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CALIFORNIA COASTAL COMMUNITIES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

02-0426634
(I.R.S. Employer Identification No.)

6 Executive Circle, Suite 250
Irvine, California
(Address of principal executive offices)

92614
(Zip Code)

Registrant's telephone number, including area code: **(949) 250-7700**

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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit 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 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
(Do not check if a smaller reporting company)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of November 1, 2010 there were 10,995,902 shares of Common Stock, par value \$.05 outstanding

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CALIFORNIA COASTAL COMMUNITIES, INC.

(DEBTOR-IN-POSSESSION)

FORM 10-Q

FOR THE QUARTER ENDED SEPTEMBER 30, 2010

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CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Exchange Act of 1933 and Section 21E of the Securities Exchange Act of 1934 that relate to future events or our future financial performance. In addition, other statements we may make from time to time, such as press releases, oral statements made by our officials and other reports that we file with the Securities and Exchange Commission may also contain such forward-looking statements. Undue reliance should not be placed on these statements which involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as may, will, should, expects, plans, anticipate, believes, estimates, predicts, potential, continue, or the negative of such terms or other comparable terminology.

These forward-looking statements include, but are not limited to:

- the impact, effect and eventual result of the Chapter 11 Cases in restructuring our debt obligations under the Revolving Loan and Term Loan;
- our and the other Debtors' ability to remain as a debtors-in-possession during the pendency of the Chapter 11 Cases;
- our compliance with future debt covenants and actions we may take with respect thereto;
- economic changes nationally or in local markets, including changes in consumer confidence, volatility of mortgage interest rates and inflation;
- continued or increased downturn in the homebuilding industry;
- the potential for additional real estate impairment charges;
- statements about our strategies, plans, objectives, goals, expectations and intentions;

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- information relating to anticipated operating results, financial resources, changes in revenues, changes in profitability, interest expense, growth and expansion;
- the impact of demographic trends and supply constraints on the demand for and supply of housing;
- housing market conditions in the geographic markets in which we operate;
- the number and types of homes and number of acres of land that we may develop and sell;
- our ability to deliver homes from backlog;
- the timing and outcomes of regulatory approval processes or administrative proceedings, which may result in delays in land entitlement, development, construction, or the opening of new communities;
- our ability to secure materials and subcontractors;
- our ability to produce the liquidity and capital necessary to service our debt, fund operations, expand and take advantage of future opportunities if current market conditions persist;
- our cost of and ability to access additional capital;
- our ability to realize the value of our net operating loss carry forwards;
- our ability to continue relationships with current or future partners;
- the effectiveness and adequacy of our disclosure and internal controls;
- the impact of recent accounting pronouncements; and

- stock market valuations.

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Any or all of the forward-looking statements included in this report and in any other reports or public statements made by us may turn out to be inaccurate. This can occur as a result of incorrect assumptions or as a consequence of known or unknown risks and uncertainties. These risks and uncertainties include the unpredictability of the Chapter 11 bankruptcy process; our dependence on the California market; the competitive environment in which we operate; local, regional and national economic conditions; the effects of the current national credit market crisis, inflation and the recession; our ability to comply with the covenants and amortization schedules contained in our debt facilities after we emerge from bankruptcy; the demand for homes; adverse market conditions that could result in additional inventory impairments, including an oversupply of unsold homes, declining home prices, and increased foreclosure and short sale activity; declines in consumer confidence; increases in competition; fluctuations in interest rates and the availability of mortgage financing; mortgage foreclosure rates; the availability and cost of land for future growth; the availability of capital, including access under our existing credit facilities; uncertainties and fluctuations in capital and securities markets; changes in tax laws and their interpretation; legal proceedings; the ability of customers to finance the purchase of homes or sell existing homes; the availability and cost of labor and materials; the amount of our debt and the impact of restrictive covenants in our loan agreements; adverse weather conditions; domestic and international political events; geopolitical risks and the uncertainties created by terrorist attacks; the effects of governmental regulation, including regulations concerning development of land, the home building industry, sales and customer financing processes, and the environment; and other risks discussed in our filings with the Securities and Exchange Commission. Many factors mentioned in this report or in other reports or public statements made by us, such as government regulation and the competitive environment, will be important in determining our future performance. Consequently, actual results may differ materially from those that might be anticipated from our forward-looking statements. You should not place undue reliance on any of these forward-looking statements because they are based on current expectations or beliefs regarding future events or circumstances, which involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by these forward-looking statements.

Although we believe that our strategies, plans, objectives, goals, expectations and intentions reflected in, or suggested by these forward-looking statements are reasonable given current information available to us, we can give no assurance that any of them will be achieved. Forward-looking statements speak only as of the date they are made. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. However, any further disclosures made on related subjects in our subsequent reports on Forms 10-K, 10-Q and 8-K should be consulted.

These forward-looking statements should be considered in light of the information included in this report and our other filings with the Securities and Exchange Commission, including, without limitation, the description of trends and other factors in Management's Discussion and Analysis of Financial Condition and Results of Operations, set forth in this Form 10-Q and in our Form 10-K for the year ended December 31, 2009 together with the Risk Factors set forth therein. You should also read the following Consolidated Financial Statements and the related notes.

Forward-looking statements speak only as of the date they are made and we assume no, and hereby disclaim any, obligation to update any of the foregoing or any other forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason after the date of this Form 10-Q. We nonetheless reserve the right to make such updates from time to time by press release, periodic report or other method of public disclosure without the need for specific reference to this Form 10-Q or any other report filed by us. No such update shall be deemed to indicate that other statements not addressed by such update remain correct or create an obligation to provide any other updates.

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CALIFORNIA COASTAL COMMUNITIES, INC.

(DEBTOR-IN-POSSESSION)

CONSOLIDATED BALANCE SHEETS

(unaudited)

(in millions)

	September 30, 2010	December 31, 2009
ASSETS		
Cash and cash equivalents	\$ 3.0	\$ 8.9
Restricted cash	0.8	0.8
Real estate inventories	225.1	235.4
Other assets, net	2.3	4.8
	\$ 231.2	\$ 249.9
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities not subject to compromise:		
Accounts payable and accrued liabilities	\$ 4.9	\$ 2.9
Model home financing	22.5	22.5
Other liabilities	1.6	0.4
Total liabilities not subject to compromise	29.0	25.8
Liabilities subject to compromise:		
Accounts payable and accrued liabilities	1.1	0.9
Revolving loan	81.7	81.7
Term loan	99.8	99.8
Other liabilities	8.4	8.3

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Total liabilities subject to compromise	191.0	190.7
Commitments and contingencies		
Stockholders' equity:		
Common Stock \$.05 par value; 13,500,000 shares authorized; 10,995,902 shares issued and outstanding	0.5	0.5
Excess Stock \$.05 par value; 13,500,000 shares authorized; no shares outstanding		
Additional paid-in capital	59.6	59.5
Accumulated deficit	(46.3)	(24.0)
Accumulated other comprehensive loss, net	(2.6)	(2.6)
Total stockholders' equity	11.2	33.4
	\$ 231.2	\$ 249.9

See the accompanying notes to Consolidated Financial Statements.

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CALIFORNIA COASTAL COMMUNITIES, INC.

(DEBTOR-IN-POSSESSION)

CONSOLIDATED STATEMENTS OF OPERATIONS

(in millions, except per share amounts)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Revenues:				
Homebuilding	\$ 5.6	\$ 9.6	\$ 16.3	\$ 32.9
Land sales		1.8	1.4	1.8
	5.6	11.4	17.7	34.7
Costs of sales:				
Homebuilding	5.0	8.0	15.0	25.4
Land sales		1.8		1.8
Loss on impairment of real estate inventories	8.0		14.0	3.2
	13.0	9.8	29.0	30.4
Gross operating (loss) profit	(7.4)	1.6	(11.3)	4.3
Selling, general and administrative expenses	1.0	1.1	3.2	3.6
Reorganization costs	2.3		6.0	
Interest expense	0.1		0.1	0.8
Gain on debt restructuring		(4.1)		(24.8)
Other expense, net	1.3	1.1	1.6	1.8
(Loss) income before income taxes	(12.1)	3.5	(22.2)	22.9
Income tax expense	0.1	21.6	0.1	37.1
Net loss	\$ (12.2)	\$ (18.1)	\$ (22.3)	\$ (14.2)
Net loss per common share:				
Basic and diluted	\$ (1.11)	\$ (1.65)	\$ (2.03)	\$ (1.29)
Common equivalent shares:				

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Basic and diluted	11.0	11.0	11.0	11.0
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See the accompanying notes to Consolidated Financial Statements.

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CALIFORNIA COASTAL COMMUNITIES, INC.

(DEBTOR-IN-POSSESSION)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

(unaudited)

	Nine Months Ended September 30,	
	2010	2009
Cash flows from operating activities:		
Net loss	\$ (22.3)	\$ (14.2)
Adjustments to reconcile net loss to cash used in operating activities:		
Gain on debt restructuring		(24.8)
Model homes depreciation	0.2	0.2
Deferred taxes	(8.3)	8.9
Deferred tax asset valuation allowance	8.4	28.2
Gains on sales of real estate inventories and land	(2.6)	(7.5)
Loss on impairment of real estate inventories	14.0	3.2
Proceeds from sale of real estate inventories and land, net	17.0	33.6
Increase in real estate inventories	(17.0)	(21.8)
Accrued or prepaid reorganization costs	1.0	
Changes in assets and liabilities:		
Decrease in other assets	1.0	1.3
Increase in accounts payable, accrued and other liabilities	2.7	0.3
Cash (used in) provided by operating activities	(5.9)	7.4
Cash flows from investing activities:		
Change in restricted cash		0.4