

Comstock Homebuilding Companies, Inc.

Form 10-Q

May 13, 2011

[Table of Contents](#)

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

x **Quarterly Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934**  
For the quarterly period ended March 31, 2011

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

Commission File Number 1-32375

**Comstock Homebuilding Companies, Inc.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**20-1164345**  
(I.R.S. Employer

Identification No.)

**11465 Sunset Hills Road**

**Suite 410**

**Reston, Virginia 20190**

**(703) 883-1700**

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

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

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

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

Large Accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

As of May 13, 2011, 17,120,462 shares of the Class A common stock, par value \$.01 per share, and 2,733,500 shares of Class B common stock, par value \$0.01, of the Registrant were outstanding.

**Table of Contents**

**COMSTOCK HOMEBUILDING COMPANIES, INC. AND SUBSIDIARIES**

**FORM 10-Q**

**INDEX**

|  | <b>Page</b> |
|--|-------------|
| <b>PART I FINANCIAL INFORMATION</b>  |             |
| ITEM 1. FINANCIAL STATEMENTS:  | 1           |
| <u>Consolidated Balance Sheets (unaudited) March 31, 2011 and December 31, 2010</u>                                      | 1           |
| <u>Consolidated Statements of Operations (unaudited) Three Months Ended March 31, 2011 and 2010</u>                      | 2           |
| <u>Consolidated Statements of Changes in Shareholders' Equity (unaudited) Three Months Ended March 31, 2011 and 2010</u> | 3           |
| <u>Consolidated Statements of Cash Flows (unaudited) Three Months Ended March 31, 2011 and 2010</u>                      | 4           |
| <u>Notes to Consolidated Financial Statements</u>  | 5           |
| ITEM 2. <u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>                     | 15          |
| ITEM 4. <u>CONTROLS AND PROCEDURES</u>   | 22          |
| <b>PART II OTHER INFORMATION</b>   |             |
| ITEM 1. <u>LEGAL PROCEEDINGS</u>   | 23          |
| ITEM 1A. <u>RISK FACTORS</u>   | 23          |
| ITEM 6. <u>EXHIBITS</u>  | 23          |
| <b><u>SIGNATURES</u></b>   | 23          |

**Table of Contents****COMSTOCK HOMEBUILDING COMPANIES, INC. AND SUBSIDIARIES****UNAUDITED CONSOLIDATED BALANCE SHEETS**

(Amounts in thousands, except per share data)

|  | March 31,<br>2011 | December 31,<br>2010 |
|--|-------------------|----------------------|
| <b>ASSETS</b>  |                   |                      |
| Cash and cash equivalents  | \$ 714            | \$ 475               |
| Restricted cash  | 3,128             | 5,201                |
| Real estate held for development and sale  | 28,876            | 34,008               |
| Construction in process - Variable Interest Entity   | 4,029             |                      |
| Property, plant and equipment, net   | 45                | 50                   |
| Other assets   | 2,934             | 1,194                |
| <b>TOTAL ASSETS</b>  | <b>\$ 39,726</b>  | <b>\$ 40,928</b>     |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>  |                   |                      |
| Accounts payable and accrued liabilities   | \$ 5,020          | \$ 5,884             |
| Notes payable - secured by real estate held for development and sale   | 16,041            | 18,853               |
| Notes payable - Variable Interest Entity   | 1,094             |                      |
| Notes payable - due to affiliates, unsecured   | 5,008             | 5,008                |
| Notes payable - unsecured  | 4,383             | 4,515                |
| <b>TOTAL LIABILITIES</b>   | <b>31,546</b>     | <b>34,260</b>        |
| Commitments and contingencies (Note 9)   |                   |                      |
| <b>SHAREHOLDERS' EQUITY</b>  |                   |                      |
| Class A common stock, \$0.01 par value, 77,266,500 shares authorized, 17,159,807 and 17,120,467 issued and outstanding, respectively | 172               | 171                  |
| Class B common stock, \$0.01 par value, 2,733,500 shares authorized, 2,733,500 issued and outstanding                                | 27                | 27                   |
| Additional paid-in capital   | 166,754           | 166,700              |
| Treasury stock, at cost (391,400 shares Class A common stock)  | (2,439)           | (2,439)              |
| Accumulated deficit  | (158,816)         | (157,791)            |
| <b>TOTAL COMSTOCK HOMEBUILDING EQUITY</b>  | <b>5,698</b>      | <b>6,668</b>         |
| Non-controlling interest - Variable Interest Entity  | 2,482             |                      |
| <b>TOTAL EQUITY</b>  | <b>8,180</b>      | <b>6,668</b>         |
| Accumulated deficit  |                   |                      |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>  | <b>\$ 39,726</b>  | <b>\$ 40,928</b>     |

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

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

(Amounts in thousands, except per share data)

|   | <b>Three Months Ended March 31,</b> |             |
|---|-------------------------------------|-------------|
|   | <b>2011</b>                         | <b>2010</b> |
| <b>Revenues</b>   |                                     |             |
| Revenue homebuilding  | \$ 3,019                            | \$ 5,693    |
| Revenue other   | 1,567                               | 3,446       |
| <br>  |                                     |             |
| Total revenue   | 4,586                               | 9,139       |
| <b>Expenses</b>   |                                     |             |
| Cost of sales homebuilding  | 2,722                               | 5,692       |
| Cost of sales other   | 1,273                               | 2,872       |
| Selling, general and administrative   | 1,385                               | 1,455       |
| Interest, real estate taxes and indirect costs related to inactive projects | 369                                 | 848         |
| <br>  |                                     |             |
| Operating loss  | (1,163)                             | (1,728)     |
| Other income, net   | 270                                 | 836         |
| <br>  |                                     |             |
| Loss before income taxes  | (893)                               | (892)       |
| Income taxes expense  |                                     |             |
| <br>  |                                     |             |
| Net loss  | (893)                               | (892)       |
| Less: Net income attributable to non-controlling interests                  | 132                                 |             |
| <br>  |                                     |             |
| Net loss attributable to Comstock Homebuilding                              | \$ (1,025)                          | \$ (892)    |
| <br>  |                                     |             |
| Basic loss per share  | \$ (0.05)                           | \$ (0.05)   |
| Diluted loss per share  | \$ (0.05)                           | \$ (0.05)   |
| Basic weighted average shares outstanding                                   | 18,645                              | 18,096      |
| <br>  |                                     |             |
| Diluted weighted average shares outstanding                                 | 18,645                              | 18,096      |

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

**Table of Contents****COMSTOCK HOMEBUILDING COMPANIES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CHANGES IN****SHAREHOLDERS EQUITY**

(Amounts in thousands, except per share data)

|  | Class A |        | Class B |        | Additional<br>paid-in<br>capital | Treasury<br>stock | Non-controlling<br>interest | Retained<br>earnings<br>(deficit) | Total     |
|--|---------|--------|---------|--------|----------------------------------|-------------------|-----------------------------|-----------------------------------|-----------|
|  | Shares  | Amount | Shares  | Amount |                                  |                   |                             |                                   |           |
| Balance at December 31, 2009                             | 15,609  | \$ 156 | 2,733   | \$ 27  | \$ 157,418                       | \$ (2,439)        | \$                          | \$ (151,029)                      | \$ 4,133  |
| Cumulative effect of a change in<br>accounting principle |         |        |         |        |                                  |                   |                             | 936                               | 936       |
| Stock compensation and<br>issuances                      | 294     | 3      |         |        | 482                              |                   |                             |                                   | 485       |
| Stonehenge capital contribution                          |         |        |         |        | 7,689                            |                   |                             |                                   | 7,689     |
| Warrants   |         |        |         |        | 85                               |                   |                             |                                   | 85        |
| Net loss   |         |        |         |        |                                  |                   |                             | (892)                             | (892)     |
| Balance at March 31, 2010                                | 15,903  | \$ 159 | 2,733   | \$ 27  | \$ 165,674                       | \$ (2,439)        | \$                          | \$ (150,985)                      | \$ 12,436 |
| Balance at December 31, 2010                             | 17,120  | \$ 171 | 2,733   | \$ 27  | \$ 166,700                       | \$ (2,439)        | \$                          | \$ (157,791)                      | \$ 6,668  |
| Stock compensation and<br>issuances                      | 39      | 1      |         |        | 54                               |                   |                             |                                   | 55        |
| Non-controlling interest                                 |         |        |         |        |                                  |                   | 2,350                       |                                   | 2,350     |
| Net loss   |         |        |         |        |                                  |                   | 132                         | (1,025)                           | (893)     |
| Balance at March 31, 2011                                | 17,159  | \$ 172 | 2,733   | \$ 27  | \$ 166,754                       | \$ (2,439)        | \$ 2,482                    | \$ (158,816)                      | \$ 8,180  |

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

(Amounts in thousands, except per share data)

|   | Three Months Ended March 31, |             |             |              |            |              |
|---|------------------------------|-------------|-------------|--------------|------------|--------------|
|   | 2011                         | 2010        |             |              |            |              |
| Cash flows from operating activities:   |                              |             |             |              |            |              |
| Net loss (including net income attributable to non-controlling interest)      | \$ (1,025)                   | \$ (892)    |             |              |            |              |
| Adjustment to reconcile net loss to net cash provided by operating activities |                              |             |             |              |            |              |
| Net income attributable to non-controlling interest                           | 132                          |             |             |              |            |              |
| Amortization and depreciation   | 4                            | 75          |             |              |            |              |
| Gain on M&T note retirement   | (196)                        |             |             |              |            |              |
| Gain on trade payable settlements   | (135)                        | (770)       |             |              |            |              |
| Changes in operating assets and liabilities:                                  |                              |             |             |              |            |              |
| Restricted cash   | (27)                         | (28)        |             |              |            |              |
| Real estate held for development and sale                                     | 2,706                        | 7,911       |             |              |            |              |
| Other assets  | (1,739)                      | 148         |             |              |            |              |
| Accounts payable and accrued liabilities                                      | 1,650                        | 280         |             |              |            |              |
| Minority Interests  | 8,391,900                    | (3,555,900) | 4,836,000   | 4,700,200    |            | 4,700,200    |
| Forfeitable Shares  | -                            | -           | -           | 1,746,600    |            | 1,746,600    |
| Preferred Stock   | -                            | -           | -           | -            |            | -            |
| Shareholders Equity   |                              |             |             |              |            |              |
| Common Stock  | 211,600                      | 28,800      | 240,400     | 196,600      | 28,800     | 225,400      |
| Additional paid-in capital  | 79,152,900                   | 12,684,000  | 91,836,900  | 72,990,700   | 14,495,900 | 87,486,600   |
| Retained earnings (accumulated deficit)                                       | 16,017,000                   | 3,555,900   | 19,572,900  | (39,101,900) |            | (39,101,900) |
| Treasury stock at cost  | (1,970,800)                  |             | (1,970,800) | (923,500)    |            | (923,500)    |
| Unrealized (loss) gain on marketable  | (195,800)                    |             | (195,800)   | 306,000      |            | 306,000      |

securities

|  |                |               |                |               |               |               |
|--|----------------|---------------|----------------|---------------|---------------|---------------|
| Unallocated                                |                |               |                |               |               |               |
| ESOP contribution                          | (490,500)      |               | (490,500)      | (490,500)     |               | (490,500)     |
| Total                                      |                |               |                |               |               |               |
| Shareholder's equity                       | 92,724,400     | 16,268,700    | 108,993,100    | 32,977,400    | 14,524,700    | 47,502,100    |
| Total liabilities and shareholder's equity | \$ 108,532,400 | \$ 12,712,800 | \$ 121,245,200 | \$ 51,901,400 | \$ 14,524,700 | \$ 66,426,100 |



**U.S. ENERGY CORP. and SUBSIDIARIES**  
**PRO FORMA CONSOLIDATED CONDENSED STATEMENT OF OPERATIONS**  
**(Unaudited)**

|   | Nine Months Ended<br>September 30, 2007 |            |              | Year Ended<br>December 31, 2006 |            |              |
|---|---|------------|--------------|---------------------------------|------------|--------------|
|   | Actual                                  | Adjustment | Pro Forma    | Actual                          | Adjustment | Pro Forma    |
| Operating Revenues                                | \$ 931,900                              |            | \$ 931,900   | \$ 813,400                      |            | \$ 813,400   |
| Operating Costs and Expenses:                     |   |            |              |                                 |            |              |
| Mineral holding costs                             | 2,369,800                               |            | 2,369,800    | 2,312,800                       |            | 2,312,800    |
| Asset retirement obligations                      |   |            | -            | 854,600                         |            | 854,600      |
| General and administrative                        | 12,156,800                              |            | 12,156,800   | 14,007,000                      |            | 14,007,000   |
| Other   | 250,400                                 |            | 250,400      | 309,700                         |            | 309,700      |
|   | 14,777,000                              | -          | 14,777,000   | 17,484,100                      | -          | 17,484,100   |
| Loss before investment and property transactions: | (13,845,100)                            |            | (13,845,100) | (16,670,700)                    |            | (16,670,700) |
| Other Income & (Expenses):                        |   |            |              |                                 |            |              |
| Gain on sale of assets                            | 1,962,000                               |            | 1,962,000    | 3,063,600                       |            | 3,063,600    |
| Loss on sale of marketable securities             | (8,318,400)                             |            | (8,318,400)  | (867,300)                       |            | (867,300)    |
| Gain on foreign exchange                          | 430,000                                 |            | 430,000      | -                               |            |              |
| Gain on sale of uranium assets                    | 111,728,200                             |            | 111,728,200  | -                               |            |              |
| Gain on sale of investments                       |   |            | -            | 10,815,600                      |            | 10,815,600   |
| Loss on gain from valuation of derivatives        |   |            | -            | (630,900)                       |            | (630,900)    |
| Loss on Enterra share                             |   |            | -            | (3,845,800)                     |            | (3,845,800)  |

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|  |               |              |               |              |              |              |              |              |
|--|---------------|--------------|---------------|--------------|--------------|--------------|--------------|--------------|
| exchange   |               |              |               |              |              |              |              |              |
| Settlement of litigation                               |               |              |               | -            | (7,000,000)  |              | (7,000,000)  |              |
| Other  | 1,959,700     |              | 1,959,700     |              | 767,500      |              | 767,500      |              |
|  | 107,761,500   |              | -             | 107,761,500  | 2,302,700    |              | -            | 2,302,700    |
| Loss before minority interest,                         |               |              |               |              |              |              |              |              |
| discontinued operations and income taxes               | 93,916,400    |              | 93,916,400    |              | (14,368,000) |              | (14,368,000) |              |
| Minority interest in loss of consolidated subsidiaries |               |              |               |              |              |              |              |              |
|  | (3,551,400)   | 3,555,900    |               | 4,500        | 88,600       |              | 88,600       |              |
| Loss before income taxes                               |               |              |               |              |              |              |              |              |
|  | 90,365,000    | 3,555,900    |               | 93,920,900   | (14,279,400) |              | -            | (14,279,400) |
| Income Taxes:  |               |              |               |              |              |              |              |              |
| Current (provision for) benefit                        | (18,625,100)  |              | (18,625,100)  |              | 235,000      |              | 235,000      |              |
| Deferred (provision for) benefit                       | (14,512,700)  |              | (14,512,700)  |              | 15,096,600   |              | 15,096,600   |              |
|  | (33,137,800)  |              | -             | (33,137,800) | 15,331,600   |              | -            | 15,331,600   |
| Net Income Loss  |               |              |               |              |              |              |              |              |
|  | \$ 57,227,200 | \$ 3,555,900 | \$ 60,783,100 | \$ 1,052,200 | \$ -         | \$ 1,052,200 |              |              |
| Per Share Data   |               |              |               |              |              |              |              |              |
| Basic earnings per share                               | \$ 2.86       | \$ 0.17      | \$ 3.04       | \$ 0.06      | \$ 0.06      | \$ 0.06      | \$ 0.06      |              |
| Diluted earnings per share                             | \$ 2.61       | \$ 0.16      | \$ 2.78       | \$ 0.05      | \$ 0.05      | \$ 0.05      | \$ 0.05      |              |

**NOTES TO U.S. ENERGY COPR. UNAUDITED PRO FORMA COMBINED CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS  
AS OF SEPTEMBER 30, AND DECEMBER 31, 2006**

1. Basis of Pro Forma Presentation

The unaudited pro forma combined condensed consolidated financial statements of USE have been prepared on the basis of assumptions relating to the allocation of consideration paid for the acquired assets and liabilities of Crested based on the best preliminary estimates of USE's management. The actual allocation of the amount of the consideration may differ from that reflected in these unaudited pro forma combined condensed consolidated financial statements, based upon the completion of a valuation. The table below sets forth the estimated purchase price allocation for USE at September 30, 2007:

|   |               |
|---|---------------|
| Fair value of USE common stock issued, not including stock-based compensation allocable to USE shares issued for Crested shares underlying Crested options: | \$ 11,841,200 |
| Estimated fair value of:<br>stock-based compensation (USE shares issued for Crested shares underlying Crested options):                                     | \$ 871,600    |
| Total Pro Forma Consideration   | \$ 12,712,800 |

2. Pro Forma Adjustments

These adjustments reflect the components of the aggregate purchase consideration and related transaction costs, which includes USE common stock with a market value of \$12,712,800 at September 30, 2007 and \$14,524,700 at December 31, 2006 (including shares issued for the Crested shares underlying the Crested options).

The USE shares' market value is based on a per share value of approximately \$4.42, which was the market price at the close on September 28, 2007 and \$5.05 on December 29, 2006. The calculation of the number of USE shares to be issued, 2,876,188 total shares, is based upon the agreed upon exchange ratio of 2 shares of Crested for 1 share of USE based on the price per share as computed by the independent consultants to the Special Committees of USE and Crested which was recommended by the Special Committees of both companies and ratified by the full boards of directors of each company on December 20, 2006 of \$4.74 per share for USE and \$2.32 per share for Crested. The ratio of 2 shares of Crested for 1 share of USE represented a premium of about 12% in the value of the Crested minority shares (if the merger had closed that day) to the relative stock prices between the two companies for the 30 days ended December 18, 2006.

3. Allocation of Pro Forma Purchase Consideration

The pro forma purchase consideration of \$12,712,800 at September 30, 2007 is allocated to mining claims. This allocation represents consideration of Crested's interest in the Lucky Jack Molybdenum property near Crested Butte, Colorado not owned by USE. Management believes that the fair value of this property is substantially greater than Crested's book value. At this time, management intends to conduct a formal valuation of this property to confirm that valuation estimate.

(d) Exhibits. None



**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 hereunto duly authorized.

U.S. ENERGY CORP.

Dated: November 27, 2007

By:

/s/ Keith G. Larsen  
Chief Executive Officer

7

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