF TRUSTEES RECOMMENDS A VOTE FOR THE FOLLOWING:	**For**	**Against**	**Abstain**
1. To consider and act upon a proposal to modify the Fund's investment policy to eliminate the requirement that the Fund invest at least 80 percent of its net assets in municipal obligations that are insured as to the payment of principal and interest.	0	0	0

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For address changes and/or comments, please check this box and write them on the back where indicated. 0

	Yes	No
Mark the box to the right if you plan to attend the Special Meeting. If you plan to attend the Special Meeting in person, please be prepared to present photo identification.	0	0

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SPECIAL MEETING OF SHAREHOLDERS
January 29, 2010
PROXY SOLICITED ON BEHALF OF BOARD OF TRUSTEES

The undersigned holder of shares of beneficial interest of the referenced Fund (the "Fund"), hereby appoints CYNTHIA J. CLEMSON, ROBERT B. MACINTOSH, BARBARA E. CAMPBELL, MAUREEN A. GEMMA AND KRISTIN S. ANAGNOST and each of them, with full power of substitution and revocation, as proxies to represent the undersigned at the Special Meeting of Shareholders of the Fund to be held at the principal office of the Fund, Two International Place, Boston, Massachusetts 02110, on Friday, January 29, 2010 at 2:00 P.M., Eastern Time, and at any and all adjournments thereof, and to vote all shares of beneficial interest of the Fund which the undersigned would be entitled to vote, with all powers the undersigned would possess if personally present, in accordance with the instructions on this proxy.

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	$	(2,439)	$ 0	$ (157,791)	$ 6,668
Stock compensation and issuances		596	6		
Warrants					
Cascades Private Placement					
Net income					
Balance at September 30, 2011		17,716	$ 177	2,733	$

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 CASH FLOWS

(Amounts in thousands, except per share data)

	Nine Months Ended September 30, 2011	2010
Cash flows from operating activities:		
Net income (loss)	$ 4,210	$ (6,163)
Adjustment to reconcile net income (loss) to net cash provided by operating activities		
Amortization and depreciation	656	92
Provision for bad debt	3	(13)
Impairments and write-offs	0	1,548
Amortization of stock compensation	667	704
Gain on debt restructuring	(219)	0
Gain on trade payable settlements	(152)	(860)
Changes in operating assets and liabilities:		
Restricted cash	(41)	156
Real estate held for development and sale	7,425	17,982
Other assets	(1,402)	113
Accrued interest	365	0
Accounts payable and accrued liabilities	(127)	592
Income taxes payable	81	0
Net cash provided by operating activities	11,466	14,151
Cash flows from investing activities:		
Investment in construction in process and operating real estate	(9,281)	0
Purchase of property, plant and equipment	(53)	(4)
Net cash used in investing activities	(9,334)	(4)
Cash flows from financing activities:		
Proceeds from notes payable	33,520	823
Payments on notes payable	(31,792)	(15,917)
Loan financing costs	(1,142)	
Proceeds from SunBridge warrant issuance	945	0
Proceeds from warrant exercise	0	621
Proceeds from Cascades Private Placement	2,350	0
Net cash provided by (used in) financing activities	3,881	(14,473)
Net increase (decrease) in cash and cash equivalents	6,013	(326)
Cash and cash equivalents, beginning of period	475	1,085
Cash and cash equivalents, end of period	$ 6,488	$ 759
Supplemental disclosure for non-cash activity:		

Interest incurred but not paid in cash	$	1,003	$	1,037
Reduction in notes payable in connection with troubled debt restructuring	$	0	$	7,689
Increase in additional paid in capital in connection with troubled debt restructuring	$	0	$	7,689
Reduction in notes payable in connection with troubled debt restructuring	$	(73)	$	0
Reduction in real estate held for development and sale in connection with deconsolidation of subsidiaries	$	0	$	15,407
Reduction in notes payable in connection with deconsolidation of subsidiaries	$	0	$	15,893
Reduction in accrued liabilities in connection with deconsolidation of subsidiaries	$	0	$	449
Increase in opening retained earnings in connection with deconsolidation of subsidiaries	$	0	$	936
Increase in additional paid in capital in connection with SunBridge warrant	$	995	$	0
Increase in class A common stock in connection with issuance of stock compensation	$	6	$	14
Increase in additional paid in capital in connection with issuance of stock compensation	$	661	$	690
Reduction in accounts payable and restricted cash due to Cascades Private Placement closing	$	2,100	$	0

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

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COMSTOCK HOMEBUILDING COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands, except per share data)

1. ORGANIZATION AND BASIS OF PRESENTATION

The accompanying unaudited financial statements of Comstock Homebuilding Companies (Comstock or the Company) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Such financial statements do not include all of the information and disclosures required by GAAP for complete financial statements. In our opinion, all adjustments necessary for a fair presentation have been included in the accompanying financial statements. For further information and a discussion of our significant accounting policies other than as discussed below, refer to our audited consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010.

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2. REAL ESTATE HELD FOR DEVELOPMENT AND SALE

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

If the project is considered held for sale, it is valued at the lower of cost or fair value less estimated selling costs. Currently the Company s Eclipse and Penderbrook projects meet these criteria. Because the project sales are expected to extend over a period of time, the Company calculates fair value utilizing a discounted cash flow model as discussed below. For assets held for development, estimated fair value is based on comparable sales of real estate in the normal course of business under existing and anticipated market conditions. The evaluation takes into consideration the current status of the property, various restrictions, carrying costs, costs of disposition and any other circumstances which may affect fair value including management s plans for the property. A write-down to estimated fair value is recorded when the net carrying value of the property exceeds its estimated undiscounted future cash flows. These evaluations are made on a property-by-property basis whenever events or changes in circumstances indicate that the net book value may not be recoverable.

The Company has classified its Eclipse and Penderbrook projects as held for sale as discussed above and accordingly, written the projects down to fair value less costs to sell as determined by discounted cash flow models. Discounted cash flow models are dependent upon several subjective factors, primarily estimated average sales prices, estimated sales pace, and the selection of an appropriate discount rate. While current market conditions make the estimated timeframe for sales challenging, the Company has generally assumed sales prices equal to or less than current prices and the remaining duration of the community sales process were estimated to be one to two years. These assumptions are often interrelated as price reductions can generally be assumed to increase the sales pace. In addition, the Company must select what it believes to be an appropriate discount rate. The Company has used its best judgment in determining an appropriate discount rate based on information it has received from marketing its communities for sale in recent periods, and accordingly has elected to use a rate of 12.5% in its discounted cash flow model. The estimates of sales prices, sales pace, and discount rates used by the Company are based on the best information available at the time the estimates are made. In recent months, market conditions affecting the Company s Washington, DC area projects have improved; however, if market conditions deteriorate again, additional adverse changes to these estimates in future periods could result in further material impairment amounts to be recorded.

The Company recorded an impairment charge of $1.5 million during the year ended December 31, 2010, to properly record its held for sale projects at fair market value less costs to sell. No such charges were incurred during the nine months ended September 30, 2011.

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

	September 30, 2011	December 31, 2010
Land and land development costs	$ 4,599	$ 8,862
Cost of construction (including capitalized interest and real estate taxes)	19,484	25,146
	$ 24,083	$ 34,008

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3. OPERATING REAL ESTATE AND CONSTRUCTION IN PROCESS

In February 2011, the Company began construction on a 103 unit apartment rental project located in the Cascades master planned community in Loudoun County, Virginia. Accordingly, upon the initiation of construction, the value of the existing land upon which the project is being constructed (approximately $2.6 million) was reclassified from real estate held for development and sale to construction in process. The total construction costs capitalized in addition to the land and land development costs were approximately $11.8 million. See Note 12 for additional discussion. The apartment project consists of two buildings, the first of which was placed into service on July 2011 and reclassified to operating real estate. Accordingly, depreciation was recorded on the building placed in service. Depreciation of $61 was recorded for the three months ended September 30, 2011 and is included in selling, general & administrative expenses.

Depreciation is calculated on buildings and improvements using the straight-line method over their estimated useful lives, which range from seven to thirty years. Furniture, fixtures and equipment are generally depreciated using the straight-line method over their estimated useful lives, which range from three years (primarily computer-related equipment) to seven years.

4. GENERAL CONTRACTING

The Company periodically undertakes short-term general contracting projects to supplement its core residential homebuilding operations. These contracts are typically no more than 12 months in length. Revenue and earnings on these general contracting contracts are recognized under the percentage of completion method using the ratio of costs incurred to estimated total costs. Total revenue and gross profit recognized for the three months ended September 30, 2011 was $2.2 million and $0.5 million, respectively. During the nine months ended September 30, 2011 total revenue and gross profit recognized was $5.8 million and $0.5 million, respectively. The revenues and costs associated with these projects are included in revenue apartment buildings and real estate services and in cost of sales apartment buildings and real estate services in the accompanying consolidated statement of operations for the nine months ended September 30, 2011. Included in other assets and accounts payable are approximately $1.3 million and $1.2 million, respectively, related to ongoing general contracting projects

5. WARRANTY RESERVE

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

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2011	2010	**2011**	**2010**
Balance at beginning period	$ 1,048	$ 576	$ 1,110	$ 692
Additions	67	663	91	711
Releases and/or charges incurred	(39)	(78)	(125)	(242)
Balance at end of period	$ 1,076	$ 1,161	$ 1,076	$ 1,161

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6. CAPITALIZED INTEREST AND REAL ESTATE TAXES

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Total interest incurred and capitalized	$ 94	$ 0	$ 215	$ 0
Interest expensed as a component of cost of sales	$ 483	$ 828	$ 1,509	$ 2,774

Other than the portion of the Cascades Apartment project which is under development and reflected in construction in process, the Company s real estate projects were determined to be substantially complete. When a project becomes inactive, its interest, real estate taxes and indirect production overhead costs are no longer capitalized but rather expensed in the period in which they are incurred. Substantially all of the costs incurred during the periods presented relate to interest expense incurred and expensed for substantially completed projects.

7. INCOME (LOSS) PER SHARE

The weighted average shares and share equivalents used to calculate basic and diluted loss per share for the three and nine months ended September 30, 2011 and 2010 are presented on the consolidated statement of operations. Stock options and warrants for three and nine months ended September 30, 2011 are included in the diluted earnings per share calculation using the treasury stock method and average market prices during the period, unless the stock option and warrants would be anti-dilutive. As result of net loss in 2010, the stock option and warrants for three and nine months ended September 30, 2010 are not included in the computation of dilutive earning per share because their inclusion would have been anti-dilutive. The computation of basic and diluted earnings per common share is as follows:

	(Amounts in thousands, except per share data)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Computation of Basic Earnings Per Share				
Net income(loss) available to common shareholders	$ 6,541	(3,428)	$ 3,840	$ (6,163)
Weighted average common shares outstanding - basic	19,774	18,567	19,614	18,299
Basic earnings per share	$ 0.33	$ (.18)	$ 0.20	$ (0.34)
Computation of Diluted Earnings Per Share				
Net income(loss) available to common shareholders	6,541	(3,428)	3,840	(6,163)
Weighted average common shares outstanding - Basic	19,774	18,567	19,614	18,299
Dilutive effect of restricted stock	0	0	0	0
Dilutive effect of stock options	130	0	152	0
Dilutive effect of warrants	221	0	242	0
Weighted average common shares outstanding - diluted	20,125	18,567	20,008	18,299
Diluted earnings per share	0.33	(0.18)	0.19	(0.34)

Comprehensive income

For the three and nine months ended September 30, 2011 and 2010, comprehensive income equaled net income; therefore, a separate statement of comprehensive income is not included in the accompanying consolidated financial statements.

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8. SEGMENT DISCLOSURES

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

For our homebuilding operations, we develop properties with the intent that they be sold either as fee-simple properties or condominiums to individual unit buyers or as investment properties sold to private or institutional investors. We target first-time, early move-up, and secondary move-up buyers with our homebuilding product. We focus on products that we are able to offer for sale in the middle price points within the markets where we operate, avoiding the very low-end and high-end products.

For our Apartment Buildings segment we focus on projects ranging from approximately 75 to 200 units in locations that are supply constrained with demonstrated demand for stabilized assets. We seek opportunities in the multi-family rental market where our experience and core capabilities can be leveraged. We will either position the assets for sale when completed or operate the asset within our own portfolio. Operating the asset for our own account affords us the flexibility of converting the units to condominiums in the future. Revenues and expenses reported in the segment below relate to assets shared with the Homebuilding segment. The assets currently generating revenues in this segment are considered held for sale as discussed in Note 2.

Our Real Estate Services segment pursues projects in all aspects of real estate including strategic planning, land development, entitlement, property management, sales and marketing, workout and turnaround strategies and general construction. We provide a wide range of construction management and general contracting services to other property owners.

The following disclosure includes the Company s three reportable segments of Homebuilding, Apartment buildings and Real Estate Services. Each of these segments operates within the Company s single Washington, DC reportable geographic segment. The information for 2010 has been reclassified to conform to current year business segment presentation.

	(in thousands)			
	Homebuilding	Apartment Buildings	Real Estate Services	Total
Three Months Ended September 30, 2011				
Net revenue	$ 2,864	$ 332	$ 2,198	$ 5,394
Gross profit (loss)	313	(596)	542	259
Operating (loss) profit	(2,300)	(704)	513	(2,491)
Total assets	34,840	12,623	1,533	48,996
Depreciation and amortization	5	61	0	66
Interest expense	775	131	0	906
Capital expenditures	30	3,226	19	3,275
Three Months Ended September 30, 2010				
Net revenue	$ 5,153	$ 436	$ 0	$ 5,589
Gross profit (loss)	(621)	54	0	(567)
Operating (loss) profit	(3,653)	54	0	(3,599)
Total assets	41,573	151	0	41,573
Depreciation and amortization	8	0	0	8
Interest expense	(17)	0	0	(17)
Capital expenditures	0	0	0	0
Nine Months Ended September 30, 2011				
Net revenue	$ 9,003	$ 1,108	$ 5,772	$ 15,883
Gross profit (loss)	993	(141)	536	1,388
Operating (loss) profit	(5,579)	(303)	383	(5,499)
Total assets	34,840	12,623	1,533	48,996
Depreciation and amortization	15	61	0	76
Interest expense	1,303	131	0	1,434
Capital expenditures	30	9,281	19	9,330

Nine Months Ended September 30, 2010				
Net revenue	$ 16,766	$ 4,390	$ 0	$ 21,156
Gross profit (loss)	(372)	724	0	352
Operating (loss) profit	(7,934)	724	0	(7,210)
Total assets	41,573	151	0	41,573
Depreciation and amortization	26	0	0	26
Interest expense	1,316	0	0	1,316
Capital expenditures	0	0	0	0

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

9. INCOME TAX

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

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. At December 31, 2007, the Company recorded valuation allowances for certain tax attributes and other deferred tax assets. At this time, sufficient uncertainty exists regarding the future realization of these deferred tax assets through future taxable income or carry back opportunities. If, in the future, the Company believes that it is more likely than not that these deferred tax benefits will be realized, the valuation allowances will be reversed. With a full valuation allowance, any change in the deferred tax asset or liability is fully offset by a corresponding change in the valuation allowance. This results in a zero deferred tax benefit or expense for the three and nine months ended September 30, 2011.

The Company currently has approximately $106 million in Federal and State NOLs with a potential value of up to $41 million in tax savings. If unused, these NOLs will begin expiring in 2028. Under Internal Revenue Code Section 382 rules, if a change of ownership is triggered, the Company s NOL asset and possibly certain other deferred tax assets may be impaired. We estimate that as of September 30, 2011, the cumulative shift in the Company s stock would not cause an impairment of our NOL asset. However, if an ownership change were to occur, a Section 382 limitation is not expected to materially impact the Company s financial position or results of operations as of September 30, 2011.

The Company s ability to use its NOLs (and in certain circumstances, future built-in losses and depreciation deductions) can be negatively affected if there is an ownership change as defined under Section 382 of the Internal Revenue Code. In general, an ownership change occurs whenever there is a shift in ownership by more than 50 percentage points by one or more 5% shareholders over a specified time period (generally three years). Given Section 382 s broad definition, an ownership change could be the unintended consequence of otherwise normal market trading in the Company s stock that is outside of the Company s control.

In an effort to preserve the availability of these NOLs, Comstock earlier this year adopted a Section 382 stockholder rights plan (the Rights Plan). The Rights Plan was adopted to reduce the likelihood of such an unintended ownership change and thus assist in preserving the value of these tax benefits. Similar plans have been adopted by a number of companies holding similar significant tax assets over the past several years. This plan was submitted to a vote of the Company s shareholders on June 17, 2011 and the plan was approved at that meeting.

We file U.S. and state income tax returns in jurisdictions with varying statutes of limitations. The 2008 through 2010 tax years generally remain subject to examination by federal and most state tax authorities.

The Company is projecting taxable income for the twelve months ended December 31, 2011. The company has utilized its NOL carryforwards to eliminate federal and state income tax. However, the Company is still subject to federal alternative minimum tax (AMT). Accordingly, the Company has provided its expected AMT liability in the accompanying financial statements. The payment of AMT entitles the Company to a tax credit against federal tax liability in subsequent years.

10. COMMITMENTS AND CONTINGENCIES

Litigation

On July 29, 2008, Balfour Beatty Construction, LLC, successor in interest to Centex Construction (Balfour), the general contractor for a subsidiary of the Company, filed liens totaling approximately $552 at The Eclipse on Center Park Condominium project (Project) in connection with its claim for amounts allegedly owed under the Project contract documents. In September 2008, the Company s subsidiary filed suit against Balfour to invalidate the liens and for its actual and liquidated damages in the approximate amount of $17.1 million due to construction delays and additional costs incurred by the Company s subsidiary with respect to the Project. In October 2008, Balfour filed

counterclaims in the approximate amount of $2.8 million. Subsequent to an expedited hearing filed by the Company s subsidiary to determine the validity of the liens that was ultimately heard in February 2009, the Company received an order of the court in April 2009 invalidating the liens. On March 19, 2010, the Company s subsidiary received a judgment against Balfour in an amount of $11.96 million. On March 25, 2010, the Company s subsidiary received notice of Balfour s intention to appeal the judgment and post a supersedeas bond in the amount of $12.5 million. On July 21, 2011, the Company and Balfour reached a settlement for all claims related to this matter for approximately $9.4 million, net of closing costs of approximately $900.

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

Letters of credit and performance bonds

The Company has commitments as a result of contracts entered into with certain third parties, primarily local governmental authorities, to meet certain performance criteria as outlined in such contracts. The Company is required to issue letters of credit and performance bonds to these third parties as a way of ensuring that such commitments entered into are met by the Company. The letters of credit and performance bonds issued in favor of the Company and/or its subsidiaries mature on a revolving basis, and if called into default, would be deemed material if assessed against the Company and/or its subsidiaries for the full amounts claimed. In some circumstances, we have negotiated with our lenders in connection with foreclosure agreements for the lender to assume certain liabilities with respect to the letters of credit and performance bonds. We cannot accurately predict the amount of any liability that could be imposed upon the Company with respect to maturing or defaulted letters of credit or performance bonds and it is anticipated that any such liability would likely have a material adverse effect on our financial position, operating results or cash flows. At September 30, 2011 the Company has issued $528 in letters of credit and $2,133 in performance and payment bonds to these third parties. No amounts have been drawn against these letters of credit or performance bonds.

11. RELATED PARTY TRANSACTIONS

In October 2004, the Company entered into a lease agreement for its corporate headquarters at 11465 Sunset Hills Road, Reston, Virginia with Comstock Asset Management, L.C. (CAM), an entity wholly owned by Christopher Clemente. In October 2007, the lease agreement was amended decreasing the total square footage from approximately 24,000 to 17,000 and extending the term to four years through September 2011. For the nine months ended September 30, 2011 and 2010, total payments made under this lease agreement were $208 and $180, respectively. Pursuant to the terms of an early termination of the Lease by and between CAM and the Company (the Lease Termination), the Company agreed to surrender approximately 15,700 square feet of space to CAM in exchange for (i) an agreement to enter into the Lease for the reduced space and at a reduced rate; and (ii) the issuance of a warrant to purchase up to 55,000 shares of the Company s Class A common stock at a strike price equal to the average of the closing stock price for the twenty days immediately preceding the effective date of the Lease Termination in exchange for the forgiveness of approximately $110 in delinquent rent. The fair value of the 55,000 warrants was $25 which resulted in a gain of $85 recorded in the first quarter of 2010. Although CAM has no obligation to do so, it has allowed us to accrue portions of our payment obligations from time to time and has reduced the amount due from us under the agreements.

On or about January 15, 2010, Comstock Property Management, L.C. (CPM), a subsidiary of Comstock Homebuilding Companies, Inc. (the Company), agreed to enter into a new three year lease with CAM, for the use of approximately 8,200 square feet of office space at the Company s corporate headquarters (the Lease). During the nine months ended September 30, 2011 and 2010 total payments were $157 and $215, respectively.

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

During 2003, the Company entered into agreements with I-Connect, L.C., a company in which Investors Management, LLC, an entity wholly owned by Gregory Benson, the Chief Operating Officer of the Company, holds a 25% interest, for information technology consulting services and the right to use certain customized enterprise software. During the three months ended September 30, 2011 and 2010 total payments made to I-Connect were $54 for each period. Although I-Connect has no obligation to do so, it has allowed us to accrue portions of our payment obligations from time to time.

Effective January 1, 2010, the Company entered into a new software license agreement with I-Connect for the use of I-Connect s proprietary Builder s Co-Pilot software (the Agreement). Pursuant to the terms of the Agreement, I-Connect agreed to forgive approximately $12 in

delinquent payments in exchange for a warrant to purchase up to 6,000 shares of the Company s Class A common stock at a strike price equal to the average of the closing stock price for the twenty days immediately preceding the effective date of the Agreement and the Company agreed to make reduced monthly payments of $6 for the use of the software for a term of 24 months.

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In connection with the purchase of the unsecured debt discussed in Note 13, Stonehenge acquired a warrant for the purchase of 1,500,000 shares of the Company s Class A Common Stock at an exercise price of $.70 per share. Thereafter, Stonehenge surrendered a portion of the warrant representing 500,000 shares to the Company. On September 14, 2010, the Company s Chairman and Chief Executive Officer exercised his right to purchase 855,000 shares of the Company s Class A Common Stock for an exercise price of $.70 per share tendering approximately $600 to Comstock. The purchase was accomplished through Stonehenge.

On February 11, 2011, Comstock Services, L.C., a subsidiary of the Company, entered into an Owner-Contractor Agreement with CRS Construction Services, L.C., an entity wholly-owned by Christopher Clemente, the Chairman and Chief Executive Officer of the Company, to perform paving and certain site improvement work to property in Reston, Virginia which is owned by Fairfax County, Virginia. The contract sum was for approximately $1 million and the work was completed in April 2011.

Comstock Services, L.C., a subsidiary of the Company, entered into a Subcontract Agreement with Davis Construction, LLC to perform sitework and land development for a project known as Loudoun Station in Loudoun County, Virginia. Comstock Partners, L.C., an entity wholly-owned by Christopher Clemente, the Chairman and Chief Executive Officer of the Company, is the owner of the Loudoun Station project. The total contract value is estimated to be approximately $5 million.

Pursuant to a Credit Enhancement Agreement by and between Comstock Homebuilding Companies, Inc. and Gregory Benson, the COO and President of the Company, and Christopher Clemente, the Chairman and Chief Executive Officer of the Company (each, a Guarantor), the Guarantors have agreed to provide credit enhancement and the personal guarantee of loans with Cardinal Bank and Eagle Bank in exchange for payment by the Company of a Credit Enhancement Fee (see Note 13). As a result of this credit enhancement the Guarantors on an aggregate basis are entitled to a credit enhancement fee calculated at a rate of four percent (4%) per annum based on an agreed upon formula more fully discussed in Note 13. One-half of the Credit Enhancement Fee is payable monthly, in arrears, and the remaining half is deferred and payable on an annual basis. During the nine months ended September 30, 2011, the Company made guarantee payments under this agreement of approximately $213 thousand. Another $69 thousand is accrued in accounts payable to be paid at the end of the year. The financing with Sunbridge (see Note 14) eliminated the need for personal guarantees on the applicable projects and accordingly this agreement was terminated on July 12, 2011 with respect to the fees paid on the Eagle Bank loan.

12. VARIABLE INTEREST ENTITIES

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

Consolidated Real Estate Held for Development and Sale

Included within the Company s real estate held for development and sale at September 30, 2011 are two consolidated entities that are VIEs and for which the Company is the primary beneficiary. These entities have been established to own and operate real estate property and were deemed VIEs primarily based on the fact that the equity investment at risk is not sufficient to permit the entities to finance their activities without additional financial support. The Company determined that it was the primary beneficiary of these VIEs as a result of its majority voting and complete operational control of the entities.

At September 30, 2011, total assets of these VIEs were approximately $25 million and total liabilities were approximately $12 million. The classification of these assets is primarily within real estate held for development and sale and the classification of liabilities are primarily within notes payable secured by real estate held for development and sale in the Company s consolidated balance sheets.

Consolidated Construction in Process and Operating Real Estate

On January 31, 2011, Comstock Cascades II, L.C., a subsidiary of the Company (Cascades II) entered into a private placement for the sale of membership interests in Cascades II whereby Cascades II raised working capital in the amount of $2.35 million (the Private Placement) related to the planned construction of a 103 unit apartment project located in the Cascades master planned community in Loudoun County, Virginia (the

Cascades Apartments). The balance was received during the first quarter of 2011. Proceeds of the Private Placement were utilized (i) to provide sufficient capital needed to secure project financing for the Cascades Apartments, (ii) to retire a portion of the existing indebtedness owed to M & T Bank (M&T) in relation to the Cascades Apartments project, and (iii) to reimburse the Company for prior expenditures incurred on behalf of the project. Participants in the Private Placement included unrelated third party investors along with several members of the Company s Board of Directors, as well as the Chief Operating Officer, Chief Financial Officer and General Counsel of the Company.

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On February 11, 2011, Comstock closed its loan agreement with Cardinal Bank (see Note 13) which provided the necessary construction financing for the development of the Cascades Apartments and concurrent with that closing, the Company utilized the proceeds of the Private Placement offering as described above. The Company has fully guaranteed the loan and accordingly, Comstock has concluded that Cascades II is a VIE. As part of the Cascades II operating agreement, the Company has majority voting and complete operational control of the subsidiary. The Company concluded that it is the primary beneficiary of the VIE and therefore the financial condition, results of operations and cash flows of Cascades II are consolidated in the accompanying financial statements.

The investors in the Private Placement (the Priority Members) are entitled to a cumulative, compounded, preferred return, subject to the performance of Cascades II, of 20% per annum, compounded annually on their capital account balances. Comstock has the right to repurchase the interest of the Priority Members provided that i) all of the Priority Members interests are acquired, ii) the purchase is made in cash and iii) the purchase price shall equal the Priority Members capital account plus an amount necessary to cause the preferred return to equal a cumulative cash on cash return equal to 20% per annum. The equity contribution related to the Private Placement is reflected as a Non-Controlling Interest as a component of consolidated shareholders equity. The Company s investment is subordinate to the Priority Members investment and gains from the operating activity and distributions of cash flow (if any) of Cascades II will be allocated to the Priority Members (in advance of Comstock) up to their capital account plus the required preferred return of 20% as outlined above. The estimated accrued priority return of $370 thousand is reflected in the accompanying statement of operations as net income attributable to non-controlling interests to properly state the capital accounts of the members of the VIE. At June 30, 2011, total assets of this VIE was approximately $12.2 million and total liabilities were approximately $10 million. The classification of these assets is primarily within construction in process and operating real estate and the classification of liabilities are primarily within notes payable secured by construction in process and operating real estate.in the accompanying consolidated balance sheets.

13. CREDIT FACILITIES

The Company has outstanding borrowings with various financial institutions and other lenders that have been used to finance the acquisition, development and construction of real estate property. As of September 30, 2011, maturities of all of our borrowings are as follows:

2011	3,905
2012	533
2013	5,008
2014	7,191
2015 and thereafter	13,933
Total	$ 30,570

The 2011 maturity was refinanced on October 5, 2011. See discussion below and Note 14.

In the past, the Company has generally financed its development and construction activities on a single or multiple project basis so it is not uncommon for each project or collection of projects the Company develops and builds to have a separate credit facility. Accordingly, the Company typically has had numerous credit facilities and lenders. As described in more detail below, at September 30, 2011 our outstanding debt by lender was as follows:

Bank	**Balance as of 09/30/11**	**Recourse**
SunBridge, net of $0.7 million discount	$ 7,191	Secured
Wachovia	133	Unsecured
Guggenheim Capital Partners	3,905	Secured
Cardinal Bank	9,793	Secured
Cornerstone (Haven Trust)	400	Unsecured
Bank of America	3,752	Unsecured
Fifth Third	25	Unsecured
Branch Banking & Trust	263	Secured
Seller Emerald Farm	100	Secured
	25,562	
Due to affiliates Stonehenge Funding	5,008	Unsecured
Total	**$ 30,570**	

The SunBridge debt is fixed at 12.5% but the majority of the remaining debt is variable rate, based on LIBOR or the prime rate plus a specified number of basis points, typically ranging from 220 to 600 basis points over the LIBOR rate and from 25 to 200 basis points over the prime rate. The obligation to Cardinal Bank is however subject to minimum interest floors as discussed below. As a result, we are exposed to market risk in the event of interest rate increases. At September 30, 2011, the one-month LIBOR and prime rates of interest were 0.244% and 3.25%, respectively, and the interest rates in effect under the existing secured revolving development and construction credit facilities ranged from 2.38% to 4.24%.

On February 2, 2011, the Company, through a subsidiary called Comstock Potomac Yard, L.C. entered into a new inventory term loan agreement with Eagle Bank pursuant to which the Company secured an $11.85 million loan with a three year term (the Eagle Bank Loan) to refinance the Company s Eclipse condominium project. Proceeds from the Eagle Bank Loan were primarily utilized to pay off existing indebtedness owed to KeyBank in advance of its March 14, 2011 maturity. The Eagle Bank Loan provides for an initial interest rate of Prime plus 2% with an interest rate floor of 7%. The Company is required to make monthly payments of interest only, to the extent not offset by an interest reserve initially set aside for the benefit of the Company, and a minimum principal curtailment payment of $5.5 million no later than 18

months following the closing of the Eagle Bank Loan. The Eagle Bank Loan also has a minimum sales pace requirement requiring the Company to sell a minimum of 6 units every 6 months, on a cumulative basis. There is no prepayment penalty associated with the Eagle Bank Loan, which is secured by a first deed of trust on the property. The Company, and each of Christopher Clemente, the Chief Executive Officer of the Company and Gregory Benson, the Chief Operating Officer of the Company, have fully guaranteed the Eagle Bank Loan. The guaranties are reduced to fifty percent (50%) of the outstanding principal amount of the Eagle Bank Loan, from time to time, upon the happening of certain events, including the satisfaction of the minimum principal curtailment described above. This loan was repaid in full on July 12, 2011 with proceeds from the SunBridge financing and consequently the guarantee agreement was terminated.

On February 11, 2011, the Company, through a subsidiary called Comstock Cascades II, L.C., entered into a loan agreement with Cardinal Bank pursuant to which the Company obtained an $11.0 million multi-family construction loan and mortgage with a five year term (the Cardinal Bank Loan). Proceeds from the Cardinal Bank Loan shall (i) fund the construction of the Company s Cascades apartment

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project and (ii) retire existing indebtedness of the Company owed to M & T Bank having a maturity date of February 14, 2011 and which was secured by a first deed of trust on the real property upon which the Cascades project will be constructed. The Cardinal Bank Loan, secured by a new first deed of trust on the property, has an initial interest rate of Prime plus two percent (2%), with an interest rate floor of 6.5%, converted after 18 months to 425 basis points over the 5 year swap rate with an interest rate floor of 5% and a ceiling of 8%. The Cardinal Bank Loan shall be amortized in accordance with a 5.5%, 25-year schedule, with amortization to begin 18 months after the loan closing and has a 2% prepayment penalty if paid within the first or second year and a 1% prepayment penalty if retired in the third or fourth year. The Cardinal Bank Loan requires debt service coverage (DCR) of (i) 1.0 to 1.0 no later than 24 months from the date of closing, (ii) 1.15 DCR no later than 36 months from the date of closing, and (iii) 1.25 DCR no later than 48 months from the date of closing. The Company has fully guaranteed the Cardinal Bank Loan. Christopher Clemente, the Chief Executive Officer of the Company and Gregory Benson, the Chief Operating Officer of the Company, also provided a limited guaranty in connection with the Cardinal Bank Loan of up to $6.8 million, subject to further reduction upon the satisfaction of certain enumerated conditions set forth in the loan agreement.

In connection with the limited guaranty of the Cardinal Bank Loan and the Eagle Bank Loan by the officers of the Company as described above, the officers and the Company entered into a Credit Enhancement and Indemnification Agreement on February 17, 2011 providing for full indemnification of the officers by the Company against future losses incurred as a result of their guaranty of the Cardinal Bank Loan or the Eagle Bank Loan. Pursuant to the indemnification agreement, the officers, on an aggregate basis, are entitled to a credit enhancement fee from the Company for the Cardinal Bank Loan and the Eagle Bank Loan calculated at a rate of 4% per annum based on the lesser of (i) the combined outstanding balance of the Cardinal Bank Loan and the Eagle Bank Loan at the end of each month, or (ii) such officer s maximum guaranty exposure in connection with the Cardinal Bank Loan and the Eagle Bank Loan. One-half of the credit enhancement fee is payable monthly, in arrears, and the remaining half is deferred and payable on an annual basis. The Eagle Bank Loan was repaid in full on July 12, 2011 and consequently, this guaranty from the officers was terminated.

Concurrent with the closing of the Cardinal Bank Loan, $1.5 million of existing indebtedness to M&T Bank was retired for approximately $1.3 million. Accordingly, the Company recorded a gain of approximately $0.2 million on the extinguishment of the debt.

At September 30, 2011, the Company had approximately $4.7 million outstanding to Guggenheim Corporate Funding (Guggenheim) relating to the Company s Penderbrook Condominium project. On September 16, 2009, the Company entered into a third amendment to the loan agreement with Guggenheim in which Guggenheim agreed to continue to forbear from exercising its rights related to the defaults and make certain other modifications to the loan agreement. Other than a minimum number of sales per month and sales per quarter requirement, the Guggenheim loan agreement and the three loan amendments contain no significant financial covenants. The key financial terms of the third amendment increase the cash flow available to the Company through reduced principal payments to Guggenheim as units are settled. Specifically, the third amendment will provide the Company with cash equal to 25% of the net sales price provided the Company meets the cumulative minimum sales requirements on a monthly and quarterly basis. If the Company is unable to meet the minimum sales requirements, it will not constitute an event of default but may result in a reversion to the unit release provisions to 10% of the net sales price of sold units in accordance with the loan agreement and first two amendments. As of January 1, 2011, the base interest rate is LIBOR plus 200 basis points which is adjusted by a 200 basis point paid in kind interest which accrues on a monthly basis on the loan. Based upon the number of units sold at the Penderbrook project, this note was scheduled to mature in September, 2011, but could be extended further based upon the satisfaction of a certain number of additional units sold 14 days prior to the extended maturity date, but in no event could it be extended beyond March 2012. This note was repaid on October 5, 2011 using proceeds from the SunBridge financing. See Note 14.

At September 30, 2011, the Company had $3.8 million outstanding to Bank of America in a 10-year unsecured note. On February 25, 2010 the Company entered into a Seventh

Loan Modification Agreement with Bank of America regarding the modification of the terms of one certain unsecured loan with an approximate principal balance of $3.7 million. In connection therewith the Company agreed to pay an extension fee of $100 and Bank of America agreed to delay for one year, until January 2011, the commencement of repayments of all previously unpaid interest accruing since the date of the Company s previously reported modification of the line of credit in November 2008. The maturity date remains unchanged at December 28, 2018. On February 1, 2011, the Company entered into the Eighth Loan Modification Agreement with Bank of America. The modification required payments of past interest and modification fees of approximately $175 on February 1, 2011, which were paid in accordance with the agreement. The maturity date remains December 28, 2018. Comstock is required to make monthly interest payments beginning on February 28, 2011 through loan maturity. Commencing January 28, 2012 and continuing on each and every month through November 28, 2018, Comstock is also required to make monthly principal payments of approximately $37.

On December 23, 2009, Stonehenge Funding, LC (Stonehenge), an entity wholly-owned by Christopher Clemente, the Chairman and Chief Executive Officer of the Company, completed the purchase of the senior unsecured note (the JP Morgan Debt) from JP Morgan Ventures (JPMV) in the current outstanding amount of approximately $9.0 million, plus accrued and unpaid interest. The purchase of the JP Morgan Debt also resulted in the transfer to Stonehenge of the warrant previously issued to JPMV for the purchase of 1.5 million shares of the Company s Class A Common Stock with a strike price of $0.07 per share (the JP Morgan Warrant). Gregory Benson, the Company s Chief Operating Officer and a member of the Company s Board of Directors, subsequently purchased a participation interest in the JP Morgan Debt and the JP Morgan Warrant from Stonehenge. In connection with the SunBridge financing (see Note 14), Stonehenge entered into a subordination and standstill agreement providing that the Company will not make any cash interest or principal payments to Stonehenge prior to the full repayment of loans to SunBridge in connection with the Eclipse and Penderbrook projects. On February 15, 2010 the Company entered into a Modification Agreement to modify the terms of the Company s senior unsecured note with Stonehenge. Under the terms of the Modification Agreement, Stonehenge has agreed to forgive $4.5 million of the principal balance due from the Company under the JP Morgan Debt; reducing the principal balance by 50% to $4.5 million. Stonehenge also agreed to forgive an additional amount due from the Company of approximately $875 representing all past due interest, late fees and penalties accruing through December 31, 2009 under the JP Morgan Debt. Stonehenge further agreed to reduce the interest rate, effective January 1, 2010, by 50% to 300 basis points above the one year LIBOR on a floating basis. In addition, to ensure the Company s ability to comply with certain restrictions placed upon the Company by KeyBank and Guggenheim in connection with previously announced loan modifications enhancing cashflow to the Company, Stonehenge agreed to allow all future interest payments due from the Company under the JP Morgan Debt to accrue until at least 90 days after the KeyBank and Guggenheim have been fully repaid. In connection therewith, Stonehenge may, on a quarterly basis, elect to accept stock of the Company (or warrants for the purchase thereof) with a cumulative value equal to the value of the scheduled interest payment in lieu of accruing a future quarterly interest payment.

Further, the Modification Agreement provides for the elimination or forbearance upon the enforcement of all financial covenants contained in the JP Morgan Debt and all previously reported covenant violations by the Company. The maturity date of the JP Morgan Debt remains unchanged at March 14, 2013, provided however, the Modification Agreement provides the Company with two optional extension periods of six months each to further assist the Company with its compliance with the restrictions of KeyBank and Guggenheim. Stonehenge, as a condition of the new financing arrangement with Sunbridge as described in Note 14, agreed to subordinate its loan and delay repayment until the Sunbridge loans on both Eclipse and Penderbrook are fully repaid.

As a condition of a foreclosure arrangement with Wachovia Bank, the Company assisted in the selling process associated with certain parcels of land now under the control of Wachovia. As a result of several of those parcels being sold, the deficiency note to Wachovia was reduced by $73. This is reflected as a gain of debt restructuring in the accompanying consolidated statement of operations.

14. SUNBRIDGE STRATEGIC ALLIANCE

On July 12, 2011, the Company, through a subsidiary called Comstock Potomac Yard, L.C., entered into a loan agreement with BCL Eclipse, LLC, an affiliate of SunBridge Capital Management, LLC (SunBridge), pursuant to which the Company secured a $13.8 million loan with a three year term (the SunBridge Eclipse Loan) to refinance the Company s Eclipse condominium project. Proceeds from the SunBridge Eclipse Loan were primarily utilized to (i) pay off existing indebtedness owed to Eagle Bank of approximately $9.0 million, (ii) pay approximately $.8 million for expenses associated with the SunBridge Eclipse Loan (which are classified in other assets in the accompanying balance sheet), and (iii) for general corporate purposes. The SunBridge Eclipse Loan provides for a 1% origination fee and an interest rate of 12.5%. There is no prepayment penalty associated with the SunBridge Eclipse Loan. The Company is required to make the following payments as follows: (i) quarterly payments of interest only, (ii) 70% of the net proceeds of each sale of a unit to the lender (the Eclipse Required Release Payment), and (iii) 50% of the net proceeds of the Company s judgment against Balfour Beatty Construction upon receipt by the Company. The SunBridge Eclipse Loan also has a minimum sales pace requirement requiring the Company to sell a minimum of 6 units every 6 months, on a cumulative basis (the Eclipse Sales Covenant). Failure to maintain the Sales Covenant in any 6 month period results in an increase of the Eclipse Required Release Payment to 80% and for any successive failure to meet the Eclipse Sales Covenant, an increase of the Eclipse Required Release Payment of up to 90%. The SunBridge Eclipse Loan agreement contains certain customary representations and warranties, and certain financial and other customary covenants. Outstanding principal and interest and may be accelerated upon an event of default, as such events are described

in the loan agreement.

On July 12, 2011, the Company and a subsidiary of the Company, Comstock Emerald Farm, L.C., as guarantors, entered into a guaranty agreement for the benefit of the SunBridge (the Eclipse Guaranty Agreement). Pursuant to the Eclipse Guaranty Agreement, (i) the guarantors jointly and severally guaranteed the payment of principal and interest and any other amounts due under the loan agreement, (ii) the Company pledged its equity interest in Comstock Emerald Farm, L.C., and (iii) each guarantor granted the SunBridge a security interest in all of its unencumbered assets, all as additional security for the loan. The entry into the SunBridge Eclipse Loan also resulted in the elimination of a credit enhancement fee formerly being paid to the Chief Executive Officer and the Chief Operating Officer of the Company of 4% per annum paid on the outstanding balance of the Eagle Bank Loan resulting from the officers prior personal guaranty of the Eagle Bank Loan.

In addition, on July 12, 2011, the Company also agreed to enter into a right of first offer and refusal (Strategic Agreement) with SunBridge to jointly pursue certain homebuilding and multi-family projects in the Washington DC metropolitan area. Under the general terms of the Strategic Agreement, the Company will offer material future investment opportunities to the SunBridge and if mutually agreed upon, the Company and SunBridge will enter into specific joint venture arrangements for each identified opportunity. The Strategic Agreement terminates at the earlier of three years from the date of the agreement or until each party funds a minimum of $25.0 million in identified investment opportunities.

SunBridge also issued a binding commitment letter to the Company, through a subsidiary called Comstock Penderbrook, L.C., for a cash out refinance of the Company s Penderbrook Square condominium projected in an amount of up to $7.0 million with a three year term (the SunBridge Penderbrook Loan). This commitment was drawn upon on October 5, 2011 and the loan was funded for approximately $5.4 million. Proceeds from this loan were primarily utilized to (i) pay off existing indebtedness owed to Guggenheim of approximately $3.9 million, (ii) pay for expenses associated with the loan of approximately $.7 million, and (iii) for general corporate purposes. The SunBridge Penderbrook Loan provides for a 1% origination fee and an interest rate of 12.5%. There is no prepayment penalty associated with the SunBridge Penderbrook Loan, which is secured by a first deed of trust on the property. The Company is required to make the following payments as follows: (i) quarterly payments of interest only, and (ii) 70% of the net proceeds of each sale of a unit to Lender (the Penderbrook Required Release Payment). The SunBridge Penderbrook Loan also has a minimum sales pace requirement requiring the Company to sell a minimum of 11 units every 6 months, on a cumulative basis (the Penderbrook Sales Covenant). Failure to maintain the Penderbrook Sales Covenant in any 6 month period results in an increase of the Penderbrook Required Release Payment to 80% and for any successive failure to meet the Penderbrook Sales Covenant, an increase of the Required Release Payment of up to 90%. The loan agreement contains certain customary representations and warranties, and certain financial and other customary covenants. Outstanding principal and interest and may be accelerated upon an event of default, as such events are described in the loan agreement. As a condition of the loan agreement, the Company also entered into a cross-collateralization agreement whereby the Penderbrook project and the Company s Eclipse project each secure payment and performance of the covenants and agreements of the October 5, 2011 SunBridge loan and the loan funded on July 12, 2011 by an affiliate of the Lender with respect to the Eclipse project as described above.

In connection with the SunBridge Loans, on July 12, 2011, the Company agreed to issue BridgeCom Development I, LLC, an affiliate of SunBridge (BridgeCom), an immediately exercisable warrant to purchase 1.0 million shares of the Company s Class A common stock at an exercise price equal to the average closing price of the stock for the preceding thirty days ($1.03) (the SunBridge Warrant), except for certain circumstances as set forth in the SunBridge Warrant, the term to exercise and purchase 250,000 of the warrant shares expires nine months from the date of the SunBridge Warrant otherwise the exercise period is ten years from July 12, 2011. The Company calculated the fair value of the SunBridge Warrant and the SunBridge Loans and allocated the proceeds of the SunBridge Loans on a relative fair value basis. The fair value of the SunBridge Warrant was calculated using a Black Scholes option pricing model and the fair value of the SunBridge Loans was calculated using a discounted cash flow model. The Black Scholes option pricing model considered risk-free interest rates, volatility factors and current market and contractual prices. The fair value of the SunBridge Loans was estimated based on interest rates available to the Company for debt with similar terms. The amount allocated to the SunBridgeWarrant was approximately $1.0 million and is reflected as an addition to additional paid-in capital and a corresponding discount on the SunBridge Loans. The Company is amortizing this discount over the term of the SunBridge Loans using the effective interest method. The remaining discount at September 30, 2011 is approximately $.7 million.

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

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

There are three measurement input levels for determining fair value: Level 1, Level 2, and Level 3. Fair values determined by Level 1 inputs utilize quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Fair values determined by Level 2 inputs utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are

observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. An asset s or liability s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

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

The fair value of fixed rate debt is based on observable market rates (level 2 inputs). The following table summarizes the fair value of fixed rate debt and the corresponding carrying value of fixed rate debt as of:

	September 30, 2011	December 31, 2010
Carrying amount	$ 19,400	$ 9,600
Fair value	$ 17,700	$ 4,488

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

As discussed in Note 14, the Company calculated the fair value of the SunBridge Loans and warrants and allocated the proceeds of the SunBridge Loans on a relative fair value basis. These fair value measurements were based on observable market information (level 2 inputs) including, for the loans, term sheets from competing lenders.

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

16. SUBSEQUENT EVENTS

On October 5, 2011, the SunBridge Penderbrook Loan was funded for approximately $5.4 million. See Note 14 above for additional information related to this loan.

On October 31, 2011, Cascades II entered into a definitive agreement to sell the Cascades Apartments for $19.75 million. The transaction is expected to close during the fourth quarter of 2011, subject to a customary due diligence period, during which the purchaser is entitled to cancel the transaction. The Company estimates that it will receive net proceeds of approximately $6,000,000 (inclusive of escrow amounts discussed below) from the transaction after repayment of the existing loan from Cardinal Bank secured by the project and the retirement of the non-controlling equity financing relating to the project. At settlement, Cascades is required to place in escrow $250,000 to secure performance of certain post-closing warranty work and $750,000 to secure Cascades indemnification and other obligations set forth in the agreement. The warranty escrow shall be released to Cascades upon completion of the post-closing warranty work and the claims escrow shall be released to Cascades in three equal installments at six, eight and twelve months from the date of settlement provided that no claims have been made against Cascades by the purchaser.

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COMSTOCK HOMEBUILDING COMPANIES, INC. AND SUBSIDIARIES

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

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

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

Overview

We are a multi-faceted real estate development and services company. We have substantial experience with building a diverse range of products including single-family homes, townhouses, mid-rise condominiums, high-rise multi-family condominiums and mixed-use (residential and commercial) developments. We operate our business through three segments: Homebuilding, Apartment Buildings and Real Estate Services as further discussed in Note 8 of our consolidated financial statements. We are currently focused on the Washington, D.C. market which is the eighth largest metropolitan statistical area in the United States.

Homebuilding

Our expertise in developing traditional and non-traditional housing products enables us to focus on a wide range of opportunities within our core market. For our homebuilding operations, we develop properties with the intent that they be sold either as fee-simple properties or condominiums to individual unit buyers or as investment properties sold to private or institutional investors. We target first-time, early move-up, and secondary move-up buyers with our homebuilding product. We focus on products that we are able to offer for sale in the middle price points within the markets where we operate, avoiding the very low-end and high-end products. We believe our middle market strategy positions our products such that they are affordable to a significant segment of potential home buyers in our market.

Apartment Buildings

Comstock s focus on the apartment sector is on developing projects ranging from approximately 75 to 200 units in locations that are supply constrained with demonstrated demand for stabilized assets. We seek opportunities in the multi-family rental market where our experience and core capabilities can be leveraged. We will either position the assets for sale when completed or operate the asset within our own portfolio. Operating the asset for our own account affords us the flexibility of converting the units to condominiums in the future. The multi-family asset class has benefitted from turmoil in the new home industry, limited access to residential mortgage financing and market conditions that have driven down construction costs during the past few years. Continued favorable economic and employment conditions in the Washington, DC area have caused rents to rise while vacancy rates and cap rates have declined. Consequently, asset valuations in this segment have continued to improve.

Real Estate Services

Our management team has significant experience in all aspects of real estate including strategic planning, land development, entitlement, property management, sales and marketing, workout and turnaround strategies and general construction. We provide a wide range of construction management and general contracting services to other property owners. This business line not only allows us to generate positive fee income from our highly qualified personnel but also serves as a potential catalyst for joint venture and acquisition opportunities.

We believe that our significant experience over the past 25 years, combined with our ability to navigate through two major housing downturns (early 1990 s and late 2000 s) have provided us the experience necessary to capitalize on attractive opportunities in our core market of Washington, D.C. and to rebuild shareholder value. We believe that our focus on the Washington, D.C. market, which has historically been characterized by economic conditions less volatile than many other major homebuilding markets, will provide an opportunity to generate attractive returns on investment and for growth.

Three and nine months ended September 30, 2011 compared to three and nine months ended September 30, 2010

Homebuilding

Orders, cancellations and backlog

Gross new order revenue for the three months ended September 30, 2011 decreased $1.4 million to $4.0 million on 13 homes as compared to $5.4 million on 18 homes for the three months ended September 30, 2010. For the nine months ended September 30, 2011, gross new order revenue

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decreased $4.7 million to $11.2 million on 38 homes, as compared to $15.9 million on 50 homes for the nine months ended September 30, 2010. Net new order revenue for the three months ended September 30, 2011 decreased $1.4 million to $4.0 million on 13 homes as compared to 5.4 million on 18 homes for the three months ended September 30, 2010. Net new order revenue for the nine months ended September 30, 2011 decreased $4.7 million to $10.8 million on 36 homes as compared to $15.5 million on 49 homes for the nine months ended September 30, 2010. Average gross new order revenue per unit for three months ended September 30, 2011 increased $5,000 to $304,000, as compared to $299,000 for the three months ended September 30, 2010. The average gross new order revenue per unit for the nine months ended September 30, 2011 decreased $24,000 to $294,000, as compared to $318,000 for the nine months ended September 30, 2010.

We have two Washington, DC condominium projects where we have units available for sale and for rent: Penderbrook Square in Fairfax, VA and the Eclipse at Potomac Yard in Arlington, VA. Therefore, we were only able to generate orders and backlog at the two condominium projects in the first nine months of 2011. Because our unit sales are generated from completed inventory we do not need to construct units after a sales contract is executed with a unit purchaser. As a result, we are able to quickly execute on a sales contract and deliver the unit to the purchaser. Typically, unit deliveries are made within thirty days of contract execution. As a result, we do not tend to generate significant order backlog. At September 30, 2011, we had 7 units in backlog expected to generate revenue of $2.4 million.

Revenue homebuilding

The number of homes delivered for the three months ended September 30, 2011 decreased to 10 as compared to 17 homes for the three months ended September 30, 2010. For the nine months ended September 30, 2011 we delivered 30 homes as compared to 51 homes delivered during the nine months ended September 30, 2010. Average revenue per home delivered decreased by approximately $17,000 to $286,000 for the three months ended September 30, 2011 as compared to $303,000 for the three months ended September 30, 2010. The decline in settlements and average price is largely a function of fewer units available for sale and available product mix in our two projects. As of September 30, 2011, there are 33 units remaining in our Eclipse project and 47 units remaining in our Penderbrook project. This compares to 47 units and 73 units respectively for Eclipse and Penderbrook for the period ended September 30, 2010.

Average revenue per home delivered decreased by approximately $29,000 to $300,000 for the nine months ended September 30, 2011 as compared to $329,000 for the nine months ended September 30, 2010. This is primarily due to unit mix and is not indicative of decreased values in the inventory delivered.

Revenue from homebuilding decreased by $2.3 million to $2.9 million for the three months ended September 30, 2011 as compared to $5.2 million for the three months ended September 30, 2010. For the nine months ended September 30, 2011 revenue from homebuilding decreased by $7.8 million to $9.0 million as compared to $16.8 million for the nine months ended September 30, 2010. The decreased revenue is the result of a lower number of units available for sale and consequently settled for both 2011 periods as well as shifting product mix as discussed above.

Cost of sales homebuilding

Cost of sales homebuilding for the three months ended September 30, 2011 decreased by $3.1 million, to $2.6 million as compared to $5.8 million for the three months ended September 30, 2010. Cost of sales homebuilding for the nine months ended September 30, 2011 decreased by $9.1 million, to $8.0 million of homebuilding revenue, as compared to $17.1 million of revenue, for the nine months ended September 30, 2010. The decreased number of homes settled during three and nine months accounted for the decline in the aggregate cost of sales figure.

Apartment Buildings and Real Estate Services

Currently our apartment building segment consists of a 103 unit project and units we are currently renting in our for-sale projects at Eclipse and Penderbrook (until such time as those units can be sold). Given the size of the operations to date, we discuss the relevant performance of this segment in combination with our real estate services segment.

Revenue Apartment Buildings and Real Estate Services

Revenue for the three months ended September 30, 2011 increased by $2.1 million, to $2.5 million, as compared to $.4 million, for the three months ended September 30, 2010. Revenue for the nine months ended September 30, 2011 increased by $2.5 million, to $6.9 million, as compared to $4.4 million for the nine months ended September 30, 2010. The increase in both periods for 2011 is primarily from general contracting services as compared to other revenue for 2010 that is primarily rent revenue from our Penderbrook and Eclipse communities. The decline in rental revenue over the periods is attributable to a reduced number of units available for rental as a result of continuing sales at these

communities.

Cost of sales Apartment Buildings and Real Estate Services

Cost of sales apartment buildings and real estate services for the three months ended September 30, 2011 increased approximately $2.2 million to $2.6 million as compared to $.4 million, for three months ended September 30, 2010. Cost of sales apartment buildings and real estate services increased approximately $2.8 million to $6.5 million during the nine months ended September 30, 2011 as compared to $3.7 million during the nine months ended September 30, 2010. The increase in both periods is primary as a result of aforementioned general contracting projects. Substantially all of the costs in 2010 (approximately $2.5 million) relates to the sale of land at our Station View project. In 2011, approximately $5.2 million of costs related to our aforementioned general contracting projects. The balance of approximately $1.2 related to our rental operations.

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Selling, general and administrative

Selling general and administrative expenses for the three months ended September 30, 2011 increased $0.4 million to $1.7 million, as compared to $1.3 million for the three months ended September 30, 2010. Selling general and administrative expenses for the nine months ended September 30, 2011 increased $.8 million to $5.0 million, as compared to $4.2 million for the nine months ended September 30, 2010. The increase in expenses for the three month and the nine month period is primarily attributable to an increase in compensation expense related to certain restricted stock grants made in the first quarter of 2011.

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

Interest, real estate taxes and indirect costs related to our inactive projects are expensed as incurred. The increase in interest, real estate taxes and indirect costs related to inactive projects for the three month period ended September 30, 2011 is directly related to the interest cost (of approximately $.2 million) and amortization of deferred financing costs and the associated discount (of approximately $.6 million) on the loan related to the SunBridge financing.

Liquidity and Capital Resources

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

As discussed in Note 14 to the financial statements, the Company recently entered into a strategic alliance with SunBridge Capital Management, LLC (SunBridge) which, among other things, provides for a cash out refinancing for both the Eclipse and Penderbrook projects. The Company believes it will have adequate cash on hand, cash flows from operating activities, and available financing to sustain its current business operations through 2012 but will require ongoing equity and debt financing to support new initiatives.

On October 31, 2011, the Comstock Cascades II, L.C. entered into a definitive agreement to sell the Cascades Apartments for $19.75 million. The transaction is expected to close during the fourth quarter of 2011, subject to a customary due diligence period, during which the purchaser is entitled to cancel the transaction. The Company estimates that it will receive net proceeds of approximately $6,000,000 (inclusive of escrow amounts discussed in Note 16 of the financial statements) from the transaction after repayment of the existing loan from Cardinal Bank secured by the project and the retirement of the non-controlling equity financing relating to the project.

Cash Flow

Net cash provided by operating activities was $11.5 million for the nine months ended September 30, 2011 and $14.2 million for the nine months ended September 30, 2010. In both years the primary source of cash provided by operating activities was the sale of real estate assets. The decline between periods is largely related to a decline in the number of homes settled during the period 30 homes were settled during the nine months ended September 30, 2011 (generating $9.0 million in cash) versus 51 for the same period of 2010 (generating $16.8 million in cash). In addition, included in the 2010 cash flows is the sale of land at our Station View project located in Loudoun County, Virginia for $2.8 million.

Net cash used by investing activities was $9.3 million for the nine months ended September 30, 2011, which relates to the construction of the Cascades Apartment rental project. There were no material cash flows related to investing activities for the nine months ended September 30, 2010.

Net cash provided by financing activities was $3.9 million for the nine months ended September 30, 2011 and net cash used in financing activities was $14.5 million for the nine months ended September 30, 2010. Repayments of indebtedness were the primary use of cash from financing activities in both years. Included as a source of cash in the 2011 financing cash flows is approximately $2.4 million related to the Private Placement for the Cascades Apartments and the cash received from the SunBridge financing and warrant issuance, which are more fully discussed in Notes 12 and 14 to the financial statements, respectively.

Critical Accounting Policies and Estimates

There have been no significant changes to our critical accounting policies and estimates during the three and nine months ended September 30, 2011 compared with those disclosed in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations included in our annual report on Form 10-K for the year ended December 31, 2010.

This report includes forward-looking statements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by the use of words such as anticipate, believe, estimate, may, intend, exp will, should, seeks or other similar expressions. Forward-looking statements are based largely on our expectations and involve inherent risks and uncertainties, many of which are beyond our control. You should not place undue reliance on any forward-looking statement, which speaks only as of the date made. Some factors which may affect the accuracy of the forward-looking statements apply generally to the real estate industry, while other factors apply 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 markets in which we operate; regulatory actions; fluctuations in operating results; our anticipated growth strategies; shortages and increased costs of labor or building materials; the availability and cost of land in desirable areas; natural disasters; our ability to raise debt and equity capital and grow our operations on a profitable basis; and our continuing relationships with affiliates. Additional information concerning these and other important risk and uncertainties can be found under the heading Risk Factors in our Form 10-K filed for the fiscal year ended December 31, 2010. Our actual results could differ materially from these projected or suggested by the forward-looking statements.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We have evaluated, with the participation of our Chief Executive Officer and our Chief Financial Officer, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of September 30, 2011. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of September 30, 2011.

Limitations on the Effectiveness of Controls

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

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

Changes in Internal Control

No change has occurred in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during our last fiscal quarter ended September 30, 2011, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

On July 21, 2011, Comstock Potomac Yard, L.C. (Comstock Potomac Yard) a subsidiary of Comstock Homebuilding Companies, Inc. (the Company), entered into a settlement agreement with Balfour Beatty Construction, L.C., successor in interest to Centex Construction, (Balfour) whereby Comstock Potomac Yard agreed to a settlement in the total amount of $10,293,000 (the Settlement Agreement) in satisfaction of certain claims and a previous judgment entered in its favor in the amount of $11,963,002 in the United States District Court for the Eastern District of Virginia, Alexandria Division, entered on March 19, 2010. Balfour had previously appealed the judgment on March 25, 2010 to the United States Court of Appeals for the Fourth Circuit. The settlement was the result of a voluntary mediation process between Comstock Potomac Yard, Balfour and one of the major subcontractors on the Company s Eclipse high rise condominium project (the Project). The judgment resulted from litigation initiated by Comstock Potomac Yard in September of 2008 against Balfour as a result of delays in completion of the Project described under Item 3. Legal Proceedings in our Annual Report on Form 10-K for the year ended December 31, 2010. Other than the foregoing, there have been no material changes to the legal proceedings discussed under Item 3. Legal Proceedings in our Annual Report on Form 10-K for the year ended December 31, 2010.

ITEM 1A. RISK FACTORS

We previously disclosed risk factors under Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2010. There have been no material changes to these risk factors.

ITEM 6. EXHIBITS

10.1	Loan Agreement, dated as of July 12, 2011, between BCL Eclipse, LLC and Comstock Potomac Yard, L.C. (filed as Exhibit 10.1 to the registrant s Current Report on Form 8-K filed with the Securities and Exchange Commission on July 15, 2011, and incorporated herein by reference).
10.2	Guaranty, Pledge and Security Agreement, dated as of July 12, 2011, by Comstock Homebuilding Companies, Inc. and Comstock Emerald Farm, L.C. to and for the benefit of BCL Eclipse, LLC. (filed as Exhibit 10.2 to the registrant s Current Report on Form 8-K filed with the Securities and Exchange Commission on July 15, 2011, and incorporated herein by reference).
10.3	Warrant, dated as of July 12, 2011, in the name of BridgeCom Development I, LLC. (filed as Exhibit 10.3 to the registrant s Current Report on Form 8-K filed with the Securities and Exchange Commission on July 15, 2011, and incorporated herein by reference).
10.4	Registration Rights Agreement, dated as of July 12, 2011, between Comstock Homebuilding Companies, Inc. and BridgeCom Development I, LLC. (filed as Exhibit 10.4 to the registrant s Current Report on Form 8-K filed with the Securities and Exchange Commission on July 15, 2011, and incorporated herein by reference).
10.5	Right of First Refusal and First Offer Agreement, dated as of July 12, 2011, between Comstock Homebuilding Companies, Inc. and BridgeCom Development I, LLC. (filed as Exhibit 10.5 to the registrant s Current Report on Form 8-K filed with the Securities and Exchange Commission on July 15, 2011, and incorporated herein by reference).
31.1	Certification of Chairman and Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a), promulgated under the Securities Exchange Act of 1934, as amended.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a), promulgated under the Securities Act of 1934, as amended.
32.1	Certification of Chairman and Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheet, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Changes in Shareholder s Equity, (iv) the Consolidated Statements of Cash Flows and (v) the

Notes to the Consolidated Financial Statements, tagged as blocks of text. ***

*** Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability under those sections.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

		COMSTOCK HOMEBUILDING COMPANIES, INC.
Date: November 14, 2011	By:	/s/ CHRISTOPHER CLEMENTE **Christopher Clemente** **Chairman and Chief Executive Officer** **(Principal Executive Officer)**
Date: November 14, 2011	By:	/s/ JOSEPH M. SQUERI **Joseph M. Squeri** **Chief Financial Officer** **(Principal Financial Officer and Principal Accounting Officer)**

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